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

Condensed Interim Consolidated Financial Statements as of June 30, 2017 and for the six and three-month periods ended June 30, 2017 and 2016 (Unaudited) and Independent Auditor's Review Report Dated July 25, 2017

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

Condensed Interim Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	June 30, 2017 (Unaudited)	December 31, 2016
Current assets:			
Cash and cash equivalents		$ 28,041	$ 24,918
Short-term investments	12	2,981	80
Finance lease receivables	5, 12	7,621	7,155
Trade and other receivables, net		104,960	100,886
Due from unconsolidated affiliates	3	11,289	12,976
Income taxes receivable		69,226	6,390
Natural gas inventories		10,880	6,083
Derivative financial instruments	12	833	6,913
Value added tax receivable		43,083	27,600
Other assets		9,900	9,289
Restricted cash	12	68,155	51,363
Assets held for sale	6	160,449	191,287
Total current assets		517,418	444,940
Non-current assets:			
Due from unconsolidated affiliates	3, 12	282,450	104,352
Derivative financial instruments	12	65	1,127
Finance lease receivables	5, 12	946,962	950,311
Deferred income tax assets		86,136	75,999
Investments in joint ventures	4	205,581	125,355
Other assets		5,064	4,855
Property, plant and equipment, net	7, 15	3,692,281	3,614,085
Intangible assets	8	152,064	154,144
Goodwill		1,651,780	1,651,780
Total non-current assets		7,022,383	6,682,008
Total assets	15	$ 7,539,801	$ 7,126,948

Liabilities and Stockholders' Equity	Notes	June 30, 2017 (Unaudited)	December 31, 2016
Current liabilities:			
Short-term debt	10, 12	$ 647,065	$ 493,571
Trade and other payables		50,812	94,566
Due to unconsolidated affiliates	3, 12	362,312	260,914
Income tax liabilities		12,513	13,322
Derivative financial instruments	12	42,948	10,310
Other financial liabilities		6,596	5,877
Provisions		730	930
Other taxes payable		32,090	27,872
Other liabilities		25,352	28,861
Liabilities related to assets held for sale	6	81,800	35,451
Total current liabilities		1,262,218	971,674
Non-current liabilities:			
Long-term debt	11, 12	976,028	1,039,804
Due to unconsolidated affiliates	3, 12	41,587	3,080
Deferred income tax liabilities		504,211	489,607
Provisions		53,566	51,035
Derivative financial instruments	12	145,620	215,851
Employee benefits		6,171	5,586
Total non-current liabilities		1,727,183	1,804,963
Total liabilities	15	2,989,401	2,776,637
Stockholders' equity:			
Common stock	14	963,272	963,272
Additional paid-in capital	14	2,351,801	2,351,801
Accumulated other comprehensive loss		(117,321)	(126,658)
Retained earnings		1,352,648	1,161,896
Total equity attributable to owners of the Company		4,550,400	4,350,311
Commitments and contingencies	17, 18		
Events after the reporting period	20		
Total liabilities and equity		$ 7,539,801	$ 7,126,948

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit

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

		Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
	Notes	**2017** (Notes 1, 6)	**2016** (Notes 1, 6)	**2017** (Notes 1, 6)	**2016** (Notes 1, 6)
Revenues	15	$ 552,893	$ 271,976	$ 280,090	$ 138,722
Cost of revenues		(129,001)	(91,491)	(62,975)	(46,175)
Operating, administrative and other expenses		(80,334)	(41,919)	(40,417)	(22,758)
Depreciation and amortization		(55,903)	(28,551)	(28,730)	(14,256)
Interest income		4,580	3,035	3,014	1,498
Finance costs		(27,600)	(5,825)	(14,015)	(4,033)
Other gains (losses), net		5,207	(698)	2,821	(2,308)
Profit before income tax and share of profits of joint ventures		269,842	106,527	139,788	50,690
Income tax expense	13	(28,235)	(40,598)	(22,501)	(23,249)
Share of profits of joint ventures, net of income tax	4, 15	16,870	39,425	4,234	11,983
Profit for the period from continuing operations	16	$ 258,477	$ 105,354	$ 121,521	$ 39,424
Discontinued operation:					
Loss for the period from discontinued operations, net of income tax	6	(67,725)	(38,282)	(75,728)	(5,124)
Profit for the period	15, 16	$ 190,752	$ 67,072	$ 45,793	$ 34,300
Earnings per share:					
From continuing operations:					
Basic and diluted earnings per share	16	$ 0.17	$ 0.09	$ 0.08	$ 0.03
From continuing and discontinued operations:					
Basic and diluted earnings per share	16	$ 0.12	$ 0.06	$ 0.03	$ 0.03

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Six-month period ended June 30, (Unaudited) 2017	Six-month period ended June 30, (Unaudited) 2016	Three-month period ended June 30, (Unaudited) 2017	Three-month period ended June 30, (Unaudited) 2016
Profit for the period	15, 16	$ 190,752	$ 67,072	$ 45,793	$ 34,300
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(10,575)	774	(11,581)	3,833
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		3,172	(232)	3,474	(1,150)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		(12,447)	(26,801)	(4,736)	(9,659)
Deferred income tax on the loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		3,734	8,040	1,421	2,898
Exchange differences gain (loss) on translation of foreign operations		25,453	(16,954)	7,516	(15,332)
Total items that may be subsequently reclassified to profit		9,337	(35,173)	(3,906)	(19,410)
Other comprehensive income (loss) for the period		9,337	(35,173)	(3,906)	(19,410)
Total comprehensive income for the period		$ 200,089	$ 31,899	$ 41,887	$ 14,890

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common shares	Additional paid-in capital	Other comprehensive loss	Retained earnings	Total
Balance as of January 1st, 2016		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864
Profit for the period		-	-	-	67,072	67,072
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		-	-	542	-	542
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		-	-	(18,761)	-	(18,761)
Exchange differences on translation of foreign operations		-	-	(16,954)	-	(16,954)
Total comprehensive (loss) income for the period		-	-	(35,173)	67,072	31,899
Balance as of June 30, 2016 (Unaudited)	14	$ 762,949	$ 973,953	$ (139,117)	$ 613,978	$ 2,211,763
Balance as of January 1st, 2017		$ 963,272	$ 2,351,801	$ (126,658)	$ 1,161,896	$ 4,350,311
Profit for the period		-	-	-	190,752	190,752
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		-	-	(7,403)	-	(7,403)
Loss on valuation of derivative financial instruments held for hedging purposes of joint venture, net of income tax		-	-	(8,713)	-	(8,713)
Exchange differences on translation of foreign operations		-	-	25,453	-	25,453
Total comprehensive income for the period		-	-	9,337	190,752	200,089
Balance as of June 30, 2017 (Unaudited)	14	$ 963,272	$ 2,351,801	$ (117,321)	$ 1,352,648	$ 4,550,400

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Six-month period ended June 30, (Unaudited) 2017	2016	Three-month period ended June 30, (Unaudited) 2017	2016
Cash flows from operating activities:					
Profit for the period	16	$ 190,752	$ 67,072	$ 45,793	$ 34,300
Adjustments for:					
Income tax expense	6, 13	19,452	69,135	22,405	24,802
Share of profit of joint ventures, net of income tax	4, 15	(16,870)	(39,425)	(4,234)	(11,983)
Finance costs		27,984	5,953	14,331	4,097
Interest income		(4,580)	(3,045)	(3,014)	(1,503)
Loss (gain) on disposal of property, plant and equipment		851	1,185	(165)	(294)
Impairment loss (gain) recognized on trade receivables		39	(17)	24	(30)
Remeasurement of intangible asset		(2,289)	-	(2,289)	-
Depreciation and amortization		55,903	30,773	28,730	14,256
Net foreign exchange (gain) loss		(10,238)	1,143	(5,927)	1,876
Impairment property plant and equipment	6	63,804	-	63,804	-
Net loss (gain) on valuation of derivative financial instruments		3,856	(324)	3,722	31
		328,664	132,450	163,180	65,552
Movements in working capital:					
(Increase) decrease in trade and other receivables, net		(27,425)	6,550	(13,236)	7,691
Increase in natural gas inventories		(4,797)	(2,325)	(2,039)	(2,453)
(Increase) decrease in other assets		(5,898)	31,623	11,274	30,114
(Decrease) increase in trade and other payables		(38,518)	1,165	(27,614)	(22,063)
Decrease in provisions		(4,426)	(31,609)	(9,118)	(14,065)
Increase in other liabilities		1,995	4,729	2,876	1,770
Cash generated from operations		249,595	142,583	125,323	66,546
Income taxes paid		(71,967)	(56,038)	(41,892)	(25,043)
Net cash provided by operating activities		177,628	86,545	83,431	41,503

(Continued)

	Notes	Six-month period ended June 30, (Unaudited) 2017	2016	Three-month period ended June 30, (Unaudited) 2017	2016
Cash flows from investing activities:					
Investment in joint ventures		(72,067)	-	(26,272)	-
Interest received		587	3,159	-	-
Acquisitions of property, plant and equipment		(94,475)	(114,905)	(25,056)	(78,522)
Loans to unconsolidated affiliates		(170,023)	(275)	(170,023)	(141)
Receipts of loans to unconsolidated affiliates		2,417	5,571	-	-
Restricted cash		(16,792)	-	(10,005)	-
Short-term investments		(2,901)	19,988	10,100	25,005
Net cash used in investing activities		(353,254)	(86,462)	(221,256)	(53,658)
Cash flows from financing activities:					
Interest paid		(35,658)	(9,701)	(9,899)	(1,513)
Loans received from unconsolidated affiliates		166,699	(100)	56,274	(100)
Loans payments to unconsolidated affiliates		(9,487)	-	(1,084)	-
Payments of long-term debt		(120,368)	-	(40,487)	-
Proceeds from bank financing		170,000	30,000	100,000	30,000
Net cash provided by financing activities		171,186	20,199	104,804	28,387
Net (decrease) increase in cash and cash equivalents		(4,440)	20,282	(33,021)	16,232
Cash and cash equivalents at the beginning of the period		24,918	40,377	60,098	44,936
Cash and cash equivalent provided by (used in) discontinued operations	6	572	(1,170)	(22)	(297)
Effects of exchange rate changes on cash and cash equivalents		6,991	(6,054)	986	(7,436)
Cash and cash equivalents at the end of the period		$ 28,041	$ 53,435	$ 28,041	$ 53,435

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of June 30, 2017 and for the six and three-month periods ended June 30, 2017 and 2016 (Unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energética Nova, S. A. B. de C. V. ("IEnova") and Subsidiaries (collectively, the "Company") are located and incorporated in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent"), located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 22.

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 15).

The Gas segment develops, owns and operates, or holds interests in, natural gas, liquefied petroleum gas ("LPG") and ethane pipelines, 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 León and Jalisco, Mexico. It also owns and operates a LNG terminal in Baja California, Mexico for importing, storing and regasifying LNG.

The Power segment develops, 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 customers in Mexico and in the U. S., 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.

The Company 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.

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, 2016.

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

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

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

d. *Critical judgments in applying accounting policies*

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

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

3. Transactions and balances with unconsolidated affiliates

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

Transactions between continued and discontinued operations are eliminated in consolidation. Any profit made from sales to external parties by the discontinued operations are presented outside continuing operations.

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

	Revenues / Cost of revenues			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Effects of continuing operation with Gasoducto Rosarito, S. de R. L. de C. V. and IEnova Marketing, S. de R. L. de C. V.	$ 25,128	$ 20,050	$ 7,575	$ 10,346

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

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

	Revenues			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Sempra LNG International Holdings, LLC (“SLNGIH”)	$ 51,162	$ 53,799	$ 26,151	$ 26,772
Discontinued operation – Sempra Generation (“SGEN”)	39,750	33,942	14,137	18,777
Ductos y Energéticos del Norte, S. de R. L. de C. V. (“DEN”)	3,784	-	1,737	-
Sempra International, LLC (“Sempra International”)	982	826	486	399
Tag Pipelines Norte, S. de R. L. de C. V. (“TAG”)	847	-	847	-
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	387	256	235	242
Discontinued operation – Sempra Gas & Power Marketing, LLC (“SG&PM”)	372	-	186	-
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	147	1,870	48	881
Southern California Gas Company (“SoCalGas”)	82	3	68	3
Sempra Midstream, Inc. (“Sempra Midstream”)	2	-	2	-
Discontinued operation – SESJ	-	315	-	98
Energía Sierra Juárez, S. de R. L. de C. V. (“ESJ”)	-	85	-	(20)

	Cost of revenues and operating, administrative and other expenses			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Sempra LNG International, LLC- (“SLNGI”)	$ 89,161	$ 66,801	$ 42,777	$ 36,053
SG&PM	17,667	-	10,543	-
Discontinued operation – SG&PM	5,187	-	968	-
Sempra U. S. Gas & Power, LLC (“USGP”)	3,992	3,539	1,859	1,693
Sempra International	2,926	2,102	1,839	1,141
Discontinued operation – SGEN	2,340	9,987	1,296	4,914
SoCalGas	656	740	311	374
Sempra Midstream	492	398	320	199
SGEN	-	2,564	-	1,337

	Interest income			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
DEN	$ 2,089	$ 2,011	$ 1,122	$ 1,007
Infraestructura Marina del Golfo, S. de R. L. de C. V. ("IMG")	1,416	-	1,416	-
ESJ	467	616	232	282
Discontinued operation – SGEN	-	11	-	6

	Finance cost			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Inversiones Sempra Latin America Limitada ("ISLA")	$ 1,174	$ 796	$ 474	$ 398
Inversiones Sempra Limitada ("ISL")	918	265	745	132
Sempra Oil Trading Suisse SARL ("SOT Suisse")	652	727	286	358
Discontinued operation – Sempra Global	254	-	-	-
Peruvian Opportunity Company, S. A. C. ("POC")	242	-	154	-
DEN	114	-	70	-
Sempra Energy Holding XI, B. V. ("SEH")	-	876	-	442

Included in the operational transactions are administrative services from affiliates by $2.9 million and $2.1 million for the six-month period ended June 30, 2017 and 2016, respectively, $1.8 million and $1.0 million for the three-month period ended June 30, 2017 and 2016, respectively which were collected and paid, and have been properly distributed to the segments incurring those costs.

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

	Amounts due from unconsolidated affiliates	
	Period / Year ended	
	06/30/17	12/31/16
SLNGIH	$ 8,202	$ 6,456
DEN	1,966	5,754
SESJ	689	174
TAG	299	-
SoCalGas	78	-
ESJ	44	539
SLNGEL	11	53
	$ 11,289	$ 12,976

	Amounts due to unconsolidated affiliates Period / Year ended 06/30/17	12/31/16
ISL (i, ii)	$ 275,000	$ 30,025
POC (iii)	60,000	20,004
SLNGI	23,513	11,135
SG&PM	3,574	491
Sempra International	123	582
SoCalGas	102	120
ISLA (i)	-	160,091
SOT Suisse (iv)	-	38,460
Sempra Midstream	-	6
	$ 362,312	$ 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 terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis at 1.98 percent of outstanding balances. In December 2016, the Company signed addendums modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2017. The 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 is a twelve-month term, with an option to extend for up to four years. Interest of the outstanding balance is payable on a quarterly basis at rate of 1.75 percent 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.

(ii) 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 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 0.60 percent (sixty basis points) per annum. Interest shall be paid on the last day of each calendar quarter.

(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 is for twelve-month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at rate of 1.75 percent 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 is a twelve-month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at LIBOR plus 0.60 percent (sixty points) per annum.

On June 26, 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 is for twelve month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at LIBOR plus 0.70 percent (seventy basis points) per annum.

(iv) 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 basis points.

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

	As of	
	06/30/17	**12/31/16**
IMG (i)	$ 177,325	$ -
DEN	92,153	90,045
ESJ	12,972	14,307
	$ 282,450	$ 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") plus 220 basis points capitalized quarterly. Until June 30, 2017, the following cash provisions and interest capitalizations have been made:

Date	**Historical Mexican Pesos**
May 2, 2017 - withdrawal	$ 1,271,201
May 30, 2017 - withdrawal	658,000
June 15, 2017 - Interest capitalization	16,888
June 29, 2017 - withdrawal	1,218,689
	$ 3,164,778

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

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

	As of	
	06/30/17	**12/31/16**
SOT Suisse (Please refer Note 3.a. and 3.iv.)	$ 38,460	$ -
DEN	3,127	3,080
	$ 41,587	$ 3,080

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

Total compensation expense of key management personnel was $7.3 million and $3.2 million for the six-month periods ended June 30, 2017 and 2016, respectively and $1.0 million and $0.6 million for the three-month periods ended June 30, 2017 and 2016, respectively.

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

4. Investment in joint ventures

4.1. Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC")

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

Beginning September 27, 2016 the Company fully consolidated GdC.

GdC's Condensed Interim Consolidated Statement of Profit and the Company's equity method investment for the six and three-month periods ended June 30, 2016 are summarized as follows:

	Six-month period ended 06/30/16	Three-month period ended 06/30/16
Revenues	$ 146,739	$ 61,719
Operating, administrative and other expenses	(35,724)	(18,712)
Finance costs	(16,218)	(9,904)
Income tax expense	(29,672)	(17,049)
Share of profit of joint ventures, net of income tax	9,501	4,436
Profit for the period	$ 74,626	$ 20,490
Share of profit of GdC	$ 37,313	$ 10,245

4.2. *ESJ*

As of June 30, 2017, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method. ESJ's Condensed Interim Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	Period / Year ended	
	06/30/17	12/31/16
Cash and cash equivalents	$ 6,583	$ 9,601
Other current assets	24,316	15,201
Total current assets	30,899	24,802
Deferred income tax assets	5,711	5,413
Other non-current assets	2,645	2,650
Property, plant and equipment, net	258,312	264,468
Total non-current assets	266,668	272,531
Total assets	$ 297,567	$ 297,333
Current liabilities	$ 18,024	$ 17,777
Non-current liabilities	249,167	255,070
Total liabilities	$ 267,191	$ 272,847
Total members' equity	$ 30,376	$ 24,486
Share of members' equity	15,188	12,243
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 27,309	$ 24,364

	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Revenues	$ 27,410	$ 22,792	$ 13,390	$ 12,262
Operating, administrative and other expenses	(10,427)	(10,206)	(5,508)	(5,053)
Finance cost, net	(8,092)	(8,688)	(3,902)	(4,423)
Other gains (losses), net	170	(269)	61	(288)
Income tax (expense) benefit	(2,475)	596	(963)	979
Profit for the period	$ 6,586	$ 4,225	$ 3,078	$ 3,477
Share of profit of ESJ	$ 3,293	$ 2,112	$ 1,539	$ 1,738

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

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

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

As per the financing agreement, the ability to make withdrawals ended on the term conversion date June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding as of June 30, 2017 is $219.8 million and the breakdown is as follows:

	Debt balance
MIZUHO	$ 49,347
NAFINSA	49,347
SMBC	49,347
NORD/LB	35,888
NADB	35,888
	$ 219,817

(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. 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 June 30, 2017 and 2016.

4.3. IMG

As of June 30, 2017, the Company's 40 percent interest in IMG is accounted for under the equity method. IMG's Condensed Interim Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	Period / Year ended	
	06/30/17	**12/31/16**
Cash and cash equivalents	$ 127,050	$ 128,110
Value added tax receivable	99,857	12,264
Other current assets	179	683
Total current assets	227,086	141,057
Property, plant and equipment, net	740,085	135,494
Deferred income tax assets	2,947	-
Total non-current assets	743,032	135,494
Total assets	$ 970,118	$ 276,551
Current liabilities	$ 104,035	$ 27,916
Non-current liabilities	438,747	2,678
Total liabilities	$ 542,782	$ 30,594
Total members' equity	$ 427,336	$ 245,957
Share of member's equity and carrying amount of investment in IMG	$ 170,934	$ 98,383

	Six-month period ended 06/30/17	**Three-month period ended 06/30/17**
Other expenses, net	$ (4,147)	$ (7,128)
Income tax benefit	5,355	1,303
Profit (loss) for the period	$ 1,208	$ (5,825)
Share of profit (loss) of IMG	$ 483	$ (2,330)

Project financing for the IMG project. As of June 30, 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 Corporation ("Transcanada"), parent entities, by \$9.0 billion Mexican Pesos and \$13.6 billion Mexican Pesos, respectively. Loans accrue an annual interest rate of TIIE plus 220 basis points. Loan balances for the period ended on June 30, 2017 with IEnova and Transcanada are \$3.2 billion Mexican Pesos and \$4.7 billion Mexican Pesos, respectively.

4.4. *DEN*

DEN is a joint venture formed between IEnova and Pemex TRI in which the Company owns 50 percent equity interest.

As of June 30, 2017, the Company's remaining 50 percent interest in DEN is accounted for under the equity method. DEN's Condensed Interim Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	Period / Year ended	
	06/30/17	**12/31/16**
Cash and cash equivalents	$ 13,067	$ 8,819
Due from unconsolidated affiliates	7,262	4,012
Other current assets	19	4,278
Total current assets	20,348	17,109
Deferred income tax	9,973	17,364
Investments in joint venture	169,606	155,327
Other non-current assets	1,402	1,461
Property, plant and equipment, net	190	228
Total non-current assets	181,171	174,380
Total assets	$ 201,519	$ 191,489
Current liabilities	$ 604	$ 646
Non-current liabilities	186,239	185,627
Total liabilities	$ 186,843	$ 186,273
Total members' equity	$ 14,676	$ 5,216
Share of members' equity and carrying amount of investment in DEN	$ 7,338	$ 2,608

		Six-month period ended 06/30/17		Three-month period ended 06/30/17
Revenues	$	11,089	$	5,515
Operating, administrative and other expenses		(4,137)		(1,979)
Finance costs, net		(4,454)		(2,126)
Other gains, net		74		-
Income tax expense		(7,391)		(2,438)
Share of profit of joint ventures, net of income tax		31,007		11,080
Profit for the period	$	26,188	$	10,052
Share of profit of DEN	$	13,094	$	5,026

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

(a) *TAG Project financing.* On December 19, 2014, TAG Holding, (subsidiary of DEN), entered into a credit contract with Banco Santander (Mexico), S. A., Institucion de Banca Multiple, Grupo Financiero Santander Mexico ("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 $1.3 billion, divided in tranches: i) long tranche, up to $701.9 million, ii) short tranche up to $511.8 million and iii) a letter of credit tranche for debt service reserve up to $62.5 million.

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

Years	Applicable margin (basis points)
1st disbursement – System (Commercial Operation Date)	250
0 – 4	265
5 – 9	300
10 – 14	325
15 – 19	350

As of June 30, 2017, the total outstanding loan is $1.2 billion, with its respective maturities. TAG Holding hedged a portion of the loans tied to the interest rate risk through an interest rate swap, by changing the variable rate for a fixed rate.

The loans mentioned above contain restrictive covenants, which require TAG Holding to maintain certain financial ratios and limit dividend payments, loans and obtaining additional financing. TAG Holding met such covenants as of June 30, 2017.

Long-term debt due dates are as follows:

Year	Amount
2017	$ 58.9
2018	58.9
2019	58.9
2020	58.9
Thereafter	919.8
Total	$ 1,155.4

(b) *Debt for financing Value Added Tax (“VAT”).* On December 19, 2014, TAG Pipelines Norte signed a credit agreement for financing VAT with Santander. The amount of the credit line is $3.7 billion Mexican Pesos. As of June 30, 2017, dispositions of $3.7 billion Mexican Pesos were taken from the credit line and payments in advance were made for $3.5 billion Mexican Pesos.

5. Finance leases

5.1 Finance lease receivable – Natural Gas Compression Plant

	Period / Year ended 06/30/17	12/31/16
Current finance lease receivables	$ 260	$ 219
Non-current finance lease receivables	13,994	14,135
	$ 14,254	$ 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 receivable under finance leases

	Minimum lease payments Period/Year ended 06/30/17	12/31/16	Present value of minimum lease payments Period/Year ended 06/30/17	12/31/16
Not later than one year	$ 5,136	$ 5,136	$ 260	$ 219
Later than one year and not later than five years	24,396	22,458	3,631	3,403
More than five years	17,975	24,395	10,363	10,732
	47,507	51,989	14,254	14,354
Less: unearned finance income	(33,253)	(37,635)	n/a	n/a
Present value of minimum lease payments receivable	$ 14,254	$ 14,354	$ 14,254	$ 14,354

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

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

The average effective interest rate contracted is approximately 34.5 percent as of June 30, 2017.

The receivable under finance lease balance as of June 30, 2017 and December 31, 2016 is neither past due nor impaired.

5.2 Finance lease receivable – Los Ramones I

	Period / Year ended 06/30/17	Period / Year ended 12/31/16
Current finance lease receivables	$ 3,511	$ 3,383
Non-current finance lease receivables	569,684	571,070
	$ 573,195	$ 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 receivable under finance leases

	Minimum lease payments Period/Year ended		Present value of minimum lease payments Period/Year ended	
	06/30/17	12/31/16	06/30/17	12/31/16
Not later than one year	$ 87,376	$ 3,384	$ 3,511	$ 3,384
Later than one year and not later than five years	426,674	430,496	26,099	23,997
More than five years	942,930	984,650	543,585	547,072
	1,456,980	1,418,530	573,195	574,453
Less: unearned finance income	(883,785)	(844,077)	n/a	n/a
Present value of minimum lease payments receivable	$ 573,195	$ 574,453	$ 573,195	$ 574,453

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

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

The average effective interest rate contracted is approximately 15 percent as of June 30, 2017.

The receivable under finance lease balance as of June 30, 2017 and December 31, 2016, is neither past due nor impaired.

5.3 *Finance lease receivable – Ethane Pipeline*

	Period / Year ended	
	06/30/17	**12/31/16**
Current finance lease receivables	$ 3,850	$ 3,553
Non-current finance lease receivables	363,284	365,106
	$ 367,134	$ 368,659

Leasing arrangements

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

The transportation system refers to:

Segment I. Transports ethane from Ethylene Complex XXI (Braskem-IDESA) to Cangrejera (Veracruz), through a 20-inch and 4 kilometers length pipeline. The term of the finance lease is 20.5 years. The average effective interest rate contracted is approximately 16 percent as of June 30, 2017 and as of December 31, 2016.

Segment II. Transports ethane from Nuevo Pemex 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 kilometers length pipeline. The term of the finance lease is 20.5 years. The average effective interest rate contracted is approximately 14 percent as of June 30, 2017 and as of December 31, 2016.

Segment III. Transports liquid ethane from Ciudad Pemex to Nuevo Pemex (Tabasco) through a 20-inch and 73.5 kilometers length pipeline. The term of the finance lease is 21 years. The average effective interest rate contracted is approximately 14 percent as of June 30, 2017 and as of December 31, 2016, respectively.

The breakdown as of June 30, 2017 of this financial lease is as follows:

	Amount
Segment I	$ 31,818
Segment II	187,143
Segment III	148,173
Total	$ 367,134

5.3.1 Amounts receivable under finance leases

	Minimum lease payments Period/Year ended		Present value of minimum lease payments Period/Year ended	
	06/30/17	12/31/16	06/30/17	12/31/16
Not later than one year	$ 55,695	$ 55,976	$ 3,850	$ 3,553
Later than one year and not later than five years	266,683	268,951	31,146	28,779
More than five years	414,153	439,651	332,138	336,327
	736,531	764,578	367,134	368,659
Less: unearned finance income	(369,397)	(395,919)	n/a	n/a
Present value of minimum lease payments receivable	$ 367,134	$ 368,659	$ 367,134	$ 368,659

No residual values of assets leased under finance lease at the end of the reporting period 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 June 30, 2017.

The receivable under finance lease balance as of June 30, 2017 and December 31, 2016, is neither past due nor impaired.

6. Assets and liabilities classified as held for sale and discontinued operations

a. In February 2016, the Company's management approved a plan to market and sell Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM"), a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As of June 30, 2017, 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:

	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Revenues	$ 40,122	$ 34,257	$ 14,323	$ 18,875
Cost of revenues	(34,278)	(31,391)	(10,446)	(17,006)
Operating, administrative and other expenses	(18,969)	(9,686)	(15,045)	(4,642)
Impairment	(63,804)	-	(63,804)	-
Depreciation and amortization	-	(2,222)	-	-
Interest income	-	11	4	6
Finance costs	(384)	(128)	(319)	(64)
Other gains (losses), net	805	(587)	(535)	(740)
Income tax benefit (expense) *	8,783	(28,536)	94	(1,553)
Net loss for the period	$ (67,725)	$ (38,282)	$ (75,728)	$ (5,124)

* As of June 30, 2017, the Company recorded a deferred tax benefit in the amount of $6.8 million for the six-month period ended June 30, 2017 and $3.3 million for the three-month period ended March 31, 2017, to

recognize the difference between book value and tax basis, as a result of the decision to classify TDM as held for sale. This effect is shown in the Condensed Interim Consolidated Statements of Profit in the line of "Loss for the period from discontinued operations, net of income tax".

	Six-month period ended		Three-month period ended	
	06/30/17	**06/30/16**	**06/30/17**	**06/30/16**
Loss per share:				
From discontinued operations:	$ (0.05)	$ (0.03)	$ (0.05)	$ (0.00)

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

	Period / Year ended	
	06/30/17	**12/31/16**
Cash and cash equivalents	$ 572	$ 434
Other current assets	55,347	32,813
Total current assets	55,919	33,247
Deferred income tax assets	3,635	193
Carbon allowance	24,955	22,089
Other non-current assets	32	1,125
Property, plant and equipment, net (1)	75,908	134,633
Total non-current assets	104,530	158,040
Total assets	$ 160,449	$ 191,287
Current liabilities	$ 15,363	$ 7,974
Non-current liabilities	66,437	27,477
Total liabilities	$ 81,800	$ 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 of June 30, 2017, the review led to the recognition of an impairment loss of $63.8 million which has been recognized in the Condensed Interim Consolidated Statements of Profit.

	Period ended	
	06/30/17	**06/30/16**
Cash flows from discontinued operations:		
Net cash flows provided by (used in) operating activities	$ 4,829	$ (6,158)
Net cash flows used in investing activities	(4,439)	(2,948)
Net cash flows used in financing activities	(319)	(128)
Net cash flows	$ 71	$ (9,234)

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 June 30, 2017.

7. Property, plant and equipment

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

	Period / Year ended	
	06/30/17	**12/31/16**
Pipeline projects	$ -	$ 686,622
Other projects	17,422	32,205
	$ 17,422	$ 718,827

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

As of June 30, 2017 the Guaymas – El Oro pipeline, Ojinaga – El Encino pipeline, San Isidro Samalayuca pipeline and El Empalme pipeline branch entered into commercial operation.

Borrowing cost. During the six-month periods ended June 30, 2017 and 2016, the Company capitalized interest attributable to the construction in projects in the amount of $9.9 million and $6.2 million, respectively. The weighted average rates used to determine the amount of borrowing costs eligible for capitalization were 3 percent, for the six-month periods ended June 30, 2017 and 2016.

8. Intangible assets

	Period / Year ended	
	06/30/17	**12/31/16**
Carrying amounts of:		
Renewable transmission rights	$ 156,433	$ 154,144
Amortization	(4,369)	-
	$ 152,064	$ 154,144

This amount corresponds to the renewable transmission and consumption rights associated with 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 assets, derived over the term of the self-supply power agreements of 20 years.

At June 30, 2017, the purchase price allocations for the acquisitions were preliminary and subject to completion.

Applying the accounting requirements of IFRS 3, *(Business Combinations)*, the Company will have twelve months from the applicable acquisition date to finalize purchase accounting.

Adjustments to the current fair value estimates may occur as the process conducted for various valuations and assessments is finalized. During the measurement periods, which may be up to one year from the respective acquisition dates, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to intangible assets or goodwill as applicable.

As of June 30, 2017 adjustments to the intangible assets fair value were made by $2.3 million.

9. Carbon allowances

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

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

10. Short-term debt

	Period / Year ended	
	06/30/17	**12/31/16**
Short-term debt includes:		
Credit agreement (a)	$ 516,043	$ 446,034
Certificados Bursatiles ("CEBURES") at variable rate (Please refer Note 11.a. and 11.b.)	72,637	-
Current portion of GdC's Bank Loan (Please refer Note 11.c.)	40,098	38,682
Current portion of Ventika's Bank Loan (Please refer Note 11.d.)	22,292	13,482
Borrowing costs	(4,005)	(4,627)
	$ 647,065	$ 493,571

(a) *Withdrawal of credit line*. During June and July, 2016, the Company withdrew $430.0 million of the credit line to be used for working capital and general corporate purposes. In December, 2016 the Company withdrew $375.0 million of such credit to finance a portion of Ventika's acquisition and for general corporate purposes.

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

On November 3, 2016, the Company renegotiated the credit line of such credit agreement for an amount up to $1.2 billion, U.S.Dollar-denominated on December 30, 2016, a portion of this revolving credit was repaid in the amount of $200.0 million. As of December 31, 2016, the available unused credit portion $724.0 million.

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

On March 31, 2017, the Company paid $70.0 million of such credit agreement.

On April 17, 2017, the Company withdrew $30.0 million of such credit line to be used for working capital and general corporate purposes.

On May 2, 2017, the Company withdrew $40.0 million of such credit line to be used for working capital and general corporate purposes.

On June 29, 2017, the Company withdrew $30.0 million of such credit line to be used for working capital and general corporate purposes.

On June 30, 2017, the Company paid $30.0 million of such credit agreement.

11. Long-term debt

Long-term debt includes:

	Period / Year ended 06/30/17	12/31/16
Santander – Ventika (d)	$ 462,621	$ 472,781
BBVA Bancomer S.A. de C.V. ("Bancomer") – GdC (c)	297,214	317,279
CEBURES at fixed rate (a, b)	217,910	188,734
CEBURES at variable rate (a, b)	-	62,911
	977,745	1,041,705
Debt issuance costs	(1,717)	(1,901)
	$ 976,028	$ 1,039,804

(a) 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 basis points, with monthly payments of interest, maturing in 2018. The average rate as of June 30, 2017 and 2016 was 6.53 percent and 3.14 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 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 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 – GdC.* In such credit, GdC was defined as debtor, TDF, S. de R. L. de C. V. ("TDF") together with Gasoductos de Tamaulipas, S. de R. L. de C. V. ("GdT") were assigned as guarantors and collaterals through the cession of the collections rights from their portfolio of projects integrated by GdC, TDF and GdT as source of payment for the credit.

Covenants arising from the credit require for the following:

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

Entity	Amount
GdC	$ 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.

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

(d) *Project financing for the Ventika project*. On April 8, 2014, Ventika, S. A. P. I. de C. V. (“Ventika”) and Ventika II, S. A. P. I. de C. V. (“Ventika II”) 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. Institución de Banca de Desarrollo (“BANOBRAS”), Banco Nacional de Comercio Exterior, S. N. C. Institución de Banca de Desarrollo (“BANCOMEX”), 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
BANCOMEX	3/15/2032
NAFIN	3/15/2032

The breakdown of the debt is as follows:

	As of 06/30/17
NADB	$ 139,700
SANTANDER	114,606
BANOBRAS	89,807
BANCOMEX	69,850
NAFIN	69,850
Interest payable	1,100
	$ 484,913

(e) *Interest Rate Swaps*. In order to mitigate the impact of benchmark interest rate changes, Ventika and Ventika II entered into four interest rate swaps with Santander and BANOBRAS; it allows Ventika and Ventika II to have almost 92 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 (3 month LIBOR).

12. 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	
	06/30/2017	**12/31/2016**	**07/25/2017**
One U. S. Dollar	$ 17.8973	$ 20.6640	$ 17.5618

b. *Fair value of financial instruments*

12.1. 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.

	Period / Year ended			
	06/30/17		12/31/16	
	Carrying Amount	**Fair value**	**Carrying amount**	**Fair Value**
Financial assets				
Financial lease receivables	$ 954,583	$ 987,836	$ 957,466	$ 995,096
Due from unconsolidated Affiliates	176,830	150,337	-	-
Financial liabilities				
Financial liabilities held at amortized cost:				
Loans from banks long –term	759,832	672,665	790,060	678,649
Long-term debt (traded in stock exchange)	216,196	205,293	249,744	232,812
Short- term debt	647,065	642,444	493,571	487,252
Due to unconsolidated affiliates (not traded in stock exchange)	41,587	34,103	3,080	3,080
Due to unconsolidated affiliates (short-term)	335,000	325,455	248,580	245,255

12.2. 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's 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 $987.8 million and $995.1 million as of June 30, 2017 and December 31, 2016, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

12.3. Fair value measurements recognized in the Condensed Interim Consolidated Statements of Financial Position.

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

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

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

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

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

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

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

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

	Period / Year ended	
	06/30/17	12/31/16
Financial instruments assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)	$ 71,136	$ 51,443
Derivative financial instrument assets (Level 2)	898	8,040
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	$ 188,568	$ 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.

13. Income taxes

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

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

Income tax for the six and three-month periods ended June 30, 2017 and 2016 are reconciled to the profit for the period as follows:

	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Profit before income tax and share of profits of joint ventures	$ 269,842	$ 106,527	$ 139,788	$ 50,690
Income tax expense calculated at 30%	(80,953)	(31,958)	(41,936)	(15,207)
Foreign exchange effects	(79,743)	20,070	(28,960)	17,879
Inflationary effects	(16,507)	(517)	(1,719)	1,307
Effects of foreign exchange rates and inflation on the tax basis of property, plant and equipment, net and net operating losses	152,281	(28,129)	50,762	(26,784)
Other	(3,313)	(64)	(648)	(444)
Income tax expense recognized in the statements of profit	$ (28,235)	$ (40,598)	$ (22,501)	$ (23,249)

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.

14. Stockholders' equity

14.1. Global offering

On October 13, 2016, the Company carried out a Global Offering. The Company issued 380,000,000 shares of common stock at $80 Mexican Pesos per share. After the global offering, the additional and over-allotment option was exercised, the free float represented approximately 33.57 percent of IEnova's outstanding ownership interest.

Total capital raised, net of expenses, were approximately $1.6 billion US 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.

	For the period ended at June 30, 2017 (Mexican Pesos)				
Company stockholder's	**Number of shares**	**Fixed shares**	**Variable shares**	**Total**	**Total shares in USD**
Semco Holdco, S. de R. L. de C. V.	1,019,038,312	50,000	16,009,083,120	16,009,133,120	$ 751,825
Private investors	514,985,500	-	25,931,105,000	25,931,105,000	211,447
	1,534,023,812	50,000	41,940,188,120	41,940,238,120	$ 963,272

14.2. Dividends declared

Pursuant to a resolution of the General Ordinary Shareholders' Meeting held on April 28, 2017, the Board of Directors, in its meeting held on July 25, 2017, resolved to pay a cash dividend on August, 2017 in the amount of $200 million.

15. Segment information

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

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

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

15.2. Segment revenues and results

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

	Segment revenues			
	Six-month period ended		**Three-month period ended**	
	06/30/17	**06/30/16**	**06/30/17**	**06/30/16**
Gas:				
Revenues from customers	$ 447,562	$ 216,469	$ 225,932	$ 120,537
Revenues from unconsolidated affiliates	51,163	53,799	26,152	26,772
Intersegment revenues	119,979	86,486	63,314	34,522
Power:				
Revenues from customers	53,186	-	27,520	(44)
Corporate:				
Allocation of professional services with affiliates	982	1,708	486	1,161
Intersegment professional services	14,010	12,752	7,017	6,004
	686,882	371,214	350,421	188,952
Intersegment adjustments and eliminations	(133,989)	(99,238)	(70,331)	(50,230)
Total segment revenues	$ 552,893	$ 271,976	$ 280,090	$ 138,722

	Segment profit (loss)			
	Six-month period ended		**Three-month period ended**	
	06/30/17	**06/30/16**	**06/30/17**	**06/30/16**
Gas	$ 280,221	$ 112,929	$ 129,734	$ 40,283
Power *	(68,866)	(34,692)	(76,964)	(2,022)
Corporate	(20,603)	(11,165)	(6,977)	(3,961)
Total segment profit	$ 190,752	$ 67,072	$ 45,793	$ 34,300

* Included in discontinued operations.

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

15.3. Assets and liabilities by segment

	Period / Year ended 06/30/17	12/31/16
Assets by segment:		
Gas	$ 5,957,159	$ 5,716,175
Power *	1,219,146	1,241,689
Corporate	363,496	169,084
Consolidated total assets	$ 7,539,801	$ 7,126,948
Liabilities by segment:		
Gas	$ 931,567	$ 983,424
Power *	701,833	641,479
Corporate	1,356,001	1,151,734
Consolidated total liabilities	$ 2,989,401	$ 2,776,637

* Includes assets and liabilities held for sale.

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

15.4. Other segment information

	Property, plant and equipment Period /Year ended		Accumulated depreciation Period /Year ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Gas	$ 3,491,423	$ 3,354,683	$ (471,349)	$ (424,639)
Power	676,707	677,440	(13,321)	(1,807)
Corporate	17,267	16,191	(8,446)	(7,783)
	$ 4,185,397	$ 4,048,314	$ (493,116)	$ (434,229)

	Share of profits of joint ventures			
	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Gas	$ 13,578	$ 37,313	$ 2,696	$ 10,245
Power	3,292	2,112	1,538	1,738
	$ 16,870	$ 39,425	$ 4,234	$ 11,983

15.5. Revenue by type of product or services

The following is an analysis of the Company's revenues by its major type of product or service for the six and three-month periods ended June 30, 2017 and 2016:

	Six-month period ended 06/30/17	Six-month period ended 06/30/16	Three-month period ended 06/30/17	Three-month period ended 06/30/16
Transportation of natural gas	$ 197,587	$ 51,167	$ 106,195	$ 25,682
Sale of natural gas	95,797	70,403	45,762	38,754
Natural gas distribution	55,524	42,633	25,576	20,031
Storage and regasification capacity	54,051	46,500	27,584	23,346
Power generation	53,186	-	27,546	-
Other operating revenues	96,748	61,273	47,427	30,909
	$ 552,893	$ 271,976	$ 280,090	$ 138,722

Other operating revenues

IEnova Marketing received payments from SLNGIH related to the losses and obligations incurred in the amount of $51.2 million and $53.7 million for the six-month periods ended June 30, 2017 and 2016, respectively and $26.2 million and $26.7 million for the three-month periods ended June 30, 2017 and 2016, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

16. Earnings per share

16.1. Basic earnings per share

	Six-month period ended 06/30/17	Six-month period ended 06/30/16	Three-month period ended 06/30/17	Three-month period ended 06/30/16
From continuing operations: Basic and diluted earnings per share	$ 0.17	$ 0.09	$ 0.08	$ 0.03
From continuing and discontinued operations: Basic and diluted earnings per share	$ 0.12	$ 0.06	$ 0.03	$ 0.03

16.2. 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:

	Six-month period ended		Three-month period ended	
	06/30/17	06/30/16	06/30/17	06/30/16
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 258,477	$ 105,354	$ 121,521	$ 39,424
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 190,752	$ 67,072	$ 45,793	$ 34,300
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,534,023,812	1,154,023,812	1,534,023,812	1,154,023,812

The Company does not have potentially diluted shares.

17. 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:

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 million.

On March 30, 2017 Gasoductos Servicios Corporativos y de Administración, 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.

Future contractual cash payments are as follows:

Year	Amounts
2018	$ 2,665
2019	3,061
2020	5,038
Thereafter	5,392
	$ 16,156

18. 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.

19. Application of new and revised IFRS

The application of the new and revised IFRS are the same as those disclosed in the Consolidated Financial Statements for the year ended as of December 31, 2016.

IFRIC 22 Interpretation on 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 in the process of determining the potential impacts that will derive in its consolidated Financial Statements from the adoption of these amendments.

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 is 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 is in the process of determining the potential impacts that will derive in its consolidated Financial Statements from the adoption of these amendments.

20. Events after the reporting period

Withdrawal of credit line. On July 2, 2017, regarding the credit line mentioned in Note 10.a. the Company withdrew $40 million, such credit line to be used for working capital and general corporate purposes**.**

Construction of marine terminal in Veracruz. On July 12, 2017, IEnova won the Integral Port Administration of Veracruz's 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 hydrocarbons, primarily gasoline, diesel and jet fuel.

With an investment of approximately $155.0 million U.S. Dollars. IEnova will be responsible for project implementation, including obtaining permits, performing engineering, procurement, construction, operation, maintenance, financing and providing services. The terminal will have a capacity of 1,400,000 barrels and is expected to begin operations during 2018.

21. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved by Manuela Molina Peralta, Chief Financial Officer and authorized for issuance on July 25, 2017.

22. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juárez, 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 Escénica 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 Tecnológico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chih., Mexico.
- Boulevard Francisco Eusebio Kino No. 309
  Piso 10, Col. Country Club
  Hermosillo, Son., Mexico.
- Carretera Federal Cuota 15D, KM 461 820,
  San Román Corralillos, CP 45464
  Guadalajara, Jal., Mexico.
- Avenida Constitución Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, N.L., Mexico.

* * * * * *

“Pro forma additional information”

Pro forma Combined Statements of Financial Position

As of June 30, 2016
(In thousands of US dollars)

	As of June 30, 2016					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Assets						
Current assets:						
Cash and cash equivalents	$ 53,435	$ 78,823	$ 51,828	$ (5,152)	a	$ 178,934
Short-term investments	80	16,611	-	-		16,691
Trade and other receivables, net	56,366	51,796	10,699	-		118,861
Due from unconsolidated affiliates	9,494	-	-	(4,872)	a	4,622
Income tax receivable	1,979	-	-	-		1,979
Natural gas inventories	6,953	-	-	-		6,953
Derivative financial instruments	1,565	-	-	-		1,565
Value added tax receivable	20,590	-	12,297	548	a	33,435
Other assets	9,043	2,006	552	(107)	a	11,494
Assets held for sale	312,973	-	-	-		312,973
Total current assets	472,478	149,236	75,376	(9,583)		687,507
Non-current assets:						
Due from unconsolidated Affiliates	105,102	-	-	-	a	105,102
Finance lease receivables	14,438	946,629	-	-		961,067
Deferred income tax assets	63,237	19,364	9,841	(14,593)	a	77,849
Investment in joint ventures	460,772	119,935	-	(556,431)	a, d	24,276
Goodwill	25,654	-	-	1,660,549	b	1,686,203
Property, plant and equipment, Net	2,446,041	313,235	587,814	99,869	a	3,446,959
Intangible assets	-	-	-	150,290	3b	150,290
Other assets	4,263	1,908	-	-		6,171
Total non-current assets	3,119,507	1,401,071	597,655	1,339,684		6,457,917
Total assets	$ 3,591,985	$ 1,550,307	$ 673,031	$ 1,330,101		$ 7,145,424

	As of June 30, 2016					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	**Gasoductos de Chihuahua, S. de R.L. de C.V. and Subsidiaries (Note 2(2))**	**Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))**	**Pro Forma Adjustments (Note 3)**	**Notes**	**Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma**
Liabilities and Stockholders' Equity						
Current liabilities:						
Short-term debt	$ 118,437	$ 36,740	$ 13,890	$ -		$ 169,067
Trade and other payables	50,549	82,629	9,704	(464)	a	142,418
Due to unconsolidated affiliates	356,457	-	15,175	(15,175)	a	356,457
Income tax liabilities	7,420	-	4	-		7,424
Derivative financial instruments	352	7,339	4,007	-		11,698
Other financial liabilities	6,003	-	-	-		6,003
Provisions	1,067	-	-	-		1,067
Other taxes payable	14,307	-	-	-		14,307
Other liabilities	20,816	-	-	-		20,816
Liabilities held for sale	70,494	-	-	-		70,494
Total current liabilities	645,902	126,708	42,780	(15,639)		799,751
Non-current liabilities:						
Long-term debt	272,900	340,219	466,637	73,565	a	1,153,321
Due to unconsolidated affiliates	39,187	185,560	106,209	(283,533)	a	47,423
Deferred income tax liabilities	230,029	116,216	-	30,032	a	376,277
Provisions	29,453	4,993	-	-		34,446
Derivative financial instruments	158,572	18,652	24,296	-		201,520
Employee benefits	4,179	937	-	-		5,116
Total non-current liabilities	734,320	666,577	597,142	(179,936)		1,818,103
Total liabilities	1,380,222	793,285	639,922	(195,575)		2,617,854
Stockholders' Equity:						
Common stock	762,949	88,642	48,613	63,068	c	963,272
Additional paid-in capital	973,953	-	-	1,377,848	c	2,351,801
Accumulated other comprehensive income	(139,117)	(52,800)	(19,812)	63,617	c	(148,112)
Retained earnings	613,978	721,180	4,308	21,143	c	1,360,609
Total equity	2,211,763	757,022	33,109	1,525,676		4,463,766
Total equity and liabilities	$ 3,591,985	$ 1,550,307	$ 673,031	$ 1,330,101		$ 7,145,424

See accompanying notes to the Pro forma Combined Financial Statements.

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

Pro forma Combined Statements of Profit

For the six-month period ended June 30, 2016
(In thousands of US dollars)

	For the six-month period ended June 30, 2016					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	**Gasoductos de Chihuahua, S. de R.L. de C.V. and Subsidiaries (Note 2(2))**	**Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))**	**Pro Forma Adjustments (Note 3)**	**Notes**	**Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma**
Revenues	$ 271,976	$ 84,077	$ 19,492	$ (8,541)	a	$ 367,004
Finance lease revenue	-	62,662	-	-		62,662
Cost of revenues	(91,491)	(18,227)	(2,238)	1,378	a	(110,578)
Operating, administrative and other expenses	(41,919)	(6,584)	(270)	842	a	(47,931)
Depreciation and amortization	(28,551)	(10,913)	(7,381)	(4,464)	a	(51,309)
Interest income	3,035	-	(8,888)	(6)	a	(5,859)
Finance (costs) income	(5,825)	(14,715)	981	4,088	a	(15,471)
Other (losses) gains, net	(698)	(1,503)	(36)	(48)	a	(2,285)
Remeasurement of equity method investment	-	-	-	723,957	d	723,957
Profit before income tax and share of profits of joint ventures	106,527	94,797	1,660	717,206	a	920,190
Income tax expense	(40,598)	(29,672)	(584)	(1,490)	a	(72,344)
Share of profit (loss) of joint ventures, net of income tax	39,425	9,501	-	(39,513)	a	9,413
Profit for the year from continuing operations	$ 105,354	$ 74,626	$ 1,076	$ 676,203		$ 857,259
Loss for the year from discontinued operations, net of income tax	(38,282)	-	-	-		(38,282)
Profit for the period	$ 67,072	$ 74,626	$ 1,076	$ 676,203		$ 818,977

See accompanying notes to the Pro forma Combined Financial Statements.

Notes to the Pro forma Combined Financial Statements

As of June 30, 2016, and for the six-month period ended June 30, 2016
(In thousands of US dollars)

1. Activities

Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (collectively, the "Company") is located and incorporated in México. 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 Juárez, México, Ciudad de México.

The Company operates in the energy sector, develops, owns and operates, or holds interests in, natural gas and propane pipelines and liquefied petroleum gas storage facilities and engages in the transportation and distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Nuevo León and Jalisco, México. It also owns and operates a liquefied natural gas ("LNG") terminal in Baja California, México for importing, storing and regasifying LNG and owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and hold interests in a joint venture in Baja California, México, using wind resources to serve clients in the U.S.

Description of the GDC Acquisition

The transaction involves the acquisition (the "GDC Acquisition") by IEnova Gasoductos Holding, S. de R. L. de C. V., a subsidiary of the Company, of the remaining equity interest in Gasoductos de Chihuahua, S. de R. L. de C. V. ("GDC") which was held by Pemex Transformación Industrial ("Pemex TRI"). Upon consummation of the GDC Acquisition, the Company holds, indirectly, 100 percent of the equity interests in GDC; provided, however that the Company and Pemex TRI have agreed that the Company, through GDC, and Pemex TRI holds a 50 percent equity interest in GDC's current subsidiary Ductos y Energéticos del Norte, S. de R. L. de C. V. ("DEN"). Through DEN, the Company and Pemex TRI will preserve their energy infrastructure joint venture for the purpose of the construction of the Los Ramones Norte pipeline and the potential development of new projects.

The purchase price for the GDC Acquisition was $1,143.8 million, plus the assumption of indebtedness.

Description of the financing of the GDC Acquisition

The Company financed the GDC Acquisition with the proceeds of a bridge loan obtained from unconsolidated affiliates ("the Bridge Loan"). The Company paid the Bridge Loan with the proceeds of the issuance and sale of additional equity securities (the "Bridge Refinancing"); as a result, and because the amount of interest expense de minimis for the periods presented, no debt or interest expense is shown in the Pro forma Combined Financial Statements in connection with the GDC Acquisition.

Description of the Ventika Acquisition

The transaction involves the acquisition (the "Ventika Acquisition") by Controladora Sierra Juárez, S. de R. L. de C. V., a subsidiary of the Company, of 100 percent of the equity interests of Fisterra Energy Netherlands III, B. V., Fisterra Energy Netherlands, IV B. V., Fisterra Energy Mexico III, S. de R. L. de C. V. and Fisterra Energy Mexico IV, S. de R. L. de C. V., and thereby through such acquisition 100 percent of the equity interests (other than certain shares that have neither voting nor economic rights) of Ventika, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V. (collectively "Ventika"), from Fisterra Energy, a portfolio company of Blackstone Energy Partners, and minority equity holders, Ventika, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V. own two adjacent wind farms with a total capacity of 252 MW, located in the northeastern state of Nuevo Leon, Mexico, which were acquired by the Company as part of the Ventika Acquisition.

The purchase price for the Ventika Acquisition was $434.6 million, plus the assumption of indebtedness.

Description of the financing of the Ventika Acquisition

The Company financed the Ventika Acquisition with both borrowings under its revolving credit facility and the follow on equity offering.

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

The accounting policies applied in the preparation of the pro forma combined financial information 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 accompanying Pro forma Combined Statements of Profit have been prepared based on assumptions that the Company's management believes are appropriate in the current circumstances, taking into account the fact that the Company is in the process of determining the fair value of the net assets acquired in the GDC Acquisition and the Ventika Acquisition, as discussed in more detail below.

The Pro forma Combined Financial Statements include the Pro forma Combined Statements of Financial Position as of June 30, 2016 and the Pro forma Combined Statements of Profit for the six-month period ended June 30, 2016.

The Pro forma Combined Financial Statements present the financial information of the Company as if the GDC Acquisition and the Ventika Acquisition had occurred (i) with respect to the Pro forma Combined Statements of Financial Position as June 30, 2016, and (ii) with respect to the Pro forma Combined Statements of Profit on January 1, 2016.

Accordingly, the accompanying pro forma combined financial information was compiled using the following information:

(1) The Consolidated Statement of Financial Position as of June 30, 2016 and the Consolidated Statement of Profit of the Company for the six-month period ended June 30, 2016, prepared in accordance with IFRS.

(2) The Consolidated Statement of Financial Position as of June 30, 2016 and the Consolidated Statement of Profit of GDC for the six-month period ended June 30, 2016, prepared in accordance with Accounting Principles Generally Accepted in the United States as reconciled to IFRS.

(3) The Combined Statement of Financial Position as of June 30, 2016 and the Consolidated Statement of Profit of Ventika for the six-month period ended June 30, 2016, prepared in accordance with IFRS.

3. Pro forma adjustments

Pro forma adjustments as of June 30, 2016, included in the accompanying Pro forma Combined Statements of Financial Position, and for the six-month period ended June 30, 2016, included in the Pro forma Combined Statements of Profit as described below, represent the GDC Acquisition and Ventika Acquisition as well as the expected Bridge Refinancing, the expected offering of the Company's Class II common stock and a draw under the Company's revolving credit facility to fund approximately half of the Ventika Acquisition. No interest expense has been included in the Pro forma Combined Financial Statements with respect to the Bridge Loan, as it is expected that the Bridge Refinancing will be made in the near term (and the interest expense related to the Bridge Loan de minimis for the periods presented).

This information is not intended to present the Company's results of operations or its financial position as though the GDC Acquisition and the Ventika Acquisition occurred on the aforementioned dates, nor it is 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 GDC Acquisition and the Ventika Acquisition in the Pro forma Combined Financial Statements, management applied certain pro forma adjustments to the historical figures of the acquired companies. The GDC Acquisition and Ventika Acquisition have been completed, the Company recognized both acquisitions as an acquisition of a business, applying the accounting requirements of IFRS 3, *Business Combinations*, to its financial information. The Company will have twelve months from the applicable acquisition date to finalize purchase accounting and thus the values assigned to the acquired net assets in these Pro forma Combined Financial Statements are subject to change. The pro forma adjustments reflect the effects of acquisition accounting under IFRS as of the dates previously established and are as follows:

Adjustments to the Pro forma Combined Statements of Financial Position as of June 30, 2016 and adjustments to the Pro forma Combined Statements of Profit for the six-month period ended June 30, 2016:

The Pro forma Combined Statements of Financial Position as of June 30, 2016 have been adjusted to reflect the preliminary allocation of: (i) the purchase price of the identifiable net assets of GDC and Ventika; (ii) the goodwill recognized as the excess of the consideration transferred in cash in the GDC Acquisition and the Ventika Acquisition as well as the remeasurement to fair value of the previously held 50 percent interest in GDC by the Company; and (iii) the consummation of the Bridge Refinancing. The purchase price allocation in the Pro forma Combined Statements of Financial Position as of June 30, 2016 is based upon the total consideration detailed below:

The preliminary purchase price allocation presented below has been prepared only for purposes of the Pro forma Combined Financial Statements. A complete and final purchase price allocation will be performed once the GDC Acquisition and the Ventika Acquisition are consummated and the Company acquires control over GDC and Ventika.

Preliminary recognized amounts of identifiable assets acquired and liabilities assumed of GDC:

	As of June 30, 2016
Current assets	$ 139,653
Non-current assets, mainly property, plant and equipment, net	1,266,306
Current and long - term liabilities	(615,497)
Total identifiable net assets	790,462
DEN's Stockholders' equity (a)	(33,439)
Goodwill recognized in accordance with the pro forma purchase price allocation	1,530,644
Fair value of previously held interest	$ (1,143,833)
Total consideration transferred	$ 1,143,833

Preliminary recognized amounts of identifiable assets acquired and liabilities assumed of Ventika:

	As of June 30, 2016
Current assets	$ 75,376
Non-current assets, mainly property, plant and equipment, net	597,655
Current and long - term liabilities	(639,922)
Total identifiable net assets	33,109
Debt cancellation	121,384
Intangible assets (b)	150,290
Goodwill recognized in accordance with the pro forma purchase price allocation	129,905
Total consideration transferred	$ 434,688

a. Pursuant to the terms of the GDC acquisition agreement, DEN, a subsidiary of GDC, will not be acquired by the Company. Therefore, the pro forma adjustments exclude the assets and liabilities related to DEN. The Company will retain a 50 percent joint venture investment in DEN after the GDC Acquisition.

DEN statements of financial position and Statements of profit or loss and other comprehensive income are as follows:

Statements of financial position

	As of June 30, 2016
Cash and cash equivalents	$ 5,152
Due from unconsolidated affiliates	4,872
Other assets	107
Investment in Los Ramones Norte project, joint venture	119,935
Property, plant and equipment, net	238
Deferred income tax assets	14,593
Total assets	144,897
Trade and other payables	1,012
Due to unconsolidated affiliates	177,324
Total liabilities	178,336
Common stock	200
Accumulated other comprehensive loss	(34,811)
Retained earnings	1,172
Total Equity	$ (33,439)

Statements of profit or loss and other comprehensive income

		Six-month period ended June 30, 2016
Revenues	$	8,541
Cost of revenues		(1,378)
Operating, administrative and other expenses		(842)
Depreciation and amortization		(22)
Interest income		6
Finance costs		(4,088)
Other gains, net		48
Income tax benefit		2,836
Share of profits of joint ventures, net of income tax		9,501
Loss for the year		14,602
Accumulated other comprehensive loss related to loss on valuation of derivative financial instruments held for hedging purposes		(69,440)
Accumulated other comprehensive income related to deferred income tax on the loss on valuation of derivative financial instruments held for hedging purposes		20,722
Total comprehensive loss for the period	$	(34,116)

b. Goodwill and intangible shown in the Pro forma Combined Statements of Financial Position corresponds to the excess of the consideration transferred from the GDC Acquisition and the Ventika Acquisition, and the remeasurement to fair value of the Company's previously held 50 percent equity interest in GDC over the fair value of the net assets acquired. Net assets acquired are estimated as of June 30, 2016 and are subject to adjustment upon completion of the GDC Acquisition and the Ventika Acquisition and during the subsequent 12-month measurement period permitted by IFRS 3.

c. The effect on stockholders' equity is $1,525,676, for the year indicated below, including the elimination of GDC and Ventika stockholders' equity upon consolidation (excluding DEN), as follows:

Stockholder's equity		As of June 30, 2016
Capital stock	$	63,068
Additional paid-in capital		1,377,848
Accumulated other comprehensive income		63,617
Retained earnings		21,143
Total pro forma adjustments	$	1,525,676

The additional paid-in capital shown above assumes net proceeds from an offering of the Company's Class II common stock in the amount of $1,578,171.

d. Remeasurement of equity method investment in the GDC Acquisition was estimated as follows:

Item	As of January 1, 2016
Cash paid in acquisition	$ 1,143,833
Less book value of investment in joint venture	(419,876)
Remeasurement gain of equity method investment	$ 723,957

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquired entity at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss and other comprehensive income, in accordance with IFRS 3.

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