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

Condensed Interim Consolidated Financial Statements for the years and three month periods ended December 31, 2016 and 2015 and Independent Auditor's Review Report Dated February 21, 2017

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

Condensed Interim Consolidated Financial Statements as of December 31, 2016 and for the twelve and three-month (Unaudited) periods ended December 31, 2016 and 2015

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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	December 31, 2016	December 31, 2015
Current assets:			
Cash and cash equivalents		$ 24,918	$ 40,377
Short-term investments	13	80	20,068
Finance lease receivables	5, 13	7,155	-
Trade and other receivables, net		100,886	53,728
Due from unconsolidated affiliates	3	12,976	27,608
Income taxes receivable		6,390	16,226
Natural gas inventories		6,083	4,628
Derivative financial instruments	13	6,913	1,926
Value added tax receivable		27,600	46,807
Carbon allowances	10	-	5,385
Other assets		9,289	8,576
Restricted cash	2.c	51,363	-
Assets held for sale	1, 7	191,287	-
Total current assets		444,940	225,329
Non-current assets:			
Due from unconsolidated affiliates	3	104,352	111,766
Derivative financial instruments		1,127	-
Finance lease receivables	5, 13	950,311	14,510
Deferred income tax assets		75,999	78,965
Investments in joint ventures	4	125,355	440,105
Carbon allowances	10	-	12,975
Other assets		4,855	1,938
Property, plant and equipment, net	8, 16	3,614,085	2,595,840
Intangible assets	9	154,144	-
Goodwill	6	1,651,780	25,654
Total non-current assets		6,682,008	3,281,753
Total assets		$ 7,126,948	$ 3,507,082

Liabilities and Stockholders' Equity	Notes	December 31, 2016	December 31, 2015
Current liabilities:			
Short-term debt	11, 13	$ 493,571	$ 88,507
Trade and other payables		94,566	43,849
Due to unconsolidated affiliates	3, 13	260,914	352,650
Income tax liabilities		13,322	14,095
Derivative financial instruments	13	10,310	-
Other financial liabilities		5,877	6,444
Provisions		930	1,293
Other taxes payable		27,872	13,881
Carbon allowances	10	-	5,385
Other liabilities		28,861	17,237
Liabilities held for sale	1, 7	35,451	-
Total current liabilities		971,674	543,341
Non-current liabilities:			
Long-term debt	12, 13	1,039,804	299,925
Due to unconsolidated	3, 13	3,080	38,460
Deferred income tax liabilities		489,607	261,294
Carbon allowances	10	-	12,611
Provisions		51,035	34,236
Derivative financial instruments	13	215,851	133,056
Employee benefits		5,586	4,295
Total non-current liabilities		1,804,963	783,877
Total liabilities		2,776,637	1,327,218
Stockholders' equity:			
Common stock	15	963,272	762,949
Additional paid-in capital	15	2,351,801	973,953
Accumulated other comprehensive loss		(126,658)	(103,944)
Retained earnings		1,161,896	546,906
Total equity attributable to owners of the Company		4,350,311	2,179,864
Commitments and contingencies	18, 19		
Events after the reporting period	21		
Total liabilities and equity		$ 7,126,948	$ 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	Year ended December 31,		Three-month period ended December 31, (Unaudited)	
		2016	2015	2016	2015
		(notes 1, 7)	(notes 1, 7)	(notes 1, 7)	(notes 1, 7)
Revenues	16	$ 717,894	$ 613,041	$ 251,611	$ 148,148
Cost of revenues		(237,789)	(257,226)	(61,955)	(59,612)
Operating, administrative and other expenses		(104,754)	(81,857)	(40,590)	(21,370)
Depreciation and amortization		(64,384)	(52,470)	(21,394)	(14,101)
Interest income		6,269	6,701	1,671	1,534
Finance costs		(20,836)	(9,859)	(8,738)	(3,261)
Other gains and (losses), net		2,168	(11,426)	4,314	(620)
Remeasurement of equity method investment	6	673,071	-	-	-
Profit before income tax and share of profits of joint ventures		971,639	206,904	124,919	50,718
Income tax expense	14	(147,158)	(94,237)	(89,868)	(15,019)
Share of profits of joint ventures, net of income tax	4, 16	42,841	42,319	2,400	15,108
Profit for the year / period from continuing operations		$ 867,322	$ 154,986	$ 37,451	$ 50,807
Discontinued operation:					
Loss for the year / period from discontinued operations, net of income tax	7	(112,332)	(14,797)	(9,918)	(6,219)
Profit for the year / period	16, 17	$ 754,990	$ 140,189	$ 27,533	$ 44,588
Earnings per share:					
From continuing and discontinued operations:					
Basic and diluted earnings per share	17	$ 0.61	$ 0.12	$ 0.02	$ 0.04
From continuing operations:					
Basic and diluted earnings per share	17	$ 0.70	$ 0.13	$ 0.03	$ 0.04

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	Year ended December 31, 2016	Year ended December 31, 2015	Three-month period ended December 31, (Unaudited) 2016	Three-month period ended December 31, (Unaudited) 2015
Profit for the year / period	16, 17	$ 754,990	$ 140,189	$ 27,533	$ 44,588
Other comprehensive income (loss):					
Items that will not be reclassified to profit or (loss):					
Actuarial gains (loss) on defined benefits plans		1,765	(1,793)	1,765	(2,047)
Deferred income tax relating to components of other comprehensive income		(530)	538	(530)	614
Total items that will not be reclassified to profit		1,235	(1,255)	1,235	(1,433)
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of financial derivative instruments held for hedging purposes		(17,112)	(6,604)	(534)	721
Deferred income tax on the (loss) gain on valuation of financial derivative instruments held for hedging purposes		5,133	1,981	160	(217)
Gain (loss) on valuation of derivative financial instruments held for hedging purposes of joint ventures		35,308	(5,362)	45,630	8,849
Deferred income tax on the gain (loss) on valuation of financial derivate instruments held for hedging purposes at joint ventures		(10,592)	1,608	(13,688)	(2,655)
Exchange differences on translating foreign operations		(36,686)	(29,981)	(14,238)	(1,502)
Total items that may be subsequently reclassified to profit		(23,949)	(38,358)	17,330	5,196
Other comprehensive (loss) gain for the year / period		(22,714)	(39,613)	18,565	3,763
Total comprehensive income for the year / period		$ 732,276	$ 100,576	$ 46,098	$ 48,351

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		-	-	-	140,189	140,189
Actuarial loss on defined benefits plans, net of income tax		-	-	(1,255)	-	(1,255)
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(4,623)	-	(4,623)
Loss on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax		-	-	(3,754)	-	(3,754)
Exchange differences on translating foreign operations		-	-	(29,981)	-	(29,981)
Total comprehensive income for the year		-	-	(39,613)	140,189	100,576
Dividends paid	15	-	-	-	(170,000)	(170,000)
Balance as of December 31, 2015		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864
Balance as of January 1st, 2016		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864
Profit for the period		-	-	-	754,990	754,990
Actuarial gain on defined benefits plans, net income tax		-	-	1,235	-	1,235
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(11,979)	-	(11,979)
Gain on valuation of financial derivatives held for hedging purposes of joint venture, net of income tax		-	-	24,716	-	24,716
Exchange differences on translating foreign operations		-	-	(36,686)	-	(36,686)
Total comprehensive income for the year		-	-	(22,714)	754,990	732,276
Issuance of shares, net	15	200,323	1,377,848	-	-	1,578,171
Dividends paid	15	-	-	-	(140,000)	(140,000)
Balance as of December 31, 2016		$ 963,272	$ 2,351,801	$ (126,658)	$ 1,161,896	$ 4,350,311

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	Year ended December 31, 2016	Year ended December 31, 2015	Three-month period ended December 31, (Unaudited) 2016	Three-month period ended December 31, (Unaudited) 2015
Cash flows from operating activities:					
Profit for the year / period	16	$ 754,990	$ 140,189	$ 27,533	$ 44,588
Adjustments for:					
Income tax expense	7, 14	117,349	100,406	97,055	17,307
Share of profit of joint ventures, net of income tax	4, 16	(42,841)	(42,319)	(2,400)	(15,108)
Finance costs		21,092	10,103	8,802	3,322
Interest income		(6,294)	(6,743)	(1,678)	(1,538)
(Loss) gain on disposal of property, plant and equipment		(4,233)	3,601	(8,513)	2,046
Impairment loss (gain) recognized on trade receivables		46	30	43	(23)
Impairment property plant and equipment	7	136,880	-	-	-
Remeasurement of equity method investment	6	(673,071)	-	-	-
Depreciation and amortization		66,606	67,682	21,394	17,905
Net foreign exchange loss (gain)		2,390	(8,548)	(652)	(2,080)
(Loss) gain on valuation of derivative financial instruments		(20,710)	690	(22,820)	(664)
		352,204	265,091	118,764	65,755
Movements in working capital:					
Increase (decrease) in trade and other receivables, net		6,175	11,776	(21,889)	31,293
(Decrease) increase in natural gas inventories		(1,455)	4,747	(2,083)	3,191
Increase (decrease) in other assets		18,398	3,615	(7,042)	1,090
Increase (decrease) in trade and other payables		11,874	(17,081)	40,190	(74,284)
(Decrease) increase in provisions		(43,661)	(3,791)	(59,108)	48,432
Increase (decrease) in other liabilities		20,348	(33,638)	12,664	(1,364)
Cash generated from operations		363,883	230,719	81,496	74,113
Income taxes paid		(118,552)	(62,540)	(42,473)	(3,550)
Net cash provided by operating activities		245,331	168,179	39,023	70,563

(Continued)

	Notes	Year ended December 31, 2016	2015	Three-month period ended December 31, (Unaudited) 2016	2015
Cash flows from investing activities:					
Acquisition of subisidiary, net of cash acquired	6	(1,512,248)	-	(434,663)	-
Investment in joint ventures	4	(100,477)	-	(44,637)	-
Interest received		3,875	1,047	-	-
Acquisitions of property, plant and equipment		(315,810)	(300,090)	(45,222)	(114,670)
Loans to unconsolidated affiliates		685	(1,301)	996	(162)
Receipts of loans to unconsolidated affiliates		8,262	41,596	-	-
Restricted cash		46,849	-	46,849	-
Short-term investments		19,988	9,952	-	(20,000)
Net cash used in investing activities		(1,848,876)	(248,796)	(476,677)	(134,832)
Cash flows from financing activities:					
Issuance of shares from follow on public offering		1,602,586	-	1,602,586	-
Share issuance costs		(34,877)	-	(34,877)	-
Interest paid		(35,785)	(20,172)	(15,594)	(2,368)
Proceeds from loans from unconsolidated affiliates	3	1,240,000	339,600	90,000	219,600
Repayment of loans from unconsolidated affiliates	3	(1,369,600)	-	(1,249,500)	-
Payments on bank credit lines		(459,463)	(600,094)	(459,463)	(219,000)
Proceeds from bank credit lines		805,000	495,094	375,000	20,000
Debt issuance cost		(2,400)	(2,536)	(2,400)	(536)
Dividends paid	15	(140,000)	(170,000)	-	-
Net cash provided by financing activities		1,605,461	41,892	305,752	17,696
Net increase (decrease) in cash and cash equivalents		1,916	(38,725)	(131,902)	(46,573)
Cash and cash equivalents at the beginning of the period		40,377	83,637	174,810	85,891
Cash and cash equivalent from assets held for sale	7	(434)	-	657	-
Effects of exchange rate changes on cash and cash equivalents		(16,941)	(4,535)	(18,647)	1,059
Cash and cash equivalents at the end of the period		$ 24,918	$ 40,377	24,918	$ 40,377

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 23.

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 (Please refer to Note 16).

The Gas segment develops, owns and operates, or holds interests in, natural gas, liquefied petroleum gas ("LPG") and ethane pipelines storage facilities for LNG and liquefied natural gas ("LNG") and LPG, 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 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 holds interests in a renewable energy project in a joint venture in Baja California, Mexico, using wind resources to serve costumer in the U. S. (Please refer to Note 1.1.)

According to the relevant event mentioned in Note 1.5. and 1.7., the Company has the following new activities:

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

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

iii) Transportation of ethane gas, in the states of Tabasco, Chiapas and Veracruz, Mexico.

iv) Operation of a wind farm with a capacity of 252 MW, located in the state of Nuevo León, 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 December 31, 2016; the results of these companies are also presented within discontinued operations in the Condensed Interim Consolidated Statements of Profit, which was retrospectively adjusted. Please refer to Note 7.

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

In February 2016, Los Ramones Norte began 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 service agreement with the Comisión 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, with 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 transportation 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 Pemex Transformación Industrial (Pemex TRI)

In July 2016, IEnova announced it had reached an agreement with 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 COFECE 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 has been included in the Condensed Interim Consolidated Financial Statements since the acquisition date (September 26, 2016).

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.

In October 2016, the Company repaid this Bridge Loan.

b) On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount of $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 finance the acquisition of GdC.

In October, 2016, Semco bought IEnova's shares from the common stock follow-on offering ("Global offering"). Semco acquired 83,125,000 shares, at a value per share of $80 Mexican Pesos, the total amount of this transaction amounted to approximately $350.0 million, equivalent to the amount of this loan, therefore Semco relieved IEnova from the payment obligation of this loan as settlement for shares.

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"), a 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.

This transaction was approved in an Extraordinary Shareholders' Meeting on October 7, 2016.

In December, 2016, the COFECE authorized the acquisition of 100 percent of the equity interest in Ventika. The transaction was completed on December 14, 2016 through Controladora Sierra Juárez, S. de R. L. de C. V. ("CSJ") a subsidiary of IEnova. The final price of the transaction was $434.7 million, plus the assumption of outstanding debt of $485.3 million.

Ventika has been included in the Condensed Interim Consolidated Financial Statements since the acquisition date (December 14, 2016).

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 Complex ("La Rumorosa") and Tepezalá II Solar Complex ("Tepezalá II") with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezalá II project will be developed and constructed in collaboration with Trina Solar who will have a 10 percent stake in this project.

The Company, through its subsidiaries will be responsible for 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.

1.9. Follow-on equity offering

On October 13, 2016, the Company carried out a Global offering. The Company issued 380,000,000 shares of common stock at $80.00 Mexican Pesos per share. After the Global offering, the additional and over-allotment option was exercised, the free float represented approximately 33.57 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), the proceeds were used to repay the bridge loan from its affiliate Sempra Global, used to purchase the remaining 50 percent of GdC from Pemex TRI, to fund a portion of the acquisition of the Ventika wind-farm and to fund capital expenditures and general corporate purposes. Please refer to Note 15.3.

As a result of the Global Offering, the Company raised $30,400 million of Mexican Pesos, and the issuance costs amounted to $459,313.3 Mexican Pesos. Please refer to Note 15.

1.10. Financing with unconsolidated affiliates

On December 27, 2016, IEnova entered into two related parties revolving credit facilities for $20.0 million with Peruvian Opportunity Company S. A. C. ("POC") and $70.0 million with Inversiones Sempra Latin America Limitada ("ISLA"). The revolving credit facilities have the following characteristics:

- U.S. Dollar-denominated.
- Twelve-month term, with an option to be extended up to four years.
- Financing to cover working capital needs and general corporate purposes.

1.11. Restructure of credit agreement and new credit agreement

On August 21, 2015, IEnova as a debtor, entered into a revolving credit line of up to $400.0 million with a syndicate group of four banks including, Santander, Bank of Tokyo Mitsubishi, The Bank of Nova Scotia and Sumitomo Mitsui Banking Corporation ("SMBC"). The revolving credit has the following characteristics:

- U.S. Dollar-denominated.
- Twelve month term, with an option to extend up to five years.
- Financing to repay and cancel the previous loans contracted in 2014 with Banco Santander (México), S.A., Institución de Banca Múltiple and SMBC, as well as to finance working capital and for general corporate purposes.

On December 22, 2015, the Company entered into an amendment agreement, in connection with the existing unsecured revolving credit agreement with Banco Nacional de México, SMBC, as Administrative Agent, and the financial institutions party thereto, as Lenders, (the "Credit Agreement") whereby it agreed to increase the amount of the line of credit under the Credit Agreement to a maximum aggregate in the amount of $600.0 million from the previously authorized maximum in the amount of $400.0 million. Please refer to Note 11.

On November 3, 2016, the Company entered into a second amendment agreement, in connection to the revolving credit mentioned above, in which Bank of America, N. A. ("BofA"), BBVA Bancomer S. A., Institucion de Banca Multiple, Grupo Financiero BBVA Bancomer ("BBVA") and Mizuho Bank LTD ("Mizuho") joined as new lenders and with the existing lenders whereby agreed to increase the amount of the credit line under the Credit Agreement to a maximum aggregate in the amount of $1,170.0 million from the previously authorized maximum of $600.0 million.

On December 30, 2016, a portion of this revolving credit was paid in the amount of $200.0 million.

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, 2016 and 2015.

c. ***Cash and cash equivalents***

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that are highly liquid and easily convertible into cash, mature within three months as of their acquisition date, and are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in the Condensed Interim Consolidated Statements of Profit.

Restricted cash comprises the amounts of cash of escrows used by the Company to make payments of certain operating costs, which are guaranteed until the completion of the projects. It also comprises the restricted cash under the project financing structure.

d. ***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.

e. ***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 acquires 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 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.

f. ***Intangible assets***

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

a. ***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 7, an impairment loss related has been recognized 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.

b. ***Finance lease***

The Company has a long-term natural gas compression arrangement with Pemex TRI y Centro Nacional de Control del Gas Natural ("CENAGAS"). The contract provides Pemex TRI with the right to use 100-percent of the compression station's output for 20 years, with an additional five years, in return for fixed capacity payments.

Management has determined that the arrangement should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the compression station as of such date. Details of the finance lease asset are included in Note 5.

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			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Effects of continuing operation with Gasoducto Rosarito, S. de R. L. de C. V. ("GRO") and IEnova Marketing, S. de R. L. de C. V. ("formerly IEnova LNG")	$ 61,382	$ 84,838	$ 17,061	$ 20,116

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

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

	Revenues			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Sempra LNG International Holdings, LLC (“SLNGIH”)	$ 101,998	$ 51,683	$ 22,443	$ 27,634
Discontinued operation – Sempra Generation (“SGEN”)	101,130	143,073	62,358	33,258
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	2,026	1,676	51	1,522
Sempra International, LLC (“Sempra International”)	1,746	1,711	512	449
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	890	98	340	98
Discontinued operation – SESJ	353	428	(12)	428
Energía Sierra Juárez, S. de R. L. de C. V. (“ESJ”)	94	-	9	-
Discontinued operation – Sempra Gas & Power Marketing, LLC (“SG&PM”)	62	-	62	-
Southern California Gas Company (“SoCalGas”)	12	-	-	-
Sempra LNG International, LLC (“SLNGI”)	-	49,138	-	-

	Cost of revenues and operating, administrative and other expenses			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
SLNGI	$ 178,145	$ 190,519	$ 45,902	$ 41,847
Discontinued operation – SGEN	22,152	27,634	3,799	10,190
Sempra International	8,301	5,822	5,264	1,578
Sempra U. S. Gas & Power, LLC (“USGP")	6,930	6,709	1,698	1,702
SGEN	3,183	4,380	-	2,145
SG&PM	3,102	-	1,816	-
SoCalGas	1,450	1,031	350	305
Discontinued operation – SG&PM	1,022	-	1,022	-
Sempra Midstream, Inc. (“Sempra Midstream”)	688	746	167	196
Sempra Services Company, S. de R. L. de C. V. (“Sempra Services Company”) *	-	128	-	-

* In December 2015, this company was liquidated.

	Interest income			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
DEN	$ 4,082	$ 4,638	$ 1,043	$ 970
ESJ	1,122	1,450	243	369
Discontinued operation – SGEN	24	11	7	4
Sempra Servicios México, S. de R. L. de C. V. *	-	2	-	-

* In December 2015, this company was liquidated.

	Finance cost			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
ISLA	$ 1,618	$ 1,455	$ 419	$ 446
Sempra Oil Trading Suisse (“SOT Suisse”)	1,363	1,448	323	360
Sempra Energy Holding XI, B. V. (“SEH”)	1,236	47	51	47
SEG	831	-	651	-
Inversiones Sempra Limitada (“ISL”)	534	485	134	148
Semco	364	-	28	-
DEN	46	-	42	-
POC	4	-	4	-

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

	Amounts due from unconsolidated affiliates	
	As of	
	12/31/16	12/31/15
SLNGIH	$ 6,456	$ 9,685
DEN	5,754	-
ESJ	539	51
SESJ	174	138
SLNGEL	53	668
SGEN *	-	17,066
	$ 12,976	$ 27,608

* As of December 31, 2016, the amount was reclassified to assets held for sale.

	Amounts due to unconsolidated affiliates	
	As of	
	12/31/16	12/31/15
ISLA (i)	$ 160,091	$ 90,000
SOT Suisse	38,460	-
ISL (i)	30,025	30,000
POC (ii)	20,004	-
SLNGI	11,135	12,220
Sempra International	582	470
SG&PM	491	-
SoCalGas	120	-
Sempra Midstream	6	-
SEH (iii)	-	219,600
SGEN	-	360
	$ 260,914	$ 352,650

(i) On March 2, 2015, IEnova entered into a $90.0 million and a $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 a nine month terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis at 1.98% of outstanding balances. In December 2016 and 2015, the Company signed addendums modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2017. The interest rate applicable shall be computed each calendar quarter at the rate of 1.75% per annum.

On December 27, 2016, IEnova entered into a $70.0 million U.S. Dollar-denominated affiliate revolving credit facility with ISLA, to finance working capital and for general corporate purposes. The credit is a twelve month term, with an option to extend for up to four years. Interest of the outstanding balance is payable on a quarterly basis at rate of 1.75% per annum.

(ii) On December 27, 2016, IEnova entered into a $20.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit is a twelve month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at a rate of 1.75% per annum.

(iii) 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 agreement is for twelve months. Interest is payable on a quarterly basis at three-month LIBOR plus 0.17 percent of outstanding balances. On August 1st, 2016, the Company paid $120.5 million, this amount includes the corresponding interest. In October, 2016 with the proceeds from the Global Offering, the outstanding balance of $99.5 million was paid in full by the Company.

On September 26, 2016, IEnova entered into a $800.0 million of U.S. Dollar-denominated loan with SEG, to finance GdC's acquisition. The agreement as for two-month term. Interest is payable on a monthly basis at LIBOR plus 110 basis point of outstanding balances. In October 2016, with the proceeds from the Global Offering, the Company repaid this loan including the corresponding interests.

On September 26, 2016, IEnova entered into a $350.0 million of U.S. Dollar-denominated loan with Semco, to finance GdC's acquisition. The agreement was for two month term. Interest was payable on a monthly basis at LIBOR plus 110 basis point of outstanding balances. For more details please refer to Note 1.9.

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 $8.3 million and $5.9 million for the year ended December 31, 2016 and 2015 respectively and $5.1 million and $1.5 million for the three-month period ended December 31, 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	
	12/31/16	12/31/15
DEN	$ 90,045	$ 85,963
ESJ	14,307	25,142
SGEN *	-	661
	$ 104,352	$ 111,766

* As of December 31, 2016, the amount was reclassified to assets held for sale.

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

	As of	
	12/31/16	12/31/15
DEN	$ 3,080	$ -
SOT Suisse (*)	-	38,460
	$ 3,080	$ 38,460

* This amount was reclassified in 2016 to current liabilities.

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

Total compensation expense of key management personnel was $5.0 million and $8.8 million for the year ended December 31, 2016 and 2015, respectively and $0.7 million and $0.6 million for the three-month period ended December 31, 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, Pemex subsidiary (Please refer to Note 6). 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 were no other changes 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:

	As of 12/31/15
Cash and cash equivalents	$ 22,080
Short-term investments	10,780
Other 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	64,943
Carrying amount of investment in GdC	$ 419,876

	Period ended / Year ended		Three-month period ended	
	09/26/16	12/31/15	09/26/16	12/31/15
Revenues	$ 199,996	$ 249,424	$ 53,257	$ 65,184
Operating, administrative and other expenses	(60,174)	(66,539)	(24,450)	(14,377)
Finance cost	(20,989)	(28,673)	(4,771)	(7,896)
Income tax, expense	(53,409)	(64,307)	(23,737)	(17,534)
Share of profits of joint venture, net of income tax	15,417	(6,936)	5,916	9,299
Profit for the period	$ 80,841	$ 82,969	$ 6,215	$ 34,676
Share of profits of GdC	$ 40,421	$ 41,485	$ 3,108	$ 17,338

(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 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 December 31, 2016, GdC has $370.0 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 December 31, 2016, the contributions are as follows:

	As of 12/31/16
Pemex TRI *	$ 90,045
IEnova *	90,045
	$ 180,090

* Includes interests.

Under the terms of the contract, the contributions made in 2014, are presented as loans to DEN. As of December 31, 2016 and 2015, amounts outstanding have generated interest of $4.0 million and $4.6 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 $1.3 million approximately (including a LC facility for Debt Service Reserve). In addition TAG 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 December 31, 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:

	As of	
	12/31/16	**12/31/15**
Cash and cash equivalents	$ 9,601	$ 12,930
Other assets	15,201	21,937
Total current assets	24,802	34,867
Deferred income tax	5,413	6,534
Other non-current assets	2,650	12,347
Property, plant and equipment, net	264,468	276,352
Total non-current assets	272,531	295,233
Total assets	$ 297,333	$ 330,100
Current liabilities	$ 17,777	$ 7,248
Non-current liabilities	255,070	306,635
Total liabilities	272,847	313,883
Total members' equity	$ 24,486	$ 16,217
Share of members' equity	12,243	8,108
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 24,364	$ 20,229

	Year ended		Three-month period ended	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Revenues	$ 44,283	$ 29,227	$ 11,592	$ 9,603
Operating, administrative and other expenses	(20,773)	(13,491)	(5,421)	(4,766)
Finance cost, net	(16,731)	(9,426)	(3,984)	(7,821)
Other gain, net	221	-	428	-
Income tax expenses	(1,886)	(4,642)	(1,829)	(1,476)
Profit income (loss) for the year / period	$ 5,114	$ 1,668	$ 786	$ (4,460)
Share of profit (loss) of ESJ	$ 2,557	$ 834	$ 393	$ (2,230)

(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 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"), NORD/LB and 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 $227.5 million and the breakdown is as follows:

		Debt balance
Mizuho	$	51,069
NAFINSA		37,141
NORD/LB		51,069
NADB		37,141
SMBC		51,069
	$	227,489

(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 Mexican Pesos (approximately $35.0 million historical U.S. Dollar). 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 Mexican 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 agreement establishes that capital calls are contributed on a pro rata basis by the members. CSJ 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 December 31, 2016.

4.3. IMG

As of December 31, 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:

	As of 12/31/16
Cash and cash equivalents	$ 128,110
Other current assets	12,947
Total current assets	141,057
Total non-current assets	135,494
Total assets	$ 276,551
Current liabilities	$ 27,916
Non-current liabilities	2,678
Total liabilities	$ 30,594
Total members' equity	$ 245,957
Share of member's equity and carrying amount of investment in IMG	$ 98,383

	Year ended 12/31/16	Three-month period ended 12/31/16
Operating, administrative and other expenses	$ (1,646)	$ (861)
Finance costs	(467)	(1,326)
Income tax expense	(3,122)	(3,060)
Loss for the period	$ (5,235)	$ (5,247)
Share of losses of IMG	$ (2,094)	$ (2,099)

(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. (Please refer to Note 1.5.)

As of December 31, 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:

	As of 12/31/16
Cash and cash equivalents	$ 8,819
Due from unconsolidated affiliates	4,012
Other assets	4,278
Total current assets	17,109
Deferred income tax	17,364
Other non-current assets	1,461
Investments in joint venture	155,327
Property, plant and equipment, net	228
Total non-current assets	174,380
Total assets	$ 191,489
Current liabilities	$ 646
Non-current liabilities	185,627
Total liabilities	$ 186,273
Total members' equity	$ 5,216
Share of members' equity and carrying amount of investment in DEN	$ 2,608

	From 09/26/2016 to 12/31/2016	Three month period ended 12/31/16
Revenues	$ 5,623	5,450
Operating, administrative and other expenses	(5,310)	(5,089)
Finance costs	(341)	(244)
Other losses	(2,126)	(2,007)
Income tax benefit	3,464	2,918
Share of losses of joint ventures, net of income tax	2,604	7,184
Profit for the period	$ 3,914	8,212
Share of profit of DEN	$ 1,957	4,106

TAG Holding, together with 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 and 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 in 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 December 31, 2016, the total outstanding loan is $1,214.4 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 contain 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 December 31, 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	$ 1,214.4

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 Mexican Pesos. As of December 31, 2016, dispositions of $3,660.0 million Mexican Pesos were taken from the credit line and advance payments were made for $3,399.0 million Mexican Pesos.

5. Finance leases

5.1 *Finance lease receivable – Natural Gas Compression Plant*

	As of	
	12/31/16	12/31/15
Current finance lease receivables	$ 219	$ 156
Non-current finance lease receivables	14,135	14,354
	$ 14,354	$ 14,510

Leasing arrangements

The Company entered into a finance lease arrangement for one of its compression stations. The lease is denominated in U.S. Dollars. The term of the finance lease is 25 years.

5.1.1 Amounts receivable under finance leases

	Minimum lease payments As of		Present value of minimum lease payments As of	
	12/31/16	12/31/15	12/31/16	12/31/15
Not later than one year	$ 5,136	$ 5,137	$ 219	$ 156
Later than one year and not later than five years	22,458	22,458	3,403	2,422
More than five years	24,395	29,531	10,732	11,932
	51,989	57,126	14,354	14,510
Less: unearned finance income	(37,635)	(42,616)	n/a	n/a
Present value of minimum lease payments receivable	14,354	14,510	14,354	14,510
	$ 14,354	$ 14,510	$ 14,354	$ 14,510

No residual values of assets leased under finance lease at the end of the reporting period are estimated.

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term.

The average effective interest rate contracted is approximately 34.48% per annum for 2016 and 2015.The receivable under finance lease balance as of December 31, 2016 and 2015 is neither past due nor impaired.

5.2 *Finance lease receivable –Ramones*

	As of 12/31/16
Current finance lease receivables	$ 3,383
Non-current finance lease receivables	571,070
	$ 574,453

Leasing arrangements

The Company entered into a finance lease arrangement for one of its compression stations. The lease is denominated in U.S. Dollars. The term of the finance lease is 25 years.

5.2.1 Amounts receivable under finance leases

	Minimum lease payments As of 12/31/16	Present value of minimum lease payments As of 12/31/16
Not later than one year	$ 3,384	$ 3,384
Later than one year and not later than five years	430,496	23,977
More than five years	984,650	547,072
	1,418,530	574,433
Less: unearned finance income	(844,077)	-
Present value of minimum lease payments receivable	574,453	574,453
	$ 574,453	$ 574,453

No residual values of assets leased under finance lease at the end of the reporting period are estimated.

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 15.17% in 2016.

The receivable under finance lease balance as of December 31, 2016, is neither past due nor impaired.

5.3 Finance lease receivable – Ethane Pipeline

	As of 12/31/16
Current finance lease receivables	$ 3,553
Non-current finance lease receivables	365,106
	$ 368,659

Leasing arrangements

The Company entered into a finance lease arrangement for one of its compression stations. The lease is denominated in U.S. Dollars. The term of the finance lease is 21 years.

The transportation system refers to:

Segment I. Transports ethane from Ethylene Complex XXI (Braskem-IDESA) to Cangrejera, through a 20 inches pipeline and 4 kilometers. The term of the finance lease is 20.5 years. The average effective interest rate contracted is approximately 16 percent in 2016.

Segment II. Transports ethanol from Nuevo Pemex to Cactus (Chiapas) through a 16 inches pipeline of 15 kilometers and Cactus to the Ethylene XXI Complex (Braskem-IDESA) through a 24 inch pipeline of 133.5 kilometers Long. The term of the finance lease is 20.5 years. The average effective interest rate contracted is approximately 14 percent in 2016.

Segment III. Transports ethane Liquid from Ciudad Pemex to Nuevo Pemex (Tabasco) through a 20 inch pipeline of 73.5 kilometers. The term of the finance lease is 21 years. The average effective interest rate contracted is approximately 14 percent in 2016.

The breakdown of this financial leasing is as follows.

		Amount
Segment I	$	31,951
Segment II		187,936
Segment III		148,772
Total	$	368,659

5.3.1 Amounts receivable under finance leases

		Minimum lease payments As of 12/31/16		Present value of minimum lease payments As of 12/31/16
Not later than one year	$	59,529	$	3,553
Later than one year and not later than five years		303,471		28,779
More than five years		771,459		336,327
		1,134,459		368,659
Less: unearned finance income		(765,800)		-
Present value of minimum lease payments receivable	$	368,659	$	368,659

No residual values of assets leased under finance lease at the end of the reporting period are estimated.

The receivable under finance lease balance as of December 31, 2016, is neither past due nor impaired.

6. Business combinations

6.1 GdC

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 as of 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. and subsidiaries	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 9/26/2016
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)		(484,572)
Total identifiable, net assets	$	1,497,008

(1) Includes $364.0 million related to bank loans. (Please refer to Note 11 and 12)

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

None of the goodwill is expected to be deductible for tax purposes.

Key sources of estimation uncertainty

Selected Valuation Methodology.

GdC is a regulated business will earn a return of its costs and a reasonable return on its invested capital, without other consideration, the value of the assets of a regulated business is the value of its invested capital. Under this premise, the FV of the fixed assets of regulated businesses is equivalent to carrying value for financial reporting purposes, as carrying value reflects the basis for which invested capital is derived, and for which a regulated business is allowed to earn a reasonable return.

The Company concluded that the carrying value of the fixed assets is deemed to be representative of FV for IFRS purposes.

d. *Net cash flow from acquisition of subsidiaries*

	As of 9/26/16
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 at the acquisition date, 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"

6.2 Ventika

On December 14, 2016, IEnova acquired the 100-percent of the shares of Ventika at a value of $434.7 million as mentioned in Note 1.7., which was recorded using the acquisition method as it obtained control over Ventika as of such date. The result of this acquisition has been included in the accompanying Condensed Interim Consolidated Financial Statements as of the acquisition date.

a. *Subsidiaries acquired*

Entity	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Ventika	Wind Farm	December 14, 2016	100%	$ 434,688

Ventika was acquired to continue the expansion of the Company.

b. *Consideration transferred*

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***

	Ventika 12/14/2016
Fair value of business combination:	
Cash consideration (fair value of total consideration)	$ 309,724
Total fair value of business combination	$ 309,724
Cash and cash equivalents *	68,299
Trade and other receivables	14,939
Property, plant and equipment, net	673,410
Intangible asset	154,144
Other assets	37,527
Current liabilities	(145,912)
Non-current liabilities	(621,801)
Total identifiable, net assets	$ 180,606
Goodwill	$ 129,118

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

* Includes restricted cash

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

Key sources of estimation uncertainty

Selected Valuation Methodology.

- Based on the nature of the power facility and generally accepted industry practice, we relied on the Income Approach, specifically the DCF method.
- Associated intangibles such as rights of way / easements are embedded in the value of the PP&E.
- While the Cost Approach was not relied upon to derive our fair value estimate, provided the Income Approach being the preferred approach to valuing an operational wind power facility, it was considered for corroboratory purposes in relation to our fair value estimate derived utilizing the Income Approach. It is noted that our derived fair value estimate embeds a developer margin (i.e., margin above the cost to develop/ construct the power project) that is within the reasonable range of developer margins expected for this type of power facility and at the stage of development associated with Ventika (i.e., recently entering commercial operation).

In addition to what is described above, the Company used different estimates relating, operating statistics, revenues, operating expenses and cash flow items.

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

	As of 12/31/16
Consideration paid in cash	$ 434,688
Less: balances of cash and cash equivalents acquired	(68,299)
Consideration paid in cash, net	$ 366,389

Please refer Exhibit A “Proforma additional information”

7. **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 December 31, 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:

	Year ended		**Three-month period ended**	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Revenues	$ 101,547	$ 143,500	$ 25,142	$ 33,417
Cost of revenues	(85,446)	(114,209)	(22,583)	(28,238)
Operating, administrative and other expenses	(17,515)	(22,354)	(4,804)	(6,202)
Depreciation and amortization	(2,222)	(15,212)	-	(3,804)
Impairment	(136,880)	-	-	-
Interest income	25	42	8	4
Finance costs	(254)	(244)	(62)	(61)
Other (losses) gain, net	(1,396)	(151)	(432)	953
Income tax benefit (expense) *	29,809	(6,169)	(7,187)	(2,288)
Loss for the year / period	$ (112,332)	$ (14,797)	$ (9,918)	$ (6,219)

* As of December 31, 2016, the Company recorded a deferred tax expense in the amount of $6.8 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".

	Year ended		**Three-month period ended**	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Loss per share:				
Losses per share from discontinued operations:				
Basic and diluted loss per share	$ (0.09)	$ (0.01)	$ (0.01)	$ (0.01)

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

	As of 12/31/16
Cash and cash equivalents	$ 434
Other assets	32,813
Total current assets	33,247
Deferred income tax assets	193
Carbon allowance	22,089
Other non-current assets	1,125
Property, plant and equipment, net (1)	134,633
Total non-current assets	158,040
Total assets	$ 191,287
Current liabilities	$ 7,974
Non-current liabilities	27,477
Total liabilities	$ 35,451

(1) As a result of the allocation in assets held for sale, 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 $136.9 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 12/31/16
Cash flows from discontinued operations:	
Net cash flows used in operating activities	$ (868)
Net cash flows used in investing activities	(2,198)
Net cash outflows used in financing activities	(256)
Net cash outflows	$ (3,322)

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 December 31, 2016.

8. Property, plant and equipment

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

	As of 12/31/16	12/31/15
Pipeline projects (*)	$ 686,622	$ 356,099
Other projects	32,205	8,197
	$ 718,827	$ 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 December 31, 2016 and 2015, the Company capitalized interest attributable to the construction in projects in the amount of $14.8 million and $15.0 million, respectively. The weighted average rates used to determine the amount of borrowing costs eligible for capitalization were 3.33% and 3.47%, for the three-month period ended December 31, 2016 and 2015, respectively.

9. Other intangible assets

	As of 12/31/2016
Carrying amounts of:	
Renewable transmission rights	$ 154,144

This amount corresponds to the renewable transmission and consumption rights associated with projects approved under the preexisting self-supply renewable program.

10. 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 7.

11. Short-term debt

Short-term debt includes:

	As of	
	12/31/16	**12/31/15**
Credit agreement (a)	$ 446,034	$ 91,374
Current portion of GdC's bank loan (b)	38,682	-
Current portion of Ventika's bank loan (c)	13,482	-
Borrowing costs	(4,627)	(2,867)
	$ 493,571	$ 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, SMBC, 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.

Withdrawal of credit line. In July, 2016, the Company withdrew $380.0 million, of such credit line to be used for working capital and general corporate purposes. In December, 2016 the Company withdrew $375.0 million of such credit to finance a portion of Ventika's acquisition and for general corporate purposes.

On November 3, 2016, the Company renegotiated the credit line of such credit agreement for an amount up to $1,170.0 million, U.S. Dollar-denominated On December 30, 2016, a portion of this revolving credit was repaid in the amount of $200.0 million. As of December 31, 2016, the available unused credit portion is $724.0 million.

(b) Please refer Notes 6.1.c and 4.1.a

(c) *Financing of project's value added tax.* On April 8, 2014, Ventika and Ventika II entered into a line of credit with Nacional Financiera, S. N. C. Institución de Banca de Desarrollo ("NAFIN") and Banco Nacional de Comercio Exterior, S. N. C. Institución de Banca de Desarrollo ("BANCOMEX"), as lenders. On December 17, 2015, there was an amendment to increase the line for up to $569.4 million Mexican Pesos and $713.3 million Mexican Pesos, respectively. Interest will be accrued at the TIIE plus 250 basis points payable on a quarterly basis. The credit line under this contracts will be used to finance the VAT on the Ventika projects. In 2016 the Company decided to repay and accordingly canceled the total credit facility.

12. Long-term debt

Long-term debt includes:

	As of 12/31/16	As of 12/31/15
Santander – Ventika (d)	$ 472,781	$ -
Bancomer – GdC (c)	317,279	-
CEBURES at fixed rate (a, b)	188,734	226,659
CEBURES at variable rate (a, b)	62,911	75,553
	1,041,705	302,212
Debt issuance costs	(1,901)	(2,287)
	$ 1,039,804	$ 299,925

(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 Mexican 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 Mexican 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 December 31, 2016 was 2.65%.

(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 Mexican 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 6.30%.

ii) For the debt maturing in 2018, the Company swapped a 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 4.64%.

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

(c) 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:

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

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

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.

(d) *Project financing for the Ventika project*. On April 8, 2014, Ventika and Ventika II entered into a project finance loan for the construction of the wind projects with five banks: Santander as administrative and collateral agent, the North American Development Bank ("NADB"), and Banco Nacional de Obras y Servicios Publicos, S. N. C. Institución de Banca de Desarrollo ("BANOBRAS"), Banco Nacional de Comercio Exterior, S. N. C. Institución de Banca de Desarrollo ("BANCOMEX"), and Nacional Financiera, S. N. C. Institución de Banca de Desarrollo ("NAFIN") as lenders.

The credit facilities mature according to the following table, with payments due on a quarterly basis (each March 15, June 15, September 15 and December 30 until the final maturity date), starting on December 15, 2016. The credit facilities bear interest as follow:

Bank	Maturity date	Interest rate applicable
SANTANDER	3/15/2024	3.99% LIBOR + applicable margin
BANOBRAS	3/15/2032	3.99% LIBOR + applicable margin
NADB	3/15/2032	6.66% Fixed rate + applicable margin
BANCOMEX	3/15/2032	6.68% Fixed rate + applicable margin
NAFIN	3/15/2032	6.67% Fixed rate + applicable margin

The breakdown of the debt is as follows:

	As of 12/31/16
SANTANDER	$ 113,442
BANOBRAS	90,399
NADB	140,652
BANCOMEX	70,320
NAFIN	70,320
INTEREST PAYABLE	1,130
	$ 486,263

Interest Rate Swaps. In order to mitigate the impact of benchmark interest rate changes, Ventika and Ventika II entered into two interest rate swaps with Santander and BANOBRAS; hedging 90% of the mentioned credit facilities above. The swap contracts allow for the Company to pay a fixed interest rate of 2.94% and 3.68% respectively, and to receive variable interest rate (3 month LIBOR).

13. 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	
	12/31/2016	12/31/15	02/21/2017
One U. S. Dollar	$ 20.6640	$ 17.2065	$ 20.4526

b. ***Fair value of financial instruments***

13.1. 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 12/31/16		12/31/15	
Financial assets				
Financial lease receivables	$ 957,466	$ 955,096	$ 14,510	$ 57,125
Financial liabilities				
Financial liabilities held at amortized cost:				
Loans from banks	790,060	678,649	-	-
Long-term debt (traded in stock exchange)	249,744	232,812	299,925	289,955
Short- term debt (not traded in stock exchange)	493,571	487,252	88,507	90,035
Due to unconsolidated affiliates (not traded in stock exchange)	3,080	3,080	38,460	37,704
Due to unconsolidated affiliates (short-term)	248,580	245,255	339,600	334,481

13.2. 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 $955.1 million and $57.1 million as of December 31, 2016 and December 31, 2015, respectively, using the risk free interest rate adjusted to reflect the Company’s own credit risk.

13.3. 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:

	Year ended	
	12/31/16	**12/31/15**
Financial instruments assets at fair value through profit or loss (“FVTPL”)		
Short-term investments (Level 1)	$ 51,443	$ 20,068
Derivative financial instrument assets (Level 2)	6,913	1,926
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	$ 226,161	$ 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.

14. 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 twelve and three-month periods ended December 31, 2016 and 2015 are reconciled to the profit for the period as follows:

	Year ended		Three-month period ended	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Profit before income tax and share of profits of joint ventures	$ 971,639	$ 206,904	$ 124,919	$ 50,718
Income tax expense calculated at 30%	(291,492)	(62,071)	(37,476)	(15,215)
Non-deducible	(2,456)	(1,368)	(2,456)	(1,368)
Foreign exchange effects	38,750	27,340	11,891	6,718
Inflationary effects	(8,889)	(2,930)	(5,487)	(2,192)
Effect of unused tax losses not recognized as deferred income tax asset	(23)	(22)	(23)	1,985
Effect of the remeasurement of equity method investment	201,921	-	-	-
Non – taxable income	917	328	917	328
Effects of foreign exchange rates and inflation on the tax basis of property, plant and equipment, net and net operating losses	(83,055)	(55,188)	(53,945)	(5,483)
Other	(2,831)	(326)	(3,289)	208
Income tax expense recognized in the statements of profit	$ (147,158)	$ (94,237)	$ (89,868)	$ (15,019)

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 Pesos 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.

15. Stockholders' equity

15.1. Dividends declared and paid

During the twelve and three month periods ended December 31, 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.

15.2. Dividends per share

	Cents per share			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
IEnova	$ 0.11	$ 0.15	$ -	$ -

15.3. Global offering

On October 13, 2016, the Company carried out a Global Offering. The Company issued 380,000,000 shares of common stock at $80 Mexican Pesos per share. After the global offering, the additional and over-allotment option was exercised, the free float represented approximately 33.57 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). As a result of the Global Offering, the Company raised $30,400 million Mexican Pesos, net of issuance costs for $459.3 million Mexican Pesos (34.8 million U. S. Dollars). Subsequent to the Company's Global Offering, subscribed and paid common stock of IEnova is represented by a total of 1,534,023,812 shares.

	For the year ended at December 31, 2016, (Mexican Pesos)				
Company stockholder's	Number of social parts	Fixed social parts	Variable social parts	Total	Total Social parts
Semco Holdco, S. de R. L. de C. V.	1,019,038,312	50,000	16,009,083,120	16,009,133,120	$ 751,825
Private investors	514,985,500	-	25,931,105,000	25,931,105,000	211,447
	1,534,023,812	50,000	41,940,188,120	41,940,238,120	$ 963,272

16. Segment information

16.1. 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.

16.2. Segment revenues and results

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

	Segment revenues			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Gas:				
Revenues from customers	$ 610,329	$ 425,618	$ 225,716	$ 99,894
Revenues from unconsolidated affiliates	101,998	100,821	22,443	27,635
Intersegment revenues	182,542	339,850	52,119	213,729
Power:				
Revenues from customers	2,930	-	2,930	-
Corporate:				
Allocation of professional services with affiliates	2,637	1,766	522	503
Intersegment professional services	29,484	35,527	11,039	11,390
	929,920	903,582	314,769	353,151
Intersegment adjustments and eliminations	(212,026)	(290,541)	(63,158)	(205,003)
Total segment revenues	$ 717,894	$ 613,041	$ 251,611	$ 148,148

	Segment profits			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Gas	$ 919,219	$ 185,313	$ 66,496	$ 60,665
Power *	(111,749)	(10,626)	(12,682)	(6,180)
Corporate	(52,480)	(34,498)	(26,281)	(9,897)
Total segment profit	$ 754,990	$ 140,189	$ 27,533	$ 44,588

* 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.

16.3. Assets and liabilities by segment

	As of	
	12/31/16	12/31/15
Assets by segment:		
Gas	$ 5,716,175	$ 2,916,917
Power *	1,241,689	382,763
Corporate	169,084	207,402
Consolidated total assets	$ 7,126,948	$ 3,507,082
Liabilities by segment:		
Gas	$ 983,424	$ 346,106
Power *	676,441	66,493
Corporate	1,151,734	914,619
Consolidated total liabilities	$ 2,811,599	$ 1,327,218

* Includes assets and liabilities held for sale.

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

16.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	12/31/16	12/31/15	12/31/16	12/31/15
Gas	$ 3,354,683	$ 2,687,691	$ (424,639)	$ (370,690)
Power	677,440	450,665	(1,807)	(180,461)
Corporate	16,191	15,048	(7,783)	(6,413)
	$ 4,048,314	$ 3,153,404	$ (434,229)	$ (557,564)

	Share of profits of joint ventures			
	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Gas	$ 40,284	$ 41,485	$ 2,007	$ 17,341
Power	2,557	834	393	(2,233)
	$ 42,841	$ 42,319	$ 2,400	$ 15,108

16.5. 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 twelve and three-month periods ended December 31, 2016 and 2015:

	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Sale of natural gas	$ 249,181	$ 224,143	$ 99,371	$ 50,819
Transportation of natural gas	121,404	95,520	43,840	23,938
Storage and regasification capacity	97,168	93,652	26,978	23,612
Natural gas distribution	89,722	81,411	25,278	19,036
Power generation	2,904	-	2,904	-
Other operating revenues (*)	157,515	118,315	53,240	30,743
	$ 717,894	$ 613,041	$ 251,611	$ 148,148

Other operating revenues

(*) IEnova Marketing, received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $102.0 million and $101.0 million for the year ended December 31, 2016 and 2015, respectively and $25.0 million and $27.6 million for the three-month periods ended December 31, 2016 and 2015. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

17. Earnings per share

	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
From continuing operations				
Basic and diluted earnings per share	$ 0.70	$ 0.13	$ 0.03	$ 0.04
From continuing and discontinued operations				
Basic and diluted earnings per share	$ 0.61	$ 0.12	$ 0.02	$ 0.04

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:

	Year ended		Three-month period ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 867,322	$ 154,986	$ $37,451	$ 50,807
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 754,990	$ 140,189	$ 27,533	$ 44,588
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,235,758,229	1,154,023,812	1,479,184,647	1,154,023,812

The Company does not have potentially dilutive shares.

18. 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 6, are shown as follows:

GdC

a. On February 15, 2001, GdC entered 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 service 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 a 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. GDT executed a natural gas compression and transport service contract with PGPB. Such contract was signed on December 19, 2001 and stipulates 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, GDT entered into an agreement with PGPB, thru 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, GDT entered into an agreement with PGPB thru which it receives compression services based on interruptible by PGPB to GDT, on 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, thru 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 states 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, thru 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 – Km^3 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, thru 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.

Ventika

a. During 2014, Ventika and Ventika II entered into a 10-20 year contract with their customer shareholders to sell 100-percent of the renewable energy produced from the wind energy project, such agreement commenced in April 2016 once the Company started commercial operations.

b. Ventika and Ventika II have acquired the rights to a 20 year land lease agreement to use land for generating and transmitting electricity using wind turbines. The agreement can be extended by another 20 year term. Ventika and Ventika II expects to pay $205.0 annually for the land lease.

c. On June 3, 2013, Ventika and Ventika II entered into 5 year Operation and Maintenance agreements with Acciona Energia Servicios Mexico, S. de R. L. de C. V. ("Acciona") which commenced after the commissioning of the last wind turbine units, and covers operation, service and maintenance activities. The agreements can be extended by another 20 year term. Payments under the agreement consist of annual fixed fees as follow:

		Annual fixed fees	
Scope	**Currency**	**Ventika**	**Ventika II**
Wind turbine	USD	$ 2,299	$ 2,299
Balance of plant	USD	533	533
Security costs	MXP	7,960	7,960
Environmental works	MXP	3,015	3,015

d. On April 8, 2014, Ventika and Ventika II entered into a 5 year asset management services agreements with Cemex, S.A.B. de C.V. ("Cemex"). Payments under the agreement consist of an annual fixed fee plus a variable administration commission.

Future expected payments for Ventika and Ventika II are as follows:

Year	**Amounts**
2017	$ 1,337
2018	1,370
2019	468
	$ 3,175

19. 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 and Federal Proceedings of Baja California, in connection with the constitutional appeal 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 ECA, located at Ensenada, Baja California. On October 19, 2016 Sanchez Ritchie overruled resolution on the constitutional appeal was ratified by the corresponding authorities, closing this case.

20. Application of new and revised IFRS

a. *Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year*

In the current year, the Company has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

IFRS 14, *Regulatory Deferral Accounts*
IFRS 14, "Regulatory Deferral Accounts", was issued in January 2014 and applies to annual reporting periods beginning on or after January 2016, earlier application is permitted. The standard specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. It permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP.

Amendments to IAS 16 and IAS 38, *Property, Plant and Equipment and Intangible Assets*
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", clarify that "the use of revenue-based methods to calculate the depreciation or amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset." The amendments are effective prospectively for annual reporting periods beginning on or after January 2016, earlier application is permitted.

Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*
Amendments to IAS 28 require that gains and losses resulting from transactions between an entity and its associate or joint venture relate only to assets that do not constitute a business. As well, a new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements. Additionally an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

On the other hand, for consolidated financial statements, an exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

Amendments to IAS 27, *Separate Financial Statements*
Amendments to IAS 27, "Separate Financial Statements", were issued in August 2014 and apply to annual reporting periods beginning on or after January, 2016, with earlier application being permitted. The standard reinstates the equity method (as described in IAS 28 "Investments in associates and Joint Ventures") as an accounting option for investments in subsidiaries, joint ventures and associates in an entity´s separate financial statements. The amendment continues the allowance to account such investments in separate financial statements at cost or in accordance with IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9). The chosen accounting option must be applied by category of investments. Finally, the amendments are to be applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Amendments to IFRS 11, *Joint Arrangements*

Amendments to IFRS 11 "Joint Arrangements", issued in May 2014, require the acquirer of an interest in a joint operation whose activity constitutes a business as defined in IFRS 3 *Business Combinations*, to apply all accounting principles on the basis of the business combinations guidance in IFRS 3 and other IFRSs, except for those who conflict with IFRS 11 guidance. Additionally, they require disclosing information applicable to business combinations and apply to initial acquisition as well as to the acquisition of an additional interest in a joint operation.

These amendments are effective prospectively for annual reporting periods beginning on or after January 2016, earlier application is permitted. The amounts recognized in previous acquisitions of interests in joints operation should not be adjusted.

Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment Entities: Applying the Consolidation Exception*

The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. Also, the amendments considers that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. On the other hand, they consider that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Finally, an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Amendments to IAS 1, *Disclosure Initiative*

The amendments include changes regarding materiality, clarifying that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply. Regarding the statement of financial position and statement of profit and loss and other comprehensive income, the amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. As well, regarding the notes to the financial statements, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Annual Improvements 2012-2014 Cycle

Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which adds specific guidance for cases in which (1) an entity reclassifies an asset from "held for sale" to "held for distribution" or vice versa and (2) cases in which held-for-distribution accounting is discontinued; IFRS 7 *Financial Instruments: Disclosures* clarifying (1) whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and (2) the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements; IAS 19 *Employee Benefits* indicating that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and IAS 34 *Interim Financial Reporting* clarifying the meaning of 'elsewhere in the interim report' and requires a cross-reference in such reports.

b. ***New and revised IFRSs in issue but not yet effective***

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments* (2)
IFRS 15, *Revenue from Contracts with Customers* (2)
IFRS 16, *Leases* (3)
Amendments to IAS 12, *Income Taxes* (1)
Amendments to IAS 7, *Disclosure Initiative* (1)
Amendments to IFRS 4, *Insurance Contracts* (2)
(1) Effective for annual periods beginning on or after January 1, 2017
(2) Effective for annual periods beginning on or after January 1, 2018
(3) Effective for annual periods beginning on or after January 1, 2019

IFRS 9, *Financial Instruments*
IFRS 9, "Financial Instruments" issued in July 2014, is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project. IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15, "Revenue from Contracts with Customers", was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2018, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.
The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 16, *Leases*
IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.
However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

Amendments to IAS 12, *Income Taxes*

Amendments to IAS 12 Income Taxes, clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. Additionally, they specify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and when comparing deductible temporary differences with future taxable profits, these exclude tax deductions resulting from the reversal of those deductible temporary differences. These amendments are effective for annual periods beginning on January 1, 2017 with retrospective application, although earlier application is permitted. The Company is in the process of determining the potential impacts that will derive in its consolidated financial statements from the adoption of these amendments.

Amendments to IAS 7, *Disclosure Initiative*

The amendments to IAS 7 Statement of Cash Flows, require that the following changes in liabilities arising from financing activities are disclosed separately from changes in other assets and liabilities: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

Amendments to IFRS 4, *Insurance Contracts*

The amendments address concerns about the different effective dates of IFRS 9 and the IASB's forthcoming insurance contracts standard, which is expected to be issued as IFRS 17 in March 2017. The amendments provide two approaches:

(i) Overlay approach — Permits entities that issue insurance contracts within the scope of IFRS 4 to reclassify — from profit or loss to other comprehensive income — some of the income or expenses arising from designated financial assets. An entity would apply the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9.
(ii) Deferral approach — Temporary exemption from applying IFRS 9 for entities whose predominant activity is to issue contracts within the scope of IFRS 4. An entity would apply the deferral approach for annual periods beginning on or after January, 2018.

The management of the Company do not anticipate that the application of these amendments will have a material effect on the Company's Condensed Consolidated Financial Statements.

21. Events after the reporting period

Withdrawal of credit line. On January 12, 2017, regarding the credit line mentioned in Note 12a, the Company withdrew $70.0 million of such credit line to be used for working capital and general corporate purposes.

22. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved by Arturo Infanzón Favela, Chief Financial Officer and authorized for issuance on February 21, 2017.

23. 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
- Carretera Federal Cuota 15D, KM 461 820,
  San Román Corralillos, CP 45464
  Guadalajara, Jalisco
- Avenida Constitución Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, Nuevo León

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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 December 31, 2016, 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 december 31 , 2015 (Unadited)	Liabilities and Stockholders' Equity	As of december 31 , 2015 (Unadited)
Current assets:		Current liabilities:	
Cash and cash equivalents	$ 73,306	Short-term debt	$ 125,817
Short-term investments	30,848	Trade and other payables	166,814
Trade and other receivables, net	101,112	Due to unconsolidated affiliates	352,650
Due from unconsolidated affiliates	26,672	Income tax liabilities	14,153
Income taxes receivable	16,226	Derivative financial instruments	10,129
Natural gas inventories	4,628	Other financial liabilities	6,444
Derivative financial instruments	1,926	Provisions	1,293
Value added tax receivable	54,631	Other taxes payable	13,881
Carbon allowances	5,385	Carbon allowances	5,385
Other assets	19,055	Other liabilities	17,237
Total current assets	333,789	Total current liabilities	713,803
		Non-current liabilities:	
		Long-term debt	1,259,567
		Due to unconsolidated affiliates	45,913
		Deferred income tax liabilities	369,067
		Carbon allowances	12,611
		Provisions	39,069
		Derivative financial instruments	156,857
		Employee benefits	5,358
		Total non-current liabilities	1,888,442
Non-current assets:			
Due from unconsolidated affiliates	111,766	Total liabilities	2,602,245
Finance lease receivables	966,711		
Deferred income tax assets	86,690	Stockholders' equity:	
Investments in joint ventures	6,761	Common stock	762,949
Goodwill	1,512,611	Additional paid-in capital	2,117,787
Property, plant and equipment, net	3,435,611	Accumulated other comprehensive loss	(109,656)
Carbon allowances	12,975	Retained earnings	1,254,411
Intangible assets	157,157		
Other assets	3,665		
Total non-current assets	6,293,947	Total equity attributable to owners of the Company	4,025,491
Total assets	$ 6,627,736	Total liabilities and equity	$ 6,627,736

With respect to the combined statements pro forma of profit or loss and other comprehensive income, is an earning of $858,812 as if the acquisition of GdC and Ventika had taken place from the 1st of January 2015.