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

Condensed Interim Consolidated Financial Statements for the years and three-month period ended December 31, 2017 and 2016 and Independent Auditor's Review Report Dated February 20, 2018

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

Condensed Interim Consolidated Financial Statements as of December 31, 2017 and for the years and three-month period (Unaudited) ended December 31, 2017 and 2016

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Infraestructura Energetica 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, 2017**	**December 31, 2016**
Current assets:			
Cash and cash equivalents		$ 37,208	$ 24,918
Short-term investments	13	1,081	80
Finance lease receivables	5, 13	8,126	7,155
Trade and other receivables, net		94,793	100,886
Due from unconsolidated affiliates	3	24,600	12,976
Income taxes receivable		81,909	6,390
Natural gas inventories		7,196	6,083
Derivative financial instruments	13	6,130	6,913
Value added tax receivable		39,633	27,600
Other assets		10,327	9,289
Restricted cash	13	55,820	51,363
Assets held for sale	7	148,190	191,287
Total current assets		515,013	444,940
Non-current assets:			
Due from unconsolidated affiliates	3, 13	493,887	104,352
Derivative financial instruments	13	1,935	1,127
Finance lease receivables	5, 13	942,184	950,311
Deferred income tax assets		97,334	75,999
Investments in joint ventures	4	523,102	125,355
Other assets		32,658	4,855
Property, plant and equipment, net	8, 16	3,729,456	3,614,085
Intangible assets	9	190,199	154,144
Goodwill		1,638,091	1,651,780
Total non-current assets		7,648,846	6,682,008
Total assets	16	$ 8,163,859	$ 7,126,948

Liabilities and Stockholders' Equity	**Notes**	**December 31, 2017**	**December 31, 2016**
Current liabilities:			
Short-term debt	11, 13	$ 262,760	$ 493,571
Trade and other payables		72,638	94,566
Due to unconsolidated affiliates	3, 13	544,217	260,914
Income tax liabilities		3,384	13,322
Derivative financial instruments	13	41,726	10,310
Other financial liabilities		10,372	5,877
Provisions		394	930
Other taxes payable		36,273	27,872
Other liabilities		19,631	28,861
Liabilities related to assets held for sale	7	62,522	35,451
Total current liabilities		1,053,917	971,674
Non-current liabilities:			
Long-term debt	12, 13	1,732,040	1,039,804
Due to unconsolidated affiliates	3, 13	73,510	3,080
Deferred income tax liabilities		551,614	489,607
Provisions		67,210	51,035
Derivative financial instruments	13	162,444	215,851
Employee benefits		6,537	5,586
Total non-current liabilities		2,593,355	1,804,963
Total liabilities	16	3,647,272	2,776,637
Stockholders' equity:			
Common stock	15	963,272	963,272
Additional paid-in capital	15	2,351,801	2,351,801
Accumulated other comprehensive loss		(114,556)	(126,658)
Retained earnings		1,316,070	1,161,896
Total equity attributable to owners of the company		4,516,587	4,350,311
Commitments and contingencies	18, 19		
Events after the reporting period	21		
Total liabilities and equity		$ 8,163,859	$ 7,126,948

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Infraestructura Energetica 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, 2017 (Notes 1, 7)	Year ended December 31, 2016 (Notes 1, 7)	Three-month period ended December 31, (Unaudited) 2017 (Notes 1, 7)	Three-month period ended December 31, (Unaudited) 2016 (Notes 1, 7)
Revenues	16	$ 1,166,526	$ 717,894	$ 294,306	$ 251,611
Cost of revenues		(303,462)	(237,789)	(83,610)	(61,955)
Operating, administrative and other expenses		(176,793)	(104,754)	(54,171)	(40,590)
Depreciation and amortization		(119,020)	(64,384)	(33,112)	(21,394)
Interest income		22,808	6,269	10,462	1,671
Finance costs		(72,905)	(20,836)	(24,093)	(8,738)
Other (losses) gains, net		(41,590)	2,168	(39,787)	4,314
Remeasurement of equity method investment	6	—	673,071	—	—
Profit before income tax and share of profits of joint ventures		475,564	971,639	69,995	124,919
Income tax expense	14	(109,663)	(147,158)	(58,270)	(89,868)
Share of profits of joint ventures, net of income tax	4, 16	44,677	42,841	18,303	2,400
Profit for the year / period from continuing operations	17	$ 410,578	$ 867,322	$ 30,028	$ 37,451
Discontinued operation:					
(Loss) profit for the year /period from discontinued operations, net of income tax	7	(56,404)	(112,332)	6,700	(9,918)
Profit for the year / period	16, 17	$ 354,174	$ 754,990	$ 36,728	$ 27,533
Earnings per share:					
From continuing operations:					
Basic and diluted earnings per share	17	$ 0.27	$ 0.70	$ 0.02	$ 0.03
From continuing and discontinued operations:					
Basic and diluted earnings per share	17	$ 0.23	$ 0.61	$ 0.02	$ 0.02

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Infraestructura Energetica 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, 2017	Year ended December 31, 2016	Three-month period ended December 31, (Unaudited) 2017	Three-month period ended December 31, (Unaudited) 2016
Profit for the year / period	16, 17	$ 354,174	$ 754,990	$ 36,728	$ 27,533
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains on defined benefits plans		704	1,765	704	1,765
Deferred income tax related to actuarial gains on defined benefits plans		(211)	(530)	(211)	(530)
Total items that will not be reclassified to profit		493	1,235	493	1,235
Items that may be subsequently reclassified to profit or (loss):					
Gain (loss) on valuation of derivative financial instruments held for hedging purposes		4,586	(17,112)	(861)	(534)
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes		(1,376)	5,133	258	160
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		3,270	35,308	10,106	45,630
Deferred income tax on the gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(981)	(10,592)	(3,031)	(13,688)
Gain (loss) exchange differences on translation of foreign operations		6,110	(36,686)	(15,958)	(14,238)
Total items that may be subsequently reclassified to profit (loss)		11,609	(23,949)	(9,486)	17,330
Other comprehensive income (loss) for the year / period		12,102	(22,714)	(8,993)	18,565
Total comprehensive income for the year /period		$ 366,276	$ 732,276	$ 27,735	$ 46,098

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Infraestructura Energetica 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, 2016		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864
Profit for the year		—	—	—	754,990	754,990
Actuarial gain on defined benefit plans, net income tax		—	—	1,235	—	1,235
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	(11,979)	—	(11,979)
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	24,716	—	24,716
Exchange differences on translation of foreign operations		—	—	(36,686)	—	(36,686)
Total comprehensive (loss) 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	15	$ 963,272	$ 2,351,801	$ (126,658)	$ 1,161,896	$ 4,350,311
Profit for the year		—	—	—	354,174	354,174
Actuarial gain on defined benefit plans, net income tax		—	—	493	—	493
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	3,210	—	3,210
Gain on valuation of derivative financial instruments held for hedging purposes of joint venture, net of income tax		—	—	2,289	—	2,289
Exchange differences on translation of foreign operations		—	—	6,110	—	6,110
Total comprehensive income for the year		—	—	12,102	354,174	366,276
Dividends paid	15	—	—	—	(200,000)	(200,000)
Balance as of December 31, 2017	15	$ 963,272	$ 2,351,801	$ (114,556)	$ 1,316,070	$ 4,516,587

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

		Year ended December 31,		Three-month period ended December 31, (Unaudited)	
	Notes	**2017**	**2016**	**2017**	**2016**
Cash flows from operating activities:					
Profit for the year / period	17	$ 354,174	$ 754,990	$ 36,728	$ 27,533
Adjustments for:					
Income tax expense	7, 14	104,162	117,349	58,091	97,055
Share of profit of joint ventures, net of income tax	4, 16	(44,677)	(42,841)	(18,303)	(2,400)
Finance costs		73,501	21,092	24,147	8,802
Interest income		(22,808)	(6,294)	(10,462)	(1,678)
Loss (gain) on disposal of property, plant and equipment		7,877	(4,233)	6,484	(8,513)
Impairment (gain) loss recognized on trade receivables		(60)	46	(136)	43
Impairment of property plant and equipment	7	63,804	136,880	—	—
Remeasurement of intangible asset		—	—	2,289	—
Remeasurement of equity method investment	6	—	(673,071)	—	—
Depreciation and amortization		119,020	66,606	33,112	21,394
Net foreign exchange loss (gain)		37,028	(4,652)	38,422	(7,694)
Net loss (gain) on valuation of derivative financial instruments		6,715	(21,001)	1,809	(23,111)
		698,736	344,871	172,181	111,431
Movements in working capital:					
(Increase) decrease in trade and other receivables, net		(2,368)	6,175	65,306	(21,889)
Increase in natural gas inventories, net		(1,113)	(1,455)	(247)	(2,083)
(Increase) decrease in other assets, net		(4,204)	18,398	(6,092)	(7,042)
Increase (decrease) in trade and other payables, net		12,546	(45,302)	(6,085)	(16,986)
(Decrease) increase in provisions, net		(252)	16,249	12,932	802
(Decrease) increase in other liabilities, net		(2,098)	20,348	7,318	12,664
Cash generated from operations		701,247	359,284	245,313	76,897
Income taxes paid		(115,013)	(118,552)	(13,309)	(42,473)
Net cash provided by operating activities		586,234	240,732	232,004	34,424

(Continued)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Three-month period ended December 31, (Unaudited) 2017	Three-month period ended December 31, (Unaudited) 2016
Cash flows from investing activities:					
Acquisition of subsidiaries, net of cash acquired	6	(147,638)	(1,512,248)	(147,638)	(434,663)
Investment in joint ventures		(72,067)	(100,477)	—	(44,637)
Veracruz marine terminal initial bidding quota	1	(28,179)	—	—	—
Interest received		1,089	3,875	—	—
Acquisitions of property, plant and equipment		(224,816)	(315,810)	(44,836)	(45,222)
Loans granted to unconsolidated affiliates	3	(505,997)	685	(205,932)	996
Receipts of loans granted to unconsolidated affiliates	3	8,152	8,262	916	—
Restricted cash		(4,457)	46,849	(6,804)	46,849
Short-term investments		(1,001)	19,988	(1,000)	—
Net cash used in investing activities		(974,914)	(1,848,876)	(405,294)	(476,677)
Cash flows from financing activities:					
Issuance of shares from follow on public offering	15	—	1,602,586	—	1,602,586
Shares issuance costs	15	—	(34,877)	—	(34,877)
Interest paid		(75,661)	(35,785)	(18,453)	(15,594)
Loans received from unconsolidated affiliates	3	377,926	1,240,000	56,000	90,000
Loans payments to unconsolidated affiliates	3	(46,702)	(1,369,600)	(3,166)	(1,249,500)
Payments of loans acquired through acquisition of subsidiary	6	(95,839)	—	(95,839)	—
Proceeds from bank financing	11, 12	897,000	805,000	372,000	375,000
Payments related to bank financing	11, 12	(1,257,531)	(459,463)	(931,228)	(459,463)
Proceeds from international debt offering	12	840,000	—	840,000	—
Debt issuance cost	12	(32,609)	(2,400)	(32,609)	(2,400)
Dividends paid	15	(200,000)	(140,000)	—	—
Net cash provided by financing activities		406,584	1,605,461	186,705	305,752
Net increase (decrease) in cash and cash equivalents		17,904	(2,683)	13,415	(136,501)
Cash and cash equivalents at the beginning of the year / period		24,918	40,377	38,417	174,810
Cash and cash equivalent (used in) provided by discontinued operations	7	—	(434)	—	657
Effects of exchange rate changes on cash and cash equivalents		(5,614)	(12,342)	(14,624)	(14,048)
Cash and cash equivalents at the end of the year / period		$ 37,208	$ 24,918	$ 37,208	$ 24,918

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of December 31, 2017 and for the years and three-month period (Unaudited) ended December 31, 2017 and 2016
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energetica 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"), an ethane pipeline, storage facilities for liquefied natural gas ("LNG") and LPG, transportation, 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 Leon and Jalisco, Mexico. It also owns and operates a LNG terminal in Baja California, Mexico for importing, storing and regasifying LNG.

The Power segment develops three solar projects located in Baja California, Aguascalientes and Sonora, Mexico, owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, owns a wind farm located in Nuevo Leon, Mexico and holds interests in a renewable energy project in a joint venture in Baja California, Mexico, both renewable energy projects use the wind resources to serve costumers in Mexico and in the U. S., respectively.

The Company develops a project for the construction of a marine terminal and two in-land terminals for the reception, storage and delivery of refined products, located in Veracruz, Mexico City and Puebla, Mexico, respectively.

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. Pima Solar Project

In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with Deacero, S. A. P. I. de C. V. to provide energy, clean energy certificates, and capacity from a new solar power plant located in Caborca, Sonora, Mexico.

The Company in collaboration with Trina Solar Holdings, B. V. ("Trina Solar") which owns a 10-percent interest in the project, will be responsible for all aspects of the project implementation, including permitting, acquisition of land and rights of way, engineering, procurement, construction, financing, operations and maintenance.

The solar power plant will have a 110 megawatts ("MW") capacity. The estimated investment for this project is $115.0 million. The beginning of commercial operations is expected to occur in the fourth quarter of 2018.

Trina Solar has the option to sell, Trina Solar's ownership interest at the end of the construction period, before operations commence.

1.2. Veracruz marine terminal and in-land terminal projects

On July 12, 2017, the Company won the Administracion Portuaria Integral de Veracruz, S. A. de C. V. ("API") bid for a 20-year transfer of its concession rights of an area to build and operate a marine terminal for the reception, storage and delivery of refined products.

According to the bidding basis, the Company make a onetime counter-payment offered for the right to build, use, leverage and benefit from the operation of the Veracruz marine terminal, in two installments, each equivalent to the 50 percent of the total amount, the first payment of $500.0 million Mexican Pesos ($28.2 million U. S. Dollars) was settled on August 1, 2017, prior to the execution of the concession agreement, as per bidding basis.

The Company paid the remaining 50 percent of the counterpayment fee for $500.0 million Mexican Pesos, on January 8, 2018.

On August 3, 2017, the Company executed the 20-year concession agreement with the Veracruz API to develop, construct and operate the aforementioned marine terminal. The concession includes the transfer, during 2018, of the waterfront lot where the terminal will be built.

With an investment of approximately $166.0 million U.S. Dollars, the terminal will have a capacity of 2,120,000 barrels and is expected to begin operations at the end of 2018.

Additionally, the Company will build and operate two storage terminals that will be strategically located in Puebla and Mexico City and will have initial storage capacities of approximately 500,000 and 800,000 barrels, respectively. With an investment of approximately $120.0 million U.S. Dollars, the two in-land terminals will start operations during 2019.

The Company will be responsible for the implementation of the projects, including the obtaining of permits, engineering, procurement, construction, operation, maintenance, financing and providing services.

On July 29, 2017, the Company executed three long-term firm capacity contracts with Valero Marketing and Supply de Mexico, S. A. de C. V. ("Valero") for the receipt, storage capacity and delivery of hydrocarbons in the Veracruz marine terminal and for the two in-land terminals to be constructed in Puebla and Mexico City, for a 20-years term, the contracts are denominated in U.S. Dollars.

Valero plans to import refined products including gasoline, diesel and jet fuel, and store them at the Veracruz marine terminal. Locally, the products will be distributed by truck and transported to Puebla and Mexico City by rail.

After commercial operations, and subject to all relevant regulatory and corporate authorizations as well as the approval of the API of Veracruz, Valero will have the option to acquire 50 percent of the equity in each of the three terminals.

1.3. Purchase agreement of Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN")

On October 6, 2017, the Company announced the agreement to acquire Pemex Transformacion Industrial ("Pemex TRI") participation in DEN.

On November 10, 2017, the Antitrust Commission (Comision Federal de Competencia Economica "COFECE") authorized the transaction. The purchase price paid was $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of existing debt, and the proportional amount of Los Ramones II Norte pipeline project financing of $289.0 million. This debt will not be consolidated on IEnova's Condensed Interim Consolidated Financial Statements.

This acquisition increased IEnova's indirect participation in the Los Ramones II Norte pipeline from 25 percent to 50 percent through TAG Norte Holding, S. de R. L. de C. V. ("TAG").

Please refer to Notes 4.4., 4.5. and 6.3.

1.4. Wind power generation facility

On November 16, 2017, IEnova through Energia Sierra Juarez 2 U. S., LLC, a wholly owned affiliate, executed a 20-year power purchase agreement with San Diego Gas & Electric Company, a IEnova's unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW and will require an investment of approximately $150.0 million. The development of this project is subject to the receipt of regulatory approvals, including from the California Public Utilities Commission and the U.S. Federal Energy Regulatory Commission. It is also subject to obtaining consents from financing parties and partners.

1.5. Credit Ratings

On November 30, 2017, Standard & Poor's Global Ratings ("S&P") gave the Company a global corporate credit rating of BBB with a stable outlook, and Fitch Ratings gave IEnova long-term foreign and local currency issuer default ratings of BBB+ with a stable outlook.

1.6. International Senior Notes Offering ("Senior Notes")

On December 7, 2017, IEnova obtained $840.0 million related to an international Senior Notes offering, the notes were offered and sold in a private placement to qualified institutional buyers in the U. S. pursuant to Rule 144A and outside the U. S. pursuant to Regulation S under the U. S. Securities Act of 1933, as amended (the "Securities Act").

The Senior Notes received an investment grade rating from Fitch Ratings (BBB+), Moody's Corporation ("Moody's") (Baa1) and S&P (BBB). The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

The Senior Notes may not be offered or sold in Mexico absent authorization by the Comision Nacional Bancaria y de Valores (the "CNBV") in accordance with the Ley del Mercado de Valores ("Mexican Securities Market Law") and all applicable regulations and the due registration of the Senior Notes in the Registro Nacional de Valores ("National Securities Registry") maintained by the CNBV; or in the U. S. absent registration under the Securities Act or an exemption from registration therefrom.

On December 14, 2017, the Company entered into an international Senior Notes offering comprised of $300.0 million aggregate principal amount of the Company's 3.75 percent Senior Notes due 2028 and $540.0 million aggregate principal amount of the Company's 4.88 percent Senior Notes due 2048. (Please refer to Note 12.f.).

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, 2016, which were 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, 2017 and 2016.

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.

d. *Restricted cash*

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.

e. *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 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.

f. *Intangible assets*

Intangible assets acquired in a business combination and/or asset acquisition are recognized separately from goodwill and 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 and/ or assets acquisition are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

g. *Business combination and assets acquisition*

An entity shall determine whether a transaction or other event is a business combination by applying the definition of IFRS 3 *Business Combinations*, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the Company shall account for the transaction or other event as an asset acquisition.

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;

- 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 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. Other contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit.

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. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in other comprehensive income ("OCI") are reclassified to profit 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.

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

In the application of the Company's accounting policies, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the Condensed Interim Consolidated Financial Statements. The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future 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 has been recognized related to Termoelectrica de Mexicali, S. de R. L. de C. V. ("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

As described in Note 5, management has determined that the arrangements 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 assets as of such date.

3. Transactions and balances with unconsolidated affiliates

Transactions and balances 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 not eliminated in consolidation. Any profit made from sales to external parties by the discontinued operations are presented separated from continuing operations.

Accordingly, the Condensed Interim Consolidated Statements of Profit present revenues and costs from continuing operations as follows:

	Revenues / Cost of revenues			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Effects of continuing operation with Gasoducto de Aguaprieta S. de R. L. de C.V. ("GAP") and IEnova Marketing, S. de R. L. de C. V. ("IEnova Marketing")	$ 73,256	$ 61,382	$ 24,675	$ 17,061

a. Transactions and balances with unconsolidated affiliates

During the year ended December 31, 2017 and 2016 and for the three-month period ended December 31, 2017 and 2016, respectively, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Discontinued operation - Sempra Gas & Power Marketing, LLC (“SG&PM”)	$ 130,192	$ 62	$ 44,510	$ 62
Sempra LNG International Holdings, LLC (“SLNGIH”)	103,043	101,998	25,307	22,443
SG&PM	10,722	—	10,164	—
DEN	6,761	—	652	—
Sempra International, LLC (“Sempra International”)	1,844	1,746	440	512
TAG	1,766	—	397	—
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	1,072	890	1,072	340
Southern California Gas Company (“SoCalGas”)	231	12	149	—
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	217	2,026	30	51
Discontinued operation - Sempra Generation (“SGEN”)	—	101,130	—	62,358
Discontinued operation - SESJ	—	353	—	—
Energia Sierra Juarez, S. de R. L. de C. V. (“ESJ”)	—	94	—	9

	Cost of revenues and operating, administrative and other expenses			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Sempra LNG International, LLC (“SLNGI”)	$ 207,505	$ 178,145	$ 51,433	$ 45,902
SG&PM	63,719	3,102	29,864	1,816
Discontinued operation - SG&PM	24,425	1,022	14,294	1,022
Sempra International	7,250	8,301	2,513	5,264
Sempra Infrastructure, LLC (formerly Sempra U. S. Gas & Power, LLC)	6,936	6,930	1,217	1,698
SoCalGas	1,258	1,450	303	350
Sempra Midstream, Inc. (“Sempra Midstream”)	492	688	—	167
Discontinued operation - SGEN	—	22,152	—	3,799
SGEN	—	3,183	—	—

Included in the operational transactions are administrative services from affiliates by $7.3 million and $8.3 million for the years ended December 31, 2017 and 2016, respectively, and $2.5 million and $1.4 million for the three-month period ended December 31, 2017 and 2016, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	Interest income			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Infraestructura Marina del Golfo, S. de R. L. de C. V. (“IMG”)	$ 17,211	$ —	$ 9,651	$ —
DEN	3,665	4,082	397	1,043
ESJ	775	1,122	127	243
Discontinued operation - SGEN	180	24	180	7

	Finance cost			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Inversiones Sempra Limitada (“ISL”)	$ 3,491	$ 534	$ 1,310	$ 134
Sempra Oil Trading Suisse (“SOT Suisse”)	1,265	1,363	308	323
Inversiones Sempra Latin America Limitada (“ISLA”)	1,174	1,618	—	419
Peruvian Opportunity Company, S. A. C. (“POC”)	944	4	411	4
Sempra Energy Holding, XI. B. V. ("SEH")	937	1,236	660	51
Discontinued operation - Sempra Global, LLC ("SEG")	332	831	—	651
DEN	143	46	15	42
TAG	50	—	—	—
Semco Holdco, S. de R. L. de C. V. ("SEMCO")	—	364	—	28

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

	Amounts due from unconsolidated affiliates	
	Year ended	
	12/31/17	12/31/16
SG&PM	$ 10,723	$ —
SLNGIH	9,162	6,456
TAG	4,289	—
SESJ	371	174
SLNGEL	34	53
SoCalGas	21	—
DEN	—	5,754
ESJ	—	539
	$ 24,600	$ 12,976

	Amounts due to unconsolidated affiliates	
	Year ended	
	12/31/17	12/31/16
ISL (i)	$ 275,188	$ 30,025
SEH (ii)	132,800	—
POC (iii)	102,020	20,004
SG&PM	17,525	491
SLNGI	16,360	11,135
Sempra International	226	582
SoCalGas	98	120
ISLA (i)	—	160,091
SOT Suisse	—	38,460
Sempra Midstream	—	6
	$ 544,217	$ 260,914

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 nine-month term, with an option to be extended for up to four years. Interest is payable on a quarterly basis a rate of 1.98 percent per annum of outstanding balances.

   In December 2016, the Company signed addendums modifying the initial contracts and the new characteristics are: the term was extended and is due and payable in full on December 15, 2017. The applicable interest shall be computed and paid on a quarterly basis at the rate of 1.75 percent 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 facility has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at a rate of 1.75 percent per annum. Interest shall be paid on the last day of each calendar quarter.

On March 21, 2017, IEnova entered into an $85.0 million U.S. Dollar-denominated affiliate credit facility with ISL, to finance working capital and for general corporate purposes. The credit is a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month London Interbank Offered Rate ("LIBOR") plus 60 basis points ("BPS") per annum. Interest shall be paid on the last day of each calendar quarter.

Effective June 1, 2017, ISLA was merged with and into ISL which is the surviving entity in the merger, the agreements conditions between ISL and IEnova remain the same.

On December 15, 2017, the Company signed addendums modifying the contracts terms over the $90.0 million, $30.0 million and $70.0 million of U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

ii. On August 23, 2017, IEnova entered into a $132.8 million U.S. Dollar-denominated affiliate credit facility with SEH, to finance working capital and general corporate purposes. The credit facility is for a six-month term. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 61 BPS per annum.

On February 6, 2018, IEnova signed an addendum modifying the contract term to August 22, 2018.

iii. 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 has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at rate of 1.75 percent per annum.

On April 27, 2017, IEnova entered into a $19.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 60 BPS per annum.

On June 26, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum.

On September 29, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum.

On December 15, 2017, the Company signed addendum modifying the contract term over the $20.0 million U.S. Dollar denominated revolving credit facilities with POC and the new characteristics are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On December 28, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 63 BPS per annum.

b. Loans to unconsolidated affiliates

	As of	
	12/31/17	**12/31/16**
IMG (i)	$ 487,187	$ —
ESJ	6,700	14,307
DEN	—	90,045
	$ 493,887	$ 104,352

i. On April 21, 2017, IEnova entered into a loan agreement with IMG, providing a credit line in an amount of up to $9.0 billion Mexican Pesos, the maturity date is March 15, 2022. The applicable interest rate is the Mexican Interbank Interest Rate ("TIIE") at 91 days plus 220 BPS capitalized quarterly.

   On December 6, 2017, the Company signed an addendum modifying the amount of the loan up to $14.1 billion Mexican Pesos.

   As of December 31, 2017, the outstanding balance amounts $9.6 billion Mexican Pesos, including $0.3 billion Mexican Pesos of capitalized interest.

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

c. Loans from unconsolidated affiliates

	As of	
	12/31/17	**12/31/16**
SOT Suisse (i) *	$ 38,460	$ —
TAG (ii)	35,050	—
DEN	—	3,080
	$ 73,510	$ 3,080

* This amount was reclassified in 2016 to current liabilities.

i. On March 17, 2017, IEnova entered into an amended agreement with SOT Suisse in order to extend the loan to seven years. The interest is payable on an annually basis at three-month LIBOR plus 180 BPS.

ii. On December 19, 2017, DEN entered into a $35.0 million U.S. Dollar-denominated affiliate credit facility with TAG, to finance working capital and general business purposes. The credit facility has a four years term. Interest of the outstanding balance is payable on a quarterly basis at six-month LIBOR plus 290 BPS per annum.

d. Compensation of key management personnel

Total compensation expense of key management personnel was $10.3 million and $5.0 million for the years ended December 31, 2017 and 2016, respectively and $1.3 million and $0.7 million for the three-month period ended December 31, 2017 and 2016, respectively.

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

4. Investment in joint ventures

4.1. IEnova Pipelines, S. de R. L. de C. V. ("IEnova Pipelines") formerly Gasoductos de Chihuahua, S. de R. L. de C. V.

Until September 26, 2016, the Company owned a 50 percent interest in IEnova Pipelines, a joint venture with Pemex TRI, a Petroleos Mexicanos ("Pemex") subsidiary. IEnova Pipelines operates three natural gas pipelines, five natural gas compression stations, one LPG system and one ethane pipeline, in the states of Chiapas, Chihuahua, Nuevo Leon, Tabasco, Tamaulipas and Veracruz, and one LPG storage facility in the state of Jalisco, Mexico.

Beginning September 27, 2016, the Company fully consolidates IEnova Pipelines.

IEnova Pipelines's Condensed Interim Consolidated Statement of Profit and the Company's equity method investment for the period ended September 26, 2016, are summarized as follows:

		Period ended 9/26/2016
Revenues	$	199,996
Operating, administrative and other expenses		(60,174)
Finance costs		(20,989)
Income tax expense		(53,409)
Share of profit of joint ventures, net of income tax		15,417
Profit for the period	$	80,841
Share of profit of IEnova Pipelines	$	40,421

4.2. ESJ

ESJ, the joint venture formed between IEnova and InterGen, N. V. ("InterGen"), started operations in June 2015.

As of December 31, 2017 and 2016, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method. ESJ's Condensed Interim Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	Year ended	
	12/31/17	12/31/16
Cash and cash equivalents	$ 2,785	$ 9,601
Other assets	18,479	15,201
Total current assets	21,264	24,802
Deferred income tax assets	4,778	5,413
Other assets	2,795	2,650
Property, plant and equipment, net	252,856	264,468
Total non-current assets	260,429	272,531
Total assets	$ 281,693	$ 297,333
Current liabilities	$ 17,509	$ 17,777
Non-current liabilities	231,048	255,070
Total liabilities	$ 248,557	$ 272,847
Total members' equity	$ 33,136	$ 24,486
Share of members' equity	16,568	12,243
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 28,689	$ 24,364

ESJ´s Condensed Interim Consolidated Statement of Profit is as follows:

	Year ended		Three-month period	
	12/31/17	12/31/16	12/31/17	12/31/16
Revenues	$ 46,570	$ 44,283	$ 10,490	$ 11,592
Operating, administrative and other expenses	(22,147)	(20,773)	(5,656)	(5,421)
Finance costs	(15,929)	(16,731)	(3,826)	(3,984)
Other gains (losses), net	13	221	(140)	428
Income tax expense	(1,340)	(1,886)	(1,501)	(1,829)
Profit (loss) for the year / period	$ 7,167	$ 5,114	$ (633)	$ 786
Share of profit (loss) of ESJ	$ 3,584	$ 2,557	$ (317)	$ 393

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

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

Years	LIBOR applicable Margin
June 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 dated June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding as of December 31, 2017, is $ $216.9 million and the breakdown is as follows:

	Debt balance
MIZUHO	$ 48,685
SMBC	48,685
NORD/LB	48,685
NAFINSA	35,407
NADB	35,407
	$ 216,869

(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) ***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 that are to be contributed on a pro rata basis by the members. Controladora Sierra Juarez, S. de R. L. de C. V. ("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, 2017 and 2016.

4.3. IMG

The joint venture formed between IEnova and Transcanada Corporation ("Transcanada"), for the construction of the South Texas - Tuxpan marine pipeline, whereby TransCanada has 60 percent interest in the partnership and IEnova owns the remaining 40 percent interest of the project.

As of December 31, 2017 and 2016, the Company's 40 percent interest in IMG is accounted for under the equity method. IMG's Condensed Interim Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	Year ended			
		12/31/17		12/31/16
Cash and cash equivalents	$	58,284	$	128,110
Value added tax receivable		195,350		12,264
Other assets		434		683
Total current assets		254,068		141,057
Total non-current assets		1,653,554		135,494
Total assets	$	1,907,622	$	276,551
Current liabilities	$	176,771	$	27,916
Long term debt		1,222,973		—
Deferred income tax liabilities		34,209		2,678
Total non-current liabilities		1,257,182		2,678
Total liabilities	$	1,433,953	$	30,594
Total members' equity	$	473,669	$	245,957
Share of members' equity		189,468		98,383
Guarantees		5,018		—
Share of member's equity and carrying amount of investment in IMG	$	194,486	$	98,383

IMG´s Condensed Interim Consolidated Statement of Profit is as follows:

	Year ended				Three-month period ended			
		12/31/17		12/31/16		12/31/17		12/31/16
Finance income (costs), net	$	78,082	$	(467)	$	73,760	$	(1,326)
Other income (expense), net		692		(1,646)		86		(861)
Income tax expense		(31,233)		(3,122)		(36,990)		(3,060)
Profit (loss) for the year / period	$	47,541	$	(5,235)	$	36,856	$	(5,247)
Share of profit (loss) of IMG	$	19,016	$	(2,094)	$	14,742	$	(2,099)

(a) ***Project financing for the IMG project.*** As of December 31, 2017, the project resources for the design and construction of the marine pipeline have been funded with capital contributions of its members and loans.

On April 21, 2017, IMG entered into two revolving credit agreements with IEnova and TransCanada, parent entities, by $9.0 billion Mexican Pesos and $13.6 billion Mexican Pesos, respectively.

On December 6, 2017, IEnova and TransCanada renegotiated the credit line of such credit facility agreement for an amount up to $14.1 billion Mexican Pesos and $21.3 billion Mexican Pesos, respectively. Loans accrue an annual interest rate of TIIE plus 220 BPS.

Loan balance for the year ended on December 31, 2017 with IEnova is $9.6 billion Mexican Pesos.

IEnova and TransCanada have each provided guarantees to third parties associated with construction of IMG's Sur de Texas-Tuxpan natural gas marine pipeline. IEnova's share of potential exposure of the guarantees was estimated to be $210.0 million and will terminate upon completion of all guaranteed obligations. The guarantees have terms ranging to 2020.

As of December 31, 2017, IEnova recognized an increase to the equity method investment for the amount of $5.0 million fair value of the guarantees granted.

4.4. DEN

Until October 31, 2017, the Company owned a 50 percent interest in DEN, a joint venture with Pemex TRI.

In November 2017, the Company fully consolidates DEN.

DEN´s Condensed Interim Consolidated Statements of Financial Position and the Company´s equity method investment ended October 31, 2017, are summarized as follows:

	Period /Year ended	
	10/31/17	**12/31/16**
Cash and cash equivalents	$ 17,257	$ 8,819
Due from unconsolidated affiliates	4,135	4,012
Other assets	7,166	4,278
Total current assets	28,558	17,109
Deferred income tax assets	10,361	17,364
Investments in joint venture	195,981	155,327
Other assets	1,403	1,461
Property, plant and equipment, net	392	228
Total non-current assets	208,137	174,380
Total assets	$ 236,695	$ 191,489
Current liabilities	$ 68	$ 646
Non-current liabilities	194,010	185,627
Total liabilities	$ 194,078	$ 186,273
Total members' equity	$ 42,617	$ 5,216
Share of members' equity and carrying amount of investment in DEN	$ 21,309	$ 2,608

DEN´s Condensed Interim Consolidated Statement of Profit is as follows:

	Period/Year ended		Three-month period ended	
	10/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Revenues	$ 18,532	$ 5,623	$ 1,875	$ 5,450
Operating, administrative and other expenses	(7,185)	(5,310)	(661)	(5,089)
Finance costs	(7,394)	(2,126)	(593)	(2,029)
Other losses	(202)	(341)	(276)	(222)
Income tax (expense) benefit	(7,003)	3,464	(121)	8,044
Share of profit of joint ventures, net of income tax	41,551	2,604	1,676	2,058
Profit for the year / period	$ 38,299	$ 3,914	$ 1,900	$ 8,212
Share of profit of DEN	$ 19,149	$ 1,957	$ 950	$ 4,106

On November 15, 2017, IEnova completed the acquisition of Pemex's TRI 50 percent interest in DEN.

In November, 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. Please refer to Note 6.3.

4.5. TAG

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

In November, 2017, the Company increased its indirect participation in TAG from 25 percent to 50 percent. Please refer to Note 6.3.

As of December 31, 2017, the interest in TAG is accounted for under the equity method. TAG's Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	Year ended 12/31/17
Cash and cash equivalents	$ 81,823
Other assets	22,293
Total current assets	104,116
Due from unconsolidated affiliates	70,698
Finance lease receivable	1,431,703
Other assets	16,466
Property, plant and equipment, net	15,471
Total non-current assets	1,534,338
Total assets	$ 1,638,454
Current liabilities	$ 58,023
Non-current liabilities	1,178,616
Total liabilities	$ 1,236,639
Total members' equity	$ 401,815
Share of members' equity and carrying amount of investment in TAG	$ 200,907
Equity method goodwill	99,020
Total amount of the investment in TAG	$ 299,927

TAG´s Condensed Interim Consolidated Statement of Profit is as follows:

	For the period of 11/01/17 to 12/31/17
Revenues	$ 32,411
Operating, administrative and other expenses	(6,876)
Finance costs	(10,517)
Other gains	217
Income tax expense	(9,378)
Profit for the period	$ 5,857
Share of profit of TAG	$ 2,928

(a) TAG Project financing.

On December 19, 2014, TAG, (subsidiary of DEN), entered into a credit contract with Banco Santander (Mexico), S. A., Institucion de Banca Multiple, Grupo Financiero Santander Mexico ("Santander") as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of the gas pipeline.

During 2016 and 2015, there were amendments to the credit contract in order to include additional banks as lenders. The total amount of the credit is $1,274.5 million, divided in tranches: i) long tranche, up to $701.0 million, ii) short tranche up to $513.3 million and iii) a letter of credit tranche for debt service reserve up to $60.2 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 BPS
1st disbursement - (System Commercial Operation Date)	250
0 – 4	265
5 – 9	300
10 – 14	325
15 – Until credit maturity	350

As of December 31, 2017, the total outstanding loan is $1.1 billion, with its respective maturities. TAG 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 TAG to maintain certain financial ratios and limit dividend payments, loans and obtaining additional financing. TAG met such covenants as of December 31, 2017.

Long-term debt due dates are as follows:

Year	Amount	
2017	$	30
2018		59
2019		59
2020		59
Thereafter		949
Total	$	1,156

(b) ***Interest rate swaps***. In December 2015, TAG contracted derivative instruments in order to hedge the risk of variable interest rates originated from LIBOR. The fixed contracted interest rate is 2.5 percent for the debt maturing at December 2016 and 2.9 percent for the debt maturing at December 2034.

(c) ***Exchange rate forwards***. TAG 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 entered into forward contracts to exchange Mexican Pesos for U.S. Dollars of a portion of the projects' revenues for 2017; maturing through 2017 and in the first quarter of 2018.

(d) ***Debt for financing Value Added Tax ("VAT").*** On December 19, 2014, TAG signed a credit agreement for financing VAT with Santander, NAFINSA, Banco Nacional de Comercio Exterior, S. N. C. Institucion de Banca de Desarrollo ("BANCOMEXT") and Banco del Bajio, S.A. Institucion de Banca Multiple ("Ban Bajio"). The amount of the credit line is $3,680.9 million Mexican Pesos. On September 29, 2017, the VAT Line of Credit was paid in full for a total amount including interest of $206.4 million Mexican Pesos. (US$ 11.3 million).

5. Finance leases receivables

5.1. *Finance lease receivables – Natural Gas Compression Plant*

	As of	
	12/31/17	12/31/16
Current finance lease receivables	$ 308	$ 219
Non-current finance lease receivables	13,827	14,135
	$ 14,135	$ 14,354

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 receivables under finance leases

	Minimum lease payments As of		Present value of minimum lease payments As of	
	12/31/17	12/31/16	12/31/17	12/31/16
Not later than one year	$ 5,136	$ 5,136	$ 308	$ 219
Later than one year and not later than five years	21,828	22,458	3,464	3,403
More than five years	17,975	24,395	10,363	10,732
	44,939	51,989	14,135	14,354
Less: unearned finance income	(30,804)	(37,635)	n/a	n/a
Present value of minimum lease payments receivable	$ 14,135	$ 14,354	$ 14,135	$ 14,354

No residual values of assets leased under finance lease at the end of the reporting year 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 34.5 percent as of December 31, 2017 and 2016. The receivable under finance lease balance as of December 31, 2017 and 2016 is neither past due nor impaired.

5.2. *Finance lease receivables – Los Ramones I Pipeline*

	As of	
	12/31/17	12/31/16
Current finance lease receivables	$ 3,665	$ 3,383
Non-current finance lease receivables	567,405	571,070
	$ 571,070	$ 574,453

Leasing arrangements

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

5.2.1. Amounts receivables under finance leases

	Minimum lease payments As of		Present value of minimum lease payments As of	
	12/31/17	12/31/16	12/31/17	12/31/16
Not later than one year	$ 87,104	$ 87,639	$ 3,665	$ 3,384
Later than one year and not later than five years	424,616	428,582	28,108	23,997
More than five years	901,512	984,650	539,297	547,072
	1,413,232	1,500,871	571,070	574,453
Less: unearned finance income	(842,162)	(926,418)	n/a	n/a
Present value of minimum lease payments receivable	$ 571,070	$ 574,453	$ 571,070	$ 574,453

No residual values of assets leased under finance lease at the end of the year 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 15.2 percent as of December 31, 2017 and 2016. The receivable under finance lease balance as of December 31, 2017 and 2016, is neither past due nor impaired.

5.3. Finance lease receivables – Ethane Pipeline

	As of	
	12/31/17	12/31/16
Current finance lease receivables	$ 4,153	$ 3,553
Non-current finance lease receivables	360,952	365,106
	$ 365,105	$ 368,659

Leasing arrangements.

The Company entered into a finance lease arrangement for one of its ethane pipeline. 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 (Veracruz), through a 20-inch and 4 km length pipeline. The term of the finance lease is 20.5 years.

Segment II. Transports ethane from Nuevo Pemex (Tabasco) to Cactus (Chiapas), through a 16-inch and 15 kilometers length pipeline and from Cactus to the Ethylene XXI Complex (Braskem-IDESA) through a 24-inch and 133.5 km length pipeline. The term of the finance lease is 20.5 years.

Segment III. Transports liquid ethane from Ciudad Pemex to Nuevo Pemex (Tabasco) through a 20-inch and 73.5 km length pipeline. The term of the finance lease is 21 years.

The breakdown as of December 31, 2017 of this financial lease is as follows:

		Amount
Segment I	$	31,631
Segment II		186,030
Segment III		147,444
Total	$	365,105

5.3.1. Amounts receivables under finance leases

	Minimum lease payments As of				Present value of minimum lease payments As of			
		12/31/17		12/31/16		12/31/17		12/31/16
Not later than one year	$	55,393	$	55,976	$	4,153	$	3,553
Later than one year and not later than five years		264,235		268,951		33,512		28,779
More than five years		388,982		439,651		327,440		336,327
		708,610		764,578		365,105		368,659
Less: unearned finance income		(343,505)		(395,919)		n/a		n/a
Present value of minimum lease payments receivable	$	365,105	$	368,659	$	365,105	$	368,659

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

The average effective interest rate contracted is approximately 16 percent for segment I and 14 percent for segments II and III as of December 31, 2017 and 2016.

The receivable under finance lease balance as of December 31, 2017 and 2016, is neither past due nor impaired.

6. Business combination and asset acquisition

6.1. IEnova Pipelines, business combination

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

a. Net cash flow from acquisition of subsidiaries

		As of September 26, 2016
Consideration paid in cash	$	(1,143,834)
Less: balances of cash and cash equivalents acquired		66,249
Consideration paid in cash, net	$	(1,077,585)

b. Impact of acquisition on the results of the period

The results of the year ended December 31, 2016, includes a gain of $673.1 million for the excess of the acquisition-date fair value of IEnova's previously held equity interest in IEnova Pipelines over the carrying value of that interest, included as Remeasurement of Equity Method Investment on the Condensed Interim Consolidated Statements of Profit.

6.2. Ventika, business combination

On December 14, 2016, IEnova acquired the 100 percent of the shares of Ventika at a value of $434.7 million, 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 from the acquisition date.

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

		Ventika As of 12/14/16
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		24
Trade and other receivables, net		14,939
Restricted cash		68,299
Other assets		51,216
Property, plant and equipment, net		673,410
Intangible assets		154,144
Current liabilities		(145,912)
Non-current liabilities		(621,825)
Total identifiable, net assets	$	194,295
Goodwill	$	115,429

During the fourth quarter of 2017, the Company received additional information regarding Ventika's deferred income taxes as of the acquisition date, primarily related to net operating loss carryforwards. As a result, the Company recorded measurement period adjustments that resulted in a net decrease to goodwill and an increase in deferred tax assets of $13.7 million, respectively.

b. Net cash flow used in acquisition of subsidiaries

		As of December 14, 2016
Consideration paid in cash	$	(434,688)
Less: balances of cash and cash equivalents acquired		24
Consideration paid in cash, net	$	(434,664)

6.3. DEN, asset acquisition

On November 15, 2017, IEnova completed de acquisition of Pemex TRI's 50 percent interest in DEN, a joint venture that holds a 50 percent interest in the Los Ramones Norte pipeline, through TAG, for a purchase price of $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of intercompany debt. This acquisition increases IEnova's ownership interest in TAG from 25 percent to 50 percent. IEnova Pipelines previously accounted for its 50 percent interest in DEN as an equity method investment. In November, 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. DEN will continue to account for its interest in TAG as on equity method investment.

This transaction was accounted as an asset acquisition because DEN does not meet the definition of a business, since it does not have substantive inputs or processes. DEN's most significant asset is its equity method investment in TAG, the entity that owns the Los Ramones Norte pipeline. The excess consideration over the fair value of assets acquired and liabilities assumed was allocated on a relative fair value basis between the equity investment in TAG and an acquired intangible asset (Please refer to Note 9).

a. Assets acquisition

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
DEN	Holds equity investment in TAG	November 15, 2017	50%	$164,752

b. Assets acquired and liabilities recognized at the acquisition date

	As of November 15, 2017
Fair value of assets acquisitions:	
Cash paid	$ 164,752
Acquisition costs	143
Total fair value of assets acquisitions	$ 164,895
Cash and cash equivalents	17,257
Trade and other receivables	12,284
Deferred income tax assets	10,481
Investment in TAG	295,002
Property, plant and equipment, net	1,795
Other intangible assets	44,566
Current liabilities	(99,343)
Non-current liabilities	(95,839)
Total identifiable, net assets	$ 186,203
Less: Carrying value of equity interest in DEN immediately prior to acquisition	(21,308)
Total fair value of assets acquisition	$ 164,895

Valuation of DEN's Assets and Liabilities. DEN is substantially comprised of two assets. The first asset is DEN's equity method investment in TAG. The second asset is an acquired intangible asset, with an amortization period of 23 years, representing a favorable Operation and Maintenance ("O&M") agreement. Both assets were valued using an income approach. For substantially all other assets and liabilities, the Company determined that historical carrying value approximates fair value due to their short-term nature.

c. Net cash flow from acquisition of assets

		As of November 15, 2017
Consideration paid in cash	$	164,752
Plus: Acquisition costs paid		143
Less: balances of cash and cash equivalents acquired		(17,257)
Consideration paid in cash, net	$	147,638

7. Assets classified as held for sale and discontinued operations

(a) In February 2016, 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. Since March 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	
	12/31/17	12/31/16	12/31/17	12/31/16
Revenues	$ 129,634	$ 101,547	$ 45,899	$ 25,142
Cost of revenues	(101,640)	(85,446)	(35,085)	(22,583)
Operating, administrative and other expenses	(26,189)	(17,515)	(3,926)	(4,804)
Impairment	(63,804)	(136,880)	—	—
Depreciation and amortization	—	(2,222)	—	—
Interest income	—	25	—	8
Finance costs	(595)	(254)	(53)	(62)
Other gains (losses), net	623	(1,396)	(380)	(432)
Income tax benefit (expense) *	5,567	29,809	245	(7,187)
Net (loss) profit for the year / period	$ (56,404)	$ (112,332)	$ 6,700	$ (9,918)

* The Company does not recognize a deferred tax liability related to the undistributed earnings, because it currently does not expect these earnings to be taxable in the near future, for that reason the deferred tax liability recorded in 2016, amounted to $5.3 million was derecognized. This effect is shown in the Consolidated Statements of Profit in the line item of "(Loss) profit for the year / period from discontinued operations, net of income tax".

During 2017 the Company has not recognized a deferred tax asset in the amount of $15.2 million generated for the deductible temporary differences between book value and tax basis as a result of the decision to sale the partnership interest in TDM.

Additionally, the Company has not recognized a deferred tax asset in the amount of $25.9 million generated for the deductible temporary differences between book value and tax basis of TDM.

The Company considers that there are no sufficient taxable profits available to recognize all or part of the deferred tax asset.

	Year ended		Three-month period ended	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Loss per share:				
From discontinued operations:	$ (0.04)	$ (0.09)	$ —	$ —

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

	Year ended	
	12/31/17	**12/31/16**
Cash and cash equivalents	$ —	$ 434
Other assets	64,263	32,813
Total current assets	64,263	33,247
Deferred income tax assets	201	193
Other assets	1,515	1,125
Carbon allowance	2,272	22,089
Property, plant and equipment, net (1)	79,939	134,633
Total non-current assets	83,927	158,040
Total assets	$ 148,190	$ 191,287
Current liabilities	$ 54,336	$ 7,974
Non-current liabilities	8,186	27,477
Total liabilities	$ 62,522	$ 35,451

(1) As a result of the allocation as assets held for sale, the Company carried out a review of the recoverable amount of these assets. The Company estimated the fair value less estimated costs to sell of property, plant and equipment based on available market appraisals or using other valuation techniques.

As a result of the allocation in assets held for sale property, made during this year, the Company carried out a review of the recoverable amount of these assets. The review led to the recognition of an after-tax impairment loss of $63.8 and $95.8 million during 2017 and 2016 respectively, which have been recognized in the Condensed Interim Consolidated 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.

	Year ended	
	12/31/17	**12/31/16**
Cash flows from discontinued operations:		
Net cash flows provided by (used in) operating activities	$ 10,084	$ (868)
Net cash flows used in investing activities	(10,031)	(2,198)
Net cash flows used in financing activities	(53)	(256)
Net cash flows	$ —	$ (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, 2017 and 2016.

8. Property, plant and equipment, net

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

	Year ended	
	12/31/17	12/31/16
Pipeline projects	$ 14,265	$ 686,622
Other projects	14,682	32,205
	$ 28,947	$ 718,827

The additions to property, plant and equipment during 2016 are mainly comprised of construction in process, related to the following pipeline segments: Guaymas – El Oro, Ojinaga – El Encino, San Isidro Samalayuca and El Empalme pipeline branch.

As of December 31, 2017 the pipeline projects started commercial operation as follows:

San Isidro - Samalayuca on March 31, 2017
Guaymas - El Oro on May 19, 2017
El Empalme pipeline branch on June 24, 2017
Ojinaga - El Encino on June 30, 2017

Borrowing cost. During the year ended December 31, 2017 and 2016, the Company capitalized interest attributable to the construction in projects in the amount of $10.2 million and $14.8 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 2.98 percent and 3.33 percent, for the year ended December 31, 2017 and 2016, respectively.

9. Intangible assets

	Year ended	
	12/31/17	12/31/16
Carrying amounts of:		
Renewable transmission rights (a)	$ 154,144	$ 154,144
O&M Contract (b)	44,566	—
Amortization	(8,511)	—
	$ 190,199	$ 154,144

(a) Renewable transmission rights

As of December 14, 2016, regarding Ventika's acquisition the Company recorded $154.0 million related to the renewable transmission and consumption rights associated with the projects approved under the preexisting self-supply renewable program.

Amortization is calculated using the straight-line method based on the remaining useful life of the related intangible asset, derived over the term of the self-supply power agreements of 20 years. As of December 31, 2017, the amortization amount to $8.3 million.

(b) O&M Contract

In November 2017, the Company, through DEN´s asset acquisition, acquired an intangible asset related to the O&M contract with TAG, the amortization is calculated on a straight-line basis until the expiration of the Agreement in February 2041, equivalent to 23 years.

As of December 31, 2017, the amortization amount to $0.2 million.

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, U.S.

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 Condensed Interim Consolidated 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 Condensed Interim Consolidated Statement of Financial Position as the allowances are surrendered. Please refer to Note 7.

11. Short-term debt

Short-term debt includes:

	Year ended	
	12/31/17	**12/31/16**
Credit agreement (a)	$ 137,053	$ 446,034
Certificados Bursatiles ("CEBURES") at variable rate (Please refer Note 12.a. and 12.b.)	65,871	—
Current portion of IEnova Pipelines Bank Loan (Please refer Note 12.c.)	40,631	38,682
Current portion of Ventika's Bank Loan (Please refer Note 12.d.)	22,588	13,482
	266,143	498,198
Borrowing costs	(3,383)	(4,627)
	$ 262,760	$ 493,571

(a) ***Credit agreement.*** In June and July 2016, the Company withdrew $20.0 million and $380.0 million, respectively, of the credit line to be used for working capital and general corporate purposes. In December 2016, the Company withdrew $375.0 million to finance a portion of Ventika's acquisition and for general corporate purposes.

On October 21, 2016, the Company paid $250.0 million of the credit agreement.

On November 3, 2016, the Company renegotiated the credit line of the 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.

During 2017, the Company withdrew and paid as follows:

As of December 31, 2017		As of December 31, 2017	
Date	Withdrawals (Million USD)	Date	Payments (Million USD)
01/12/17	$ 70	03/31/17	$ 70
04/17/17	30	06/30/17	30
05/02/17	40	08/29/17	85
06/28/17	30	09/29/17	105
07/05/17	40	12/14/17	730
07/19/17	35	12/29/17	186
07/26/17	80		$ 1,206
08/14/17	200		
10/02/17	62		
10/16/17	30		
10/27/17	20		
11/14/17	260		
	$ 897		

On November14, 2017, the Company withdrew $260.0 million, a portion of this disposition was used to finance the acquisition of DEN. (Please refer to Note 6.3.)

On December 14, 2017, with the proceeds received from Senior Notes offering the Company paid a portion of this revolving credit by $730.0 million. (Please refer to Note 12.f.)

As of December 31, 2017 and 2016, the available unused credit portion was $1,033.0 million and $724.0 million, respectively.

Dispositions of credit line to be used for working capital and general corporate purposes.

12. Long-term debt

Long-term debt includes:

	Year ended	
	12/31/17	12/31/16
Senior Notes (f)	$ 840,000	$ —
Santander – Ventika (d, e)	451,248	472,781
BBVA Bancomer, S. A. de C. V. (“Bancomer”) – IEnova Pipelines (c)	277,175	317,279
CEBURES at fixed rate (a, b)	197,614	188,734
CEBURES at variable rate (a, b)	—	62,911
	$ 1,766,037	$ 1,041,705
Debt issuance costs	(33,997)	(1,901)
	$ 1,732,040	$ 1,039,804

(a) ***CEBURES.*** On February 14, 2013, the Company entered into two public debt issuances of 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 percent, with semi-annual payments 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 the TIIE plus 30 BPS, with monthly payments of interest, maturing in 2018. The average annual rate as of December 31, 2017 and 2016 was 7.25 percent and 4.64 percent, respectively.

(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 a fixed rate in Mexican 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 4.12 percent.

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

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) ***Bancomer - IEnova Pipelines.*** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as Fiduciary. The amount of the loan is for $475.4 million U.S. Dollars, the proceeds of which will be used to develop the IEnova Pipelines projects. The four participating credit institutions are Bancomer with a 50 percent contribution, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20 percent, Mizuho with 15 percent and NORD/LB with 15 percent.

The loan calls for quarterly payments beginning on March 18, 2014 and ending in 2026 for a total term of 13 years.

The loan bears an interest at the LIBOR plus 2.0 percent per year until the fifth anniversary, LIBOR plus 2.25 percent from the fifth to the eight anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of December 31, 2017, the long term debt maturity are as follows:

Year		Amount
2018	$	40,631
2019		39,119
2020		42,213
Thereafter		195,843
	$	317,806

In such credit, IEnova Pipelines 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 IEnova Pipelines, TDF and GdT as source of payment for the credit.

Covenants arising from the credit require for the following:

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

Entity		Amount
IEnova Pipelines	$	450,000
GdT		130,000
TDF		90,000

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

As of the date of the Condensed Interim Consolidated Financial Statements, the Company has complied with these obligations.

On January 22, 2014, the Company contracted a financial derivative instrument (swap) with Bancomer, Bank of Tokyo, Mizuho and NORD/LB. Such swap is to cover the interest rate risk on its debt total amount. The financial instrument changes the LIBOR for a fixed rate of 2.63 percent.

The Company has designated derivative financial instruments mentioned above under the model of cash flow hedges, in terms of what is permitted by the accounting standards. Given that, this interest rate swap, hedge objective is to set the flowing cash derived from interest payments on the syndicated loan maturing in 2026.

(d) ***Project financing for the Ventika project.*** On April 8, 2014, Ventika entered into a project finance loan for the construction of the wind projects with five banks: Santander as administrative and collateral agent, NADB, Banco Nacional de Obras y Servicios Publicos, S. N. C. Institucion de Banca de Desarrollo ("BANOBRAS"), BANCOMEXT and NAFINSA 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 15 until the final maturity date, as follows:

Bank	Maturity date
SANTANDER	3/15/2024
BANOBRAS	3/15/2032
NADB	3/15/2032
BANCOMEXT	3/15/2032
NAFINSA	3/15/2032

The breakdown of the debt is as follows:

Bank	As of 12/31/17
NADB	$ 138,320
SANTANDER	107,096
BANOBRAS	88,920
BANCOMEXT	69,160
NAFINSA	69,160
Interest payable	1,180
	$ 473,836

(e) ***Interest Rate Swaps.*** In order to mitigate the impact of interest rate changes, Ventika entered into four interest rate swaps with Santander and BANOBRAS; it allows Ventika to have almost 92.0 percent of the mentioned credit facilities above fixed. The swap contracts allow the Company to pay a fixed interest rate of 2.94 percent and 3.68 percent respectively, and to receive variable interest rate (three-month LIBOR).

(f) ***Senior Notes.*** On December 14, 2017, the Company entered into an agreement for $840.0 million international Senior Notes as follows:

i) The first placement was for $300.0 million bearing interest at a rate of 3.75 percent, with semi-annual payment of interest, maturing in 2028.

ii) The second placement was for $540.0 million bearing interest at a rate of 4.88 percent, with semi-annual payment of interest, maturing in 2048.

As of December 31, 2017, the debt issuance costs amounts $32.6 million.

The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

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		
	12/31/17	**12/31/16**	**02/20/18**
One U. S. Dollar	$ 19.7354	$ 20.6640	$ 18.4797

(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.

	Year ended			
	12/31/17		**12/31/16**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Financial lease receivables	$ 950,310	$ 950,310	$ 957,466	$ 995,096
Due from unconsolidated affiliates	491,645	468,322	94,264	90,989
Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	1,037,614	546,121	249,744	232,812
Loans from banks long-term	728,423	544,324	790,060	678,649
Loans from unconsolidated affiliates (Short-term)	509,800	495,827	248,580	245,255
Short-term debt	266,143	263,511	493,571	487,252
Loans from unconsolidated affiliates (Long-term)	73,510	73,510	3,080	3,080

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, which include interest rate swaps, are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and 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 set out below.

Finance lease receivables. The fair value of finance lease receivables is estimated to be $950.0 million and $955.1 million as of December 31, 2017 and 2016, 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 fair value 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	
	12/31/17	12/31/16
Financial instruments assets at fair value through profit or loss (“FVTPL”)		
Short-term investments (Level 1)*	$ 56,901	$ 51,443
Derivative financial instrument assets (Level 2)	8,065	8,040
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	$ 204,170	$ 226,161

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.

* The short term investments include restricted cash by $55.8 million and $51.4 million as of December 31, 2017 and 2016, respectively.

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 year and interim period.

Income tax for the years and three-month periods ended December 31, 2017 and 2016 are reconciled to the profit for the year / period as follows:

	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Profit before income tax and share of profits of joint ventures	$ 475,564	$ 971,639	$ 69,995	$ 124,919
Income tax expense calculated at 30%	(142,669)	(291,492)	(20,998)	(37,476)
Non-deducible expenses	(2,770)	(2,456)	(2,770)	(2,456)
Effects of foreign exchange rate	(18,631)	38,750	50,887	11,891
Effects of inflation adjustment	(32,283)	(8,889)	(9,020)	(5,487)
Effect of unused tax losses not recognized as deferred income tax asset	—	(23)	—	(23)
Effect of remeasurement of equity method investment	—	201,921	—	—
Non-taxable income	244	917	244	917
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	94,728	(83,055)	(74,048)	(53,945)
Other	(8,282)	(2,831)	(2,565)	(3,289)
Income tax expense recognized in the Consolidated Statements of Profit	$ (109,663)	$ (147,158)	$ (58,270)	$ (89,868)

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

- The effect of foreign currency exchange gains or losses is being calculated on Mexican Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.

- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Mexican 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 Common stock follow-on equity offering ("Global offering")

On October 13, 2016, the Company carried out a Global Offering. The Company issued 380,000,000 shares of common stock at $80.0 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 offering costs, were approximately $1.6 billion U.S. Dollars. As a result of the Global Offering, the Company raised $30.4 billion Mexican Pesos, net of issuance costs of $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.

		As of December 31, 2017 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**Fixed shares**	**Variable shares**	**Total**	**Total shares in USD**
SEMCO	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

15.2 Declared dividends

Pursuant to a resolution of the General Ordinary Shareholders' Meeting held on July 25, 2017, the Board of Directors resolved to pay a cash dividend on August 15, 2017 in the amount of $200.0 million. The dividends were paid in the aforementioned date.

On August 9, 2016 $140.0 million dividends were paid.

16. Segment information

16.1 Products and services from which reportable segments obtain their revenues

Information reported 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 revenues and results from continuing operations by reportable segment:

	Segment revenues			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Gas:				
Revenues from customers	$ 961,903	$ 610,329	$ 249,154	$ 225,716
Revenues from unconsolidated affiliates	103,043	101,998	25,306	22,443
Intersegment revenues	241,705	182,542	69,696	52,119
Power:				
Revenues from customers	99,721	2,930	19,391	2,930
Corporate:				
Allocation of professional services with affiliates	1,859	2,637	455	522
Intersegment professional services	29,970	29,484	8,071	11,039
	1,438,201	929,920	372,073	314,769
Intersegment adjustments and eliminations	(271,675)	(212,026)	(77,767)	(63,158)
Total segment revenues	$ 1,166,526	$ 717,894	$ 294,306	$ 251,611

	Segment profit			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Gas	$ 470,137	$ 919,219	$ 70,281	$ 66,496
Power *	(40,970)	(111,749)	9,816	(12,682)
Corporate	(74,993)	(52,480)	(43,369)	(26,281)
Total segment profit	$ 354,174	$ 754,990	$ 36,728	$ 27,533

* Includes discontinued operations.

Segment profit is the measure reported for the purposes of resource allocation and assessment of segment performance.

16.3 Assets and liabilities by segment

	Year ended	
	12/31/17	12/31/16
Assets by segment:		
Gas	$ 6,385,681	$ 5,716,175
Power *	1,170,970	1,241,689
Corporate	607,208	169,084
Consolidated total assets	$ 8,163,859	$ 7,126,948

	Year ended	
	12/31/17	12/31/16
Liabilities by segment:		
Gas	$ 1,030,611	$ 983,424
Power *	652,502	641,479
Corporate	1,964,159	1,151,734
Consolidated total liabilities	$ 3,647,272	$ 2,776,637

* Includes assets and liabilities held for sale.

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

- All assets are allocated to reportable segments. Goodwill is allocated to reportable segments .
- All liabilities are allocated to reportable segments.

16.4 Other segment information

	Property, plant and equipment		Accumulated depreciation	
	Year ended		Year ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Gas	$ 3,569,528	$ 3,354,683	$ (510,744)	$ (424,639)
Power	686,195	677,440	(24,885)	(1,807)
Corporate	18,881	16,191	(9,519)	(7,783)
	$ 4,274,604	$ 4,048,314	$ (545,148)	$ (434,229)

	Share of profits of joint ventures			
	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Gas	$ 41,094	$ 40,284	$ 18,620	$ 2,007
Power	3,583	2,557	(317)	393
	$ 44,677	$ 42,841	$ 18,303	$ 2,400

16.5 Revenue by type of product or services

The following is an analysis of the Company's revenues by major type of product or service for the years and three-month periods ended December 31, 2017 and 2016:

	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Transportation of natural gas	$ 429,273	$ 171,459	111,172	$ 93,895
Sale of natural gas	241,371	199,126	68,406	49,316
Other operating revenues	174,107	157,515	36,827	53,240
Natural gas distribution	112,217	89,722	30,761	25,278
Storage and regasification capacity	109,837	97,168	27,749	26,978
Power generation	99,721	2,904	19,391	2,904
	$ 1,166,526	$ 717,894	$ 294,306	$ 251,611

Other operating revenues

(a) IEnova Marketing received payments from SLNGIH related to the losses and obligations incurred in the amount of $103.0 million and $102.0 million for the year ended December 31, 2017 and 2016, respectively and $25.3 million and $25.0 million for the three-month period ended December 31, 2017 and 2016, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

(b) The Company reported damage and declared a force majeure event for the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory that has interrupted its operations since August 23, 2017. There is no material economic impact due to this event. The Sasabe-Puerto Libertad-Guaymas segment remains in full operation.

17. Earnings per share

17.1 Basic earnings per share

	Year ended		Three-month period ended	
	12/31/17	12/31/16	12/31/17	12/31/16
From continuing operations:				
Basic and diluted earnings per share	$ 0.27	$ 0.70	$ 0.02	$ 0.03
From continuing and discontinued operations:				
Basic and diluted earnings per share	$ 0.23	$ 0.61	$ 0.02	$ 0.02

17.2 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	
	12/31/17	12/31/16	12/31/17	12/31/16
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 410,578	$ 867,322	$ 30,028	$ 37,451
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 354,174	$ 754,990	$ 36,728	$ 27,533
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,534,023,812	1,235,758,229	1,534,023,812	1,479,184,647

The Company does not have potentially diluted 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, 2016, except for the following:

Sales commitments

a. GAP has entered into Interruptible Transportation and Compression of natural gas Service Agreements ("ITSAs") with Shell Trading Mexico, S. de R. L. de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 1,000 Dekatherms per day ("Dth/d") defined as Maximum Daily Quantities (“MDQ”). The ITSAs establish a transportation service rate which has to be approved by Comisión Reguladora de Energía ("CRE"). This agreement was executed on May 15, 2017 and will continue in full force until May 15, 2022.

b. GAP has entered into ITSAs with Union Energetica del Noroeste, S.A de C.V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 3,600 Dth/d defined as MDQ. The customer will pay the regulated fee applicable in accordance with the latest publication by the Official Gazzete of the Federation and according to the modifications approved by the CRE. This agreement will be valid as of the date on which the customer notifies to GAP that is ready to start the natural gas tests and will be in force until such tests are concluded. This agreement was executed on January 4, 2017.

c. IEnova Pipelines has entered into ITSAs with two customers. Under the ITCSAs, the Company is committed to provide interruptible natural gas transportation and compression service up to certain daily quantities of natural gas, defined as MDQ measured in Gigacalorias per day ("Gcal/d"). The ITCSAs establish a transportation and compression service rate published in the Official Gazette of the Federation in accordance with the applicable regulations. The range of effective periods and the agreed-upon MDQ for each agreement described above are from one to three years and from 3,822 to 10,000 Gcal/d respectively. The agreements were executed on March 22, 2017 and April 19, 2017, respectively, and will continue in full force until March 22, 2018 and April 30, 2020, respectively.

d. IEnova Pipelines has entered into ITSAs with MGC Mexico, S. A. de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 630 Gcal/d defined as MDQ. The ITSAs establish a transportation service rate published in the Official Gazette of the Federation in accordance with the applicable regulations. The agreements were executed on April 1, 2017 and will continue in full force until March 31, 2018.

e. Energia Sierra Juarez Holding, S. A. de C. V. ("ESJH") entered into an Electricity Sales and Purchase Agreement ("SPA") with CFE for 15 years and has a contracted energy of 114,115.9 MWh by year and shall take effect from Commercial Operation Date ("COD") which is on June 15, 2019; however, the contract was executed on January 20, 2017.

f. ESJH signed a Clean Energy Certificates ("CEC") SPA with CFE for 20 years. During this period ESJH acquired the obligation to sell to CFE 117,064 CEC per year. This commitment will take effect from COD which is on June 15, 2019, however the contract was executed on January 20, 2017.

g. ESJ Renovable I, S. de R. L. de C. V. ("ESJRI") entered into an Electricity SPA with CFE for 15 years and has contracted energy of 278,357.76 MWh per year and shall take effect from COD which is on June 15, 2019; however, the contract was executed on January 20, 2017.

h. ESJRI entered into an Power SPA with CFE for 15 years and has a contracted power of 10 MW per year and shall take effect from COD which is on June 15, 2019, however the contract was executed on as of January 20, 2017.

i. ESJRI signed a CEC with CFE for 20 years, during this period ESJH acquired the obligation to sell to CFE 285,606 CEC per year, this commitment will take effect from COD which is on June 15, 2019, however the contract was executed on January 20, 2017.

j. ESJ Renovable II, S. de R. L. de C. V. ("ESJRII") entered into an electricity, power and CEC with Deacero, this contract will enter into force on March 24, 2017 and will have a duration of 20 years counted from the COD which is October 1, 2018.

ESJRII must deliver for each contract year at least the amount of CEC corresponding to the guaranteed Energy that will be one CEC per MWh and is obligated to transfer the Net Power of the Power Plant which is 110 MW.

k. ESJ Renovable III, S. de R. L. de C. V. ("ESJRIII") signed the Veracruz terminal services agreement with Valero dated as of July 29, 2017. With effect from and including the COD, the company will provide to the customer the terminal services for the reception, storage and delivery of refined products. Ready to commence commercial operations is currently anticipated to take place in December 2018 and include 775,000 barrels of shell storage capacity. This agreement shall be effective and in full force and effect on the Effective Date: provided, however, that the initial term of this agreement shall commence on the COD and shall run for a period of ten years.

l. IEnova Gas, S. de R. L. de C. V. ("IG") signed the Puebla terminal services agreement with Valero dated as of July 29, 2017. With effect from and including the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 480,000 barrels of shell capacity. The parties expect the COD to occur twenty two months after the effective date. This agreement shall be effective and in full force and effect on the Effective Date: provided, however, that the initial term of this agreement shall commence on the COD and shall run for a period of ten years.

m. Gasoductos Servicios Corporativos, S. de R. L. de C. V. ("GSC") signed the Mexico City terminal services agreement with Valero dated as of July 29, 2017. With effect from and including the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 780,000 barrels of shell capacity. The parties expect the COD to occur twenty two months after the effective date. This agreement shall be effective and in full force and effect on the Effective Date: provided, however, that the initial term of this agreement shall commence on the COD and shall run for a period of ten years.

n. IEnova Marketing has entered into a base contract for sale and purchase of natural gas (the "Base Contract"), through this contract IEnova Marketing can celebrate Master Transactions Confirmation ("Supply Agreement") with several clients to supply natural gas. The terms and conditions of the Supply Agreement are variable for each customer. As of December 31, 2017, IEnova Marketing support seven ongoing supply agreements with an average maturity less of 5 years.

Purchase commitments

o. During the first quarter of 2017, Gasoductos del Noreste, S. de R. L. de C. V. ("GdN") entered into a contract with Distribuidora Megak, to acquire a gas motor-generator for an estimated amount of $5.0 million.

The contract matures in 2018.

p. On March 30, 2017, Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V. ("GSCA") entered into an agreement with GE Oil & Gas Products and Services, S. de R. L. de C. V. ("GE") for the maintenance of GdT's turbines. This agreement will expire upon the first occur considering the following:

a) The date upon which all covered units have reached their performance end date, or

b) Eight years from the contract effective date.

The estimated cost of this contract amounts to $18.2 million.

In 2017, payments during the agreement were $0.6 million. Future contractual cash payments are as follows:

Year		Amount
2018	$	3,925
2019		3,061
2020		5,038
Thereafter		5,392
	$	17,416

q. In 2017, ESJH and ESJRII entered into several land leases for the development and construction of two photovoltaic solar power systems in Baja California and Sonora, Mexico, respectively. The agreements are a 20-year term. During 2017, payments under the agreements were $306.0. Future contractual cash payments are as follows:

Year		Amount
2018	$	323
2019		306
2020		306
Thereafter		4,902
	$	5,837

r. GSCA and GdT entered into various O&M agreements during 2017. Payments during the agreement were $1.4 million.

Future contractual cash payments are as follows:

Year		Amount
2018	$	2,746
2019		718
	$	3,464

s. GSC, ESJRIII and IG entered into various technical service and engineering, procurement and construction agreements with Gulf Interstate Engineering Company. During 2017 payments under such agreements were $0.2 million. Future contractual cash payments of such commitments are as follows:

Year		Amount
2018	$	9,710

t. ESJRIII entered into an agreement with the Veracruz API as concessionary, for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico, with an obligation for the Company to pay a fixed fee from 2019 until maturity date in 2037.

Future contractual cash payments of such commitments are as follows:

Year		Amount
2019	$	3,420
2020		3,651
2021		3,898
Thereafter		113,878
	$	124,847

u. In the fourth quarter of 2017, ESJH, ESJRI and ESJRII entered into various engineering, procurement and construction agreements with third parties for the PIMA Solar Project.

In 2017, payments during the agreement were $3.1 million. Future contractual cash payments are as follows:

Year	Amount
2018	$ 123,334

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, 2016.

20. Application of new and revised IFRS

The Company has not applied the following new and revised IFRS that have been issued but have not entered force:

- IFRS 9, *Financial Instruments* (1)
- IFRS 15, *Revenue from Contracts with Customers* (1)
- Clarifications to IFRS 15, *Revenue from Contracts with Customers* (1)
- IFRIC 22, *Interpretation of Foreign Currency Transactions and Advance Consideration* (1)
- Amendments to IAS 40, *Investment Property* (1)
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures (2)*
- Deferral Effective Date of Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Join Ventures* (2)
- IFRS 16, *Leases* (3)
- Amendments to IFRSs, *Annual Improvements to IFRS Standards 2014-2016 Cycle* (1)
- IFRS 17, *Insurance Contracts* (4)
- IFRIC 23, *Uncertainty over Income Tax Treatments* (3)

(1) Effective for annual periods beginning on or after January 1, 2018.
(2) Effective date is deferred indefinitely, early adoption of the September 2014 amendments continues to be permitted.
(3) Effective for annual periods beginning on or after January 1, 2019
(4) Effective for annual periods beginning on or after January 1, 2021

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 Fair Value Through the Statement of Other Comprehensive Income ("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.

With regards to the new IFRS 9 "Financial Instruments", the three phases in the standard were evaluated:

1.- Classification and measurement: the new standard introduces a new model for the classification of all types of financial assets, including those that contain implicit derivatives. With this model, the financial assets are classified in their entirety, instead of being subject to complex bifurcation requirements. Concerning the classification of financial liabilities, the IFRS 9 keeps all of the current IAS 39 requirements, the only change contemplated regarding the financial liabilities is linked to recognizing the changes in the own credit risk that is required to be presented as part of OCI.

The outcome of the evaluation of the following criteria will determine the way in which the financial asset must be classified and, thus, the basis of its measurement subsequent to the classification:

a) Determination of the Business Model

The Business Model refers to how the entity manages the financial asset activities to generate cash flows that flow directly to the entity either through the mere collection of contractual cash flows, the sale of the financial asset or through both activities.

The determination of the Business Model is handled at a level that reflects how a financial asset or group of financial assets are managed to meet a particular objective and not through an assessment of individual instruments, and it does not depend on the intentions of Management on the financial asset, but on its actual use.

An entity may have more than one Business Model to manage their financial assets depending on the characteristics of the financial asset and, above all, the use that the Management makes on that financial asset to achieve its business goal.

In this regard, we are in the process of documenting our Business Model regarding the financial assets that we have, and we do not expect to change our current classification and, therefore, the measurement of the corresponding financial assets.

b) Characteristics of the contractual cash flows

IFRS 9 requires that contractual cash flows represent only payments of the principal and interest, whose characteristics are consistent with those of a basic loan agreement in which the consideration of the time value of money and those related to credit risk are the most important elements of the evaluation; however, if the contractual terms of the financial asset include exposures to risk and volatilities in the contractual cash flows that are not related to a basic loan agreement, cash flows linked to such a financial asset do not represent the principal and interest.

Leverage may be a feature of contractual cash flows in some financial assets which increases the variability of cash flows, resulting in different characteristics to those of interest.

We believe that the contractual cash flows associated with our financial assets represent mainly the recovery of the principal only, in some cases, and in others, only the principal and interest, as per the new standard; therefore, we have not identified possible effects associated with this criterion.

2.-Impairment: This phase describes a "three-stage" model ("overall model") for impairment based on credit quality changes from the initial recognition.

a) Phase 1 includes the financial instruments that have not had a significant credit risk increase from the initial recognition or (at the company's discretion) that have a low credit risk at the reporting date. For these assets, expected credit losses ("ECL") are take into account at 12 months, and interest income is calculated on the gross book value of the asset amount (i.e., without deduction for impairment). The 12-month ECL are those resulting from the default events that are possible within 12 months from the date of the report. It is not the expected cash deficit during the 12-month period, but the total credit loss of an asset, weighted by the probability that the loss occurs in the next 12 months.

b) Stage 2 includes financial instruments that have had a significant increase in the credit risk from the initial recognition (unless they have a low credit risk at the reporting date and this is the option taken by the company), but do not have objective evidence of impairment. For these assets, expected credit losses are recognized for life, but the interest income is calculated on the gross book value of the asset amount. The ECL for life are those resulting from all the possible events of non-compliance during the maximum contractual period in which the entity is exposed to the credit risk. The ECL are the weighted average credit losses, with the respective risks of a weighted default.

c) Phase 3 includes the financial assets that have objective evidence of impairment at the reporting date. For these assets, the expected credit losses are recognized for life, and the interest income is calculated on the net book value amount (i.e. the net impairment estimate).

At the date of issuance of these financial statements, we are in the phase 1 and according to the assessment carried out on our type of transactions with the client, it was concluded that in our approach to risk assessment of clients there would be no significant impact with the new requirements of the new standard, and since the behavior of our clients has shown no risk indicators, we believe that the expected loss approach that the new standard sets will not result in a change in our estimates of impairment. Even when this standard comes into effect on January 1, 2018 with retrospective application, the Company would apply this standard from January 1, 2018 because it turned out to be impractical to carry out the assessment on a retrospective basis from the last reporting period.

3 Accounting for Hedges: The IFRS 9 provides an accounting policy option which establishes that the entities may continue to apply the hedge accounting requirements in IAS 39, waiting for the end of the macro project risk coverage, or they may apply the IFRS 9. This choice of accounting policy will be applied to the entire hedge accounting portfolio and cannot be performed on a hedge by hedge. In this regard, we have chosen to continue using IAS 39.

This choice of accounting policy is applied only to the application of hedge accounting and has no impact on the implementation of the other two phases of IFRS 9, namely, "Classification and Measurement" and "Impairment".

The new standard also introduces disclosure requirements and changes in the presentation. It is expected to impact the nature and extent of the disclosures about financial instruments, particularly in the year of the adoption of the new standard.

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.

Clarifications to IFRS 15, *Revenue from Contracts with Customers*

These clarifications address (1) identifying performance obligations, (2) principal-versus-agent considerations, and (3) licensing. The amendments also provide some transition relief for modified contracts and completed contracts. Specific provisions of the amendments include the following: Identifying performance obligations - Clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services

are inputs. Principal-versus-agent considerations - Extension of the application guidance. Licensing - Clarification of whether an entity's promise to grant a license of its IP should be recognized as revenue at a point in time or over time based on whether the licensor's ongoing activities significantly affect the IP. Transition relief - Two additional (optional) practical expedients. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, which is the same effective date as that of IFRS 15. Earlier application is permitted.

The Company has evaluated the recognition and measurement of revenue according to the five-step model in the IFRS 15 and has not identified any significant financial impact, so that there will be no significant adjustments after its adoption. The Company chose to adopt the new standard as of January 1, 2018 by applying the modified retrospective method of adoption. The Company has not adopted in advance any interpretation or amendment that has been issued but not yet effective.

Revenue from contracts with clients are classified along the following lines:

Revenue from tariff transportation services
Revenue from capacity services in pipelines
Revenue from storage services of natural and LP gas
Revenue from distribution services of natural gas
Revenue from administrative services
Revenue from generation of wind energy
Revenue from sale of electric power

These revenues are obtained independently in contracts with each of its clients, with possible renewals according to the contractual terms. Currently, the company recognizes the income for services and for the generation of wind energy and electric power when such services are rendered or when they are delivered and accepted by the client, according to the programs established in the contracts. According to IFRS 15, the allocation of these revenues will be made on the basis of independent sales prices as set out in the contracts and on the basis of what was incurred; therefore, the allocation of the consideration and, consequently, the timing of revenue recognition would not be affected by the adoption of IFRS 15.

On the other hand, the company concluded that energy services and delivery are met over time, given that the client receives the benefits provided by IEnova through the period in which the contract remains in force. Consequently, according to IFRS 15, the Company would continue recognizing revenue from service contracts over time rather than at a point in time.

Presentation and disclosure

The new presentation and disclosure requirements of IFRS 15 are more detailed than in the current guidance, therefore, the Company concluded that this is a relevant change, because it significantly increases the volume of disclosures required in the Company Condensed Interim Consolidated Financial Statements.

Many of the disclosure requirements in IFRS 15 are new and IEnova has evaluated that the impact of some of these requirements will be significant. In particular, IEnova hopes that the notes to the Condensed Interim Consolidated Financial Statements will be extended due to the disclosure of significant judgment: when determining the price of transactions, how the transaction price is assigned to performance obligations and the assumptions used in the estimation of independent sales prices of each performance obligation. During 2017, IEnova development tests in their systems to adapt them to the new IFRS 15 requirements, as well as their internal control and accounting policies.

IFRIC 22 *Interpretation of Foreign Currency Transactions and Advance Consideration*

This new Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which consideration is received or paid before the related asset, expense, or income is recognized.

Effective for annual reporting periods beginning after January 1, 2018 with earlier application permitted.

The company is evaluating the new standard and no significant financial impact has been identified.

Amendments to IAS 40 *Transfers of Investment Property*

These amendments to the guidance in IAS 40 on transfers of property to or from investment property.

Specifically, the amendments revise paragraph 57 of IAS 40 to state that "an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use." The amendments further clarify that a "change in use occurs when the property meets, or ceases to meet, the definition of investment property" and that a "change in management's intentions for the use of a property does not provide evidence of a change in use." The amendments are effective for periods beginning on or after January 1, 2018; early adoption is permitted.

The company is evaluating the new standard and no significant financial impact has been identified.

Amendments to IFRS 10 *Consolidated financial statements and IAS 28 Investment in Associates and Join Venture*

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.

IASB Defers Effective Date of September 2014 Amendments IFRS 10 *Consolidated financial statements and IAS 28 Investment in Associates and Join Venture*

The amendments that indefinitely defer the effective date of its September 2014 amendments to IFRS 10 (on consolidated financial statements) and IAS 28 (on investments in associates and joint ventures), which address how an entity determines any gain or loss related to transactions with an associate or joint venture. The IASB plans to redeliberate the effective date of the September 2014 amendments after it has completed its research project on the equity method. Early adoption of the September 2014 amendments continues to be permitted.

The company is evaluating the new standard and no significant financial impact has been identified.

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.

Regarding the transition methodology to be used, the Company will be using the modified retrospective method.

Annual Improvements to IFRSs 2014 - 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Entity. IFRS 1 deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. Also the amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarized financial information.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Company consolidated financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organization.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement of IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: 1) discounted probability-weighted cash flows, 2) an explicit risk adjustment, and 3) a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying, the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is applied for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted for entities that apply IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.

The Company is in the process of evaluating the potential effects of implementing this new standard in its financial information.

IFRIC 23 Uncertainty over Income Tax Treatments

This new Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 "Income taxes" when there is uncertainty over income tax treatments. Uncertain tax treatments are a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

An entity shall apply IFRIC 23 for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted and the fact must be disclosed. On initial application, the Interpretation must be applied retrospectively under the requirements of IAS 8 or retrospectively with the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings.

The Company's is in process of assessment of potential effects that could generate the implementation of these changes if any applicable.

21. Events after the reporting period

(a) Withdrawals of credit line.

On January 4, 2018 and February 6, 2018 regarding the credit line mentioned in Note 11.a. the Company withdrew $65.0 million and $135.0 million, respectively, to be used for working capital and general corporate purposes.

(b) Execution of Standby Letter of Credit Facility and Reimbursement Agreement

On January 22, 2018, in order to make more efficient and standardize the process for the issuance of letters of credit requested by governmental entities or third parties with whom it contracts, IEnova executed, together with a bank syndicate formed by Banco Nacional de Mexico, S. A., SMBC, Bancomer, Scotiabank Inverlat, S. A., Mizuho, BNP Paribas and Santander, entered into a letter of credit facility and reimbursement agreement, up to an amount equivalent to $1.0 billion U. S. Dollars which will be in effect for five years (the"LOCF").

i. The foregoing, among other things, will allow IEnova to expedite the administrative processes for the issuance or renewal of standby letters of credit and to have a unique process for the issuance of all its standby letters of credit.

ii. The LOCF and the standby letters of credit issued under the same do not constitute IEnova's debt.

The issuance costs of the aforementioned LOCF amounts $1.6 million U. S. Dollars.

(c) Veracruz marine terminal and in-land terminal projects

On January 8, 2018 ESJRIII paid the remaining 50 percent of a counter-payment fee equivalent to the amount in Mexican Pesos for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, the counter-payment amounts to $500.0 million Mexican Pesos, (Please refer to Note 1.2).

(d) CEBURES

On February 8, 2018, the Company made the repayment of the public debt issuance, CEBURES, of the second placement for an amount of $1.3 billion of historical Mexican Pesos (Please refer to Note 12.a.ii.).

For this debt maturing in 2018, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments that were realized on this date, the Company received $1.3 billion of Mexican Pesos and paid $102.2 million U. S. Dollars. This payment ended the hedged contracted and CEBURES liability (Please refer to Note 12.a. and 12.b.).

22. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved by Manuela Molina Peralta, Chief Financial Officer and authorized for issuance on February 20, 2018.

23. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11560
  Ciudad de Mexico, Mexico.
- Carretera Escenica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C., Mexico.
- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 21210
  Mexicali, B.C., Mexico.
- Avenida Tecnologico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chihuahua, Mexico.
- Boulevard Francisco Eusebio Kino No. 309
  Piso 10, Col. Country Club
  Hermosillo, Sonora, Mexico.
- Carretera Federal Cuota 15D, KM 461 820,
  San Roman Corralillos, CP 45464
  Guadalajara, Jalisco, Mexico.
- Avenida Constitucion Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, Nuevo Leon, Mexico.

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“Pro forma additional information”

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

Pro forma Combined Statements of Financial Position

As of December 31, 2016
(In thousands of U.S. Dollars)

	As of December 31, 2016				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (Note 4(1))	Ductos y Energeticos del Norte, S. de R. L. de C. V. (Note 4(2))	Pro Forma Adjustments (Note 5)	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	$ 24,918	$ 8,819	$ —		$ 33,737
Short-term investments	80	—	—		80
Trade and other receivables, net	100,886	—	—		100,886
Due from unconsolidated affiliates	12,976	5,101	(6,844)	a	11,233
Finance lease receivables	7,155	—	—		7,155
Income taxes receivable	6,390	—	—		6,390
Natural gas inventories	6,083	—	—		6,083
Derivative financial instruments	6,913	—	—		6,913
Value added tax receivable	27,600	—	—		27,600
Other assets	9,289	107	—		9,396
Restricted cash	51,363	—	—		51,363
Assets held for sale	191,287	—	—		191,287
Total current assets	444,940	14,027	(6,844)		452,123
Non-current assets:					
Due from unconsolidated Affiliates	104,352	3,080	(93,016)	a	14,416
Derivative financial instruments	1,127	—	—		1,127
Finance lease receivables	950,311	—	—		950,311
Deferred income tax assets	75,999	17,364	1,227	b	94,590
Investment in joint ventures	125,355	155,328	117,729	a, c	398,412
Other assets	4,855	—	—		4,855
Property, plant and equipment, Net	3,614,085	1,689	(2,530)	c	3,613,244
Intangible assets	154,144	—	32,508	c	186,652
Goodwill	1,651,780	—	—		1,651,780
Total non-current assets	6,682,008	177,461	55,918		6,915,387
Total assets	$ 7,126,948	$ 191,488	$ 49,074		$ 7,367,510

Liabilities and Stockholders' Equity	As of December 31, 2016				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (Note 4(1))	Ductos y Energeticos del Norte, S. de R. L. de C. V. (Note 4(2))	Pro Forma Adjustments (Note 5)	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Current liabilities:					
Short-term debt	$ 493,571	$ —	$ 258,920	a, b	$ 752,491
Trade and other payables	94,566	505	—		95,071
Due to unconsolidated affiliates	260,914	5,755	(10,967)	a	255,702
Income tax liabilities	13,322	—	—		13,322
Derivative financial instruments	10,310	—	—		10,310
Other financial liabilities	5,877	—	—		5,877
Provisions	930	—	—		930
Other taxes payable	27,872	140	—		28,012
Other liabilities	28,861	—	—		28,861
Liabilities related to assets held for sale	35,451	—	—		35,451
Total current liabilities	971,674	6,400	247,953		1,226,027
Non-current liabilities:					
Long-term debt	1,039,804	—	—		1,039,804
Due to unconsolidated affiliates	3,080	179,872	(182,952)	a	—
Deferred income tax liabilities	489,607	—	—		489,607
Provisions	51,035	—	—		51,035
Derivative financial instruments	215,851	—	—		215,851
Employee benefits	5,586	—	—		5,586
Total non-current liabilities	1,804,963	179,872	(182,952)		1,801,883
Total liabilities	2,776,637	186,272	65,001		3,027,910
Stockholders' Equity:					
Common stock	963,272	331	(331)	a	963,272
Additional paid-in capital	2,351,801	—	—		2,351,801
Accumulated other comprehensive (loss) income	(126,658)	(3,097)	1,549	a	(128,206)
Retained earnings	1,161,896	7,982	(17,145)	a	1,152,733
Total equity	4,350,311	5,216	(15,927)		4,339,600
Total liabilities and equity	$ 7,126,948	$ 191,488	$ 49,074		$ 7,367,510

See accompanying notes to the Pro forma Combined Financial Statements.

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

Pro forma Combined Statements of Profit

For the twelve-month period ended December 31, 2016
(In thousands of U.S. Dollars)

	As of December 31, 2016				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (Note 4(1))	Ductos y Energeticos del Norte, S. de R. L. de C. V. (Note 4(2))	Pro Forma Adjustments (Note 5)	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Revenues	$ 717,894	$ 19,584	$ 253,382	a, c	$ 990,860
Cost of revenues	(237,789)	—	(2,630)	a, c	(240,419)
Operating, administrative and other expenses	(104,754)	(8,500)	(45,364)	a, c	(158,618)
Depreciation and amortization	(64,384)	(74)	(40,932)		(105,390)
Interest income (expense)	6,269	95	(7,753)	a, c	(1,389)
Finance costs	(20,836)	(8,247)	(33,969)	a, b, c	(63,052)
Other gains (losses), net	2,168	(232)	(12,108)	a, c	(10,172)
Remeasurement of equity method investment	673,071	—	—		673,071
Profit before income tax and share of profits of joint ventures	971,639	2,626	110,626		1,084,891
Income tax (expense) benefit	(147,158)	5,607	(41,798)	a, c	(183,349)
Share of profit (loss) of joint ventures, net of income tax	42,841	13,179	(42,379)	a, c	13,641
Profit for the year from continuing operations	$ 867,322	$ 21,412	$ 26,449		$ 915,183
Loss for the year from discontinued operations, net of income tax	(112,332)	—	—		(112,332)
Profit for the year	$ 754,990	$ 21,412	$ 26,449		$ 802,851

See accompanying notes to the Pro forma Combined Financial Statements.

Notes to the Pro forma Combined Financial Statements

As of December 31, 2016
(In thousands of U.S. Dollars)

1. Activities

Infraestructura Energetica Nova, S. A. B. de C. V. and subsidiaries (collectively, the "Company") is located and incorporated in Mexico. Its parent and ultimate holding company is Sempra Energy (the "Parent"), domiciled and incorporated in the State of California in the United States of America ("U.S."). The address of the Company's registered offices is Paseo de la Reforma No. 342 Piso 24, Torre New York Life, Colonia Juarez, Ciudad de Mexico.

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

The Gas segment develops, owns and operates, or holds interests in, natural gas, LPG and ethane pipelines, storage facilities for liquified natural gas ("LNG"), LPG, transportation, 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 Leon and Jalisco, Mexico. It also owns and operates an LNG terminal in Baja California, Mexico, for importing, storing and regasifying LNG.

The Power segment develops three solar projects located in Baja California, Aguascalientes and Sonora, Mexico, owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, owns a wind farm located in Nuevo Leon, Mexico and holds interests in a renewable energy project in a joint venture in Baja California, Mexico, both renewable energy projects use the wind resources to serve costumers in Mexico and in the U. S., respectively.

The Company is also developing a project for the construction of a marine terminal and two in-land terminals for the reception, storage and delivery of refined products, located in Veracruz, Ciudad de Mexico and Puebla, Mexico, respectively.

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"), as of March 31, 2016, and ahead, the assets and liabilities were classified under current assets and liabilities as held for sale and the corresponding discontinued operation effects in the Pro forma Combined Statements of Profit.

On September 26, 2016, the Company completed the acquisition of IEnova Pipelines ("IEnova Pipelines acquisition") through IEnova Gasoductos Holding, S. de R. L. de C. V., ("IGH") a subsidiary of IEnova; therefore, the Company now holds 100 percent of IEnova Pipelines shares. The final price of the transaction was $1,077.6 million, net of cash acquired. IEnova Pipelines has been included in the Company's consolidated financial statements since the acquisition date.

On December 14, 2016 through Controladora Sierra Juarez, S. de R. L. de C. V. ("CSJ") a subsidiary of the Company completed the acquisition of 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") ("Ventika acquisition"). 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 Company's consolidated financial statements since the acquisition date.

2. Description of the asset acquisition, the “Transaction”

On November 15, 2017, IEnova completed the acquisition to Pemex Transformacion Industrial (“Pemex TRI”) of the 50 percent interest in Ductos y Energeticos del Norte S. de R. L. de C. V. (“DEN”), a joint venture that holds a 50 percent interest in the Los Ramones Norte pipeline, through TAG Norte Holdings S. de R. L. de C. V. (“TAG”), for a purchase price of $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 millions of intercompany debt. This acquisition increases IEnova's ownership interest in TAG from 25 percent to 50 percent. IEnova Pipelines previously accounted for its 50 percent interest in DEN as an equity method investment. As of November 1, 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. DEN will continue to account for its interest in TAG as on equity method investment.

This transaction was accounted as an asset acquisition because DEN does not meet the definition of a business, since it does not have substantive inputs or processes. DEN’s most significant asset is its equity method investment in TAG, the entity that owns the Los Ramones Norte pipeline. The excess consideration over the fair value of assets acquired and liabilities assumed was allocated on a relative fair value basis between the equity investment in TAG and an acquired intangible asset related to an Operation and Maintenance (“O&M”) contract with TAG.

3. Description of the Transaction Financing

The Company financed the Transaction through the disposition of a credit line (“the credit line”), up to the amount of the Transaction related. Debt and interest expense are included in the Pro forma Combined Financial Statements.

4. Basis for presentation of the Pro forma Combined Financial Statements

The accounting policies applied in the preparation of the Pro forma Combined Financial Statements comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Pro forma Combined Statements of Financial Position and the Pro forma Combined Statements of Profit have been prepared based on the assumptions that the Company’s management believes are appropriate in the current circumstances.

The Pro forma Combined Financial Statements include the Pro forma Combined Statements of Financial Position as of December 31, 2016 and the Pro forma Combined Statements of Profit for the year ended December 31, 2016.

The Pro forma Combined Financial Statements present the financial information of the Company as if the DEN Acquisition and its financing 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 Profit for the year ended on December 31, 2016.

As the IEnova Pipelines acquisition and Ventika acquisition were completed on September 26, 2016 and December 14, 2016, respectively, for comparative purposes, the Pro forma Combined Statements of Profit for the year ended December 31, 2016, present the financial information of the Company as if the IEnova Pipelines acquisition and Ventika acquisition occurred as of January 1, 2016.

Accordingly, the Pro forma Combined Financial Statements were compiled using the following information:

(1) The annual audited Consolidated Statement of Financial Position and the audited Consolidated Statement of Profit of the Company as of and for the year ended on December 31, 2016, prepared in accordance with IFRS.

(2) The annual unaudited Consolidated Statement of Financial Position and the audited Consolidated Statement of Profit of DEN as of and for the year ended on December 31, 2016, prepared in accordance with IFRS.

(3) The historical unaudited financial information of IEnova Pipelines is derived from the historical Interim Consolidated Statements of Profit of IEnova Pipelines for the period ended on September 26, 2016 (before the acquisition date), prepared in accordance with the Accounting Principles Generally Accepted in the United States as reconciled to IFRS.

(4) The historical unaudited Condensed Interim Combined Statements of Profit of Ventika for the period ended on December 14, 2016 (before the acquisition date), prepared in accordance with IAS 34, Interim Financial Reporting.

5. Pro forma adjustments

Pro forma adjustments as of December 31, 2016, included in the accompanying Pro forma Combined Statements of Financial Position and for the year ended December 31 2016, included in the Pro forma Combined Statements of Profit as described below, represent the DEN's asset acquisition and its financing had taken place on January 1, 2016.

This information is not intended to present the Company's results of operations or its financial position as though the DEN asset acquisition had occurred on the aforementioned dates, nor is it intended to project the Company's operating results and financial position for any future periods or as of any future dates.

In order to present the effects of the DEN asset acquisition in the Pro forma Financial Statements the management applied certain pro forma adjustments to the historical figures of the related companies.

Adjustments to the Pro forma Combined Statements of Financial Position as of December 31, 2016 and adjustments to the Pro forma Combined Statements of Profit for the year ended December 31, 2016:

a. The pro forma adjustments represent the consolidation of DEN, elimination of previous equity method of joint venture in the Company from DEN, related party balances and transactions, including payment of debt from stockholders of DEN.

b. The withdrawal of the credit line including the application of the funds to the payment of the transaction.

c. Consolidation of IEnova Pipelines, elimination of previous equity method from IEnova Pipelines as a joint venture, elimination of balances and transactions with affiliates and remeasurement of equity method investment.

d. TAG is not part of the assignment agreement. Therefore, the pro forma adjustments exclude the assets and liabilities related to TAG. After the Transaction is consummated, the Company will hold a 50% joint venture investment in TAG.

e. Pursuant to the Assignment Agreement, tax and accounting treatment of the transaction must be consistent, therefore, it was considered as an acquisition of equity interest for the purposes of income tax law.

6. Recognized amounts of identifiable assets acquired and liabilities assumed of DEN

	As of December 31, 2016
Current assets	$ 7,183
Non-current assets, mainly property, plant and equipment, net and other assets	94,369
Current and long-term liabilities	(6,400)
Total identifiable net assets	95,152
Remeasurement in joint venture investments in accordance with pro forma adjustments	117,729
Intangible assets	41,950
Acquisition costs paid	(143)
Payment of loans acquired through DEN acquisition	(89,936)
Total consideration transferred	$ 164,752

The pro forma adjustments include the amounts of identifiable assets acquired and liabilities assumed and consolidation adjustments of DEN.

The effect on stockholders' equity, including the elimination of DEN, is summarized as follows:

Stockholder's equity	As of December 31, 2016
Capital stock	$ (331)
Accumulated other comprehensive income	1,549
Retained earnings	(17,145)
	$ (15,927)

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