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

Condensed Interim Consolidated Financial Statements as of March 31, 2018 and for the three-month periods ended March 31, 2018 and 2017 (Unaudited) and Independent Auditor's Review Report Dated April 25, 2018

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

Condensed Interim Consolidated Financial Statements as of March 31, 2018 and for the three-month periods ended March 31, 2018 and 2017 (Unaudited)

Content	Page
Condensed Interim Consolidated Statements of Financial Position	2
Condensed Interim Consolidated Statements of Profit	3
Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income	4
Condensed Interim Consolidated Statements of Changes in Stockholders' Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to the Condensed Interim Consolidated Financial Statements	8
Exhibit A "Pro-forma additional information"	48

Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries
Condensed Interim Consolidated Statements of Financial Position
(In thousands of U. S. Dollars)

Assets	Notes	March 31, 2018 (Unaudited)	December 31, 2017
Current assets:			
Cash and cash equivalents		$ 44,900	$ 37,208
Short-term investments	12	27,082	1,081
Finance lease receivables	5, 12	8,769	8,126
Trade and other receivables, net	16	119,027	94,793
Due from unconsolidated affiliates	3	11,639	24,600
Income taxes receivable		76,751	81,909
Natural gas inventories		7,078	7,196
Derivative financial instruments	12	1,777	6,130
Value added tax receivable		51,691	39,633
Other assets		10,534	10,327
Restricted cash	12	49,195	55,820
Assets held for sale	7	164,952	148,190
Total current assets		573,395	515,013
Non-current assets:			
Due from unconsolidated affiliates	3, 12	627,124	493,887
Derivative financial instruments	12	732	1,935
Finance lease receivables	5, 12	940,257	942,184
Deferred income tax assets		66,078	97,334
Investments in joint ventures	4	533,313	523,102
Other assets		64,770	32,658
Property, plant and equipment, net	8, 15	3,764,798	3,729,456
Intangible assets	9	192,711	190,199
Goodwill		1,638,091	1,638,091
Total non-current assets		7,827,874	7,648,846
Total assets	15	$ 8,401,269	$ 8,163,859

Liabilities and Stockholders' Equity	Notes	March 31, 2018 (Unaudited)	December 31, 2017
Current liabilities:			
Short-term debt	10, 12	$ 372,647	$ 262,760
Trade and other payables		76,526	72,638
Due to unconsolidated affiliates	3, 12	601,384	544,217
Income tax liabilities		10,401	3,384
Derivative financial instruments	12	3,612	41,726
Other financial liabilities		16,442	10,372
Provisions		329	394
Other taxes payable		37,707	36,273
Other liabilities		14,575	19,631
Liabilities related to assets held for sale	7	56,544	62,522
Total current liabilities		1,190,167	1,053,917
Non-current liabilities:			
Long-term debt	11, 12	1,733,906	1,732,040
Due to unconsolidated affiliates	3, 12	73,920	73,510
Deferred income tax liabilities		530,513	551,614
Provisions		66,931	67,210
Derivative financial instruments	12	122,527	162,444
Employee benefits		6,808	6,537
Other non-current liabilities		3,275	—
Total non-current liabilities		2,537,880	2,593,355
Total liabilities	15	3,728,047	3,647,272
Stockholders' equity:			
Common stock	14	963,272	963,272
Additional paid-in capital		2,351,801	2,351,801
Accumulated other comprehensive loss		(85,430)	(114,556)
Retained earnings		1,443,575	1,316,070
Total equity attributable to owners of the company		4,673,218	4,516,587
Non-controlling interest		4	—
Total equity of the company		4,673,222	4,516,587
Commitments and contingencies	18, 19		
Events after the reporting period	21		
Total liabilities and equity		$ 8,401,269	$ 8,163,859

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit

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

	Notes	Three-month period ended March 31, (Unaudited) 2018 (Notes 1, 7)	2017 (Notes 1, 7)
Revenues	15, 16	$ 287,951	$ 272,803
Cost of revenues		(65,770)	(66,026)
Operating, administrative and other expenses		(44,012)	(39,917)
Depreciation and amortization		(33,572)	(27,173)
Interest income		6,218	1,566
Finance costs		(30,698)	(13,585)
Other gains, net		50,915	2,386
Profit before income tax and share of profits of joint ventures		171,032	130,054
Income tax expense	13	(38,236)	(5,734)
Share of (losses) profits of joint ventures, net of income tax	4, 15	(12,072)	12,636
Profit for the period from continuing operations	17	$ 120,724	$ 136,956
Discontinued operation:			
Profit for the period from discontinued operations, net of income tax	7	6,781	8,003
Profit for the period	15, 17	$ 127,505	$ 144,959
Earnings per share:			
From continuing operations:			
Basic and diluted earnings per share	17	$ 0.08	$ 0.08
From continuing and discontinued operations:			
Basic and diluted earnings per share	17	$ 0.08	$ 0.09

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Three-month period ended March 31, (Unaudited) 2018	2017
Profit for the period	15, 17	$ 127,505	$ 144,959
Items that may be subsequently reclassified to profit or (loss):			
Gain on valuation of derivative financial instruments held for hedging purposes		14,358	1,006
Deferred income tax on the gain on valuation of derivative financial instruments held for hedging purposes		(4,309)	(302)
Gain (loss) on valuation of derivative financial instruments held for hedging purposes of joint ventures		8,786	(7,711)
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes of joint ventures		(2,636)	2,313
Gain exchange differences on translation of foreign operations		12,927	17,937
Total items that may be subsequently reclassified to profit		29,126	13,243
Other comprehensive income for the period		29,126	13,243
Total comprehensive income for the period		$ 156,631	$ 158,202

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common Shares	Additional paid-in capital	Other comprehensive loss	Retained earnings	Non-controlling interest	Total
Balance as of January 1st, 2017	14	$ 963,272	$ 2,351,801	$ (126,658)	$ 1,161,896	$ —	$ 4,350,311
Profit for the period	15 17	—	—	—	144,959	—	144,959
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	704	—	—	704
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	(5,398)	—	—	(5,398)
Exchange differences on translation of foreign operations		—	—	17,937	—	—	17,937
Total comprehensive income for the period		—	—	13,243	144,959	—	158,202
Balance as of March 31, 2017 (Unaudited)	14	$ 963,272	$ 2,351,801	$ (113,415)	$ 1,306,855	$ —	$ 4,508,513
Balance as of January 1st, 2018	15, 17	$ 963,272	$ 2,351,801	$ (114,556)	$ 1,316,070	$ —	$ 4,516,587
Profit for the period		—	—	—	127,505	—	127,505
Non- controlling interest		—	—	—	—	4	4
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	10,049	—	—	10,049
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	6,150	—	—	6,150
Exchange differences on translation of foreign operations		—	—	12,927	—	—	12,927
Total comprehensive income for the period		—	—	29,126	127,505	4	156,635
Balance as of March 31, 2018 (Unaudited)	14	$ 963,272	$ 2,351,801	$ (85,430)	$ 1,443,575	$ 4	$ 4,673,222

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Three-month period ended March 31, (Unaudited) 2018	2017
Cash flows from operating activities:			
Profit for the period	17	$ 127,505	$ 144,959
Adjustments for:			
Income tax expense (benefit)	13, 15	38,303	(2,953)
Share of loss (profit) of joint ventures, net of income tax	4, 15	12,072	(12,636)
Finance costs		30,766	13,653
Interest income		(6,233)	(1,566)
Loss on disposal of property, plant and equipment		306	1,016
Impairment loss recognized on trade receivables		22	15
Depreciation and amortization		33,572	27,173
Net foreign exchange gain		(46,082)	(4,311)
(Gain) loss on valuation of derivative financial instruments, net		(6,704)	134
		183,527	165,484
Movements in working capital:			
Increase in trade and other receivables, net		(20,016)	(14,189)
Decrease (increase) in natural gas inventories, net		118	(2,758)
Increase in other assets		(14,973)	(17,172)
Decrease in trade and other payables, net		(25,655)	(10,904)
(Decrease) increase in provisions, net		(7,672)	4,692
Decrease in other liabilities, net		(332)	(881)
Cash generated from operations		114,997	124,272
Income taxes paid		(21,969)	(30,075)
Net cash provided by operating activities		93,028	94,197

(Continued)

	Notes	Three-month period ended March 31, (Unaudited) 2018	2017
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	6	(2,989)	—
Investment in joint ventures		(24,773)	(45,795)
Veracruz marine terminal counter-payment fee	1	(25,984)	—
Interest received		292	587
Acquisitions of property, plant and equipment		(58,935)	(69,419)
Loans granted to unconsolidated affiliates	3	(81,965)	—
Receipts of loans granted to unconsolidated affiliates	3	2,070	2,417
Restricted cash		6,625	(6,787)
Short-term investments		(26,001)	(13,001)
Net cash used in investing activities		(211,660)	(131,998)
Cash flows from financing activities:			
Interest paid		(22,150)	(25,759)
Loans received from unconsolidated affiliates	3	70,000	110,425
Loans payments to unconsolidated affiliates	3	—	(8,403)
Proceeds from bank financing	10, 11	225,000	70,000
Loans payments on bank lines of credit	10, 11	(63,776)	(79,881)
Payment of Certificados Bursatiles ("CEBURES")	11	(102,069)	—
Net cash provided by financing activities		107,005	66,382
Net (decrease) increase in cash and cash equivalents		(11,627)	28,581
Cash and cash equivalents at the beginning of the period		37,208	25,512
Effects of exchange rate changes on cash and cash equivalents		19,319	6,005
Cash and cash equivalents at the end of the period		$ 44,900	$ 60,098

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of March 31, 2018 and for the three-month periods ended March 31, 2018 and 2017 (Unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energetica Nova, S. A. B. de C. V. (“IEnova”) and Subsidiaries (collectively, "IEnova or the Company”) are located and incorporated in Mexico. Their parent and ultimate holding company is Sempra Energy (the “Parent”), located and incorporated in the United States of America (“U. S.”). The address of their registered offices and principal places of business are disclosed in Note 23.

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Please refer to Note 15).

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

The Power segment develops three solar projects located in Baja California, Aguascalientes and Sonora, Mexico, owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine in Baja California, Mexico, 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.

The Company develops project for the construction of marine and in-land terminals for the reception, storage and delivery of refined products, located in the state of Veracruz, Mexico City, Puebla, and Baja California, Mexico.

The Company obtained the corresponding authorization from the Comision Reguladora de Energia (“CRE”) in order to perform the regulated activities.

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

b. *Relevant events*

1.1. Execution of Standby Letter of Credit Facility ("LOCF") and Reimbursement Agreement

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

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

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

1.2. Veracruz marine terminal and in-land terminal projects

On January 8, 2018, ESJ Renovable III, S. de R. L. de C. V. ("ESJRIII") paid the remaining 50 percent of a counter-payment fee equivalent to the amount of $500.0 million Mexican Pesos for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz.

1.3. Certificados Bursatiles ("CEBURES")

On February 8, 2018, the Company made the repayment of the public debt issuance, CEBURES, of the second placement for an amount of $1.3 billion of historical Mexican Pesos (Please refer to Note 11.a.).

For this debt maturing in 2018, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments that were realized on this date, the Company received $1.3 billion of Mexican Pesos and paid $102.2 million U. S. Dollars. This payment ended the hedged contracted and CEBURES liability (Please refer to Note 11.a.).

1.4. Long-term electric supply contract

On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of El Puerto de Liverpool, S. A. B. de C. V. ("Liverpool"). The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico. The plant will have the capacity to supply Liverpool and other large energy consumers. The Company will be responsible of the development, construction and operation of the project that will have a capacity of 125 Megawatts ("MW") with an investment of approximately $130.0 million. The beginning of commercial operations is expected to occur in the second half of 2019.

2. Significant accounting policies

a. *Statement of compliance*

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

Certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted pursuant to the interim period reporting provisions.

Therefore, the Condensed Interim Consolidated Financial information should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2017, 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 2017.

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 mainly through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

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

d. ***Intangible assets***

Intangible assets acquired in a business combination and/or asset acquisition are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination and/or assets acquisition are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

e. ***Business combination and assets acquisition***

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

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes and* IAS 19 *Employee Benefits,* respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

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

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

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

f. ***Revenues***

The Company records revenue from contracts with clients at the time that the services are rendered or the goods are delivered to and accepted by that client, in the terms of the programs established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred. Therefore, assignment of the consideration and, consequently, the schedule for revenue recognition was not affected by adoption of IFRS 15.

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

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

i. Transportation of gas
ii. Storage and regasification capacity
iii. Sale of natural gas
iv. Natural gas distribution
v. Administrative services
vi. Power generation

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

In the application of the Company's accounting policies, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the Condensed Interim Consolidated Financial Statements.

The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

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

When non-current assets and disposal groups are classified as held for sale, they are required to be measured at the lower of their carrying amount and fair value less costs to sell. The comparison of carrying amount and fair value less costs to sell is carried out at each reporting date while it continues to meet the held for sale criteria.

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

ii. Finance lease

As described in Note 5, management has determined that the arrangements should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the assets as of such date.

3. Transactions and balances with unconsolidated affiliates

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

Any profit made from sales to external parties by the discontinued operations are presented separated from continuing operations.

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

	Revenues / Cost of revenues	
	Three-month period ended	
	03/31/18	03/31/17
Effects of continuing operation with Gasoducto de Aguaprieta S. de R. L. de C.V. ("GAP") and IEnova Marketing, S. de R. L. de C. V. ("IEnova Marketing")	$ 20,265	$ 17,553

a. Transactions and balances with unconsolidated affiliates

During the three-month periods ended March 31, 2018 and 2017, respectively, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues	
	Three-month period ended	
	03/31/18	03/31/17
Discontinued operation - Sempra Gas & Power Marketing, LLC (“SG&PM”)	$ 40,365	$ 25,799
Sempra LNG International Holdings, LLC (“SLNGIH”)	24,050	25,011
Tag Pipelines Norte S. de R. L. de C. V. ("TAG Pipelines Norte")	5,332	—
Sempra Gas & Power Marketing, LLC (“SG&PM”)	5,216	—
Southern California Gas Company (“SoCalGas”)	429	14
Sempra International, LLC (“Sempra International”)	354	496
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	268	152
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	72	99

	Cost of revenues and operating, administrative and other expenses	
	Three-month period ended	
	03/31/18	03/31/17
Sempra LNG International, LLC (“SLNGI”)	$ 45,032	$ 46,384
SG&PM	19,445	7,124
Discontinued operation - SG&PM	5,063	4,219
Sempra International	2,437	1,087
Sempra Infrastructure, LLC (formerly Sempra U. S. Gas & Power, LLC)	1,267	2,133
SoCalGas	417	345
Discontinued operation - Sempra Generation, LLC ("SGEN")	—	1,044
Sempra Midstream, Inc. (“Sempra Midstream”)	—	172

Included in the operational transactions are administrative services from affiliates by $2.4 millions and $1.1 millions for the three-month periods ended March 31, 2018 and 2017, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	Interest income	
	Three-month period ended	
	03/31/18	03/31/17
Infraestructura Marina del Golfo, S. de R. L. de C. V. (“IMG”)	$ 5,767	$ —
Energia Sierra Juarez, S. de R. L. de C. V. ("ESJ")	119	235
Discontinued operation - SGEN	15	—
Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN")	—	967

	Finance cost	
	Three-month period ended	
	03/31/18	03/31/17
Inversiones Sempra Limitada (“ISL”)	$ 1,937	$ 173
Sempra Energy Holding XI, B. V. ("SEH")	765	—
Peruvian Opportunity Company, S. A. C. (“POC”)	599	88
TAG Pipelines Norte	410	—
Sempra Oil Trading Suisse (“SOT Suisse”)	336	366
Inversiones Sempra Latin America Limitada (“ISLA”)	—	700
DEN	—	44

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

	Amounts due from unconsolidated affiliates	
	As of	
	03/31/18	12/31/17
SLNGIH	$ 5,860	$ 9,162
TAG Pipelines Norte	4,269	4,289
SG&PM	856	10,723
Sempra International	337	—
SESJ	316	371
SLNGEL	1	34
SoCalGas	—	21
	$ 11,639	$ 24,600

	Amounts due to unconsolidated affiliates	
	As of	
	03/31/18	12/31/17
ISL (i)	$ 345,000	$ 275,188
SEH (ii)	132,800	132,800
POC	102,000	102,020
SLNGI	15,489	16,360
SG&PM	5,879	17,525
SoCalGas	136	98
Sempra International	80	226
	$ 601,384	$ 544,217

i. On January 16, 2018, IEnova entered into an $70.0 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. Interest of the outstanding balance is payable on a quarterly basis at three-month London Interbank Offered Rate ("LIBOR") plus 63 basis points ("BPS") per annum. Interest shall be paid on the last day of each calendar quarter.

   On March 21, 2018, the Company signed addendums modifying the contracts terms over the $85.0 million of U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and are due and payable in full on March 21, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

ii. On August 23, 2017, IEnova entered into a $132.8 million U.S. Dollar-denominated affiliate credit facility with SEH, to finance working capital and general corporate purposes. The credit facility is for a six-month term. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 61 BPS per annum. On February 6, 2018, IEnova signed an addendum modifying the contract term to August 22, 2018.

b. Loans to unconsolidated affiliates

	As of	
	03/31/18	12/31/17
IMG (i)	$ 621,559	$ 487,187
ESJ	5,565	6,700
	$ 627,124	$ 493,887

i. On April 21, 2017, IEnova entered into a loan agreement with IMG, providing a credit line in an amount of up to $9,041.9 million Mexican Pesos, the maturity date is March 15, 2022. The applicable interest rate is the Mexican Interbank Interest Rate ("TIIE") at 91 days plus 220 BPS capitalized quarterly.

   On December 6, 2017, the Company signed an addendum modifying the amount of the loan up to $14,167.9 million Mexican Pesos.

   As of March 31, 2018, the outstanding balance amounts $11,392.7 million Mexican Pesos, including $540.4 million Mexican Pesos of interest.

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

c. Loans from unconsolidated affiliates

	As of	
	03/31/18	12/31/17
SOT Suisse	$ 38,460	$ 38,460
TAG Pipelines Norte	35,460	35,050
	$ 73,920	$ 73,510

Compensation of key management personnel

Total compensation expense of key management personnel was $8.9 millions and $6.3 millions for the three-month period ended March 31, 2018 and 2017, respectively.

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

4. Investment in joint ventures

4.1. ESJ

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

As of March 31, 2018, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method. ESJ's Condensed Interim Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	As of	
	03/31/18	**12/31/17**
Cash and cash equivalents	$ 2,374	$ 2,785
Other assets	25,761	18,479
Total current assets	28,135	21,264
Deferred income tax assets	2,805	4,778
Other assets	2,792	2,795
Property, plant and equipment, net	249,849	252,856
Total non-current assets	255,446	260,429
Total assets	$ 283,581	$ 281,693
Current liabilities	$ 19,588	$ 17,509
Non-current liabilities	224,760	231,048
Total liabilities	$ 244,348	$ 248,557
Total members' equity	$ 39,232	$ 33,136
Share of members' equity	19,616	16,568
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 31,737	$ 28,689

ESJ´s Condensed Interim Consolidated Statements of Profit are as follows:

	Three-month period ended 03/31/18	Three-month period ended 03/31/17
Revenues	$ 11,548	$ 14,020
Operating, administrative and other expenses	(5,229)	(4,919)
Finance costs	(3,889)	(4,190)
Other gains, net	61	109
Income tax expense	(998)	(1,512)
Profit for the period	$ 1,493	$ 3,508
Share of profit of ESJ	$ 747	$ 1,754

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

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

Years	LIBOR applicable Margin
June 2015 - June 2019	2.375%
June 2019 - June 2023	2.625%
June 2023 - June 2027	2.875%
June 2027 - June 2031	3.125%
June 2031 - June 2033	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion dated June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $216.9 million. The debt outstanding as of March 31, 2018, is as follows:

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

(b) ***Interest rate swaps.*** To partially mitigate its exposure to interest rate changes associated with the loan, ESJ entered into floating-to-fixed interest rate swaps for 90.0 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.

4.2. IMG

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

As of March 31, 2018 and 2017, the Company's 40 percent interest in IMG is accounted for under the equity method. IMG's Condensed Interim Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	As of	
	03/31/18	**12/31/17**
Cash and cash equivalents	$ 96,705	$ 58,284
Value added tax receivable	230,242	195,350
Other assets	201	434
Total current assets	327,148	254,068
Total non-current assets	1,859,225	1,653,554
Total assets	$ 2,186,373	$ 1,907,622
Current liabilities	$ 134,115	$ 176,771
Long term debt	1,589,291	1,222,973
Deferred income tax liabilities	10,406	34,209
Total non-current liabilities	1,599,697	1,257,182
Total liabilities	$ 1,733,812	$ 1,433,953
Total members' equity	$ 452,561	$ 473,669
Share of members' equity	181,024	189,468
Guarantees	5,019	5,018
Share of member's equity and carrying amount of investment in IMG	$ 186,043	$ 194,486

IMG´s Condensed Interim Consolidated Statements of Profit are as follows:

	Three-month period ended	
	03/31/18	**03/31/17**
Interest income	$ 139	$ —
Other (losses) gains, net *	(85,659)	2,981
Income tax benefit	24,080	4,052
(Loss) profit for the period	$ (61,440)	$ 7,033
Share of (loss) profit of IMG	$ (24,576)	$ 2,813

*   As of March 31, 2018, includes a foreign exchange loss by $39.3 million on a peso-denominated inter-affiliate loan granted by the Company to IMG for the proportionate share of the project´s financing. In the Condensed Interim Consolidated Statement of Profit, in the "Other gains", net line item, a corresponding foreign exchange gain which fully offsets the aforementioned loss is included.

(a) ***Project financing for the IMG project.*** As of March 31, 2018 and 2017, the project resources for the design and construction of the marine pipeline have been funded with capital contributions of its members and loans.

On April 21, 2017, IMG entered into two revolving credit agreements with IEnova and TransCanada, parent entities, by $9,041.9 million Mexican Pesos and $13,513.1 million Mexican Pesos, respectively.

On December 6, 2017, IEnova and TransCanada renegotiated the credit line of such credit facility agreements for an amount up to $14,167.9 million Mexican Pesos and $21,252.1 million Mexican Pesos, respectively. The loans accrue an annual interest rate of TIIE plus 220 BPS.

Loan balance as of March 31, 2018, with IEnova is $11,402.2 million Mexican Pesos.

On March 23, 2018, IMG entered into a $300.0 million U.S. Dollar-denominated revolving credit facility with Scotiabank Inverlat, S. A., which can be disbursed in U. S. Dollar or Mexican Pesos, to fund Value Added Tax payments and other capital expenditures. The credit facility is for a one year term with option to extend for one additional year period. Interest of the outstanding balance is payable on a bullet basis at LIBOR plus 90 BPS for U. S. Dollar or TIIE plus 50 BPS for Mexican Pesos per annum.

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

As of September, 30, 2017, IEnova recognized an increase to the equity method investment for the amount of $5.0 million, fair value of the guarantees granted.

(c) ***Capital contributions.*** On February 28, 2018, the Company made a capital contribution of $24.8 million to IMG.

(d) ***Other disclosures.*** Offshore construction is now approximately 80 per cent complete and the project continues to progress toward an anticipated in-service date of late 2018.

4.3. DEN

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

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

		Three-month period ended 03/31/17
Revenues	$	5,574
Operating, administrative and other expenses		(2,158)
Finance costs		(2,077)
Other losses		(177)
Income tax expense		(4,953)

		Three-month period ended 03/31/17
Share of profit of joint ventures, net of income tax		19,928
Profit for the period	$	16,137
Share of profit of DEN	$	8,069

4.4. *Tag Norte Holding S. de R. L. de C. V. ("TAG")*

TAG together with TAG Pipelines Norte, a joint venture between DEN and Pemex TRI, and a consortium comprised of BlackRock and First Reserve, owns Los Ramones Norte pipeline, which began operations in February 2016.

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

As of March 31, 2018, the interest in TAG is accounted for under the equity method. TAG's Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	As of			
		03/31/18		12/31/17
Cash and cash equivalents	$	84,949	$	81,823
Other assets		32,751		22,293
Total current assets		117,700		104,116
Due from unconsolidated affiliates		70,947		70,698
Finance lease receivables		1,420,820		1,431,703
Other assets		5,157		16,466
Property, plant and equipment, net		15,382		15,471
Total non-current assets		1,512,306		1,534,338
Total assets	$	1,630,006	$	1,638,454
Current liabilities	$	90,895	$	58,023
Non-current liabilities		1,106,085		1,178,616
Total liabilities	$	1,196,980	$	1,236,639
Total members' equity	$	433,026	$	401,815
Share of members' equity and carrying amount of investment in TAG	$	216,513	$	200,907
Equity method goodwill		99,020		99,020
Total amount of the investment in TAG	$	315,533	$	299,927

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

		Three-month period ended 03/31/18
Revenues	$	52,852
Operating, administrative and other expenses		(7,774)
Finance costs		(17,011)
Other losses, net		(50)
Income tax expense		(4,501)
Profit for the period	$	23,516
Share of profit of TAG	$	11,757

(a) ***TAG Project financing***. On December 19, 2014, TAG, (subsidiary of DEN), entered into a credit contract with Santander as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of the gas pipeline.

During 2016 and 2015, there were amendments to the credit contract in order to include additional banks as lenders. The total amount of the credit is $1,274.5 million, divided in tranches: i) long tranche, up to $701.0 million, ii) short tranche up to $513.3 million and iii) a letter of credit tranche for debt service reserve up to $60.2 million.

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

Years	Applicable Margin BPS
1st disbursement - (System Commercial Operation Date)	250
0 – 4	265
5 – 9	300
10 – 14	325
15 – Until credit maturity	350

As of March 31, 2018, the total outstanding loan is $1,126.0 million, with its respective maturities. TAG hedged a portion of the loans tied to the interest rate risk through an interest rate swap, by changing the variable rate for a fixed rate.

The loans mentioned above contain restrictive covenants, which require TAG to maintain certain financial ratios and limit dividend payments, loans and obtaining additional financing. TAG met such covenants as of March 31, 2018.

Long-term debt due dates are as follows:

Year		Amount
2018	$	59.0
2019		59.0
2020		59.0
2021		59.0
Thereafter		890.0
Total	$	1,126.0

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

(c) ***Exchange rate forwards***. TAG entered into forward contracts with five banks to exchange Mexican Pesos for U. S. Dollars of a portion of the projects revenues for 2016; maturing through 2016 and in the first quarter of 2017. Additionally, in September 2016, TAG entered into forward contracts to exchange Mexican Pesos for U.S. Dollars of a portion of the projects' revenues for 2017; maturing through 2017 and in the first quarter of 2018.

5. Finance leases receivables

5.1. Finance lease receivables – Natural Gas Compression Plant

	As of			
	03/31/18		12/31/17	
Current finance lease receivables	$	336	$	308
Non-current finance lease receivables		13,732		13,827
	$	14,068	$	14,135

Leasing arrangements

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

5.1.1 Amounts receivables under finance leases

	Minimum lease payments As of				Present value of minimum lease payments As of			
	03/31/18		12/31/17		03/31/18		12/31/17	
Not later than one year	$	5,136	$	5,136	$	336	$	308
Later than one year and not later than five years		20,544		21,828		3,369		3,464
More than five years		17,975		17,975		10,363		10,363
		43,655		44,939		14,068		14,135
Less: unearned finance income		(29,587)		(30,804)		n/a		n/a
Present value of minimum lease payments receivable	$	14,068	$	14,135	$	14,068	$	14,135

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

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

The average effective interest rate contracted is approximately 34.5 percent as of March 31, 2018 and 2017. The receivable under finance lease balance as of March 31, 2018 and 2017 is neither past due nor impaired.

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

	As of 03/31/18	As of 12/31/17
Current finance lease receivables	$ 4,046	$ 3,665
Non-current finance lease receivables	566,718	567,405
	$ 570,764	$ 571,070

Leasing arrangements

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

5.2.1. *Amounts receivables under finance leases*

	Minimum lease payments As of		Present value of minimum lease payments As of	
	03/31/18	12/31/17	03/31/18	12/31/17
Not later than one year	$ 86,955	$ 87,104	$ 4,046	$ 3,665
Later than one year and not later than five years	430,386	424,616	28,934	28,108
More than five years	874,063	901,512	537,784	539,297
	1,391,404	1,413,232	570,764	571,070
Less: unearned finance income	(820,640)	(842,162)	n/a	n/a
Present value of minimum lease payments receivable	$ 570,764	$ 571,070	$ 570,764	$ 571,070

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

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

The average effective interest rate contracted is approximately 15.2 percent as of March 31, 2018 and 2017. The receivable under finance lease balance as of March 31, 2018 and 2017, is neither past due nor impaired.

5.3. *Finance lease receivables – Ethane Pipeline*

	As of 03/31/18	As of 12/31/17
Current finance lease receivables	$ 4,387	$ 4,153
Non-current finance lease receivables	359,807	360,952
	$ 364,194	$ 365,105

Leasing arrangements.

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

The transportation system refers to:

Segment I. Transports ethane from Ethylene Complex XXI Braskem-IDESA to Cangrejera (Veracruz), through a 20-inch and 4 kilometers ("km") length pipeline. The term of the finance lease is 21 years.

Segment II. Transports ethane from Nuevo Pemex (Tabasco) to Cactus (Chiapas), through a 16-inch and 15 km length pipeline and from Cactus to the Ethylene XXI Complex (Braskem-IDESA) through a 24-inch and 133.5 km length pipeline. The term of the finance lease is 21 years.

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

The breakdown as of March 31, 2018 of this financial lease is as follows:

		Amount
Segment I	$	31,561
Segment II		185,609
Segment III		147,024
Total	$	364,194

5.3.1. Amounts receivables under finance leases

	Minimum lease payments As of				**Present value of minimum lease payments As of**			
		03/31/18		**12/31/17**		**03/31/18**		**12/31/17**
Not later than one year	$	55,232	$	55,393	$	4,387	$	4,153
Later than one year and not later than five years		262,943		264,235		34,714		33,512
More than five years		376,531		388,982		325,093		327,440
		694,706		708,610		364,194		365,105
Less: unearned finance income		(330,512)		(343,505)		n/a		n/a
Present value of minimum lease payments receivable	$	364,194	$	365,105	$	364,194	$	365,105

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

The average effective interest rate contracted is approximately 16.0 percent for segment I and 14.0 percent for segments II and III as of March 31, 2018 and 2017.

The receivable under finance lease balance as of March 31, 2018 and 2017, is neither past due nor impaired.

6. Asset acquisition

6.1. Don Diego Solar S. A. P. I. de C. V. ("Don Diego"), asset acquisition

On February 28, 2018, IEnova acquired 100 percent of the shares of Fisterra Midstream Mexico, S. de R. L. de C. V. ("Fisterra") at a value of $5.1 millions, which was renamed to Don Diego after acquisition. Don Diego is comprised of a Self-Supply Permit granted by the CRE in 2016. The Self-Supply Permit allows generators to compete directly with the Comision Federal de Electricidad ("CFE") retail tariffs and thus have access to Power Purchase Agreements ("PPAs") with significantly higher prices (~40 US/Megawatt-Hour "MWh") than the average price of the last Clean Energy Auction (~20 US/MWh).

The primary purpose of the transaction was for the Company to further growth its renewable energy business through the purchase of Don Diego to develop a solar project, a 125 MW facility in Benjamin Hill municipality in the state of Sonora, Mexico.

This transaction was accounted as an asset acquisition because Don Diego does not meet the definition of a business, since it does not have substantive inputs or processes.

a. Assets acquisition

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Don Diego	Energy infrastructure investments / Development of solar project	February 28, 2018	100%	$5,072

b. Assets acquired and liabilities recognized at the acquisition date

	As of February 28, 2018
Fair value of assets acquisition:	
Cash consideration (i)	$ 5,072
Total fair value of assets acquisition	$ 5,072
Cash and cash equivalents	24
Trade and other receivables	112
Other assets	2
Intangible assets	4,977
Current liabilities	(43)
Total identifiable, net assets	$ 5,072

Valuation of Don Diego's assets and liabilities. Don Diego is substantially comprised of an intangible asset resulting from valuation of the Self-Supply Permit granted to the company by the CRE. This advantageous transmission tariff structure reduces the administrative costs to manage transmitting power to off- takers, providing an attractive opportunity for both the generator and the off-taker. With the recent reform to the renewable energy market in Mexico, self- supply permits are no longer being issued. New renewable power projects now receive a permit under the Electric Industry Law ("LIE"), which requires the renewable power facilities to pay higher tariffs/ charges, including transmission, Centro Nacional de Control de Energia ("CENACE") fees, imbalance, and distribution.

Based on the nature of the Self-Supply Permit and generally accepted industry practice, an income approach was utilized, based on a cash flow differential approach, to value the Self-Supply Permit. For all other assets and liabilities, the Company determined that the historical carrying value approximates fair value due to their short-term nature.

c. Net cash flow from acquisition of assets

		As of February 28, 2018
Cash consideration (i)	$	5,072
Less: balances of cash and cash equivalents acquired		(24)
Cash consideration, net	$	5,048

(i) There was a cash payment for the amount of $3.0 million at closing and an amount of $2.1 million will become due and payable when whichever of the following occurs first: the Company has issued the final notice to proceed to the assigned Engineering Procurement and Construction contract or twelve months have elapsed following the execution date of the PPA.

7. Assets classified as held for sale and discontinued operations

a. In February 2016, the Company's management approved a plan to market and sell 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. Since March 31, 2016, the assets and liabilities were classified under current assets and liabilities as held for sale.

Details of the discontinued operations are provided as follows:

	Three-month period ended			
		03/31/18		03/31/17
Revenues	$	39,561	$	25,800
Cost of revenues		(28,867)		(23,832)
Operating, administrative and other expenses		(4,646)		(3,924)
Interest income		15		—
Finance costs		(68)		(68)
Other gains		853		1,340
Income tax (expense) benefit *		(67)		8,687
Profit for the period	$	6,781	$	8,003

* During the three-month period ended March 31, 2017, the Company recorded a deferred tax benefit in the amount of $3.5 million, 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 "Profit for the period from discontinued operations, net of income tax".

	Three-month period ended			
		03/31/18		03/31/17
Profit per share:				
From discontinued operations	$	0.004	$	0.005

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

	As of			
		03/31/18		12/31/17
Other assets	$	76,183	$	64,263
Total current assets		76,183		64,263
Deferred income tax assets		201		201
Carbon allowance (a)		5,456		2,272
Other assets		1,679		1,515
Property, plant and equipment, net (b)		81,433		79,939
Total non-current assets		88,769		83,927
Total assets	$	164,952	$	148,190
Current liabilities	$	43,365	$	54,336
Non-current liabilities		13,179		8,186
Total liabilities	$	56,544	$	62,522

(a) ***Deferred income taxes.*** During the three-month period ended March 31, 2018, the Company has not recognized a deferred tax asset in the amount of $1.6 million generated for the deductible temporary differences between book value and tax basis as a result of the decision to sale the partnership interest in TDM.

As of March 31, 2018, the Company has not recognized a deferred tax asset in the amount of $27.5 million generated for the deductible temporary differences between book value and tax basis of TDM.

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

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

(c) ***Property, plan and equipment.*** 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. No impairment indicators were found during 2018 due to this assessments.

		Three-month period ended	
		03/31/18	03/31/17
Cash flows from discontinued operations:			
Net cash flows provided by operating activities		$ 1,537	$ 3,647
Net cash flows used in investing activities		(1,470)	(3,582)
Net cash flows used in financing activities		(67)	(65)
Net cash flows		$ —	$ —

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 March 31, 2018 and 2017.

8. Property, plant and equipment, net

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

	As of	
	03/31/18	12/31/17
Pipeline projects (a)	$ 19,263	$ 14,265
Solar projects (b)	34,415	—
Liquid terminals (c)	8,956	—
Other projects	11,559	14,682
	$ 74,193	$ 28,947

The additions to property, plant and equipment during 2018 and 2017 are mainly comprised of construction in process, related to:

a. Pipelines projects located in the state of Sonora, of the following pipeline segments: Guaymas - El Oro, Ojinaga - El Encino, San Isidro - Samalayuca and Empalme pipeline branch.

b. Pima, Tepezala and Rumorosa Solar proyects, located in the states of Sonora, Aguascalientes and Baja California, Mexico, respectively.

c. Liquid terminals located in the states of Puebla, Veracruz, Ciudad de Mexico and Baja California, Mexico.

Borrowing cost. During the three-month periods ended March 31, 2018 and 2017, the Company capitalized interest attributable to the construction in projects in the amount of $8.1 million and $4.4 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.94 percent and 2.99 percent, for the three-month periods ended March 31, 2018 and 2017, respectively.

9. Intangible assets

	As of	
	03/31/18	12/31/17
Carrying amounts of:		
Renewable transmission rights (a)	$ 159,132	$ 154,144
Operation & Maintenance ("O&M") Contract (b)	44,566	44,566
Amortization	(10,987)	(8,511)
	$ 192,711	$ 190,199

(a) *Renewable transmission rights*

On December 14, 2016, regarding Ventika, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V. jointly ("Ventika") wind power generation facility acquisition, the Company recorded $154.1 million related to the renewable transmission and consumption rights associated with the projects approved under the preexisting self-supply renewable program.

On February 28, 2018, the Company acquired a $5.0 million intangible asset related to Self-Supply Permit of the Don Diego Solar Project. (Please refer to note 6.)

Amortization is calculated using the straight-line method based on the remaining useful life of the related intangible asset, over the term of the self-supply power agreements of 20 years and 15 years to Ventika and Don Diego respectively.

(b) *O&M Contract*

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

10. Short-term debt

Short-term debt includes:

	As of	
	03/31/18	**12/31/17**
Credit agreement (a)	$ 312,136	$ 137,053
CEBURES at variable rate (Please refer to Note 11.a.)	—	65,871
Current portion of IEnova Pipelines S. de R. L. de C. V. ("IEnova Pipelines") bank loan (Please refer Note 11.c.)	39,932	40,631
Current portion of Ventika's bank loan (Please refer Note 11.d.)	23,651	22,588
	$ 375,719	$ 266,143
Borrowing costs	(3,072)	(3,383)
	$ 372,647	$ 262,760

(a) ***Credit agreement.*** On January 4, 2018 and February 6, 2018, the Company withdrew $60.0 million and $165.0 million, respectively.

In March, 2018 the Company paid $50.0 million of the credit agreement.

As of March 31, 2018 and December 31, 2017, the available unused credit portion was $858.0 million and $1,033.0 million, respectively.

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

11. Long-term debt

Long-term debt includes:

	As of	
	03/31/18	12/31/17
Senior Notes (f)	$ 840,000	$ 840,000
Santander – Ventika (d, e)	446,635	451,248
Bancomer – IEnova Pipelines (c)	268,137	277,175
CEBURES at fixed rate (a, b)	212,598	197,614
	$ 1,767,370	$ 1,766,037
Debt issuance costs	(33,464)	(33,997)
	$ 1,733,906	$ 1,732,040

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

i) The first placement was for $306.2 million ($3,900.0 million 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 ($1,300.0 million of historical Mexican Pesos) bearing interest at variable rate based on the TIIE plus 30 BPS, with monthly payments of interest, maturing in 2018. The average annual rate as of March 31, 2018 and 2017 was 7.86 percent and 6.48 percent, respectively.

On February 8, 2018, the Company made the repayment of the public debt issuance, CEBURES, of the second placement for an amount of $1,300.0 million of historical Mexican Pesos.

For this debt maturing in 2018, the Company swapped fixed rate in Mexican Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments that were realized on this date, the Company received $1,300.0 million Mexican Pesos and paid $102.1 million U.S. Dollars. This payment ended the hedge contracted and the CEBURES liability.

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

i) For the debt maturing in 2023, the Company swapped a fixed rate in Mexican Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U.S. Dollars for this swap was 4.12 percent.

ii) For the debt maturing in 2018, the Company swapped a variable rate in Mexican Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U.S. Dollars for this swap was 2.66 percent.

As of March 31, 2018, the swap's total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). These contracts have been designated as cash flow hedges.

c. ***Bancomer - IEnova Pipelines.*** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as Fiduciary. The amount of the loan is for $475.4 million U.S. Dollars, the proceeds of which will be used to develop the IEnova Pipelines projects. The four participating credit institutions are Bancomer with a 50.0 percent contribution, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20.0 percent, Mizuho with 15.0 percent and NORD/LB with 15.0 percent.

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

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

As of March 31, 2018, the long term debt maturity is as follows:

Year		Amount
2018	$	31,330
2019		39,932
2020		40,022
2021		42,814
Thereafter		153,971
	$	308,069

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

Covenants arising from the credit require for the following:

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

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

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

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

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

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

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

The credit facilities mature according to the following table, with payments due on a quarterly basis each March 15, June 15, September 15 and December 15, until the final maturity date, as follows:

Bank	Maturity date
SANTANDER	03/15/24
BANOBRAS	03/15/32
NADB	03/15/32
BANCOMEXT	03/15/32
NAFINSA	03/15/32

The breakdown of the debt is as follows:

Bank	As of 03/31/18
NADB	$ 137,855
SANTANDER	104,637
BANOBRAS	88,621
BANCOMEXT	68,928
NAFINSA	68,928
Interest payable	1,317
	$ 470,286

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

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

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

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

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

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		
	03/31/18	12/31/17	04/25/18
One U. S. Dollar	$ 18.3445	$ 19.7354	$ 18.8628

(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.

	As of			
	03/31/18		12/31/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial lease receivables	$ 949,026	$ 949,026	$ 950,310	$ 950,310
Due from unconsolidated affiliates	614,768	636,482	491,422	552,152
Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	1,052,598	986,497	1,037,614	998,995
Loans from banks long-term	714,772	719,410	728,423	849,486
Loans from unconsolidated affiliates (Short-term)	579,800	579,800	509,800	509,800
Short-term debt	375,719	375,719	266,143	266,143
Loans from unconsolidated affiliates (Long-term)	73,460	68,820	73,460	69,967

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 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 $949.0 millions and $950.3 millions as of March 31, 2018 and December 31, 2017 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 fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

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

	As of	
	03/31/18	**12/31/17**
Financial instruments assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)*	$ 76,277	$ 56,901
Derivative financial instrument assets (Level 2)	2,509	8,065
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	126,139	204,170

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

* The short term investments include restricted cash by $49.2 million and $55.8 million as of March 31, 2018 and December 31, 2017, respectively.

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 year and interim period.

Income tax for the three-month periods ended March 31, 2018 and 2017 are reconciled to the profit for the period as follows:

	Three-month period ended 03/31/18	Three-month period ended 03/31/17
Profit before income tax and share of profits of joint ventures	$ 171,032	$ 130,054
Income tax expense calculated at 30%	(51,310)	(39,016)
Effects of foreign exchange rate	(48,588)	(50,783)
Effects of inflation adjustment	(7,520)	(14,788)
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	69,650	101,519
Other	(468)	(2,666)
Income tax expense recognized in the Consolidated Statements of Profit	$ (38,236)	$ (5,734)

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, 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

		As of March 31, 2018 (Mexican Pesos)			
Company stockholder's	Number of shares	Fixed shares	Variable shares	Total	Total shares in USD
SEMCO	1,019,038,312	50,000	16,009,083,120	16,009,133,120	$ 751,825
Private investors	514,985,500	—	25,931,105,000	25,931,105,000	211,447
	1,534,023,812	50,000	41,940,188,120	41,940,238,120	$ 963,272

15. Segment information

15.1 Products and services from which reportable segments obtain their revenues

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

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

15.2 Segment revenues and results

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

	Segment revenues	
	Three-month period ended	
	03/31/18	03/31/17
Gas:		
Revenues from customers	$ 241,567	$ 221,630
Revenues from unconsolidated affiliates	24,050	25,011
Intersegment revenues	63,101	56,665
Power:		
Revenues from customers	21,979	25,666
Corporate:		
Allocation of professional services with affiliates	355	496
Intersegment professional services	8,127	6,993
	359,179	336,461
Intersegment adjustments and eliminations	(71,228)	(63,658)
Total segment revenues	$ 287,951	$ 272,803

	Segment profit	
	Three-month period ended	
	03/31/18	03/31/17
Gas	$ 110,579	$ 150,487
Power *	8,430	8,104
Corporate	8,496	(13,632)
Total segment profit	$ 127,505	$ 144,959

* Includes discontinued operations.

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

15.3 Assets and liabilities by segment

	As of 03/31/18	As of 12/31/17
Assets by segment:		
Gas	$ 6,373,365	$ 6,385,681
Power *	1,216,799	1,170,970
Corporate	811,105	607,208
Consolidated total assets	$ 8,401,269	$ 8,163,859

	As of 03/31/18	As of 12/31/17
Liabilities by segment:		
Gas	$ 980,494	$ 1,030,611
Power *	652,184	652,502
Corporate	2,095,369	1,964,159
Consolidated total liabilities	$ 3,728,047	$ 3,647,272

* Includes assets and liabilities held for sale.

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

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

15.4 Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	03/31/18	12/31/17	03/31/18	12/31/17
Gas	$ 3,600,674	$ 3,569,528	$ (546,663)	$ (510,744)
Power	713,770	686,195	(30,675)	(24,885)
Corporate	37,781	18,881	(10,089)	(9,519)
	$ 4,352,225	$ 4,274,604	$ (587,427)	$ (545,148)

	Share of profits of joint ventures	
	Three-month period ended	
	03/31/18	03/31/17
Gas	$ (12,819)	$ 10,882
Power	747	1,754
	$ (12,072)	$ 12,636

15.5 Revenue by type of product or services

The following is an analysis of the Company's revenues by major type of product or service for the three-month periods ended March 31, 2018 and 2017:

	Three-month period ended	
	03/31/18	03/31/17
Transportation of gas	$ 119,949	$ 91,922
Sale of natural gas	52,384	49,505
Other operating revenues	37,882	49,321
Storage and regasification capacity	28,073	26,491
Natural gas distribution	27,684	29,924
Power generation	21,979	25,640
Total revenues from continuing operations	$ 287,951	$ 272,803

Other operating revenues

(a) IEnova Marketing received payments from SLNGIH related to the losses and obligations incurred in the amount of $24.1 millions and $25.0 millions for the three-month periods ended March 31, 2018 and 2017, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

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

16. Revenue from contracts with customers

16.1 Contracts with customers

The following table shows the distribution by type of revenue shown in the Condensed Consolidated Statement of Profit for the three-month periods ended on March 31, 2018 and 2017:

	Three-month period ended	
	03/31/18	03/31/17
Revenue from continuing operations:		
Contracts with customers	$ 218,626	$ 208,350
Lease revenue	41,366	40,296
Other revenue	27,959	24,157
Total revenue from continuing operations	$ 287,951	$ 272,803

16.2 Desegregation of revenue from continuing operations

Following is a breakdown of income from contracts with clients by type of product or service, operating segment and date on which obligations are met, as well as a reconciliation of total revenue per segment for the three months ended on March 31, 2018:

	Three-month period ended 03/31/18		
	Total subsidiaries	Consolidation adjustments	Total
By type of product or service:			
Service revenue:			
Transportation of gas	$ 92,151	$ (10,075)	$ 82,076
Storage and regasification capacity	48,207	(20,274)	27,933
Sale of natural gas	59,070	(6,686)	52,384
Natural gas distribution	28,565	(272)	28,293
Administrative services	34,380	(28,419)	5,961
Power generation	104,338	(82,359)	21,979
Total revenue from contracts with clients	$ 366,711	$ (148,085)	$ 218,626
By operating segment:			
Gas	227,993	(37,307)	190,686
Power	104,338	(82,359)	21,979
Corporate	34,380	(28,419)	5,961
Total revenue from contracts with clients	$ 366,711	$ (148,085)	$ 218,626
Obligations met:			
Over time	366,711	(148,085)	218,626
Total revenue from contracts with clients	$ 366,711	$ (148,085)	$ 218,626
Leases	41,366	—	41,366
Derivatives	9,345	(5,436)	3,909
Other Non IFRS 15	24,050	—	24,050
Total Revenue IFRS 15 + Non IFRS 15	$ 441,472	$ (153,521)	$ 287,951

The revenue from products and services shown in the preceding table arises independently from contracts with each of the clients with possible renewal provided in the contracts.

17. Earnings per share

17.1 Basic earnings per share

	Three-month period ended	
	03/31/18	03/31/17
From continuing operations:		
Basic and diluted earnings per share	$ 0.08	$ 0.08
From continuing and discontinued operations:		
Basic and diluted earnings per share	$ 0.08	$ 0.09

17.2 Basic and diluted earnings per share

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

	Three-month period ended	
	03/31/18	**03/31/17**
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 120,724	$ 136,956
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 127,505	$ 144,959
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,534,023,812	1,534,023,812

The Company does not have potentially diluted shares.

18. Commitments

Material commitments of the Company are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2017, except for the following:

a) In the first quarter of 2018, ESJRIII entered into materials supply agreements and early work agreements with Grupo Desarrollo Infraestructura, S. A. de C.V. and other suppliers for engineering, procurement and construction of the Veracruz marine refined products storage terminal project.

During first quarter of 2018, payments under the agreements were $1.5 million. Future contractual cash payments are as follows:

Year	Amounts
2018	$ 68,756

b) In the first quarter of 2018 ESJ Renovable I, S. de R. L. de C. V. ("ESJRI") and Planta Solar Juarez S. A. de C. V., a Trina Solar Holdings, B. V. ("Trina Solar") subsidiary, entered into assignment agreements of the permits and rights of way related to the PIMA solar project.

During the first quarter of 2018, payments under the agreements were $0.8 million. Future contractual cash payments are as follows:

Year	Amounts
2018	$ 4,503
2019	380
	$ 4,883

c) On February 2, 2018, ESJRI and T. S. EPC de Mexico S. A. de C. V., a Trina Solar's subsidiary, entered into an engineering, procurement and construction agreement for the Tepezala II solar project.

Future contractual cash payments are as follows:

Year	Amounts
2018	$ 59,941
2019	27,110
	$ 87,051

d) In January 2018, ESJ Renovable II, S. de R. L. de C. V. ("ESJRII") entered into materials supply and a lump sum, turnkey, engineering, procurement and construction agreement with Servicios y Soluciones Electromecanicas S. A de C. V. and other suppliers for the PIMA solar project interconnection facilities.

Future contractual cash payments are as follows:

Year		Amounts
2018	$	6,855

e) On February 27, 2018 IEnova Gas S. de R.L. de C.V. ("IG") signed a lump sum, turnkey, engineering, procurement and construction letter of intent with Trinity Industries de Mexico, S. de R. L. de C. V. for the installation of several refined products storage tanks in Puebla and Mexico City, Mexico.

Future contractual cash payments are as follows:

Year		Amounts
2018	$	25,600

f) Gasoductos Servicios Corporativos y de Administracion, S. de R L. de C. V. ("GSC"), entered into a technical service agreement with SENERMEX Ingenieria y Sistemas S. A. de C. V. for engineering work to be done in the refined products storage terminal in Puebla, Mexico.

During the first quarter of 2018, payments under the agreements were $0.5 million. Future contractual cash payments are as follows:

Year		Amounts
2018	$	6,524

g) During the first quarter of 2018, the Company started several parcel land purchase negotiations for the sites on which the projects will be constructed.

During the first quarter of 2018, payments under these negotiations were $11.4. million Future contractual cash payments are as follows:

Year		Amounts
2018	$	1,618
2019		272
2020		4,346
	$	6,236

19. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2017.

20. Application of new and revised IFRS

a. Application of new and revised IFRSs or IAS that are mandatory effective for the current year.

In the current year, the Company has applied a number of amendments to IFRS issued by the International IASB that are mandatory effective for an accounting period that begins January 1, 2018.

IFRS 9 *Financial Instruments*

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date.

These requirements should be applied in a retrospective manner and as permitted by transitional provisions of IFRS 9, the entities are entitled not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognized in the opening retained earnings of the current period.

Classification and measurement

The classification criteria depends on a combination of two important factors a) business model definition, which refers to how an entity manages its financial assets in order to generate cash flows and b) cash flow characteristics which should be represented by solely payments of principal and interest. Upon of these factors fulfillment, the asset can be measured as following:

- Amortized cost: financial instruments under a business model for which objective is to collect principal and interest cash flows, no significant unjustified sales exist and fair value is not a key factor in managing these financial assets and cash flows features substantially represent a “basic lending agreement” (Solely Payments of Principal and Interest ("SPPI")). Unjustified sales are different from sales related with an increase in the asset’s credit risk or unanticipated funding needs.

- Fair value with changes recognized through other comprehensive income ("FVOCI"): financial instruments held in a business model for which objective is to collect principal and interest cash flows and the sale of these assets, and fair value is a key factor in their management. Additionally, the contractual cash flow characteristics substantially represent a “basic financing agreement”.

- Fair value with changes recognized through profit or loss ("FVTPL"): financial instruments included in a business model whose objective is not achieved through the above-mentioned models, fair value is a key factor in managing these assets, and financial instruments for which contractual cash flow characteristics do not substantially represent a “basic financing agreement”.

Impairment

With the introduction of the new impairment model in IFRS 9, the IASB addressed the key concern that the incurred loss model in IAS 39 *Financial Instruments,* contributed to the delayed recognition of credit losses which arose as a result of the financial crisis. The new impairment requirements are based on a forward-looking expected credit loss ("ECL") model. The model applies to debt instruments measured at amortized cost or at FVOCI, as well as lease receivables, trade receivables, contracts assets (as defined in IFRS 15), and loan commitments and financial guarantee contracts that are not at FVPL.

In applying the IFRS 9 impairment requirements, an entity needs to apply one of the following approaches:

- The general approach, which applies to most loans and debt securities.
- The simplified approach, which applies to most trade receivables.

IFRS 9 implementation analysis

The Company´s adoption date for IFRS 9 is on January 1, 2018, at the date of initial application and upon transitional provision under IFRS 9 the Company did not restate prior periods for comparative figures purposes and any difference that might come up as a result IFRS 9 adoption between previous carrying amounts and the carrying amount at the beginning of the annual reporting period will be allocated within the opening retained earnings.

As a result of the implementation strategy towards IFRS 9 adoption and based upon the classification and measurement requirements fulfillment, the Company concludes that all of its financial assets would remain recognizing under the current category as follows:

Assets	IAS 39 Measurement basis	IFRS 9 Measurement basis	Change
Cash and cash equivalents / restricted cash	Amortized cost	Amortized cost	No
Short term investments	FVTPL	FVTPL	No
Trade and other receivable, net	Amortized cost	Amortized cost	No
Trade receivables from unconsolidated related parties	Amortized cost	Amortized cost	No
Financial derivatives	FVTPL	FVTPL	No

Trades and receivables under a finance lease scheme, although meet the Financial Asset definition, are ruled out from the IFRS 9 scope, however lease receivables recognized by a lessor and finance lease payables recognized by a lessee are subject to the derecognition requirements of IFRS 9 and in the case of lease receivables by the lessor impairment requirements under IFRS 9 are also applicable.

In general, equity or debt instruments classified as available-for-sale financial assets will continue to be measured at FVOCI.

Regarding financial liabilities, classification and measurement criteria under IAS 39 has been carried forward to IFRS 9, including the fair value option. The change is that IFRS 9 addresses the issue related to own credit risk for financial liabilities and calls for recognition under other comprehensive income. There are no financial liabilities within the Company's Financial Statements subject to this requirement.

Based on the implementation strategy towards IFRS 9 impairment adoption, the Company concludes that the financial assets mainly affected by impairment losses under the expected loss model are trade and other receivables, net and trade receivables from unconsolidated related parties. Considering the maturity the Company is confident that simplified approach suits better for the operation and no significant financial impact in the financial statements was determined.

However, changes in the credit quality and probability of default of accounts receivable and assets with significant financing components will be monitored in order to adjust the probability of default, severity and expected loss if necessary.

Accounting for Hedges

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

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

IFRS 15 *Revenue from Contracts with Customers*

On January 1, 2018, the Company adopted the provisions of new IFRS 15 *Revenue from Contracts with Customers* applying the modified retrospective adoption method. The Company has not adopted in advance any interpretation or amendments issued but not yet effective.

The Company has evaluated revenue recognition and measurement based on the five-step model specified in IFRS 15 and has identified no significant financial impact. As a result, no significant adjustments have arose from adoption, although a relevant change is the significant increase in the disclosures required in the Financial Statements.

Please refer to Note 16 for additional disclosures concerning the nature, quantity, timing and uncertainty of revenue arising from contracts with clients.

b. New and revised IFRSs issued but not yet effective

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

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures (1)*
- IFRS 16, *Leases* (2)
- Amendments to IFRSs, *Annual Improvements to IFRS Standards 2015-2017 Cycle (2)*
- IFRS 17, *Insurance Contracts* (3)
- International Financial Reporting Interpretations Committee Interpretation ("IFRIC") 23, *Uncertainty over Income Tax Treatments* (2)

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

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

Amendments to IAS 28 require that gains and losses resulting from transactions between an entity and its associate or joint venture relate only to assets that do not constitute a business. As well, a new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's Financial Statements.

Additionally, an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

IFRS 16 *Leases*

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

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

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

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

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

Annual Improvements to IFRSs 2015 - 2017 Cycle

The Annual Improvements include amendments to IFRS 3 and IFRS 11, IAS 12 and IAS 23 which are effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 3 *Bussiness Combinations* clarify that when an entity obtains control of a business that is a joint operations, it remeasures previously held interest in that business. The amendments to IFRS 11 *Joint Arrangements* clarify that when an entity obtains control of a business that in not a joint operation the entity does not remeasure previously held interest in that business.

Amendments to IAS 12 *Income Tax* clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regarding of how the tax arises.

Amendments to IAS 23 *Borrowing Cost* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization on general borrowings.

The Company is in the process of determining the potential impacts that will derive from the adoption of these amendments in its Condensed Interim Consolidated Financial Statements,

The Company does not anticipate that the application of the amendments in the future will have any impact on the Condensed Interim Consolidated Financial Statements.

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

21. Events after the reporting period

Marine terminal in Baja California, Mexico. On April 12, 2018 the Company, announced a project to develop, construct, and operate a marine terminal that will be located 23 km north of Ensenada, Baja California, Mexico. The terminal with initial capacity of one million barrels of storage capacity will receive, store, and deliver hydrocarbons, primarily gasoline and diesel. The investment will be of approximately $130.0 million U. S. Dollars. The Company signed a long-term contract with Chevron Combustibles de Mexico S. de R. L. de C. V., a Chevron Corporation ("Chevron") Subsidiary, for approximately 50 percent of the terminal's storage capacity. Additionally, another subsidiary of Chevron will have the right to acquire 20 percent of the terminal after commercial operations begin. In addition the Company executed a second long-term contract for the storage and delivery of hydrocarbons with another global oil company for the remaining 50 percent of the terminal's storage capacity. An affiliate of this company also has the option to acquire 20 percent of the equity of the terminal after commercial operations begin.

22. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on April 25, 2018.

23. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11560
  Ciudad de Mexico, Mexico.
- Carretera Escenica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C., Mexico.
- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 21210
  Mexicali, B.C., Mexico.
- Avenida Tecnologico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chihuahua, Mexico.
- Avenida Constitucion Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, Nuevo Leon, Mexico.

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“Pro forma additional information”

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

Pro forma Combined Statements of Financial Position

As of March 31, 2017
(In thousands of U.S. Dollars)

	As of March 31, 2017				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries	Ductos y Energeticos del Norte, S. de R. L. de C. V.	Pro forma Adjustments	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro forma
Assets					
Current assets:					
Cash and cash equivalents	$ 60,098	$ 7,502	—		$ 67,600
Short-term investments	13,081	—	—		13,081
Finance lease receivables	7,392	—	—		7,392
Trade and other receivables, net	95,448	—	—		95,448
Due from unconsolidated affiliates	11,399	5,294	(2,875)	a	13,818
Income taxes receivable	34,735	5	—		34,740
Natural gas inventories	8,841	—	—		8,841
Derivative financial instruments	184	—	—		184
Value added tax receivable	45,430	1,288	—		46,718
Other assets	9,205	68	—		9,273
Restricted cash	58,150	—	—		58,150
Assets held for sale	221,342	—	—		221,342
Total current assets	565,305	14,157	(2,875)		576,587
Non-current assets:					
Due from unconsolidated affiliates	103,734	3,045	(91,031)	a	15,748
Finance lease receivables	949,027	—	—		949,027
Deferred income tax assets	80,979	12,411	290	b	93,680
Investments in joint ventures	179,359	165,856	111,430	a, c	456,645
Other assets	5,118	—	—		5,118
Property, plant and equipment, net	3,670,506	1,667	—	c	3,672,173
Intangible assets	151,779	—	41,077	c	192,856
Goodwill	1,651,780	—	—		1,651,780
Total non-current assets	6,792,282	182,979	61,766		7,037,027
Total assets	$ 7,357,587	$ 197,136	$ 58,891		$ 7,613,614

	As of March 31, 2017				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries	Ductos y Energeticos del Norte, S. de R. L. de C. V.	Pro forma Adjustments	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro forma
Liabilities and Stockholders' Equity					
Current liabilities:					
Short-term debt	$ 567,156	$ —	$ 254,879	a, b	$ 822,035
Trade and other payables	73,906	233	—		74,139
Due to unconsolidated affiliates	308,858	3,768	(4,858)	a	307,768
Income tax liabilities	16,141	—	—		16,141
Derivative financial instruments	43,866	—	—		43,866
Other financial liabilities	3,289	—	—		3,289
Provisions	841	—	—		841
Other taxes payable	30,440	1,133	—		31,573
Other liabilities	25,529	—	—		25,529
Liabilities related to assets held for sale	63,025	—	—		63,025
Total current liabilities	1,133,051	5,134	250,021		1,388,206
Non-current liabilities:					
Long-term debt	981,590	—	—		981,590
Due to unconsolidated affiliates	41,505	180,048	(180,048)	a	41,505
Deferred income tax liabilities	489,375	—	—		489,375
Provisions	51,412	—	—		51,412
Derivative financial instruments	146,295	—	—		146,295
Employee benefits	5,846	—	—		5,846
Total non-current liabilities	1,716,023	180,048	(180,048)		1,716,023
Total liabilities	2,849,074	185,182	69,973		3,104,229
Stockholders' Equity:					
Common stock	963,272	331	(331)	a	963,272
Additional paid-in capital	2,351,801	—	—		2,351,801
Accumulated other comprehensive loss	(113,415)	(12,496)	6,248	a	(119,663)
Retained earnings	1,306,855	24,119	(16,999)	a	1,313,975
Total equity	4,508,513	11,954	(11,082)		4,509,385
Total liabilities and equity	$ 7,357,587	$ 197,136	$ 58,891		$ 7,613,614

See accompanying notes to the Pro forma Combined Financial Statements.

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

Pro forma Combined Statements of Profit

For the three-month period ended March 31, 2017
(In thousands of U.S. Dollars)

	For the three-month period ended March 31, 2017				
	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries	Ductos y Energeticos del Norte, S. de R. L. de C. V.	Pro forma Adjustments	Notes	Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries Pro forma
Revenues	$ 272,803	$ 5,574	$ (2,026)	a, c	$ 276,351
Cost of revenues	(66,026)	—	—	a, c	(66,026)
Operating, administrative and other expenses	(39,917)	(2,138)	2,026	a, c	(40,029)
Depreciation and amortization	(27,173)	(19)	(434)		(27,626)
Interest income	1,566	48	(1,105)	a, c	509
Finance (costs) income , net	(13,585)	(2,126)	2,121	a, c	(13,590)
Other gains (losses), net	2,386	(177)	—	a, c	2,209
Profit before income tax and share of profits of joint ventures	130,054	1,162	582		131,798
Income tax (expense) benefit	(5,734)	(4,953)	290		(10,397)
Share of profits (losses) of joint ventures, net of income tax	12,636	19,928	(8,069)		24,495
Profit (loss) for the period from continuing operations	$ 136,956	$ 16,137	$ (7,197)		$ 145,896
Profit for the period from discontinued operations, net of income tax	8,003	—	—		8,003
Profit (loss) for the period	$ 144,959	$ 16,137	$ (7,197)		$ 153,899

See accompanying notes to the Pro forma Combined Financial Statements.

Notes to the Pro forma Combined Financial Statements

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

1. Activities

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

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

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

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

The Company develops a projects for the construction of marine and in-land terminals for the reception, storage and delivery of refined products, located in the state of Veracruz, Mexico City, Puebla, and Baja California, Mexico, respectively.

2. Description of the asset acquisition, the "Transaction"

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

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

3. Description of the Transaction Financing

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

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

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

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

The Pro forma Combined Financial Statements include the Pro forma Combined Statements of Financial Position as of March 31, 2017 and the Pro forma Combined Statements of Profit for the three-month period ended March 31, 2017.

The Pro forma Combined Financial Statements present the financial information of the Company as if the DEN Acquisition and its financing occurred (i) with respect to the Pro forma Combined Statements of Financial Position as of March 31, 2017 and (ii) with respect to the Pro forma Combined Statements of Profit for the three-month period ended March 31, 2017.

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

(1) The Company's unaudited Condensed Interim Consolidated Statement of Financial Position as of March 31, 2017 and the unaudited Condensed Interim Consolidated Statement of Profit for the three-month period ended March 31, 2017, prepared in accordance with IFRS.

(2) The DEN's unaudited Condensed Interim Statement of Financial Position as of March 31, 2017 and the unaudited Condensed Interim Statement of Profit for the three-month period ended March 31, 2017, prepared in accordance with IFRS.

5. Pro forma adjustments

Pro forma adjustments as of March 31, 2017, included in the accompanying Pro forma Combined Statements of Financial Position and for the three-month period ended March 31, 2017, included in the Pro forma Combined Statements of Profit as described below, represent the DEN's asset acquisition and its financing had taken place on January 1, 2017.

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

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

Adjustments to the Pro forma Combined Statements of Financial Position as of March 31, 2017 and adjustments to the Pro forma Combined Statements of Profit for the three-month period ended March 31, 2017:

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

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

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

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

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

		As of March 31, 2017
Current assets	$	11,282
Non-current assets, mainly property, plant and equipment, net and other assets		94,823
Current and long-term liabilities		(5,134)
Total identifiable net assets		100,971
Remeasurement in joint venture investments in accordance with pro forma adjustments		111,430
Intangible assets		41,511
Acquisition costs paid		(143)
Payment of loans acquired through DEN acquisition		(89,017)
Total consideration transferred	$	164,752

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

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

Stockholder's equity		As of March 31, 2017
Capital stock	$	(331)
Accumulated other comprehensive loss		6,248
Retained earnings		(16,999)
	$	(11,082)

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