



**Infraestructura Energética Nova, S.A.B. de C.V.**

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**Trading symbol "IENOVA"**

**CORPORATE REORGANIZATION INFORMATION MEMORANDUM**

*Filed pursuant to Article 35 of the Mexican Securities Issuer Regulations (Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores)*

**Brief Summary of the Transaction:** Infraestructura Energética Nova, S.A.B. de C.V. ("IEnova" or the "Company", interchangeably) hereby informs its shareholders and investors about the acquisition (the "Transaction") it intends to carry out through its subsidiary IEnova Pipelines, S. de R.L. de C.V. ("IEnova Pipelines", formerly Gasoductos de Chihuahua, S. de R.L. de C.V.) of 50% of the equity interest of Ductos y Energeticos del Norte, S. de R.L. de C.V. ("DEN"), currently owned by Pemex Transformación Industrial ("Pemex TRI"), (as more widely described in this Information Memorandum). Through DEN, IEnova has an indirect 25% stake in the Los Ramones II Norte Gas Pipeline and with the closing of the Transaction, IEnova will have an indirect 50% participation in the Los Ramones II Norte pipeline. The closing of the Transaction is subject to certain conditions, including obtaining the corresponding approvals, such as the authorization of the Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*, or "COFECE", as described in this Information Memorandum).

**Terms of the Certificates:** The Transaction will have no effect on the characteristics or of the rights conferred by IEnova's ordinary, common stock, no par value shares that represent the capital stock of IEnova (the "Shares"), or on the Program for the issuance of stock certificates up to an amount of MXN\$12,800,000,000.00 (the "Certificados Bursátiles"), which was authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "CNBV") pursuant to the official communication No. 153/6298/2013. Under this Program, the Company has made two issuances that are effective and are listed for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, or the "BMV") under the symbols "IENOVA 13" and "IENOVA 13 - 2" for the issued amount of MXN\$5,200,000,000.00.

For a more detailed description of the Shares and the Certificados Bursátiles, investors should refer to IEnova's annual report, which is available on IEnova's website at [www.ienova.com.mx](http://www.ienova.com.mx), and on the Mexican Stock Exchange's (*Bolsa Mexicana de Valores*, or the "BMV") website at [www.bmv.com.mx](http://www.bmv.com.mx).

The Shares and the Certificados Bursátiles are registered with the National Securities Registry (*Registro Nacional de Valores*, or the "RNV") maintained by the CNBV, and are listed for trading on the BMV. Registration in the RNV does not imply any certification as to the investment quality of IEnova's securities, its solvency, or the accuracy or completeness of the information contained in this information memorandum, and it does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

For any clarifications related to this Information Memorandum, please contact Sue Bradham at +52 (55) 9138-0101 or at [ienovainvestorrelations@ienova.com.mx](mailto:ienovainvestorrelations@ienova.com.mx).

This information memorandum is available on IEnova's website at [www.ienova.com.mx](http://www.ienova.com.mx), and on the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx).

Mexico City, October 9, 2017

## TABLE OF CONTENTS

	Page
I. GLOSSARY OF TERMS AND DEFINITIONS .....	3
II. EXECUTIVE SUMMARY .....	10
2.1. Brief Description of the Participants .....	10
2.2. Relevant Aspects of the Transaction .....	11
III. DETAILED TRANSACTION INFORMATION .....	12
3.1. Detailed Description of the Transaction .....	12
3.2. Purpose of the Transaction .....	12
3.3. Financing Source and Transaction Expenses .....	12
3.4. Date of Approval of the Transaction .....	12
3.5. Accounting Treatment of the Transaction .....	12
3.6. Tax treatment of the Transaction .....	13
IV. INFORMATION REGARDING EACH OF PARTY'S PURPOSE OF THE TRANSACTION.....	14
4.1. Information about IEnova .....	14
4.2. Information about IEnova Pipelines .....	22
4.3. Information about Pemex TRI .....	22
4.4. Information about DEN .....	23
V. RISK FACTORS .....	25
VI. SELECTED FINANCIAL INFORMATION .....	27
VII. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE ISSUER'S OPERATING INCOME AND FINANCIAL SITUATION.....	27
7.1 Results of operation .....	28
7.2 Financial situation, liquidity, and capital resources .....	31
VIII. RELEVANT AGREEMENTS.....	34
IX. RESPONSIBLE PERSONS/SIGNATURES .....	35
X. EXHIBIT .....	36

## I. GLOSSARY OF TERMS AND DEFINITIONS

The following terms and acronyms, as used in this Information Memorandum, have the following meanings:

<u>Term</u>	<u>Definition</u>
“Aguaprieta pipeline”	The 20-inch diameter pipeline with an approximate length of 13 km and a capacity of 200 MMcfd (2.1 MMThd), located in the state of Sonora.
“Assignment agreement”	Assignment agreement dated October 6, 2017, between Pemex TRI as assignor and IEnova Pipelines, as assignee, pursuant to which IEnova Pipelines agreed to acquire Pemex TRI’s equity interest in DEN, which is equivalent to 50%.
“Banamex”	Banco Nacional de Mexico, S.A., Institución de Banca Múltiple, integrante de Grupo Financiero Banamex.
“Bank of America”	Bank of America, N.A.
“Bank of Tokyo”	The Bank of Tokyo Mitsubishi UFJ, LTD.
“Basis points”	One-hundredth of one percent (e.g., 30 basis points = 0.30%).
“Bbl”	Barrels. One Bbl is equivalent to 42 U.S. gallons or 158.987 liters.
“Bbld”	Barrels per day.
“BBVA Bancomer”	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
“Blackrock”	BlackRock, an asset management company.
“BMV”	Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.).
“CAISO”	by its acronym in English, the Operator of the Independent System of California (California Independent System Operator).
“CEL” or “CELS”	Clean Energy Certificate(s).
“CENACE”	The Mexican National Center for the Control of Energy ( <i>Centro Nacional de Control de Energía, or CENACE</i> ), a decentralized agency of the Mexican government that is responsible for operational control of the national electric system and the wholesale electric market, as well as ensuring not unduly discriminatory open access to the national transmission network and to general electricity distribution networks.

“CENAGAS”	The Mexican National Center for the Control of Natural Gas (Centro Nacional de Control del Gas Natural, or CENAGAS), a decentralized agency of the Mexican government that is responsible for managing the Mexican Natural Gas Integrated Transportation and Storage System (Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural) and for ensuring the continuity and safe provision of services through such system to contribute to the continued supply of natural gas throughout Mexico. Effective January 1, 2016, Mexican law requires that Pemex TRI assign its compression services agreement with the Naco compression station and its transportation service agreements with the San Fernando, Los Ramones I, and Los Ramones II Norte pipelines to the Mexican Center for the Control of Natural Gas.
“Certificados Bursátiles” or “CEBURES”	Bond certificate debt instruments issued under a program authorized by the CNBV.
“CFE”	Mexican Federal Electricity Commission (Comisión Federal de Electricidad).
“CNBV”	Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores).
“COFECE”	Federal Economic Competition Commission, or the Mexican Antitrust Commission (Comisión Federal de Competencia Económica).
“Company” or “IEnova”	Infraestructura Energética Nova, S.A.B. de C.V., jointly with its subsidiaries.
“CRE”	Mexican Energy Regulatory Commission (Comisión Reguladora de Energía).
“DEACERO”	DEACERO, S.A.P.I. de C.V. (and its affiliates)
“DEN” or “Ductos y Energéticos del Norte”	Ductos y Energéticos del Norte, S. de R.L. de C.V. Through DEN, IEnova holds a 25% participation in the Los Ramones II Norte Pipeline.
“Dollars” o “USD\$”	Official currency of the United States of America.
“Ductos y Energéticos del Sureste”	Ductos y Energéticos del Sureste, S. de R.L. de C.V., subsidiary of IEnova.
“Ecogas”	Ecogas México, S. de R.L. de C.V., the Company's natural gas distribution utility.
“Empalme Lateral Pipeline”	System comprised of a 20-inch diameter pipeline with an approximate length of 20 km and a design capacity of 226 mmcf/d (2.4 mmthd) that is connected to the Sonora pipeline in Guaymas.
“Energía Sierra Juárez”	Energía Sierra Juárez, S. de R.L. de C.V., the 155 MW wind farm developed by the Company through a 50%-50% joint venture with InterGen.
“Ethane Pipeline”	The approximately 224 km, three-segment pipeline with a design capacity of 238 MMcf/d (4.2 MMThd) for the transportation of ethylene from Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethylene XXI project's ethylene and polyethylene polymerization facility in the state of Veracruz.
“Exchange rate”	The Mexican Peso/U.S. Dollar exchange rate published by Banco de México in the Mexican Official Gazette.

“First Reserve”	First Reserve, an asset management company.
“Gasoductos del Sureste”	Gasoductos del Sureste, S. de R.L. de C.V., subsidiary of IEnova.
“Gazprom”	Gazprom Marketing & Trading México, S. de R.L. de C.V.
“Gloria a Dios compression station”	The 14,300 horsepower natural gas compression station installed at the interconnection point between the Samalayuca pipeline and the Ciudad Juárez – Chihuahua natural gas pipeline (a pipeline that is owned by CENAGAS).
“GSCA”	Gasoductos Servicios Corporativos y de Administración, S. de R.L. de C.V., subsidiary of IEnova.
“Guadalajara LPG terminal”	LPG storage facility located in the state of Jalisco, with a capacity of approximately 80,000 Bbl (4.4 MMTh).
“Guaymas – El Oro pipeline”	The second segment of the Sonora pipeline, comprised of approximately 330 km of 30-inch diameter pipeline with a transportation capacity of 510 MMcfd (5.3 MMThd), which passes through the states of Sonora and Sinaloa. It will include an 11,000 horsepower compression station.
“IASB”	International Accounting Standards Board.
“IEnova Marketing”	IEnova Marketing, S. de R.L. de C.V.
“IEnova Pipelines”	IEnova Pipelines, S. de R.L. de C.V., (formerly Gasoductos de Chihuahua, S. de R.L. de C.V.) was a joint venture between the Company and Pemex TRI until September 26, 2016.
“IEnova”	Infraestructura Energética Nova, S.A.B. de C.V., jointly with its subsidiaries, or the Company.
“IFRS”	International Financial Reporting Standards issued by the IASB.
“IMG”	Infraestructura Marina del Golfo, S. de R.L. de C.V. is the joint venture between IEnova and Transcanada. IEnova, through its subsidiary Infraestructura Marina del Golfo, S. de R.L. de C.V., has a 40% participation and TransCanada has a 60% participation.
“InterGen”	InterGen N.V. and/or its affiliates Energía Azteca X, S. A. de C. V. and Energía de Baja California, S. de R.L. de C.V.
“km”	Kilometers.
“LMV”	Mexican Securities Market Law (Ley del Mercado de Valores), as amended from time to time.
“LNG terminal”	The LNG storage facility terminal, located in Ensenada, Baja California, that has an aggregate storage capacity of 320,000 m <sup>3</sup> (73.3 MMTh) in two tanks of of 160,000 m <sup>3</sup> (36.6 MMTh) each, a send-out capacity of 1,300 MMcfd (13.5 MMThd), and a nominal capacity of 1,000 MMcfd (10.4 MMThd).
“LNG”	Liquefied natural gas.
“Los Ramones I pipeline”	The system comprised of a 48-inch diameter pipeline with an approximate length of 116 km, two compression stations with a total capacity of 123,000 horse power, and a design capacity of 2,100 MMcfd (21.8 MMThd). It extends from the border between the state of Tamaulipas and the U.S. to the interconnection point with the Los Ramones II Norte pipeline in the state of Nuevo León.

“Los Ramones II Norte Pipeline”	The system in which the Company holds an ownership interest through its joint venture with Pemex TRI, BlackRock, and First Reserve. It is comprised of a 42-inch diameter pipeline with an approximate length of 452 km, a design capacity of 1,420 MMcfd (14.8 MMThd), and two compression stations. It extends from the interconnection point with the Los Ramones I pipeline in Ramones, Nuevo León, to the interconnection point with the Los Ramones Sur pipeline in the state of San Luis Potosí.
“LPG”	Liquefied petroleum gas.
“m <sup>3</sup> ”	Cubic meters.
“Mex Gas Supply”	Mex Gas Supply, S.L., subsidiary of the state-owned productive company PEMEX.
“Mexican Securities Issuer Regulations”	General Regulations Applicable to Securities Issuers and to Other Securities Market Participants (Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores) issued by the CNBV.
“México”	United Mexican States.
“Mizuho”	Mizuho Bank Ltd.
“MMcfd”	Million cubic feet per day.
“MMTh”	Million therms.
“MMThd”	Million therms per day.
“MW”	Megawatt.
“Naco compression station”	The 14,340 horsepower natural gas compression station installed at the CENAGAS’s Naco – Hermosillo pipeline in Naco, Sonora.
“North Baja Pipeline”	The approximately 138 km third-party-owned pipeline located in the United States.
“Ojinaga – El Encino Pipeline”	System comprised of approximately 220 km of 42-inch pipeline with a transportation capacity of approximately 1,356 MMcfd (14.1 MMThd), located in the state of Chihuahua.
“Pemex – TRI”	Pemex Transformación Industrial, subsidiary of the state-owned productive company PEMEX.
“Pemex”	Petróleos Mexicanos, a productive company owned exclusively by the Mexican government, which has its own legal status and resources.
“Pesos” or “MXN\$”	Official currency of the United Mexican States.
“Pima Solar”	Solar energy project, currently under construction. The Company announced the execution of a 20-year contract between ESJ Renewable II, S. de R.L. de C.V. and DEACERO for the supply of energy, clean energy certificates and capacity from a new photovoltaic solar power plant that will be located in Caborca, Sonora. The company will develop, construct, and operate the 110 MW Pima Solar project, with an estimated investment of USD\$115 million. The estimated commercial operations date is the fourth quarter of 2018.
“PROFEPA”	Mexican Environmental Protection Agency ( <i>Procuraduría Federal de Protección al Ambiente</i> ).

“Program”	Program for the issuance of five-year bond certificates, ( <i>Certificados Bursátiles, or CEBURES</i> ) for up to MXN\$12,800'000,000 or its equivalent in Mexican investment units ( <i>unidades de inversión or UDIs</i> ), authorized by the CNBV effective February 11, 2013. The five-year term began February 11, 2013.
“Refined products storage terminals”	In July 2017, the Company won the Integral Port Administration of Veracruz’s bid for the partial, 20-year transfer of its concession rights of an area to build and operate a marine terminal for the receipt, storage, and delivery of hydrocarbons. The concession includes the transfer, by the end of the year, of the waterfront lot where the terminal will be built. Additionally, IEnova will build and operate two storage terminals that will be strategically located near Puebla and Mexico City. They will have initial storage capacities of 500,000 and 800,000 barrels, respectively.
“Revolving credit facility”	Revolving credit facility entered into in 2015 for USD\$400 million with the lenders Banamex, SMBC, Santander, Bank of Tokyo, and The Bank of Nova Scotia. In December 2015, the Company renegotiated this line of credit by increasing the available amount to USD\$600 million. In November 2016, the available amount was increased to USD\$1,170 million. The current participating lenders are Santander, Bank of Tokyo, The Bank of Nova Scotia, SMBC, Banamex, Bank of America, BBVA Bancomer, and Mizuho.
“RNV”	Mexican National Securities Registry (Registro Nacional de Valores).
“Rosarito Pipeline”	The natural gas transportation system is comprised of three segments of approximately 302 km in aggregate length, which include the 30-inch diameter Rosarito Mainline with a capacity of approximately 534 MMcfd (5.6 MMThd), the 42-inch diameter LNG Spur with a capacity of approximately 2,600 MMcfd (27.0 MMThd), and the 12-inch diameter Yuma Lateral with a capacity of 190 MMcfd (2.0 MMThd). It is located in Baja California, and it also includes a 30,000 horsepower compression station.
“Rumorosa Solar”	Solar energy project, currently under construction. In September 2016 The Company was awarded this project due to its participation in the second CENACE auction for energy, clean certificates, and capacity that took place in May 2016. The project will have approximately 41 MW of capacity and will be located near the Energía Sierra Juárez wind power generation facility in Baja California.
“Samalayuca Pipeline”	The natural gas transportation system is comprised of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd), which extends from Ejido San Isidro, Chihuahua, to the CFE’s Samalayuca power plant. It interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex TRI, which extends from Ciudad Juárez to Chihuahua.
“San Fernando Pipeline”	The natural gas transportation system is comprised of approximately 114 km of 36-inch diameter pipeline with a capacity of 1,460 MMcfd (15.2 MMThd) and two compression stations with an aggregate of 95,670 horsepower. The pipeline extends from El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas.

“San Isidro – Samalayuca Pipeline”	The natural gas transportation system is comprised of approximately 23 km of 36 and 42 – inch pipeline with a transportation capacity of 1,135 MMcfd (11.8 MMThd), one compression station and a distribution header with a capacity of 3,000 MMcfd (31.2 MMThd). It will serve as interconnection point for other transportation systems. This pipeline is located in the state of Chihuahua.
“Santander”	Banco Santander (México), S.A. Institución de Banca Múltiple, Grupo Financiero Santander México.
“Sásabe – Puerto Libertad – Guaymas Pipeline”	The first segment of the Sonora pipeline, comprised of approximately 505 km of 36-inch diameter pipeline with a natural gas transportation capacity of 770 MMcfd (8.0 MMThd). The pipeline includes two sections in Sonora: the 220 km Sásabe – Puerto Libertad section and the 285 km Puerto Libertad – Guaymas section.
“SDG&E”	San Diego Gas & Electric Company, an affiliate of Sempra Energy.
“Sempra Energy”	Sempra Energy, the Company's indirect parent.
“Sempra Natural Gas”	Sempra LNG International, LLC, an operating company of Sempra Energy that includes the United States subsidiaries of Sempra Energy that sell LNG and natural gas to the Company and purchases natural gas from the Company.
“Shares”	Registered shares of the single series of common stock, with no par value, representing the variable portion of the capital of Infraestructura Energética Nova, S.A.B. de C.V.
“Shell”	Shell México Gas Natural, S. de R.L. de C.V.
“SMBC”	Sumitomo Mitsui Banking Corporation.
“Sonora pipeline”	The natural gas transportation system with an aggregate length of approximately 835 km, with a capacity of 770 MMcfd (8.0 MMThd) for the first segment and 510 MMcfd (5.3 MMThd) for the second segment. The system is located in the states of Sonora and Sinaloa. The first segment is the Sasabe – Puerto Libertad – Guaymas pipeline and the second segment is the Guaymas – El Oro pipeline; both segments are interconnected.
“South of Texas – Tuxpan Pipeline”	The natural gas transportation system, in development through a joint venture with TransCanada, with approximately 800 km, natural gas transportation capacity of 2,600 MMcfd (27 MMThd), and a compression station. In the joint venture, IEnova’s participation is 40% and TransCanada’s is 60%.
“STIV”	Mexican Securities Information Transmission System (Sistema de Transferencia de Información Sobre Valores), which is an electronic system established by the CNBV to enable Mexican securities issuers to comply with their quarterly and annual reporting obligations under the LMV and the Mexican Securities Issuer Regulations.
“TAG Norte Holding” and/or “TAG Pipelines Norte”	TAG Norte Holding, S. de R.L. de C.V., together with its subsidiary TAG Pipelines Norte, S. de R.L. de C.V., is a joint venture between DEN, an affiliate of Pemex TRI, and TETL, which owns the Los Ramones II Norte pipeline
“TAG Pipelines”	TAG Pipelines, S. de R.L. de C.V., subsidiary of the state-owned productive company PEMEX.



“TDF LPG pipeline”	The approximately 190 km, 12-inch diameter pipeline with an average daily transportation capacity of 34,000 Bbld (1.9 MMThd) of LPG. It extends from the production area of Pemex TRI's Burgos LPG facility in the state of Tamaulipas to the delivery system located in the outskirts of Monterrey, Nuevo León.
“Tepezalá II Solar”	Solar energy project, currently under construction. In September 2016, the Company was awarded this project due to its participation in the second CENACE auction for energy, clean certificates, and capacity that took place in May 2016. The project will have a capacity of approximately 100 MW, will be located in Aguascalientes, and will be developed in a joint venture with Trina Solar (NYSE: TSL), who will have a minority participation of 10%. Trina Solar is a company dedicated to the production of solar photovoltaic modules and optimization of solar energy systems.
“Termoeléctrica de Mexicali” or “TDM”	Termoeléctrica de Mexicali, S. de R.L. de C.V., or the combined cycle power plant operated by it, as the context may require, has a capacity of 625 MW and is located in Baja California.
“TETL”	TETL JV Mexico Norte, S. de R.L. de C.V., the joint venture between BlackRock and First Reserve.
“TGN pipeline”	System comprised of approximately 45 km of 30-inch pipeline, located in the state of Baja California. It has a natural gas transportation capacity of 940 MMcfd (9.8 MMThd) and an 8,000 horsepower compressor station.
“The Bank of Nova Scotia”	The Bank of Nova Scotia.
“TIIE”	The Mexican Interbank Balanced Interest Rate (Tasa de Interés Interbancaria de Equilibrio).
“Transaction”	The acquisition by IEnova Pipelines, formerly Gasoductos de Chihuahua, of 50% of the equity interest in Ductos y Energéticos del Norte. The closing of the Transaction is subject to the performance of certain conditions, including obtaining corporate and regulatory authorizations, as described in this Information Memorandum.
“United States” or “U.S.”	United States of America.
“Valero”	Valero Energy Corporation.
“Ventika”	Ventika includes two adjacent wind-powered generation facilities, of 126 MW each, Ventika I and Ventika II. They have a total capacity of 252 MW, with a total of 84 turbines of 3 MW each. Located in the state of Nuevo Leon, Ventika I and Ventika II operate as a single wind-powered generation facility.

## II. EXECUTIVE SUMMARY

### 2.1. Brief Description of the Participants

#### **IEnova**

The Company is the first private sector publicly-traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. The Company develops, builds, and operates energy infrastructure. Its footprint in Mexico spans several business lines and encompasses a significant portion of the Mexican energy infrastructure value chain that is open to private investment. The Company is rated investment grade from the main rating agencies.

The Company's assets are divided between two business segments: (1) gas segment, which includes natural gas and LPG pipelines and storage, natural gas compression, ethane transportation (liquid and gas phases), LNG storage, and natural gas distribution; and (2) power segment, which includes power generation by the Termoeléctrica de Mexicali power plant, a natural-gas-fired, combined-cycle power generation facility, and the Energía Sierra Juárez and Ventika wind power generation facilities. Currently, Termoeléctrica de Mexicali is an asset held for sale. The Company's assets generate revenues primarily under long-term, firm, U.S. Dollar-denominated contracts with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, the Company was one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990s. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 21 years, the Company has increased its presence as a leader in private investment in the Mexican energy sector through greenfield development, organic growth, acquisitions, and a diversified customer base. It has invested approximately USD\$7.0 billion in Mexican energy infrastructure, including acquisitions and investments through joint ventures.

#### **PEMEX TRI**

On November 18, 2014, by resolution CA-128/2014, the Board of Directors of Petróleos Mexicanos approved the reorganization of its subsidiaries Pemex Gas and Basic Petrochemicals, Pemex Refining and Pemex Petrochemicals in Pemex Industrial Transformation (*Pemex Transformación Industrial, or Pemex TRI*), a state-owned productive company named Pemex TRI. Subsequently, Pemex TRI was created and would become effective once (i) the necessary administrative steps had been taken to initiate the operations of Pemex Industrial Transformation as a state productive company and (ii) the Board of Directors of Petróleos Mexicanos issued a declaration of effectiveness of the agreement to create Pemex TRI. This declaration was published in the Official Gazette of the Federation on October 6, 2015, and the Pemex TRI Creation Agreement became effective on November 1, 2015.

Pemex TRI is a productive company of the state-owned subsidiary of Petróleos Mexicanos, whose main objective is the refining, processing, import, export, commercialization, development, and sale (including sale to the public) of hydrocarbons, petroleum, natural gas, and petrochemicals.

Pemex TRI performs primarily the following activities:

I. Storage, transportation, distribution, compression, decompression, liquefaction, regasification of hydrocarbons, petroleum, natural gas, and petrochemicals; II. Administration, planning, evaluation, and development of projects and other business initiatives related to its objectives; III. Creation of subsidiaries and participation in partnerships and alliances, under any corporate or contractual arrangement allowed by law, as required for the achievement of its purpose; IV. The purchase and sale of certificates or documents that cover greenhouse gas emissions and their commercialization in internal and external markets; and V. Provision of services to third parties related to its purpose.

#### **DEN**

DEN is a joint venture between Pemex TRI and IEnova Pipelines, a subsidiary of the Company, in which each holds a 50% equity interest. DEN provides operation and maintenance services to the Los Ramones II Norte pipeline system under a 25-year term agreement, starting in February 2016, the commercial operations date. DEN owns 50% of TAG Norte Holding, which owns 99.99% of TAG Pipelines Norte, under which the Los Ramones II Norte pipeline was built.

## 2.2. Relevant Aspects of the Transaction

On October 6, 2017, IEnova, through its subsidiary IEnova Pipelines, entered into the Transfer Agreement with Pemex TRI, pursuant to which IEnova Pipelines agreed to acquire, subject to the satisfaction of certain conditions described hereinafter, Pemex TRI's participation in DEN, equivalent to the 50% of the total equity interest in DEN.

Once the Transaction is concluded, IEnova will indirectly own 100% of the capital stock in DEN.

The Transaction value is approximately USD\$520 million, it is comprised of: (i) an estimated cash payment of USD\$220 million; (ii) the proportional amount of outstanding debt in TAG Norte Holding, of approximately USD\$289 million, which will not be consolidated in IEnova's financial statements; and (iii) approximately USD\$11 million of accrued interest as of June 30, 2017 related to the loan granted to DEN by Pemex, through its subsidiaries. The cash payment will be subject to customary post-closing adjustments included in the purchase and sale agreement.

The Transaction will be implemented in accordance with applicable law and is subject to closing terms and conditions that are customary for similar transactions, including its approval by the COFECE with respect to the concentration (*concentración*) derived from the Transaction.

### **III. DETAILED TRANSACTION INFORMATION**

#### **3.1. Detailed Description of the Transaction**

##### *Purpose*

The Transaction consists of the acquisition, through IEnova Pipelines, of 50% of the capital stock of DEN from Pemex TRI. Once the Transaction is concluded, IEnova will indirectly own 100% of the capital stock in DEN.

##### *Relevant Legal Actions related to the Transaction*

On October 6, 2017, IEnova, through its subsidiary IEnova Pipelines, entered into the Transfer Agreement with Pemex TRI, pursuant to which IEnova Pipelines agreed to acquire, subject to the satisfaction of certain conditions described hereinafter, Pemex TRI's participation in DEN. Upon consummation of the Transaction, IEnova will increase its indirect ownership from 50% to 100% of the capital stock in DEN.

##### *Price and Price Adjustment*

The Transaction value is approximately USD\$520 million, it is comprised of: (i) an estimated cash payment of USD\$220 million; (ii) the proportional amount of outstanding debt in TAG Norte Holding, of approximately USD\$289 million, which will not be consolidated in IEnova's financial statements; and (iii) approximately USD\$11 million of accrued interest as of June 30, 2017 related to the loan granted to DEN by Pemex, through its subsidiaries. The cash payment will be subject to customary post-closing adjustments included in the purchase and sale agreement.

##### *Conditions and Approvals*

The Transaction will be implemented in accordance with applicable law and is subject to closing terms and conditions that are customary for similar transactions, including its approval by the COFECE with respect to the concentration (*concentración*) of assets derived from the Transaction.

#### **3.2. Purpose of the Transaction**

The primary purpose of the Transaction is the acquisition of DEN's business, including the indirect participation in the Los Ramones II Norte pipeline. Once the Transaction is concluded, IEnova will have a 50% indirect participation in the Los Ramones II Norte pipeline.

#### **3.3. Financing Source and Transaction Expenses**

The Company plans to use its operating resources as well as its revolving credit line. Proforma financial statements include the liability for financing and related interest costs.

The parties to the Transaction will each pay for its respective Transaction-related expenses.

#### **3.4. Date of Approval of the Transaction**

As previously mentioned, the Transaction is subject to the performance of certain conditions and to obtaining regulatory authorizations, including COFECE's.

The Transaction was approved by IEnova's Board of Directors during its July 25, 2017 meeting.

#### **3.5. Accounting Treatment of the Transaction**

- Based on the preliminary analysis, the Transaction will be recorded as an asset acquisition, under the purchase method in accordance with IFRS.
- The Company will recognize the valued identifiable assets acquired and liabilities assumed at their fair value at the acquisition date (with limited exceptions).

- The most relevant accounting line items that will be affected in IEnova's financial statements are shown in the selected financial information contained in this Corporate Restructuring Information Memorandum.

### **3.6. Tax treatment of the Transaction**

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 (*Ley del Impuesto sobre la Renta*).

The effects of such acquisition were considered in the preparation of the pro forma combined financial statements attached to this Corporate Reorganization Information Memorandum.

## IV. INFORMATION REGARDING EACH OF PARTY'S PURPOSE OF THE TRANSACTION

### 4.1. Information about IEnova

#### 4.1.1. Corporate name of the company

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

#### 4.1.2. Business Description

The Company is the first private sector publicly-traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. The Company develops, builds, and operates energy infrastructure. Its footprint in Mexico spans several business lines and encompasses a significant portion of the Mexican energy infrastructure value chain that is open to private investment. The Company is rated investment grade by the main rating agencies.

The Company's assets are divided between two business segments: (1) gas segment, which includes natural gas and LPG pipelines and storage, natural gas compression, ethane transportation (liquid and gas phases), LNG storage, and natural gas distribution; and (2) power segment, which includes power generation by the Termoeléctrica de Mexicali power plant, a natural-gas-fired, combined-cycle power generation facility, and the Energía Sierra Juárez and Ventika wind power generation facilities. Currently, Termoeléctrica de Mexicali is an asset held for sale. The Company's assets generate revenues primarily under long-term, firm, U.S. Dollar-denominated contracts with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, the Company was one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990s. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 21 years, the Company has increased its presence as a leader in private investment in the Mexican energy sector through greenfield development, organic growth, acquisitions, and a diversified customer base. It has invested approximately USD\$7.0 billion in Mexican energy infrastructure, including acquisitions and investments through joint ventures.

### **Gas Segment – Natural Gas Transportation**

#### **Rosarito Pipe Line System**

This fully bi-directional system is comprised of three segments of approximately 302 km in aggregate length, as well as a 30,000 horsepower compression station. The system originates at a valve that interconnects it with the North Baja pipeline at the Mexico–U.S. border, extends west to the valve that interconnects it with the TGN pipeline near Tijuana, Baja California, and then turns south toward the Company's LNG terminal. The system's bi-directional capability allows the Company to use natural gas supplies from either the U.S. domestic natural gas market or from its LNG Terminal. The segments comprising this system are the 30-inch diameter Rosarito Mainline, the 42-inch diameter LNG Spur and the 12-inch diameter Yuma Lateral, with a capacity of approximately 534 MMcfd (5.6 MMThd), 2,600 MMcfd (27.0 MMThd), and 190 MMcfd (2.0 MMThd), respectively. The Company has entered into 13 transportation service agreements with the customers of the Rosarito pipeline system, which account for 71% of the system's design capacity.

#### **TGN Pipeline**

The TGN pipeline is a fully bi-directional system comprised of approximately 45 km of 30-inch diameter pipeline with a capacity of 940 MMcfd (9.8 MMThd) and an 8,000 horsepower compression station. The system interconnects with the Rosarito pipeline system near Tijuana, Baja California, extends north to interconnect at the Mexico–U.S. border with the pipeline system owned by the Company's affiliate San Diego Gas & Electric Company, or SDG&E, and then southwest, ending at the Mexican Federal Electricity Commission's Presidente Juárez power plant in Rosarito, Baja California. The system's full design capacity is contracted under three firm transportation service agreements.

### **Aguaprieta Pipeline**

The Aguaprieta pipeline is a 20-inch diameter pipeline with an approximate length of 13 km and a capacity of 200 MMcfd (2.1 MMThd). It transports natural gas from the Mexico – U.S. border to the Fuerza y Energía Naco – Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to CFE. The Company has entered into four transportation service agreements with the customers of the Aguaprieta pipeline, which have contracted 61% of the system's design capacity on a firm basis.

### **Naco Compression Station**

The Naco compression station is a 14,340 horsepower natural gas compressor with a capacity of 90 MMcfd (0.9 MMThd) that is installed on Pemex TRI's Naco–Hermosillo natural gas pipeline system in Naco, Sonora. This station has a firm compression services agreement with Pemex TRI, its only customer, which accounts for 100% of the station's design capacity. This agreement was assigned by Pemex TRI to CENAGAS effective January 1, 2016.

### **Sonora Pipeline**

The Sonora pipeline is an 835 km natural gas transportation system located in the states of Sonora and Sinaloa. The first segment (Sasabe – Guaymas) is a 36-inch pipeline of approximately 505 km, with a capacity of 770 MMcfd (8.0 MMThd). The second segment (Guaymas – El Oro) is a 30-inch pipeline of approximately 330 km, with a capacity of 510 MMcfd (5.3 MMThd). The Company has entered into two 25-year, U.S. Dollar-denominated transportation service agreements with CFE, which contracts 100% of the system's design capacity on a firm basis.

### **Ojinaga - El Encino Pipeline**

The Ojinaga–El Encino pipeline is an approximately 220 km, 42-inch diameter pipeline with a transportation capacity of approximately 1,356 MMcfd (14.1 MMThd). It is located in the State of Chihuahua. The system extends from Ojinaga, near the Mexico-U.S. border, to El Encino. The Company has entered into a U.S. Dollar-denominated transportation services agreement with CFE, which contracts 100% of the system's design capacity on a firm basis.

### **San Isidro – Samalayuca Pipeline**

Located in Ciudad Juarez, Chihuahua, the San Isidro–Samalayuca pipeline is a system comprised of an approximately 23 km pipeline with a transportation capacity of 1,135 MMcfd (11.8 MMThd), a 46,000 horsepower compression station and a distribution header. It entered into a 25-year firm natural gas transportation services agreement with CFE in July 2015 for 100% of the system's capacity.

### **Ramal Empalme Pipeline**

In May 2016, CFE awarded the Company a 21-year transportation service agreement for the Empalme Lateral, which is a natural gas pipeline in Sonora. This 20-inch pipeline has a capacity of 226 MMcfd (2.4 MMThd) and is approximately 20 km long. It is located between Empalme and Guaymas, where it connects to the Sonora natural gas Pipeline.

### **San Fernando pipeline**

The San Fernando pipeline is a fully bi-directional system that is comprised of a 36-inch diameter pipeline with an approximate length of 114 km and a capacity of 1,460 MMcfd (15.2 MMThd) and two compression stations with a total of 95,670 horsepower. The pipeline extends from the El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas. CENAGAS, as transferee of Pemex TRI, is the sole customer of the San Fernando pipeline and also purchases the system's unused compression capacity on an as-needed basis pursuant to an interruptible transportation services agreement. The services agreement with CENAGAS has an initial term of 20 years beginning in 2003, but is extendable for a five-year period at the customer's option.

## **Samalayuca pipeline**

The Samalayuca pipeline is a 24-inch diameter pipeline with an approximate length of 37 km and a capacity of 400 MMcfd (4.2 MMThd). The Samalayuca pipeline, which began operations in 1997, was the first privately-owned natural gas pipeline in Mexico. The Samalayuca pipeline extends from Ejido San Isidro, Chihuahua, to CFE's Samalayuca power plant and interconnects with a separate, 16-inch diameter pipeline owned by Pemex TRI that extends from Ciudad Juárez to Chihuahua. The Company has entered into long-term transportation service agreements with the Samalayuca pipeline's customers, which have 50% of the system's design capacity contracted on a firm basis.

## **Gloria a Dios compression station**

The Gloria a Dios compression station is a 14,300 horsepower compressor with a capacity of 60 MMcfd (0.6 MMThd). It is installed at the interconnection point of the Samalayuca pipeline and Pemex TRI's Ciudad Juárez–Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. CFE, which is the station's sole customer, has contracted 100% of the station's capacity on a firm basis through 2021, at the rates established by the Mexican Energy Regulatory Commission, pursuant to a transportation and compression services agreement. Under this agreement, the Gloria a Dios compression station provides compression services for the Chihuahua II power plant, transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico–U.S. border, and delivers the compressed gas to the interconnection point of the Samalayuca pipeline and Pemex TRI's pipeline system.

## **TDF LPG pipeline**

The TDF LPG pipeline is a system comprised of approximately 190 km of 12-inch diameter pipeline with an average daily transportation capacity of 34,000 Bbld (1.9 MMThd) of LPG, a pumping station located near the pipeline's point of delivery, and a reception facility that includes two storage spheres with a combined storage capacity of 40,000 Bbl (2.2 MMTh). The TDF LPG pipeline, which was the first private LPG pipeline in Mexico, extends from Pemex TRI's Burgos LPG production area in the State of Tamaulipas to a delivery facility near Monterrey, Nuevo León. The TDF LPG pipeline has in place a firm transportation services agreement with Pemex TRI, which expires in 2027.

## **Guadalajara LPG terminal**

In 2013 the Company completed the construction of an LPG storage facility with a capacity of 80,000 Bbl (4.3 MMThd) near Guadalajara, Jalisco. This facility consists of four storage spheres, each with a capacity of approximately 20,000 Bbl (1.1 MMTh), ten loading bays, and an interconnection with a separate LPG pipeline system that is owned by Pemex TRI. The Company has entered into several 15-year storage service agreements with Pemex TRI, pursuant to which it has contracted 100% of the terminal's capacity through 2028.

## **Los Ramones I pipeline**

The Los Ramones I pipeline system is comprised of a 48-inch diameter pipeline with an approximate length of 116 km and two compression stations with a total of 123,000 horsepower. The Los Ramones I pipeline transports natural gas from northern Tamaulipas, near the Mexico-U.S. border, to the interconnection point with the Los Ramones II Norte pipeline and Mexico's national pipeline system in Los Ramones, Nuevo León. CENAGAS, as transferee of Pemex TRI, is the sole customer of this facility under a 25-year firm transportation services agreement.

## **Ethane pipeline**

The Ethane pipeline is an approximately 224 km system comprised of three segments. The first segment is a 20-inch diameter pipeline with a transportation capacity of approximately 33 MMcfd (0.6 MMThd). The second segment is a 16/24-inch diameter pipeline with a transportation capacity of approximately 100 MMcfd (1.8 MMThd). The third segment is a 20-inch diameter pipeline with a transportation capacity of approximately 106 MMcfd (1.9 MMThd). The Ethane pipeline transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethilene XXI ethylene and polyethylene polymerization plant in the State of Veracruz. Pemex TRI, the sole customer of this facility, has contracted 100% of its capacity for a period of twenty one years under a purchase agreement on a take-or-pay basis. This system, which began operations in 2015, is Mexico's first privately-owned ethane pipeline.

## **LNG Business**



The Company's LNG terminal "Energía Costa Azul," which is located near Ensenada, Baja California, began operations in 2008 and was the first LNG receiving facility on the west coast of the Americas. The LNG terminal provides LNG receipt and storage services for the Company's customers, regasifies their LNG, and delivers the resulting natural gas to the Rosarito pipeline system, which has delivery capabilities in the state of Baja California and in the U.S. The Company's LNG business also purchases LNG for its own account, for storage and regasification at the LNG terminal, and sells natural gas to related parties and third-party customers. The LNG terminal has a storage capacity of approximately 320,000 m<sup>3</sup> (73.3 MMTh) in two tanks of 160,000 m<sup>3</sup> (36.6 MMTh) each, and is designed to operate at a maximum send-out capacity of 1,300 MMcfd (13.5 MMThd) or a nominal capacity of 1,000 MMcfd (10.4 MMThd).

The Company's LNG terminal's primary revenue stream is generated through its long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with its subsidiary IEnova Marketing. Currently, 100% of the terminal's storage and send-out capacity is contracted on a firm basis through 2028 by Shell and Gazprom (50%), and by IEnova Marketing (50%). IEnova Marketing's obligations to the LNG terminal are guaranteed for up to USD\$282.0 million by the Company's indirect controlling shareholder, Sempra Energy. Each customer must pay for its full contracted LNG storage capacity and natural gas send-out capacity regardless of whether it actually delivers LNG to the terminal. The LNG storage and natural gas send-out capacity is fully contracted through 2028 under firm storage services agreements with these customers.

IEnova Marketing generates revenues by purchasing LNG for storage and regasification in the Company's LNG terminal and selling natural gas pursuant to natural gas supply contracts covering 100% of its LNG terminal natural gas send-out capacity. IEnova Marketing also generates revenue by purchasing natural gas in the continental market and selling natural gas under supply contracts with CFE, which uses the natural gas at its Presidente Juárez power plant, and with the Company's Termoeléctrica de Mexicali power plant and other customers. If Sempra Natural Gas (an operating segment of the indirect controlling shareholder of the Company, Sempra Energy, which includes US subsidiaries who sell LNG and natural gas to the Company and purchase natural gas) does not deliver LNG to IEnova Marketing pursuant to its long-term LNG supply contract for reasons other than an event of force majeure, it indemnifies IEnova Marketing for the fixed costs associated with terminal and pipeline capacity.

### **Natural Gas Distribution**

The Company owns and operates the Ecogas natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc, and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo, and Durango). With pipelines of approximately 3,795 km in length, as of June 30, 2017, this system serves over 120,000 industrial, commercial and residential customers.

This business generates revenue from service and distribution fees charged to its customers through monthly invoices. The purchase price of natural gas for the Company is based on international price indexes and is passed through directly to its customers. The service and distribution fees charged by the Ecogas system are regulated by the CRE, which performs a rate review every five years and monitors prices charged to end-users. The current natural gas price structure minimizes the market risk to which the Company is exposed, as the rates are adjusted regularly based on inflation and exchange rate fluctuations. The inflation adjustments include cost components incurred both in Mexico and the U.S., so that U.S. costs can be included in the final rates.

Residential customers make up 98% of the Company's distribution business (in terms of its number of accounts) and contribute 48% of its profit margin. Commercial and industrial customers together account for 2% of the distribution business (in terms of its number of accounts), but are responsible for 96% of the systems' throughput volume and 52% of its profit margin. Ecogas has entered into long-term supply agreements with some of its industrial and commercial customers, with whom it negotiates lower than regulated rates in exchange for the obligation to purchase a long-term minimum volume.

The chart below summarizes the assets that belong to the Company's pipeline business as of June 30, 2017:

Assets	% share	Length of system (km.)	Design capacity (mmpfd)	% of long-term capacity contracted <sup>(1) (2)</sup>	Compression available (in HP)	Date Commercial Operations Begun
Natural Gas Transportation						
Rosarito Pipeline System	100%	302 <sup>(3)</sup>	1,434 <sup>(3)</sup>	71% <sup>(10)</sup>	30,000	August 2002 <sup>(4)</sup>
TGN Gas Pipeline	100%	45	940	100%	8,000	June 2000 <sup>(5)</sup>
Aguaprieta Pipeline	100%	13	200	25% <sup>(11)</sup>	N/A	November 2002
Naco Station	100%	N/A	90	100%	14,340	September 2001
Sonora Pipeline	100%	835	770	100%	21,000-	December 2014
			510		11,000 <sup>(7)</sup> -	May 2017 <sup>(6)</sup>
San Fernando Pipeline <sup>(8)</sup>	100%	114	1,460	100%	95,670	November 2003
Samalayuca Pipeline <sup>(8)</sup>	100%	37	400	50%	N/A	December 1997
Gloria a Dios Station <sup>(8)</sup>	100%	N/A	60	100%	14,300	October 2001
Los Ramones I Pipeline <sup>(8)</sup>	100%	116	2,100	100%	123,000	December 2014
Ojinaga – El Encino Pipeline	100%	220	1,356	100%	N/A	June 2017
Los Ramones II Norte Pipeline <sup>(8)</sup>	25%	452	1,420	100%	123,000	February 2016
San Isidro – Samalayuca Pipeline	100%	23	1,135 <sup>(7)</sup>	100%	46,000 <sup>(6)</sup>	March 2017
South Texas–Tuxpan Pipeline <sup>(13)</sup>	40%	800	2,600	100%	100,000	Fourth quarter of 2018
Empalme Lateral Pipeline	100%	20	226	100%	N/A	June 2017
Ethane pipeline <sup>(8)</sup>	100%	224	238 <sup>(12)</sup>	100%	N/A	December 2015
TDF LPG Pipeline <sup>(8)</sup>	100%	190	34,000 bbl/d <sup>(8,9)</sup>	100%	N/A	December 2007
LPG Storage Terminal at Guadalajara <sup>(8)</sup>	100%	N/A	80,000 bbl. <sup>(9)</sup>	100%	N/A	December de 2013

(1) The Company defines long-term capacity contracts as those firm contracts with a remaining life of at least eight years.

(2) This reflects the percentage of capacity contracted, which depending on the contract, may be expressed in volume or heating value (such as BTUs). Although the Company sometimes shows design capacity and contracted capacity figures in both units of volume and heating capacity in order to facilitate comparisons of the different gas segment businesses, in view of the slight differences arising when these figures are converted, some of the figures shown in this Proposal may not coincide exactly with the percentage of contracted capacity.

(3) The Rosarito Pipeline is comprised of three segments with different lengths, diameters and transportation capacities, as will be described below. The figures shown in this table are the arithmetical sum of the length and the design capacities of each of the three sections comprising this system, as calculated by the Energy Regulation Commission.

(4) The Rosarito Pipeline includes the Algodones compression station, the segment of the Rosarito Mainline system, the LNG Spur system, and the segment of the Yuma Lateral system, which began operations on different dates between 2002 and 2010.

(5) The TGN pipeline includes an expansion that began operation in February 2008.

(6) Required power, subject to adjustment according to the progress of the installation of the compression stations.

(7) The San Isidro – Samalayuca Pipeline includes a distribution header with a capacity of up to 3,000 mmpfd (31.2 mmthd) which will interconnect with several pipeline systems.

(8) The assets in which the Company previously held a 50% share in the joint venture with Pemex TRI before purchasing the remaining 50% of this joint venture with Pemex TRI on September 27, 2016.

(9) In barrels of LP gas. The figures for TDF from LP pipelines represent 34,000 Bbl of design capacity for transportation in the pipeline, and an additional capacity of 40,000 Bbl in the delivery terminal connected at the west end of the pipeline.

(10) Of the firm contracts whereby the Rosarito Pipeline capacity was initially contracted, 71% are now long-term.

(11) 25% of the contracted long-term capacity. If additional, non-long-term contracts are included, the contracted capacity of the Aguaprieta pipeline is 61%.

(12) The ethane pipeline is comprised of three segments with different lengths, diameters and transportation capacities. The figures shown in this table are the arithmetical sum of the length and the design capacities of each of three sections comprising this system.

(13) To be developed through IMG in a joint venture with TransCanada.

## **Electric Power Segment**

### **Termoeléctrica de Mexicali – Natural gas fired power generation business**

The Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located in the city of Mexicali, Baja California. This power plant, which started operations in 2003, receives natural gas through an interconnection with the Rosarito pipeline system. This allows it to receive both regasified LNG from the LNG terminal and imported natural gas from the United States through the North Baja Pipeline. Termoeléctrica de Mexicali is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California, United States of America. In February 2013 and 2015, Termoeléctrica de Mexicali received a clean industry certificate for outstanding environmental performance from the PROFEPA. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the CAISO power grid at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California, United States of America.

In February 2016, the Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results are presented in the Statements of Profit as discontinued operations, net of taxes. In the Statements of Financial Position, Termoeléctrica de Mexicali's total assets were reclassified as current assets related to assets held for sale, and Termoeléctrica de Mexicali's liabilities were reclassified as current liabilities related to assets held for sale.

### **Ventika**

In December 2016, the Company acquired 100% of the equity interests of Ventika. This facility is located in the State of Nuevo Leon, approximately 56 km from the U.S. border. It is powered by 84 turbines, provides an aggregate of up to 252 MW of generating capacity, and is connected to CFE's transmission line. Ventika's location has one of the strongest wind resources in the country. It started operations in April 2016, and substantially all of Ventika's generation capacity is contracted to private companies through 20-year, U.S. Dollar-denominated, energy supply agreements.

### **Projects under development and construction**

#### **Rumorosa Solar and Tepezala II Solar**

In September 2016, the Company participated in CENACE's second auction of power and CELs that was issued in May 2016. The Company was awarded two projects. The Company will develop, construct, and operate the "Rumorosa Solar" project, with a capacity of approximately 41 MW, located near its Energía Sierra Juárez wind farm in Baja California; and the "Tepezalá II Solar" project, with a capacity of approximately 100 MW, located in the state of Aguascalientes. The Company anticipates a total investment of approximately USD\$150 million in these projects. The Tepezalá Solar project will be developed by the Company and Trina Solar, (NYSE: TSL). Trina Solar will hold a 10% minority stake. Trina Solar is a company dedicated to the production of photovoltaic solar modules and optimization of solar energy systems. The "Rumorosa Solar" project is 100% owned by the Company. The commercial operation dates for both projects are expected to occur during the second quarter of 2019. Both projects include long-term contracts (20 years for the clean energy certificates and 15 years for the capacity and energy agreements) with CFE that are mainly denominated in Dollars. The Company believes that both projects represent opportunities for expansion in Mexico and, in the case of the Rumorosa Solar, also in the United States.

#### **Pima Solar**

In March 2017, the Company announced the execution of a 20-year contract between ESJ Renewable II, S. de R.L. de C.V. and DEACERO for the supply of energy, clean energy certificates, and capacity from a new photovoltaic solar power plant that will be located in Caborca, Sonora. The company will develop, construct, and operate the 110 MW Pima Solar project, for a total investment of approximately USD\$115 million. The estimated commercial operations date is the fourth quarter of 2018

## **Refined products storage terminals**

In July 2017, the Company was awarded the tender organized by the Port Authority of Veracruz (“Administración Portuaria Integral de Veracruz”) for the 20-year concession to build and operate a marine terminal for the receipt, storage and delivery of hydrocarbons refined products. That contract includes the transfer, by the end of the year, of the waterfront lot where the terminal will be built. Additionally, IEnova will build and operate two storage terminals that will be strategically located near Puebla and Mexico City. They will have initial storage capacities of approximately 500,000 and 800,000 barrels, respectively.

In August 2017, the company executed a contract with a subsidiary of Valero Energy Corporation for the storage capacity of the new Veracruz marine terminal and the Puebla and Mexico City terminals. These contracts are long-term, firm, and U.S.-Dollar denominated. Valero plans to import refined products including gasoline, diesel, and jet fuel, and store them at the Veracruz Marine Terminal. Locally, the products will be distributed by truck and they will be transported to Puebla and Mexico City by rail. The estimated investment is USD\$155 million for Veracruz and a total of USD\$120 million in the two additional storage terminals to supply refined products to Central Mexico.

The Company will be responsible for the implementation of the projects, including permitting, engineering, procurement, construction, operation, maintenance, financing, and providing services. The two in-land terminals will start operations during 2019 and the marine terminal in Veracruz at the end of 2018.

After the start of commercial operations, and subject to all relevant regulatory and corporate authorizations as well as the approval of the Port Authority of Veracruz, Valero will have the option to acquire 50% of the equity in all three assets.

## **Joint Ventures**

### **Ductos y Energéticos del Norte**

In March 2014, Ductos y Energéticos del Norte entered into a shareholders’ agreement with subsidiaries of Pemex to set up an additional joint venture, which the Company refers to as the TAG Pipelines Norte joint venture, for the construction and operation of the Los Ramones II Norte pipeline. DEN owns 50% of TAG Pipelines Norte. As of December 31, 2016, the Company has invested USD\$80.5 million in the project, through four four-year loans denominated in U.S. Dollars, bearing interest at a variable rate in accordance with 30-day Libor plus 450 basis point (5.12% as of December 31, 2016). In addition, each joint venture partner has the right of first refusal and tag-along right in case another partner wishes to transfer its participation to a third party.

In December 2015, TETL, a subsidiary of BlackRock and First Reserve, acquired a 45% stake in the TAG Pipelines Norte joint venture from P.M.I. Holdings B.V., an affiliate of Pemex. DEN continues to own 50% of TAG Pipelines Norte. Pemex TRI, through one of its subsidiaries, owns 5%. TETL owns another 45% of TAG Pipelines Norte. In March 2014, the TAG Pipelines Norte joint venture entered into a 25-year natural gas firm transportation services agreement with Pemex TRI (who transferred the contract to CENAGAS), to construct and operate an approximately 452 km, 42-inch diameter pipeline with a design transportation capacity of 1,420 MMcfd (14.8 MMThd) and two compression stations. It connects with the Los Ramones I pipeline and the Los Ramones Sur pipeline in San Luis Potosí. CENAGAS, as assignee of Pemex TRI, is the owner of 100% of the capacity of this pipeline. The Los Ramones II Norte pipeline began commercial operations in February 2016.

When the company acquired the remaining 50% equity interest in IEnova Pipelines, the subsidiary DEN, which participates in the ownership of the Los Ramones II Norte pipeline through the TAG Pipelines Norte joint venture, was excluded. As a result, the Company holds a 50% equity interest in Ductos y Energéticos del Norte (DEN). Through DEN’s 50% interest in the TAG Pipelines Norte joint venture, the Company holds a 25% indirect interest in the Los Ramones II Norte pipeline.

Once the Transaction is concluded, IEnova will indirectly own 100% of the capital stock in DEN. Accordingly, at the closing of the Transaction IEnova will have a 50% indirect participation in the Los Ramones II Norte Pipeline.

## **Los Ramones II Norte Pipeline**

This system is comprised of a pipeline of approximately 452 km in length and has a design capacity of 1,420 MMcfd (14.8 MMThd). It extends from the interconnection point with the Los Ramones I pipeline in Ramones, Nuevo León, to the interconnection point with the Los Ramones Sur pipeline in the state of San Luis Potosí. The system has two compression stations with an aggregate of 123,000 horsepower. The Los Ramones II Norte pipeline started commercial operations in February 2016 and was developed by DEN, the owner of the Los Ramones II Norte pipeline through TAG Pipelines Norte joint venture.

## **South of Texas – Tuxpan Pipeline**

In June 2016, the Company entered into a 25-year service agreement with CFE for the transportation of natural gas through IMG, a joint venture with TransCanada. TransCanada, through its subsidiary Infraestructura TCEM, S. de R.L. de C.V., owns 60% of IMG, and the Company, through its subsidiary Ductos e Infraestructura Marina, S. de R.L. de C.V., owns 40% of IMG. The Company refers to this project as the South of Texas – Tuxpan pipeline, a marine pipeline. Pursuant to the agreement, IMG is responsible for the development, engineering, procurement, construction, operation, and maintenance of the 42-inch pipeline that has a capacity of 2,600 MMcfd (27 MMThd) and a length of approximately 800 km. The Company and TransCanada have agreed that each party will provide financing and guarantees related to the development of the gas pipeline to the suppliers and counterparties of IMG (including CFE and Mitsui & Co, Ltd., among others) in proportion with their ownership of IMG. The Company foresees that the South of Texas – Tuxpan pipeline will start operating in the fourth quarter of 2018. The Company estimates that the Sur de Texas – Tuxpan pipeline will require an investment of approximately USD\$2,100 million, of which the Company will assume USD\$840 million (in proportion to its ownership).

## **Energía Sierra Juárez – wind power generation business**

Through its joint venture with InterGen, the Company owns the Energía Sierra Juárez wind project in the State of Baja California. The initial phase of the project, which began full operations in July 2015, produces approximately 155 MW through 47 wind turbines of 3.3 MW each. It is located on the Sierra de Juárez ridge in Baja California, which has one of the strongest wind resources on the west coast of North America. Energía Sierra Juárez has entered into a 20-year power supply agreement. The project interconnects via a new cross-border transmission line with the Southwest Powerlink at SDG&E's East County substation to the east of San Diego. In addition, the wind power plant has the potential to connect directly with the Mexican power transmission grid.

### 4.1.3. IEnova's development during the last year.

Since the publication of the Company's 2016 annual report, its report for the second quarter of 2017, and considering the Company's disclosure of certain subsequent material events, IEnova's consolidated statements of financial position and its consolidated statements of profit and other comprehensive income have not suffered any material change.

### 4.1.4. IEnova's Capital Structure.

The Company's issued and outstanding capital is divided into 1,534,023,812 registered shares of common stock, no par value, of which 5,000 are Class I shares representing the fixed portion of its capital and 1,534,018,812 are Class II Shares representing the variable portion of its capital.

Based on a value of MXN\$10.00 per share of stock, the Company's outstanding capital is MXN\$15,340,238,120.00, of which MXN\$50,000.00 constitutes the fixed portion and MXN\$15,340,188,120.00 constitutes the variable portion of its capital stock.

As of the date hereof, Semco Holdco, S. de R.L. de C.V., a subsidiary of Sempra Energy, holds 1,019,038,312 shares, or 66.43% of the Company's outstanding capital stock, and public investors hold the remaining 514,985,500 shares, or 33.57% of the Company's outstanding capital stock.

### 4.1.5. Material changes in financial condition.

Since the publication of the Company's 2016 annual report, its report for the second quarter of 2017, and considering the Company's disclosure of certain subsequent material events, IEnova's consolidated statements of financial position and its consolidated statements of profit and other comprehensive income have not suffered any material change.

## 4.2. Information about IEnova Pipelines

### 4.2.1. Corporate name

IEnova Pipelines, S. de R.L. de C.V., formerly Gasoductos de Chihuahua, S. de R.L. de C.V.

### 4.2.2. Business description

IEnova Pipelines, formerly Gasoductos de Chihuahua, is a *sociedad de responsabilidad limitada de capital variable*, incorporated and organized in accordance with the laws of México. Its purpose is to develop, construct, and operate natural gas, LPG, and ethane transportation systems and LPG storage systems. IEnova Pipelines owns the San Fernando pipeline, the Samalayuca pipeline, the Ethane pipeline, the TDF pipeline system, the Gloria a Dios compression station, the Guadalajara LPG storage facilities, and the Los Ramones I pipeline. IEnova Pipelines participates in the Los Ramones II Norte pipeline through DEN's interest in the TAG Norte joint venture. The Company acquired a 50% interest in IEnova Pipelines from El Paso Corporation in April 2010 and operated it as a 50/50 joint venture with Pemex TRI until the Company acquired the remaining 50% interest from Pemex TRI on September 27, 2016.

### 4.2.3. IEnova Pipelines' Capital Structure

The paid and subscribed capital stock of IEnova Pipelines is represented by 2 membership interests (*partes sociales*), same which are distributed as shown below:

Partner	Series	Fixed Capital Stock	Variable Capital Stock
IEnova Gasoductos Holding, S. de R.L. de C.V.	A	MXN\$ 41,824,855.00	MXN\$ 870,099,096.00
IEnova Gasoductos Holding, LLC	B	MXN\$ 1.00	
Total:		MXN\$ 41,824,856.00	MXN\$ 870,099,096.00

## 4.3. Information about Pemex TRI

### 4.3.1 Corporate name

Pemex Transformación Industrial (Pemex TRI), a productive state-owned subsidiary of Petróleos Mexicanos.

### 4.3.2 Business description

On November 18, 2014, by resolution CA-128/2014, the Board of Directors of Petróleos Mexicanos approved the reorganization of its subsidiaries Pemex Gas and Basic Petrochemicals, Pemex Refining and Pemex Petrochemicals in Pemex Industrial Transformation (*Pemex Transformación Industrial, or Pemex TRI*), a state-owned productive company named Pemex TRI. Subsequently, Pemex TRI was created and would become effective once (i) the necessary administrative steps had been taken to initiate the operations of Pemex Industrial Transformation as a state productive company and (ii) the Board of Directors of Petróleos Mexicanos issued a declaration of effectiveness of the agreement to create Pemex TRI. This declaration was published in the Official Gazette of the Federation on October 6, 2015, and the Pemex TRI Creation Agreement became effective on November 1, 2015.

Pemex TRI is a productive company of the state-owned subsidiary of Petróleos Mexicanos, whose main objective is the refining, processing, import, export, commercialization, development, and sale (including sale to the public) of hydrocarbons, petroleum, natural gas, and petrochemicals.

Pemex TRI performs primarily the following activities:

I. Storage, transportation, distribution, compression, decompression, liquefaction, regasification of hydrocarbons, petroleum, natural gas, and petrochemicals; II. Administration, planning, evaluation, and development of projects and other business initiatives related to its objectives; III. Creation of subsidiaries and participation in partnerships and alliances, under any corporate or contractual arrangement allowed by law, as required for the achievement of its purpose; IV. The purchase and sale of certificates or documents that cover greenhouse gas emissions and their commercialization in internal and external markets; and V. Provision of services to third parties related to its purpose.

**4.4. Information about DEN**

4.4.1 Corporate name

Ductos y Energéticos del Norte, is a *sociedad de responsabilidad limitada de capital variable*, incorporated and organized in accordance with the laws of México.

4.4.2 Business description

DEN entered into a shareholders’ agreement with subsidiaries of Pemex to create TAG Pipelines Norte joint venture for the construction and operation of the northern part of the Los Ramones II Pipeline., It is comprised of a 452 km natural gas pipeline that extends from Los Ramones in the state of Nuevo Leon to San Luis Potosi and two compression stations. The Los Ramones II Norte pipeline began commercial operations in February 2016.

**Operations and maintenance agreement**

DEN provides operations and maintenance services to the Los Ramones II Norte pipeline through a 25-year agreement.

**Administrative services agreement**

GSCA provides specialized operations and maintenance services to DEN through a 25-year agreement.

**Loans received from related parties**

The following table shows the loan amounts received from related parties and their main terms:

<b>Creditor</b>	<b>Amount</b>	<b>Interest rate</b>
IEnova	\$80.5 million	Libor (1 month) + 450 basis points
Tag Pipelines	\$78.7 million	Libor (1 month) + 450 basis points
Mex Gas Supply	\$ 1.8 million	Libor (1 month) + 450 basis points

**Loans granted to related parties**

The following table shows the loan amount granted to a related party and its main terms:

<b>Debtor</b>	<b>Amount</b>	<b>Interest rate</b>
Gasoductos del Sureste	\$3.0 million	5.65%

#### 4.4.3 Capital Structure of DEN

DEN's outstanding capital is currently divided into four partnership interests with the following distribution:

Partner	Social Parts	Fixed Capital Stock	Variable Capital Stock	
IEnova Pipelines	1	MXN\$ 2,999.00		
IEnova Pipelines	1		MXN\$ 2,603,460.00	
Ductos y Energéticos del Sureste	1	MXN\$ 1.00		
Pemex Transformación Industrial	1		MXN\$ 2,606,460.00	
	Sum	4	MXN\$ 3,000.00	MXN\$ 5,209,920.00

As of December 31, 2016, the nominal value of the subscribed and paid fixed capital stock is MXN\$3,000. As of December 31, 2016, the nominal value of the subscribed and paid variable capital stock is MXN\$5,209,920.

At the General Shareholders' Meeting held on June 30, 2014, a variable capital increase of MXN\$2,603,460 through a cash contribution from IEnova Pipelines (formerly Gasoductos de Chihuahua, S. de R.L. of C.V.) was approved.

At the General Shareholders' Meeting held on September 26, 2016, a variable capital increase of MXN\$2,606,460 through a cash contribution by Pemex TRI was approved.



## V. RISK FACTORS

IEnova takes into account the following risk factors relating to the Transaction, which are the same that should be considered by any IEnova stockholder and by any future IEnova stockholder, since they could materially and adversely affect IEnova's business, financial condition, results of operations, cash flows, prospects, and/or the market price of its Shares.

Additionally, risk factors relating to the Company, Mexico, and the industry should also be considered. These are described in IEnova's annual report, which is available on IEnova's website at [www.ienova.com.mx](http://www.ienova.com.mx) and on the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx), and they are incorporated herein by reference.

Additional risks and factors that are not currently known by or are currently deemed immaterial by IEnova may also materially and adversely affect IEnova's business, financial condition, results of operations, cash flows, prospects, and/or the market price of its Shares. In this section, statements to the effect that a given risk or uncertainty may, could, or would have a "material adverse effect" on IEnova or could or would "materially and adversely affect" IEnova mean that such risk or uncertainty could or would have a material adverse effect on IEnova's business, financial condition, results of operations, cash flows, prospects, and/or the market price of its Shares.

### **Business disruptions due to labor disputes.**

While neither IEnova nor DEN's facilities have ever experienced any strike or other labor-related disruption, any future strike or labor dispute could affect IEnova and/or DEN's operations, which could have a material adverse effect on IEnova.

### **Integration of DEN's business into IEnova.**

Notwithstanding that as of the date of this Information Memorandum IEnova maintains a 50% interest in DEN, the consummation of the Transaction involves various risks that could have a material adverse effect on IEnova, including (i) difficulties relating to the integration of operations and systems (including IT, accounting, financial, control, risk management, and security systems), (ii) DEN and its subsidiaries do not achieve expected results, and (iii) IEnova's inability to achieve the expected synergies and/or economies of scale.

### **Delays in completing the Transaction may reduce or eliminate the results expected from the Transaction.**

The final and definitive closing of the Transaction is subject to compliance with certain conditions, including COFECE's approval. Approval delay may result in greater Transaction expenses and execution time and could reduce or eliminate the expected Transaction results, which may have a material adverse effect on IEnova.

### **In connection with the Transaction, IEnova will incur in additional debt.**

For purposes of concluding and perfecting the Transaction, IEnova will incur additional debt, in comparison with its current debt. The resulting debt from the Transaction may have a material adverse effect on IEnova's capital structure, to the extent such debt is not repaid by the cash flows created by the Transaction. As a consequence, IEnova's ability to distribute dividends; expand its assets in the energy sector; finance acquisitions, maintenance, and investments; and maintain flexibility in the management of its business may be significantly limited. As a result, they may have a material adverse effect on the expected results in connection with the Transaction and/or a material adverse effect on IEnova.

Prospective investors should read the sections of this information memorandum entitled "Executive summary," "Risk Factors," and "Detailed Transaction Information" to better understand the factors relating to the Transaction that may affect IEnova's future performance and the performance of the markets in which it operates.

The words "believe," "expect," "anticipate," "plan," "estimate," "project," "foresee," "intend," "propose," "should," "could," "may," "will," "objective," "goal," and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date of this information memorandum and IEnova does not undertake any obligation to update or to review any estimate and/or forward-looking statement

because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. IEnova's actual results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this information memorandum might not occur and IEnova's future results and performance may differ materially from those expressed in these forward-looking statements. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

Readers are encouraged to review the sources cited in the references and notes included in this information memorandum to better understand the information contained and the facts described herein. For the same reason, readers should also refer to the material event disclosures and other information and documentation filed by IEnova with the CNBV and the BMV, which are available for review on IEnova's website at [www.ienova.com.mx](http://www.ienova.com.mx), on the CNBV's website at [www.cnbv.com.mx](http://www.cnbv.com.mx), and on the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx).

## **VI. SELECTED FINANCIAL INFORMATION**

Please refer to the exhibits for the pro-forma combined financial statements as of June 30, 2017 and as of December 31, 2016; for the six-month periods ended on June 30, 2017 and on June 30, 2016; and for the year ended December 31, 2016; as well as the independent auditor's assurance report.

## **VII. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE ISSUER'S OPERATING INCOME AND FINANCIAL SITUATION**

The following analysis should be read jointly with IEnova's annual report for the fiscal year ended on December 31, 2016, and the second quarter report of 2017, both of which are available on the Company's website at [www.ienova.com.mx](http://www.ienova.com.mx) and on the Mexican Stock Exchange's website at [www.bmv.com.mx](http://www.bmv.com.mx).

The analysis that is presented in this section has been prepared with the intention of providing a better understanding of the Company's base financial statements, as well as its pro-forma financial statements that include the effects on the financial statements of the Transaction described in this Information Memorandum.

Amounts are presented in U.S. dollars, the functional currency of the Company, unless otherwise noted, and in accordance with the basis for presentation described in note 2 of the attached pro-forma combined financial statements. The accounting policies applied in the preparation of the pro forma combined financial information has been prepared in accordance with IFRS standards as issued by the IASB.

The pro forma combined statements of financial position and the accompanying pro forma combined statements of profit and other comprehensive income have been prepared based on the assumptions that the Company's management believes are appropriate in the current circumstances, taking into account the fact that the Company is in the process of determining the fair value of the assets acquired.

In view of the foregoing, the reader should refer to the "Exhibit" section of this Information Memorandum.

*Comparative analysis of the pro forma combined financial statements as of June 30, 2017, as of December 31, 2016, and for the six-month periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016.*

The pro forma combined financial statements present the financial information of the Company as if the DEN Acquisition occurred (i) with respect to the pro forma combined statements of financial position as of June 30, 2017 and December 31, 2016 and (ii) with respect to the pro forma combined statements of profit or loss, and other comprehensive income for all periods presented, on January 1, 2016.

## 7.1 Results of operation

### Pro-forma combined statements of profits or losses

(in thousands of dollars)	Six months ended June 30,	
	2017	2016 *
Revenues	\$ 560,198	\$ 437,220
Cost of revenues	(129,001)	(93,729)
Operating, administrative and other expenses	(80,649)	(66,013)
Depreciation and amortization	(55,941)	(51,331)
Net financing cost, net	(27,375)	(25,143)
Other gains (losses), net	5,071	(2,237)
Remeasurement of equity method investment	-	673,071
<b>Profit before income tax and share of profits of joint ventures</b>	<b>272,303</b>	<b>871,838</b>
Income tax expense	(34,937)	(68,976)
Share of profits of joint ventures, net of income tax	34,783	11,613
<b>Profit for the period from continuing operations</b>	<b>272,149</b>	<b>814,475</b>
Loss for the period from discontinued operations, net of income tax	(67,725)	(38,282)
<b>Profit for the period</b>	<b>\$ 204,424</b>	<b>\$ 776,193</b>

\* In order to make the pro forma combined statements of profit comparable for the six-month periods ended June 30, 2017 and 2016, the Company includes the combined statements of profit for the six-month period ended June 30 of Gasoductos de Chihuahua (now IEnova Pipelines) and Ventika as if such acquisitions had taken place on January 1, 2016.

#### Revenues

Revenues of \$560.2 million during the first semester of 2017, compared to \$437.2 million in the same period of 2016 would have meant a decrease of \$123.0 million, or 28.1%, mainly due to:

- \$41.0 million from the start of operations of the Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, and Ojinaga – El Encino pipeline;
- \$39.0 million mainly from higher weighted average prices of natural gas;
- \$33.7 million in revenue due to the start of operations of the Ventika wind generation facility in April 2016;
- \$13.4 million in revenue from the initial record of financial lease in 2016 related to the Los Ramones I Pipeline and Ethane Pipeline; and
- \$2.5 million in revenue due to the operations and maintenance services provided by DEN to the Los Ramones II Norte pipeline, since the start of operations on February 2016.

#### Cost of revenues

Cost of revenues of \$129.0 million during the first semester of 2017, compared to \$93.7 million in the same period of 2016 would have meant an increase of \$35.3 million, or 37.6%, mainly due to:

- \$33.0 million mainly due to the higher weighted average price of natural gas, and
- \$2.2 million of higher cost of revenue due to the start of operations of the Ventika wind generation facility in April, 2016.

### **Operating, Administrative and other expenses**

Operating, administrative and other expenses would have been \$80.6 million in the first semester of 2017, compared to \$66.0 million during the same period of 2016. The \$14.6 million increase would have been primarily due to the start of operations of the Ventika wind generation facility in April 2016.

### **Depreciation and amortization**

Depreciation and amortization would have been \$55.9 million in the first semester of 2017, compared to \$51.3 million in the same period of 2016. The increase of \$4.6 million would have been primarily due to the start of operations of the Ventika wind generation facility in April 2016.

### **Financing costs, net**

Net financing costs of the first semester of 2017 would have been \$27.4 million, consistent with \$25.1 million in the same period of 2016.

### **Other gains (losses), net**

Other gains of \$5.1 million in the first semester of 2017 would have been compared with other losses of \$2.2 million in the same period of 2016. The variation of \$7.3 million is primarily due to foreign exchange rate effects.

### **Remeasurement of equity method investment**

The non-cash gain of \$673.1 million in the first semester of 2016 is related to the remeasurement to fair value of the previously held 50 percent interest in Gasoductos de Chihuahua.

### **Income tax expense**

Income tax expense of \$34.9 million in the first semester of 2017 would have been compared to \$69.0 million in the same period of 2016. The \$34.0 million variation is primarily due to the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant, and equipment at the U.S. dollar Company functional currency, which the Company is required to remeasure in each reporting period based on changes in the Mexican peso exchange rate, partially offset by exchange rate and inflation effects on monetary assets and liabilities.

### **Participation in the profits of the joint ventures, net of taxes to profit**

The participation in the profits of the joint ventures, net of taxes to profit of \$34.8 million in the first semester of 2017 would have been compared with \$11.6 million in the same period of 2016. The variation of \$23.2 million would have been mainly derived from the start of operations of the Los Ramones II Norte pipeline in February 2016.

### **Loss for the period from Discontinued Operations, Net of Income Tax**

In February 2016, the Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results for the three-month and six-month periods ended June 30, 2017 and June 30, 2016 are presented in the Condensed Consolidated Statements of Profit as discontinued operations, net of income tax.

In June 2017, the asset value indicated by the Termoeléctrica de Mexicali power plant sale process was determined to be lower than its carrying value. This resulted in a non-cash, after-tax impairment charge of \$63.8 million in the second quarter of 2017.

Loss from discontinued operations, net of income tax, was \$67.7 million in the first semester of 2017, compared with \$38.3 million in the same period of 2016. The increase in losses of \$29.4 million is mainly due the impairment charge mentioned above and scheduled major maintenance expenses in 2017, partially offset by non-cash deferred income tax expense at the discontinued operations related to the held for sale classification in 2016 and higher operating results in 2017.

### **Profit for the period**

Profit for the period of \$204.4 million in the first semester of 2017, compared to \$776.2 million in the same period of 2016, would have been a decrease of \$571.8 million. This would have been mainly due to the remeasurement of equity method investment in 2016 and the loss from the discontinued operations, partially offset by the start of operations of the Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, and Ojinaga – El Encino pipeline and Ventika wind generation facility, lower income tax expense, and higher share of profit from joint ventures.

## 7.2 Financial situation, liquidity, and capital resources

### Pro forma combined Statements of Financial Position

(in thousands of US dollars)	June 30, 2017	December 31, 2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 41,108	\$ 33,737
Short-term investments	2,981	80
Trade and other receivable, net	104,960	100,886
Recoverable taxes	112,998	33,990
Restricted cash	68,155	51,363
Assets held for sale	160,449	191,287
Other current assets <sup>(1)</sup>	42,709	40,781
<b>Total current assets</b>	<b>533,360</b>	<b>452,124</b>
<b>Non-current assets</b>		
Due from unconsolidated affiliates	190,298	14,416
Finance lease receivables	946,962	950,311
Deferred income tax assets	96,109	94,528
Investment in joint ventures	499,651	416,791
Property, plant and equipment	3,693,874	3,613,244
Intangibles	152,064	146,437
Goodwill	1,651,780	1,651,780
Other non-current assets <sup>(2)</sup>	5,129	5,982
<b>Total non-current assets</b>	<b>7,235,867</b>	<b>6,893,489</b>
<b>Total assets</b>	<b>\$ 7,769,227</b>	<b>\$ 7,345,613</b>
<b>Liabilities and Equity</b>		
Short-term debt	\$ 880,621	\$ 728,715
Trade and other payables	50,918	95,071
Due to unconsolidated affiliates	360,128	255,702
Derivative financial instruments	42,948	10,310
Liabilities held for sale	81,800	35,451
Other current liabilities <sup>(3)</sup>	77,779	77,002
<b>Current liabilities</b>	<b>1,494,194</b>	<b>1,202,251</b>
<b>Non-current liabilities</b>		
Long-term debt	976,028	1,039,804
Due to unconsolidated affiliates	38,460	-
Deferred income tax liabilities	504,211	489,607
Derivative financial instruments	145,620	215,851
Other non-current liabilities <sup>(4)</sup>	59,737	56,621
<b>Total non-current liabilities</b>	<b>1,724,056</b>	<b>1,801,883</b>
<b>Total Liabilities</b>	<b>3,218,250</b>	<b>3,004,134</b>
Common Stock	963,272	963,272
Additional paid-in capital	2,351,801	2,351,801
Accumulated other comprehensive loss	(127,234)	(128,206)
Retained earnings	1,363,138	1,154,612
<b>Total equity attributable to owners of the company</b>	<b>4,550,977</b>	<b>4,341,479</b>
<b>Total liabilities and equity</b>	<b>\$ 7,769,227</b>	<b>\$ 7,345,613</b>

<sup>(1)</sup> Other current assets include natural gas inventory, other assets, accounts payable to unconsolidated parties, short-term finance lease receivable, and derivative financial instruments.

<sup>(2)</sup> Other non-current assets include other assets and financial derivative instruments.

<sup>(3)</sup> Other current liabilities include other payable taxes, other liabilities, income taxes payable, other financial liabilities, and provisions.

<sup>(4)</sup> Other non-current liabilities include provisions and other employee benefits.

### **Cash and cash equivalents and short-term investments**

Cash equivalents and short-term investments would have increased from \$33.7 million as of December 31, 2016, to \$41.1 million as of June 30, 2017, primarily due to the start of operations of the Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, Ojinaga – El Encino pipeline, and the Ventika wind generation facility.

### **Recoverable taxes**

Recoverable income tax and value added tax would have increased from \$34.0 million as of December 31, 2016 to \$113.0 million as of June 30, 2017 due to the provisional income tax payments made in 2017.

### **Assets held for sale**

Assets held for sale would have decreased from \$191.3 million as of December 31, 2016 to \$160.4 million as of June 30, 2017, mainly due the impairment loss of Termoeléctrica de Mexicali power plant.

### **Due from unconsolidated affiliates**

Amounts due from unconsolidated affiliates would have increased from \$14.4 million as of December 31, 2016 to \$190.3 million as of June 30, 2017 mainly due to the loan granted to the joint venture with Transcanada for the construction of the South of Texan – Tuxpan pipeline.

### **Investment in joint ventures**

Investment in joint ventures would have increased from \$416.8 million as of December 31, 2016 to \$499.7 million as of June 30, 2017 mainly due to the equity contributions to the joint venture with Transcanada for the construction of the South of Texan – Tuxpan pipeline.

### **Property, plant and equipment, net**

Property, plant and equipment would have increased from \$3,613.2 million as of December 31, 2016 to \$3,693.9 million as of June 30, 2017, mainly due to the start of operations of the Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, and Ojinaga – El Encino pipeline.

### **Short-term debt**

The short-term debt of \$728.7 million as of December 31, 2016, would have been increased to \$880.6 million as of June 30, 2017, mainly due to the reclassification of the CEBURES with maturity in February 2018 and the disbursements from the revolving credit line of IEnova.

### **Trade and other payable**

Trade and other payable amounts would have decreased from \$95.1 million as of December 31, 2016 to \$50.9 million as of June 30, 2017, mainly due to the conclusion of construction in process related to the Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, and Ojinaga – El Encino pipeline.

### **Due to unconsolidated affiliates, short-term**

Amounts due to unconsolidated affiliates, short-term, would have increased from \$255.7 million as of December 31, 2016 to \$360.1 million as of June 30, 2017, mainly due to the disbursement of a loan for general corporate purposes and working capital.



### **Derivative financial instruments, short-term**

Derivative financial instruments, short-term, would have increased from \$10.3 million as of December 31, 2016 to \$42.9 million as of June 30, 2017, mainly due to the mark-to-market valuation and the reclassification of the derivative financial instruments related to the CEBURES that mature in February 2018.

### **Liabilities held for sale**

The liabilities held for sale would have increased from \$35.5 million as of December 31, 2016 to \$81.8 million as of June 30, 2017, mainly due to the loan disbursement from a non-consolidated affiliate.

### **Long-term debt**

Long-term debt of \$1,039.8 million as of December 31, 2016, would have been decreased to \$976.0 million as of June 30, 2017, primarily due to the reclassification of the CEBURES that mature in February 2018.

### **Due to unconsolidated affiliates, long-term**

Amounts due to unconsolidated affiliates, long-term, of \$0 as of December 31, 2016, would have increased to \$38.5 million as of June 30, 2017, mainly due to the extension on the term of a loan from an unconsolidated affiliate.

### **Financial Derivative Instruments, long-term**

Financial derivative instruments of \$215.9 million as of December 31, 2016 would have been decreased to \$145.6 million as of June 30, 2017, mainly due to the mark-to-market valuation and the reclassification of the derivative financial instruments related to the CEBURES that mature in February 2018.

### **Main financial ratios**

	June 30, 2017	December 31, 2016
Current ratio	0.36	0.38
Current ratio*	0.26	0.22
Total liabilities to Equity	0.71	0.69
Working capital to total liabilities	(0.30)	(0.25)
Working capital to total liabilities *	(0.32)	(0.30)

\*Without considering the effect of the assets available for sale and liabilities related to assets available for sale.

### **Current ratio = current assets / current liabilities**

The current ratio of 0.38 as of December 31, 2016 would have been consistent compared with 0.36 as of June 30, 2017. Not considering the effect of the assets held for sale and liabilities related to assets held for sale, the current ratio of 0.22 as of December 31, 2016 would have been consistent compared with 0.26 as of June 30, 2016.

### **Total liabilities to equity = total liabilities / equity**

The total liabilities ratio of 0.69 as of December 31, 2016 is consistent with the total liabilities to equity ratio of 0.71 as of June 30, 2017.

**Working capital to liabilities = (current assets – current liabilities) / total liabilities**

The working capital to total liabilities ratio of (0.25) as of December 31, 2016 would have been consistent with (0.30) as of June 30, 2016. Without considering the effect of the assets available for sale and liabilities related to assets available for sale, the working capital to total liabilities ratio of (0.30) as of December 31, 2016, would have been consistent with (0.32) as of June 30, 2017.

**VIII. RELEVANT AGREEMENTS**

No significant changes are expected to IEnova's or IEnova Pipelines' relevant agreements.

## **IX. RESPONSIBLE PERSONS/SIGNATURES**

The undersigned declare under oath that within the scope of our respective duties, we have prepared the relevant issuer information contained in this Information Memorandum, and that to our best knowledge, this information reasonably reflects its situation. We also declare that we are not aware that relevant information has been omitted or falsified or that any information contained herein may be misleading to investors.

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Carlos Ruiz Sacristán  
Chairman of the Board of Directors and Chief Executive Officer

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Manuela Molina Peralta  
Executive Vice President of Finance

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René Buentello Carbonell  
Executive Vice President and General Counsel

**X. EXHIBIT**

Pro forma combined financial statements as of June 30, 2017 and as of December 31, 2016; for the six-month periods ended June 30, 2017 and 2016; for the year ended December 31, 2016; and the independent auditors' assurance report.

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

Pro forma combined financial  
statements as of June 30, 2017, and  
December 31, 2016, and  
for the six-month periods ended June 30,  
2017 and 2016, and for the year ended  
December 31, 2016 and independent  
auditor's assurance report.

(Translation of publicly reported and pro forma  
combined financial statements originally issued in  
Spanish)

# **Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries**

## **Pro forma combined financial statements as of June 30, 2017, and December 31, 2016 and for the six-month periods ended June 30, 2017 and 2016, and for the year ended December 31, 2016**

<b>Content</b>	<b>Page</b>
Independent auditor's assurance report	1
Pro forma combined statements of financial position	4
Pro forma combined statements of profit or loss and other comprehensive income	6
Notes to the pro forma combined financial statements	9

## **Independent auditor's assurance report on the compilation of pro forma combined financial statements to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries**

We have completed our assurance engagement to report on the compilation of the pro forma combined financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (the Company). The pro forma combined financial statements consist of the pro forma combined statements of financial position as of June 30, 2017 and December 31, 2016, the pro forma combined statements of profit or loss and other comprehensive income for the six month periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016 and the notes to the pro forma combined financial statements (collectively, the pro forma combined financial statements). The criteria on the basis of which the management of the Company has compiled the pro forma combined financial statements are described in Note 2 (the basis for presentation of the pro forma combined financial statements).

The pro forma financial information has been compiled by the management of the Company to illustrate the impact of the acquisition of Ductos Energéticos del Norte, S. de R. L. de C. V. (DEN), described in Note 1 on the Company's combined financial position as of June 30, 2017 and December 31, 2016 as if the acquisition had occurred on such dates and its combined financial performance for the six month periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016 as if the acquisition had occurred on January 1, 2016. As part of this process, information about the combined financial position and combined financial performance has been extracted by the management of the Company from the financial information described in Note 2.

### ***Management's Responsibility for the Pro Forma Combined Financial Information***

Management is responsible for compiling the pro forma combined financial statements on the basis for presentation of the pro forma combined financial statements described in Note 2.

### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## **Auditor's Responsibilities**

Our responsibility is to express an opinion, as required by the Mexican National Banking and Exchange Commission (CNBV, for acronym in Spanish) about whether the pro forma combined financial statements have been compiled, in all material respects, by the management of the Company on the basis described in Note 2.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the management of the Company has compiled, in all material respects, the pro forma combined financial statements on the basis for presentation of the pro forma combined financial statements described in Note 2.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined financial statements, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined financial statements.

The purpose of the pro forma combined financial statements is to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as of the dates and for the periods presented would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management of the Company in the compilation of the pro forma combined financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma combined financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the pro forma combined financial statements have been compiled, in all material respects, on the basis for presentation of the pro forma combined financial statements as described in Note 2.

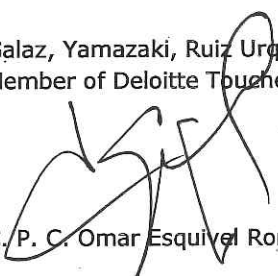




## ***Emphasis of matter without qualifying our opinion***

We draw attention to Note 2 which describes that the pro forma combined financial statements of profit or loss and other comprehensive income, present the financial information of the Company as if the DEN acquisition and the IEnova Pipelines and Ventika acquisitions occurred on January 1, 2016.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Omar Esquivel Romero

October 6, 2017



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

**Pro forma combined statements of financial position**

As of June 30, 2017 and December 31, 2016  
(In thousands of US dollars)

	As of June 30, 2017				As of December 31, 2016					
	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma
<b>Assets</b>										
Current assets:										
Cash and cash equivalents	\$ 28,041	\$ 13,067	\$ -		\$ 41,108	\$ 24,918	\$ 8,819	\$ -		\$ 33,737
Short-term investments	2,981	-	-		2,981	80	-	-		80
Finance lease receivables	7,621	-	-		7,621	7,155	-	-		7,155
Trade and other receivable, net	104,960	-	-		104,960	100,886	-	-		100,886
Due from unconsolidated affiliates	11,289	4,135	(1,966)	a	13,458	12,976	5,101	(6,844)	a	11,233
Income tax receivable	69,226	-	689	a	69,915	6,390	-	-		6,390
Natural gas inventories	10,880	-	-		10,880	6,083	-	-		6,083
Derivative financial instruments	833	-	-		833	6,913	-	-		6,913
Value added tax receivable	43,083	-	-		43,083	27,600	-	-		27,600
Other assets	9,900	17	-		9,917	9,289	108	-		9,397
Restricted cash	68,155	-	-		68,155	51,363	-	-		51,363
Assets held for sale	160,449	-	-		160,449	191,287	-	-		191,287
Total current assets	517,418	17,219	(1,277)		533,360	444,940	14,028	(6,844)		452,124
Non-current assets:										
Due from unconsolidated affiliates	282,450	3,127	(95,279)	a	190,298	104,352	3,080	(93,016)	a	14,416
Derivative financial instruments	65	-	-		65	1,127	-	-		1,127
Finance lease receivables	946,962	-	-		946,962	950,311	-	-		950,311
Deferred income tax assets	86,136	9,973	-		96,109	75,999	17,364	1,165	b	94,528
Investment in joint ventures	205,581	169,606	124,464	a,c	499,651	125,355	155,328	136,108	a,c	416,791
Other assets	5,064	-	-		5,064	4,855	-	-		4,855
Property, plant and equipment, net	3,692,281	1,593	-		3,693,874	3,614,085	1,689	(2,530)		3,613,244
Intangible assets	152,064	-	-		152,064	154,144	-	(7,707)		146,437
Goodwill	1,651,780	-	-		1,651,780	1,651,780	-	-		1,651,780
Total non-current assets	7,022,383	184,299	29,185		7,235,867	6,682,008	177,461	34,020		6,893,489
Total assets	\$ 7,539,801	\$ 201,518	\$ 27,908		\$ 7,769,227	\$ 7,126,948	\$ 191,489	\$ 27,176		\$ 7,345,613

	As of June 30, 2017				As of December 31, 2016					
	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R.L. de C.V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R.L. de C.V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma
<b>Liabilities and Stockholders' Equity</b>										
Current liabilities:										
Short-term debt	\$ 647,065	\$ -	\$ 233,556	a,b	\$ 880,621	\$ 493,571	\$ -	\$ 235,144	a,b	\$ 728,715
Trade and other payables	50,812	106	-		50,918	94,566	505	-		95,071
Due to unconsolidated affiliates	362,312	1,966	(4,150)	a	360,128	260,914	5,755	(10,967)	a	255,702
Income tax liabilities	12,513	-	-		12,513	13,322	-	-		13,322
Derivative financial instruments	42,948	-	-		42,948	10,310	-	-		10,310
Other financial liabilities	6,596	-	-		6,596	5,877	-	-		5,877
Provisions	730	-	-		730	930	-	-		930
Other taxes payable	32,090	498	-		32,588	27,872	140	-		28,012
Other liabilities	25,352	-	-		25,352	28,861	-	-		28,861
Liabilities held for sale	81,800	-	-		81,800	35,451	-	-		35,451
<b>Total current liabilities</b>	<b>1,262,218</b>	<b>2,570</b>	<b>229,406</b>		<b>1,494,194</b>	<b>971,674</b>	<b>6,400</b>	<b>224,177</b>		<b>1,202,251</b>
Non-current liabilities:										
Long-term debt	976,028	-	-		976,028	1,039,804	-	-		1,039,804
Due to unconsolidated affiliates	41,587	184,273	(187,400)	a	38,460	3,080	179,873	(182,953)	a	-
Deferred income tax liabilities	504,211	-	-		504,211	489,607	-	-		489,607
Provisions	53,566	-	-		53,566	51,035	-	-		51,035
Derivative financial instruments	145,620	-	-		145,620	215,851	-	-		215,851
Employee benefits	6,171	-	-		6,171	5,586	-	-		5,586
<b>Total non-current liabilities</b>	<b>1,727,183</b>	<b>184,273</b>	<b>(187,400)</b>		<b>1,724,056</b>	<b>1,804,963</b>	<b>179,873</b>	<b>(182,953)</b>		<b>1,801,883</b>
<b>Total liabilities</b>	<b>2,989,401</b>	<b>186,843</b>	<b>42,006</b>		<b>3,218,250</b>	<b>2,776,637</b>	<b>186,273</b>	<b>41,224</b>		<b>3,004,134</b>
<b>Stockholders' Equity:</b>										
Common stock	963,272	331	(331)	a	963,272	963,272	331	(331)	a	963,272
Additional paid-in capital	2,351,801	-	-		2,351,801	2,351,801	-	-		2,351,801
Accumulated other comprehensive income	(117,321)	(19,826)	9,913	a	(127,234)	(126,658)	(3,097)	1,549	a	(128,206)
Retained earnings	1,352,648	34,170	(23,680)	a	1,363,138	1,161,896	7,982	(15,266)	a	1,154,612
<b>Total equity</b>	<b>4,550,400</b>	<b>14,675</b>	<b>(14,098)</b>		<b>4,550,977</b>	<b>4,350,311</b>	<b>5,216</b>	<b>(14,048)</b>		<b>4,341,479</b>
<b>Total equity and liabilities</b>	<b>\$ 7,539,801</b>	<b>\$ 201,518</b>	<b>\$ 27,908</b>		<b>\$ 7,769,227</b>	<b>\$ 7,126,948</b>	<b>\$ 191,489</b>	<b>\$ 27,176</b>		<b>\$ 7,345,613</b>

See accompanying notes to the pro forma combined financial statements

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

**Pro forma combined statements of profit or loss and other comprehensive income**

For the six month periods ended June 30, 2017 and 2016

(In thousands of US dollars)

	For the six month period ended June 30, 2017				For the six month period ended June 30, 2016							
	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	IEnova Pipelines, S. de R. L. de C. V. and Subsidiaries (õIEnova Pipeloinesõ) (Note 2(3))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (collectively õVentikaõ) (Note 2(3))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma
Revenues	\$ 552,893	\$ 11,089	\$ (3,784)	a	\$ 560,198	\$ 271,976	\$ 146,739	\$ 19,492	\$ 8,541	\$ (9,528)	a,c	\$ 437,220
Cost of revenues	(129,001)	-	-		(129,001)	(91,491)	-	(2,238)	-	-		(93,729)
Operating, administrative and other expenses	(80,334)	(4,099)	3,784	a	(80,649)	(41,919)	(24,811)	(270)	(2,220)	3,207	a,c	(66,013)
Depreciation and amortization	(55,903)	(38)	-		(55,941)	(28,551)	(10,913)	(7,381)	(22)	(4,464)	a,c	(51,331)
Interest income	4,580	124	(2,297)	a	2,407	3,035	-	(8,888)	6	(2,050)	a,c	(7,897)
Finance (costs) income	(27,600)	(4,368)	2,186	a,b	(29,782)	(5,825)	(14,715)	981	(4,088)	6,401	a,b,c	(17,246)
Other (gains) losses, net	5,207	(136)	-		5,071	(698)	(1,503)	(36)	48	(48)	a,c	(2,237)
Remeasurment of equity method investment	-	-	-		-	-	-	-	-	673,071	a,c	673,071
Profit before income tax and share of profits of joint ventures	269,842	2,572	(111)		272,303	106,527	94,797	1,660	2,265	666,589		871,838
Income tax expense	(28,235)	(7,391)	689	a	(34,937)	(40,598)	(29,672)	(584)	2,836	(958)	a,c	(68,976)
Share of profits of joint ventures, net of income tax	16,870	31,007	(13,094)	a	34,783	39,425	9,501	-	9,501	(46,814)	a,c	11,613
Profit for the period from continuing operations	\$ 258,477	\$ 26,188	\$ (12,516)		\$ 272,149	\$ 105,354	\$ 74,626	\$ 1,076	\$ 14,602	\$ 618,817		\$ 814,475
Discontinued operations:												
Loss for the period from discontinued operations, net of income tax	(67,725)	-	-		(67,725)	(38,282)	-	-	-	-		(38,282)
Profit for the period	\$ 190,752	\$ 26,188	\$ (12,516)		\$ 204,424	\$ 67,072	\$ 74,626	\$ 1,076	\$ 14,602	\$ 618,817		\$ 776,193

For comparative purposes, the pro forma combined statements of profit and other comprehensive income for the six months periods ended as of June 30, 2016, present the financial information of the Company as if the IEnova Pipelines acquisition and the Ventika acquisition occurred as of January 1, 2016. For more detail please refer to note 2.

	For the six month period ended June 30, 2017				For the six month period ended June 30, 2016							
	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries Pro forma	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	IEnova Pipelines, S. de R. L. de C. V. and Subsidiaries (õIEnova Pipelinoesõ) (Note 2(3))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (collectively õVentikaõ) (Note 2(3))	Ductos y Energéticos del Norte, S. de R. L. de C. V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries pro forma
Profit for the period	\$ 190,752	26,188	(12,516)		204,424	67,072	74,626	1,076	14,602	618,817		776,193
Other comprehensive income (loss):												
Items that will not be reclassified to profit and loss:												
Actuarial (loss) gain on defined benefits plans	-	-	-		-	-	(364)	-	-	-		(364)
Deferred income tax relating to components of other comprehensive income	-	-	-		-	-	141	-	-	-		141
Total items that will not be reclassified to profit and loss	-	-	-		-	-	(223)	-	-	-		(223)
Items that may be reclassified subsequently to profit and loss:												
Gain (loss) on valuation of derivative financial instruments held for hedging purposes	(10,575)		-		(10,575)	774	31,125	(11,030)	-	(15,562)	a,c	5,307
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes	3,172		-		3,172	(232)	(9,202)	3,309	-	4,601	a,c	(1,524)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures	(12,447)	(23,899)	11,949	a	(24,397)	(26,723)	(69,441)	-	(29,863)	64,583	a,c	(61,444)
Deferred income tax on (loss) gain on valuation of derivative financial instruments held for hedging purposes at joint ventures	3,734	7,171	(3,585)	a	7,320	7,962	20,722	-	8,960	(19,321)	a,c	18,323
Exchange differences on translating foreign operations	25,453	-	-		25,453	(16,954)	(451)	-	-	-		(17,405)
Other comprehensive (loss) income for the period	9,337	(16,728)	8,364		973	(35,173)	(27,470)	(7,721)	(20,903)	34,301		(56,966)
Total comprehensive income for the period	\$ 200,089	9,460	(4,152)		205,397	31,899	47,156	(6,645)	(6,301)	653,118		719,227

See accompanying notes to the pro forma combined financial statements.

For comparative purposes, the pro forma combined statements of profit and other comprehensive income for the six months periods ended as of June 30, 2016, present the financial information of the Company as if the IEnova Pipelines acquisition and the Ventika acquisition occurred as of January 1, 2016. For more detail please refer to note 2.

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

**Pro forma combined statements of profit or loss and other comprehensive income**

For the year ended December 31, 2016  
(In thousands of US dollars)

	For the year ended December 31, 2016				
	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (Note 2(1))	Ductos y Energéticos del Norte, S. de R.L. de C.V. (Note 2(2))	Pro forma adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries Pro forma
Revenues	\$ 717,894	\$ 19,584	\$ 253,382	a, c	\$ 990,860
Cost of revenues	(237,789)	-	(2,630)	a, c	(240,419)
Operating, administrative and other expenses	(104,754)	(8,500)	(45,364)	a, c	(158,618)
Depreciation and amortization	(64,384)	(74)	(39,197)		(103,655)
Interest income	6,269	95	(7,753)	a, c	(1,389)
Finance costs	(20,836)	(8,247)	(33,764)	a,b, c	(62,847)
Other (gain) losses, net	2,168	(232)	(12,108)	a, c	(10,172)
Remeasurement of equity method investment	673,071	-	-	c	673,071
Profit before income tax and share of profits of joint ventures	971,639	2,626	112,566		1,086,831
Income tax expense	(147,158)	5,607	(41,860)	a, c	(183,411)
Share of profits of joint ventures, net of income tax	42,841	13,179	(42,379)	a, c	13,641
Profit for the period from continuing operations	<u>\$ 867,322</u>	<u>\$ 21,412</u>	<u>28,327</u>		<u>917,061</u>
Loss for the period from discontinued operations, net of income tax	<u>(112,332)</u>	<u>-</u>	<u>-</u>		<u>(112,332)</u>
Profit for the period	<u>\$ 754,990</u>	<u>\$ 21,412</u>	<u>\$ 28,327</u>		<u>\$ 804,729</u>
Other comprehensive (loss) income:					
Items that will not be reclassified to profit and loss:					
Actuarial (loss) gain on defined benefit plans	1,765	-	-		1,765
Deferred income tax relating to components of other comprehensive income	(530)	-	-		(530)
Total items that will not be reclassified to profit and loss	<u>1,235</u>	<u>-</u>	<u>-</u>		<u>1,235</u>
Items that may be reclassified subsequently to profit and loss:					
(Loss) gain on valuation of derivative financial instruments held for hedging purposes	(17,112)	-	-		(17,112)
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes	5,133	-	-		5,133
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures	35,308	15,444	(32,908)	a, c	17,844
Deferred income tax on (loss) gain on valuation of derivative financial instruments held for hedging purposes at joint ventures	(10,592)	(4,632)	9,872	a, c	(5,352)
Exchange differences on translating foreign operations	<u>(36,686)</u>	<u>-</u>	<u>-</u>		<u>(36,686)</u>
Other comprehensive (loss) for the period	<u>(22,714)</u>	<u>10,812</u>	<u>(23,036)</u>		<u>(34,938)</u>
Total comprehensive income for the period	<u>\$ 732,276</u>	<u>\$ 32,224</u>	<u>\$ 5,291</u>		<u>\$ 769,791</u>

See accompanying notes to the pro forma financial statements.

The pro forma combined statements of profit and other comprehensive income for the year ended December 31, 2016, present the financial information of the Company as if the IEnova Pipelines acquisition and the Ventika acquisition occurred as of January 1, 2016.

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

## Notes to the pro forma combined financial statements

As of June 30, 2017 and December 31, 2016, for and the six-month periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016

(In thousands of US dollars)

### 1. Activities

Infraestructura Energética Nova, S. A. B. de C. V. (øIEnovaö) and Subsidiaries (collectively, the øCompanyö) are companies domiciled and incorporated in México. Its parent and ultimate holding company is Sempra Energy (the øParentö), domiciled and incorporated in the United States of America (øU.S.ö). The address of the Company's registered offices is Paseo de la Reforma No. 342 Piso 24, Torre New York Life, Colonia Juárez, Mexico City.

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

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

In February 2016, the Company's management approved a plan to market and sell Termoeléctrica de Mexicali, S. de R. L. de C. V. and subsidiaries (øTDMö), as of March 31, 2016, and ahead, the assets and liabilities were classified under current assets and liabilities as held for sale and the corresponding discontinued operation effects in the Pro forma combined statements of profit or loss and other comprehensive income.

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

On December 14, 2016 through Controladora Sierra Juárez, S. de R. L. de C. V. (øCSJö) a subsidiary of the Company completed the acquisition of Fisterra Energy Netherlands III, B. V., Fisterra Energy Netherlands, IV B. V., Fisterra Energy Mexico III, S. de R. L. de C. V., Fisterra Energy Mexico IV, S. de R. L. de C. V., Ventika, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V. (collectively øVentikaö) (øVentika acquisitionö). The final price of the transaction was \$434.7 million, plus the assumption of outstanding debt of \$485.3 million. Ventika has been included in the Company's consolidated financial statements since the acquisition date (December 14, 2016).

## **Description of the DEN Acquisition, the Transaction**

The Transaction consists of the acquisition, through the Company's subsidiary IEnova Pipelines, of 50% of the capital stock of Ductos y Energéticos del Norte, S. de R.L. de C.V. (DEN), which is currently held by Pemex Transformación Industrial (Pemex TRI).

DEN owns a 50% equity interest in the pipeline Ramones II North development entity, TAG Norte Holdings S. de R. L. de C. V. (TAG). Upon consummation of the DEN Acquisition, the Company will hold 100% of the equity interest in DEN and 50% of the equity interest in TAG. Before the acquisition the Company holds 50% of DEN.

The Transaction value is approximately USD\$520 million, it is comprised of: (i) an estimated cash payment of USD\$220 million; (ii) the proportional amount of outstanding debt in TAG Norte Holding, of approximately USD\$289 million, which will not be consolidated in IEnova's financial statements; and (iii) approximately USD\$11 million of accrued interest as of June 30, 2017 related to the loan granted to DEN by Pemex, through its subsidiaries. The cash payment will be subject to customary post-closing adjustments included in the purchase and sale agreement.

## **Description of the financing of the transaction**

The Company expects to finance 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 financial statements.

## **2. Basis for presentation of the pro forma combined financial statements**

The accounting policies applied in the preparation of the pro forma combined financial information comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The pro forma combined statements of financial position and the pro forma combined statements of profit and other comprehensive income have been prepared based on the assumptions that the Company's management believes are appropriate in the current circumstances, taking into account the fact that the Company is in the process of determining the fair value of the assets acquired, as discussed in more detail below.

The pro forma combined financial statements include the pro forma combined statements of financial position as of June 30, 2017 and December 31, 2016 and the pro forma combined statements of profit or loss and other comprehensive income for the six months periods ended June 30, 2017 and 2016, and for the year ended December 31, 2016.

The pro forma combined financial statements present the financial information of the Company as if the DEN Acquisition and its financing occurred (i) with respect to the pro forma combined statements of financial position as of June 30, 2017 and December 31, 2016 respectively and (ii) with respect to the pro forma combined statements of profit or loss, and other comprehensive income for all periods presented on January 1, 2016.

As the IEnova Pipelines acquisition and Ventika acquisition were completed on September 26, 2016 and December 14, 2016, respectively, for comparative purposes, the pro forma combined statements of profit and other comprehensive income for the six months periods ended as of June 30, 2016 and for the year ended December 31, 2016, present the financial information of the Company as if the IEnova Pipelines acquisition and Ventika acquisition occurred as of January 1, 2016.

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

- (1) The historical unaudited condensed interim consolidated statement of financial position of the Company as of June 30, 2017 and the condensed interim consolidated statement of profit or loss and other comprehensive income for the six months periods ended June 30, 2017 and 2016, prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and the annual audited consolidated statement of financial position and profit or loss and other comprehensive income of the Company as of and for the year ended December 31, 2016, prepared in accordance with IFRS.



- (2) The historical unaudited financial information of DEN is derived from the historical interim statements of financial position of DEN as of June 30, 2017 and the interim statement of profit or loss and other comprehensive income for the six months periods ended June 30, 2017 and 2016 and the annual unaudited consolidated statement of financial position and profit or loss and other comprehensive income as of and for the year ended December 31, 2016, prepared in accordance with IFRS.
- (3) The historical unaudited financial information of IEnova Pipelines is derived from the historical interim consolidated statements of profit or loss and other comprehensive income of IEnova Pipelines for the six months period ended June 30, 2016 and for the period ended September 26, 2016 (before the acquisition date), prepared in accordance with the Accounting Principles Generally Accepted in the United States as reconciled to IFRS.
- (4) The historical unaudited condensed interim combined statements of profit or loss and other comprehensive income of Ventika for the six month periods ended June 30, 2016, and for the period ended December 14, 2016 (before the acquisition date), prepared in accordance with IAS 34, Interim Financial Reporting.

### **3. Pro forma adjustments**

Pro forma adjustments as of June 30, 2017 and December 31, 2016, included in the accompanying pro forma combined statements of financial position and for the six months periods ended June 30, 2017 and 2016 and for the year ended December 31 2016, included in the pro forma combined statements of profit or loss and other comprehensive income as described below, represent the DEN Acquisition and its financing had taken place on January 1, 2016 with respect to all pro forma combined profit or loss and other comprehensive income periods.

This information is not intended to present the Company's results of operations or its financial position as though the DEN 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 Acquisition in the pro forma financial statements, management applied certain pro forma adjustments to the historical figures of the related companies. Once the DEN Transaction has been duly approved by the proper authorities and accounting treatment evaluation has been finalized, the Company will recognize the fair values or relative values at the date of the purchase. However, the Company still analyzing the substance of the transaction to confirm its accounting treatment.

***Adjustments to the pro forma combined statements of financial position as of June 30, 2017 and December 31, 2016 and adjustments to the pro forma combined statements of profit or loss and other comprehensive income for the six months periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016:***

- a. The pro forma adjustments represent the consolidation of DEN, elimination of previous equity method of joint venture in the Company from DEN, related party balances and transactions, including payment of debt from stockholders of DEN before the transaction.
- b. The withdrawal of the credit line including the application of the funds to the payment of the transaction.
- c. Consolidation of IEnova Pipelines, elimination of previous equity method from IEnova Pipelines as a joint venture, elimination of balances and transactions with affiliates and gain on remeasurement of equity method investment.
- d. TAG is not part of the assignment agreement. Therefore, the pro forma adjustments exclude the assets and liabilities related to TAG. After the Transaction is consummated, the Company will hold a 50% joint venture investment in TAG.
- e. Pursuant to the Assignment Agreement, tax and accounting treatment of the transaction must be consistent, therefore, it was considered as an acquisition of equity interest for the purposes of income tax law.

**Preliminary recognized amounts of identifiable assets acquired and liabilities assumed of DEN:**

	<b>As of June 30, <u>2017</u></b>	<b>As of December 31, <u>2016</u></b>
Current assets	\$ 15,252	7,184
Non-current assets, property and plant equipment and other assets	95,274	90,605
Current and long ó term liabilities	<u>(3,731)</u>	<u>(2,638)</u>
Total identifiable net assets *	106,795	95,151
Remeasurement in joint venture investments in accordance with pro forma adjustments	124,464	136,108
Proportional amount of TAG Norte Holding financing (non - consolidable)	<u>288,862</u>	<u>288,862</u>
Total consideration transferred	\$ <u><u>520,121</u></u>	<u><u>520,121</u></u>

\* The pro forma adjustments included preliminary recognized amounts of identifiable assets acquired and liabilities assumed and consolidation adjustments of DEN.

The effect on stockholdersø equity is \$(14,098) and \$(14,049), for the periods indicated below including the elimination of DEN, as follows:

<b>Stockholdersø equity</b>	<b>As of June 30, <u>2017</u></b>	<b>As of December 31, <u>2016</u></b>
Capital stock	\$ (331)	(331)
Accumulated other comprehensive income	9,913	1,549
Retained earnings	<u>(23,680)</u>	<u>(15,266)</u>
	\$ (14,098)	(14,048)
	=====	=====

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