Energy for Mexico

ANNUAL FINANCIAL REPORT

2014

Sonora pipeline

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Energía Sierra Juárez (ESJ)

Letter from the Chief Executive Officer and Chairman of the Board of Directors

Dear Shareholders,

In 2014, we completed 18 years from the commencement of operations in Mexico and our first anniversary as a public company and a member of the Prices and Quotations Index of the Mexican Stock Exchange ("BMV"). IEnova's business model continues to demonstrate is effectiveness and capacity to generate value.

2014 was an outstanding year thanks to the materialization of opportunities for investment and growth, as well as IEnova's positioning as a key player in the energy sector. Thanks to our proven track record and technical and financial capacity, at IEnova, we are prepared and ready to continue performing a relevant role in in the energy sector in Mexico.

Our operating results in 2014 were very positive. Our main achievements include the winning of the bid to build and operate the Ojinaga–El Encino gas pipeline, the sale of 50 of our stake in the Energía Sierra Juárez wind park to InterGen and the commencement of commercial operation of the Sásabe–Puerto Libertad segment of the Sonora Pipeline. In the joint venture with Pemex Gas, we completed the construction of the Los Ramones I gas pipeline, which commenced commercial operation in December 2014. Another notable milestone was the contracting of two lines of credit for US$300 million and the signing of two project financing loans for US$240 million for the Energía Sierra Juárez wind park and through the joint venture with Pemex Gas for US$1,276 million for the Los Ramones Norte gas pipeline. IEnova invested US$745 million in the development of its projects, of which 44% was allocated to own projects, 47% was invested through the joint venture with Pemex Gas and 9% through the joint venture with InterGen. The source of these funds was the own flow of the operations and bank financing, including project finance.

IEnova was awarded the "Great Place to Work" distinction and from February 2015, our shares are quoted on the Sustainable Prices and Quotations Index.

We continued to consolidate the best work team necessary to implement growth strategy.

2014 was an outstanding year thanks to the materialization of opportunities for investment and growth, as well as IEnova's positioning as a key player in the energy sector."

We reiterate our commitment to our shareholders to generate value through the implementation of our business model and strategy, the efficiency of our assets and operations and the on–going search for opportunities for growth.

We thank our employees for their work and commitment, our customers for their preference, our board members for their vision and our shareholders for their trust.

Sincerely,

Carlos Ruiz Sacristán
Chairman of the Board and Chief Executive Officer
Infraestructura Energética Nova, S.A.B. de C.V.

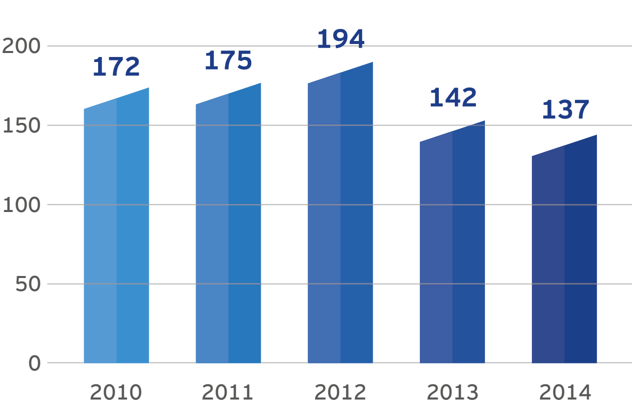
Carlos Ruiz Sacristán
Chairman of the Board and Chief Executive Officer
Infraestructura Energética Nova, S.A.B. de C.V.

Energía Costa Azul Natural Liquifed Natural Gas Storage and Regasification Terminal. Jetty.

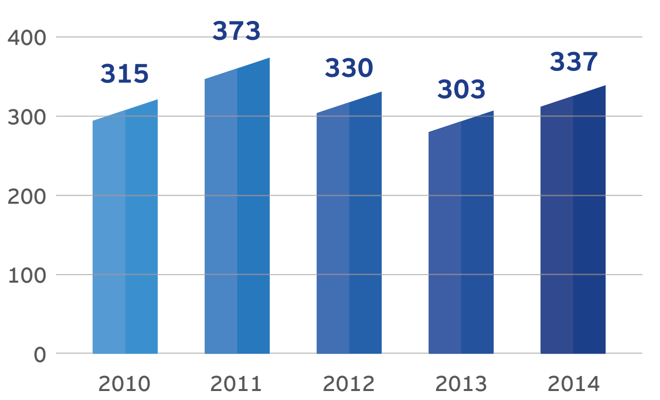
Financial Summary

Millions of dollars, except percentages

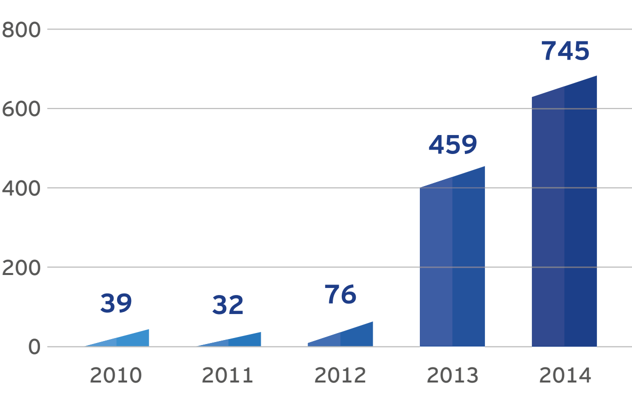
Net Income



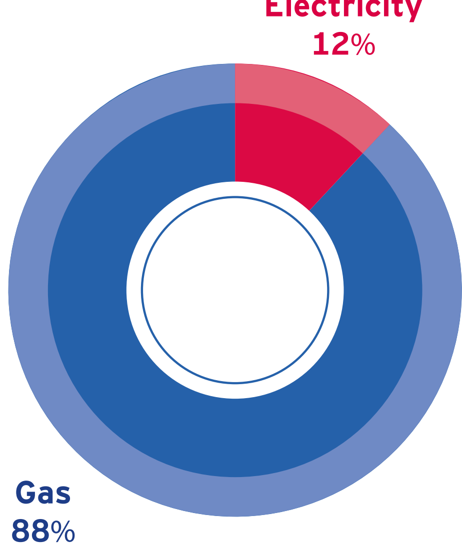
Adjusted EBITDA*



Capital Investment**



Property, plant and equipment – net by segment



*Adjusted EBITDA = EBITDA + EBITDA Adjustment

We define the EBITDA as the consolidated and profit after adding or subtracting, as appropriate: (1) depreciation and amortization; (2) income and net financial (costs); (3) tax expense; (4) certain other (losses) and profits , including the net foreign currency (losses) gains, the net (losses) gains on financial liabilities classified for trading purposes in relation to changes in the fair value of the interest–rate swaps and the effects of inflation on refunds of creditable value added tax, and (5) profit shares of the joint ventures, net of taxes on earnings.

We define the Adjustment to the EBITDA of the joint venture as our 50 of the consolidated earnings of the joint ventures with PEMEX and InterGen, after adding or subtracting, as appropriate: (1) depreciation and amortization; (2) income and net financial (costs); (3) the (expense) benefit of taxes on earnings; (4) other (losses) and gains, and (5) profit shares of the joint ventures, net of taxes on earnings. Our investments in joint ventures are accounting for using the equity method.

**Includes 50 of the capital investments in the joint ventures with Pemex Gas and InterGen.

Termoeléctrica de Mexicali

Mission

To develop, construct and operate an energy infrastructure, thereby contributing to Mexico's development and creating value for our shareholders within a framework of ethics, safety, respect and commitment to our employees, the environment and the community to which we belong.

Vision

To be the leading energy infrastructure company in Mexico that contributes to promoting the country's sustainable growth, competitiveness and development.

Values

Ethical

Do the right thing

- Act with honesty and integrity
- Be open and fair
- Keep our commitments
- Earn people's trust

Respectful

Value people

- Listen, communicate clearly, be candid
- Embrace diversity of people and perspective
- Contribute individually, succeed as a team
- Treat safety as a way of life

High–performing

Achieve outstanding results

- Set tough goals and achieve them, act with urgency
- Reward superior performance, acknowledge success
- Learn and improve
- Be reliable

Forward–looking

Shape the Future

- Think strategically and critically
- Anticipate market needs
- Actively pursue and create opportunities
- Implement with discipline and manage risks

Responsible partner

Create positive relationships

- Engage others, respect, accept opinions, collaborate
- Support communities
- Be a responsible environmental steward
- Do what we say we will do

Sonora pipeline, Storage Yard

Governed by a framework of ethics and values, we work daily in order to offer our consumers clean, safe and reliable energy.

Corporate Ethics

At IEnova, we conduct ourselves in accordance with our Code of Ethics, which includes a series of institutional values that define how we interact with our different stakeholders.

Our values are:

- Ethics
- Respect
- Excellent performance
- Forward–looking vision
- Responsible partner

All our employees must read, be familiar with and sign our Code of Ethics, as well as attend the annual ethics and standards compliance training sessions.

All IEnova's suppliers, contractors and service providers must declare to be aware of our Code of Ethics and shall be required to apply the principles contained therein.

All IEnova's employees are required to comply with the applicable national and international anti–corruption and anti–bribery laws. These laws include the Federal Public Procurement Anti–Corruption Law in Mexico, the Foreign Corrupt Practices Act and the Organization for Economic Corporation and Development's (OECD) Convention Against Corruption among Public Officials in International Commercial Transactions. In order to ensure their compliance, all transactions and the disposal of assets in the Company are constantly registered and monitored.

Standards of Integrity

1. Safety
2. Customer relations - public safety
3. A workplace free from discrimination and harassment
4. A violence–free workplace
5. No intimidation in the workplace
6. No use of illegal substances and alcohol
7. Confidentiality and privacy
8. Environmental protection
9. Community activities
10. Anti–corruption and anti–bribery
11. Participation in politics
12. Fair competition
13. Government relations
14. Acquisition of goods and services
15. Regulatory compliance
16. Business gifts and gratuities
17. Securities trading.
18. Conflicts of interest.
19. Intellectual property
20. Internal business controls
21. Financial information
22. Payments and undue collections
23. The Company's Assets
24. Foreign Corrupt Practices Act (FCPA)

Board of Directors

Carlos Ruiz Sacristán	Chairman
Andrés Conesa Labastida	Independent Member
Jeffrey S. Davidow	Independent Member
Aarón Dychter Poltolarek	Independent Membere
Joseph A. Householder	Member
Arturo Infanzón Favela	Member
George Sam Liparidis	Member
Luis Eduardo Pawluszek	Member
Mark Alan Snell	Member
James H. Lambright	Substitute Member
Randall Lee Clark	Non–member Secretary
René Buentello Carbonell	Assistant Non–member Secretary
Rodrigo Cortina Cortina	Assistant Non–member Secretary

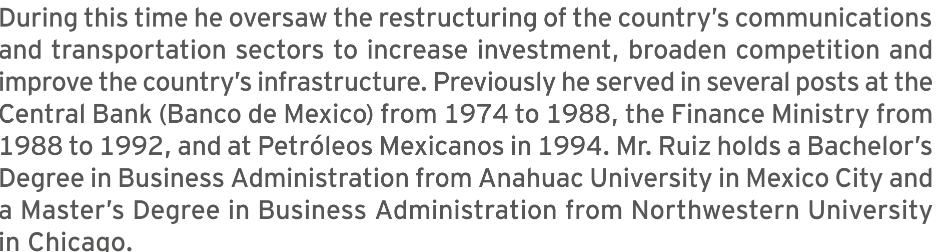
Board of Directors

The Board of Directors is composed of nine owner–members, of which three are independent in accordance with the Securities Market Law. Our Board Members have proven experience and reputations in areas such as energy, finance, international relations, public policy, transportation, as well as an overall view of business and industry. With their broad experience, the Board members provide valuable oversight to our Company. They also review the business plans and performance, the comprehensive risk management and the succession plan, the advances made in sustainability, as well as establishing the Corporate Governance guidelines that steer IEnova in its operation.

Carlos Ruiz Sacristán

Carlos Ruiz is the Company's Chief Executive Officer and Chairman of the Board of Directors. Prior to his joining the Company, from 2007 to his appointment as Chairman of the Board of Directors of the Company in June, 2012, Carlos Ruiz Sacristán was a member of the Board of Directors of Sempra Energy.

Since June, 2012, Carlos Ruiz Sacristán has been in charge of handling all the transactions of Sempra Energy in Mexico. Carlos Ruiz Sacristán is a partner in the consulting firm that provides advisory in infrastructure subjects and investment banking called Proyectos Estratégicos Integrales, S.C. Mr. Ruiz currently serves on the boards of directors of Southern Copper Corp., Banco Ve por Más, S.A. de C.V. and Grupo Creatica, S.A. de C.V. Prior to joining Proyectos Estratégicos Integrales, S.C. in 2001, Mr. Ruiz served as Mexico's Secretary of Communications and Transportation during the administration of Dr. Ernesto Zedillo Ponce de León from 1994 to 2000.



During this time he oversaw the restructuring of the country's communications and transportation sectors to increase investment, broaden competition and improve the country's infrastructure. Previously he served in several posts at the Central Bank (Banco de Mexico) from 1974 to 1988, the Finance Ministry from 1988 to 1992, and at Petróleos Mexicanos in 1994. Mr. Ruiz holds a Bachelor's Degree in Business Administration from Anahuac University in Mexico City and a Master's Degree in Business Administration from Northwestern University in Chicago.

Dr. Andrés Conesa Labastida

Dr. Andrés Conesa Labastida is a Member of the Board of Directors of the Company and he has been the Chief Executive Officer of Aeroméxico since 2005.

Dr. Conesa has been a member of the Board of Governors of the International Air Transport Association (IATA) since 2008 and has been appointed to Chair this important Board as of June 2015. In November 2013, he was elected to Chair the Executive Committee of ALTA (Latin American and Caribbean Air Transport Association), being the first Mexican to head this continental entity in 20 years. He also chaired the Council of Directors of the National Chamber of Aviation (CANAERO) in Mexico in 2013.

Dr. Conesa has been a board member for companies such as Bolsa Mexicana de Valores in 2007 and Genomma Lab Internacional since 2012. Dr. Conesa obtained his Bachelor of Arts in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and his Ph.D. is in Economics from the Massachusetts Institute of Technology. He was awarded Fulbright and Ford–MacArthur scholarships, and in 1997 he was the recipient of the National Prize for Economics.

Jeffrey S. Davidow

Jeffrey Davidow is a Member of the Board of Directors of the Company and he has extensive diplomatic experience both in Latin America and in Africa. Mr. Davidow served as U.S. Ambassador to Venezuela from 1993 to 1996 and as U.S. Assistant Secretary of State for the Western Hemisphere from 1996 to 1998.

From 1998 to 2002, he served as U.S. Ambassador to Mexico. In 2003, he retired from the U.S. State Department with the rank of Career Ambassador, the highest position in the Foreign Service which, by law, can be held by no more than five individuals at one time. Since leaving the Foreign Service, he served for eight years as President of the Institute of the Americas in San Diego, a public policy body focused on Latin America. He is currently Senior Advisor for the Cohen Group, an international consulting firm based in Washington, D.C.

Ambassador Davidow has published articles on Foreign Policy and Foreign Affairs and has authored two books, one on international negotiation and the title of the other is: "The U.S. and Mexico: The Bear and the Porcupine." In addition to speaking frequently on hemispheric policy and on Mexican developments for organizations such as the North American Forum on Integration, the Trilateral Commission, the Woodrow Wilson Center, the Pacific Council, the Chinese Academy of Social Sciences and the Inter–American Development Bank, Ambassador Davidow served as an adviser to President Obama for the 2009 Summit of the Americas.

He received a Bachelor of Arts from the University of Massachusetts and a Master of Arts from the University of Minnesota.

Dr. Aarón Dychter Poltolarek

Dr. Aarón Dychter is a Member of the Board of Directors of the Company and he is the President and Founder of ADHOC Consultores Asociados, S.C., which provides consulting services in infrastructure, transportation and energy investment projects.

From December 1994 to December 2006, Dr. Dychter was Undersecretary of Transportation in the Communications and Transportation Ministry, in which capacity he led the privatization processes for railways and airports in Mexico, as well as the creation of the first suburban train system for Mexico City. Previously, he worked for the Ministry of Finance and Public Credit, the Programming and Budget Ministry and the Energy Ministry.

Dr. Dychter serves on the board of directors of Grupo Aeroportuario del Centro Norte and Empresas ICA, and was previously on the board of directors of Grupo Aeroportuario del Sureste, Grupo Aeroportuario Centro Norte, Grupo Aeroportuario del Pacifico and Grupo Aeroportuario de la Ciudad de Mexico. He is a graduate of the University of the Americas and holds a Master's Degree and a Ph.D. in Economics from George Washington University. Currently, he is Adviser (as part of Project Management) on the new Mexico City airport project

Joseph A. Householder

Joseph A. Householder is Executive Vice–President and Chief Financial Officer of Sempra Energy. From 2006 to 2011, Mr. Householder was Senior Vice–President, Controller and Chief Accounting Officer of Sempra Energy, in which capacity he was responsible for financial reporting, accounting and controls, as well as tax functions for Sempra Energy and all its companies.

Before that, he served as Vice–President of Corporate Tax and Chief Tax Counsel for Sempra Energy, where he oversaw Sempra Energy's worldwide tax affairs. Prior to joining Sempra Energy in 2001, Mr. Householder was a partner at PricewaterhouseCoopers in the firm's domestic tax office. From 1986 to 1999, he served as Vice–President of Corporate Development and Assistant Chief Financial Officer at Unocal, where he was responsible for worldwide tax planning, financial reporting and budget forecasting as well as mergers and acquisitions.

Mr. Householder currently serves on the board of directors of Pacific Enterprises Inc., Southern California Gas Company, EnergySouth Inc., the San Diego Regional Economic Development Corporation, and San Diego Gas & Electric Company, and is a member of the Tax Executives Institute, the American Institute of Certified Public Accountants, the California Bar and the American Bar Association. He holds a law degree from Loyola Law School and a Bachelor's Degree in Business Administration from the University of Southern California.

Arturo Infanzón Favela

Arturo Infanzón is a Member of the Board of Directors of the Company and the Company's Executive Vice–President of Operations and Finance.

Previously, Mr. Infanzón was Vice–President for Mexico and Director of Operations of Sempra International. He was previously the Controller of Operations in Mexico and General Manager of Ecogas, S. de R.L. de C.V. Prior to joining Sempra Energy in 1997, Mr. Infanzón worked at Price Waterhouse and the First National Bank. Mr. Infanzón currently serves on the board of directors of Chilquinta Energía, S.A. and Luz del Sur, S.A.A., companies controlled by Sempra Energy.

He holds a Bachelor's Degree in Accounting from the Universidad Autónoma de Baja California in Mexico and a Master's Degree in Finance from San Diego State University.

George S. Liparidis

George S. Liparidis is a Member of the Board of Directors of the Company and director of midstream development of Sempra Energy. From 2011 to 2013 Mr. Liparidis was President and Chief Executive Officer of Sempra International, a corporation that develops, builds and operates energy infrastructure assets and distributes electricity and natural gas to customers in Mexico, Chile, Peru and Argentina.

Previously, Mr. Liparidis was President and Chief Executive Officer of Sempra Pipelines & Storage. Before joining Sempra Energy, Mr. Liparidis was Vice President of Enova International, the international subsidiary of Enova Corporation. Enova Corporation merged with Pacific Enterprises to form Sempra Energy in 1998. In this position, he was responsible for business development and operations in Mexico. Before that, from 1992 to 1996, he served as project manager for SDG&E, another Enova Corporation subsidiary. Previously, he worked as director of Financial Analysis and Planning for Energy America, an independent power producer. Mr. Liparidis served on the board of directors of Chilquinta Energía, S.A., and Luz del Sur, S.A.A., companies controlled by Sempra Energy, and on the board of the Institute of the Americas and Council of the Americas.

Mr. Liparidis has a Bachelor's Degree in Mechanical Engineering from the University of Utah and a Master's Degree in Business Administration from San Diego State University. George S. Liparidis retired in February 2015, after a 35-year career with Sempra Energy.

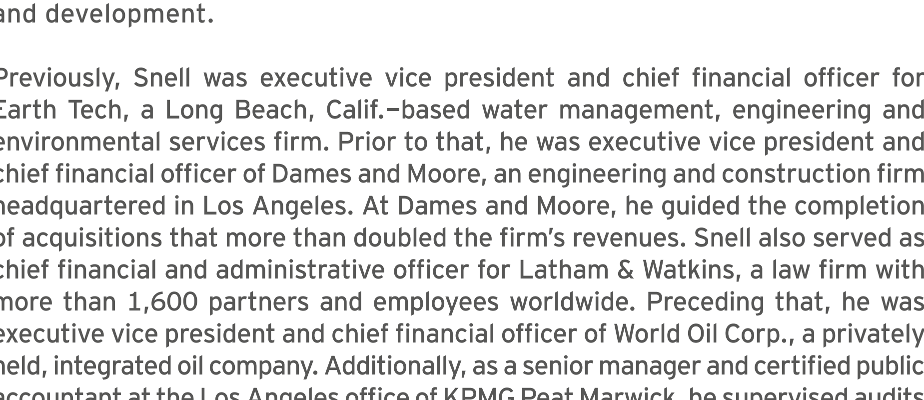
Eduardo Pawluszek

Eduardo Pawluszek is a Member of the Board of Directors of the Company and Vice-President of Asset Development for Sempra LNG, where he leads Sempra Energy's efforts to develop, build and operate liquefied natural gas (LNG) reception terminals and liquefaction facilities. Previously, Mr. Pawluszek was Vice-President of South American Operations for Sempra International, where he was responsible for the operations of Chilquinta Energía, S.A. in Chile, Luz del Sur, S.A.A. in Peru and their respective subsidiaries. Prior to that Mr. Pawluszek served in various positions at AEI Houston, including as Executive Vice-President and Chief Financial Officer of AEI's Argentine subsidiaries Emgasud and EDEN. Mr. Pawluszek has been a member of the board of directors of leading energy companies in Peru, Chile, Colombia and Argentina.

He served as Director of Finance at TGS, where for several years he was responsible for financial management and investor relations. Mr. Pawluszek worked for the Royal Bank of Canada in corporate client business development areas in Argentina and Chile. He currently serves on the board of directors of Chilquinta Energía, S.A. and Luz del Sur, S.A.A., companies controlled by Sempra Energy and was on the board of directors of Emgasud and EDEN. Mr. Pawluszek holds a Bachelor's Degree in Public Accounting from Universidad de Buenos Aires and a Master's Degree in Finance and Capital Markets from Escuela Superior de Economía y Administración de Empresas.

Mark A. Snell

Mark A. Snell is a Member of the Board of Directors of the Company and President of Sempra Energy. From 2005 to 2011, Snell was executive vice president and chief financial officer of Sempra Energy. Previously, Snell was group president overseeing Sempra Energy's businesses outside of the company's two California utilities. In that position, he oversaw all aspects of Sempra Energy's activities in competitive energy markets, including energy trading, electric generation, liquefied natural gas, pipelines and storage facilities, international utilities and retail energy marketing. Prior to that, he served as chief financial officer of this group. Snell joined Sempra Energy in 2001 as vice president of planning and development.



Previously, Snell was executive vice president and chief financial officer for Earth Tech, a Long Beach, Calif.-based water management, engineering and environmental services firm. Prior to that, he was executive vice president and chief financial officer of Dames and Moore, an engineering and construction firm headquartered in Los Angeles. At Dames and Moore, he guided the completion of acquisitions that more than doubled the firm's revenues. Snell also served as chief financial and administrative officer for Latham & Watkins, a law firm with more than 1,600 partners and employees worldwide. Preceding that, he was executive vice president and chief financial officer of World Oil Corp., a privately held, integrated oil company. Additionally, as a senior manager and certified public accountant at the Los Angeles office of KPMG Peat Marwick, he supervised audits and acquisition support activities by client companies.

Snell is a member and Chairman of the board of directors of San Diego State University's College of Business Administration and a member of the board of trustees of Hubbs-SeaWorld Research Institute and Rady Children's Hospital and Health Center. He holds a bachelor's degree in accounting from San Diego

State University.

James H. Lambright

James H. Lambright is Senior Vice-President of Corporate Development for Sempra Energy.

In that position, Mr. Lambright directs Sempra Energy's investments, strategic partnerships and acquisitions. Mr. Lambright's earlier leadership roles include four years as Chairman and Chief Executive Officer of the United States Export-Import Bank, an independent government corporation based in Washington, D.C. which is responsible for financing U.S. exports to more than 150 countries. During the financial crisis of 2008 to 2009, Mr. Lambright served as Chief Investment Officer of the U.S. Treasury Department's $700 billion Troubled Asset Relief Program (TARP).

He has also worked as an officer and director of renewable energy companies. Mr. Lambright graduated with honors from Harvard Law School and with distinction from Stanford University. He is a Henry Crown Fellow of the Aspen Institute and currently serves on the board of Peace Players International, a Washington, D.C.-based nonprofit organization.

Key Directors

Carlos Ruiz Sacristán	Chief Executive and Chairman of the Board of Directors
Arturo Infanzón Favela	Executive Vice President of Operations and Finance
René Buentello Carbonell	Vice President and General Counsel
Gerardo De Santiago Tona	Executive Vice President of Operations and Construction
Tania Ortiz Mena López Negrete	Executive Vice President of Development
Carlos Barajas Sandoval	Vice President of Operations
Jesús Córdoba Domínguez	Vice President of Engineering and Construction
Manuela Molina Peralta	Vice President of Finance
Juan Rodríguez Castañeda	Vice President of Corporate Affairs and Human Capital
Roberto Rubio Macías	Controller

Experience and positions held by the key directors of IEnova.

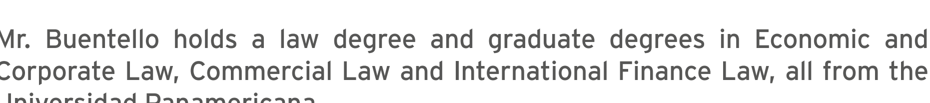
Carlos Ruiz Sacristán. Please refer to the Board of Directors section.

Arturo Infanzón Favela. Please refer to the Board of Directors section.

René Buentello Carbonell

René Buentello Carbonell. Rene Buentello has been the Company's Pro–Secretary and General Counsel since 2010, and has been Vice President and General Counsel since 2014.

Previously, René Buentello served as Business Development Director at El Paso Corporation in Mexico from 2008 to 2010. Mr. Buentello began his corporate lawyer career at the industrial division of Grupo Carso, where he served as Legal Manager at Grupo Nacobre and Grupo Aluminio and Alternate Secretary and Secretary, respectively, of the Board of Directors of those companies from 1990 to 2002, and later he joined PEMEX, where he served in various positions in the transportation and logistical areas, developing infrastructure projects and promoting public–private partnerships in the areas allowed by the legal framework from 2002 to 2008.



Mr. Buentello holds a law degree and graduate degrees in Economic and Corporate Law, Commercial Law and International Finance Law, all from the Universidad Panamericana.

Gerardo De Santiago Tona

Gerardo De Santiago has been the Company's Executive Vice–President of Operations and Construction since May 2010.

Previously, Gerardo De Santiago was Manager of Sempra Pipelines & Storage México from 2008 to 2010, which became part of Sempra International in January 2012. Gerardo De Santiago served as General Manager of Ecogas from 2001 to 2008. Before joining Sempra Energy in 2001, Gerardo De Santiago worked for the Municipal Water System of Saltillo from 1997 to 2000 and for the CFE from 1992 to 1997.

Gerardo De Santiago holds a Bachelor's Degree in Industrial Engineering from the Universidad Autónoma del Noreste in 1991 and a Master's Degree in Business Administration from the Universidad Autónoma de Nuevo León in 1996..

Tania Ortiz Mena López Negrete

Tania Ortíz Mena has been the Company's Chief Development Officer for since July 2014. Previously she served as the Company's Vice President for Business Development and External Affairs from 2009 to 2012, Vice President of External Affairs from 2009 to 2012, Director of Governmental and Regulatory Affairs from 2002 to 2009 and as the Company's General Manager from 2000 to 2002. Before joining Sempra Energy in 2000, Ms. Ortíz Mena worked at PMI Comercio Internacional, a subsidiary of PEMEX, as Assistant Commercial Manager for Refined Products from 1994 to 1999. Tania Ortíz Mena holds a Bachelor's Degree in International Relations from the Universidad Iberoamericana in 1993 and a Master's Degree in International Relations from Boston University in 1994.

Tania Ortíz Mena currently serves as member of the Mexican Council for International Affairs, she is President of the Mexican Natural Gas Association (Asociación Mexicana de Gas Natural, A.C.) and member of the World Energy Council, Mexico chapter.

Carlos Barajas Sandoval

Since February 2014, Carlos Barajas has been the Company's Vice President of Operations. Previously, from June 2013, Mr. Barajas was the Company's Vice President for Gas.

Before joining the Company, Carlos Barajas was General Director of the LNG Terminal in Altamira from 2007 to 2013; Business Development Director at Shell México from 2005 to 2007; Commercial Director at InterGen Méxco from 2000 to 2005; and Commercial Manager at Energía Mayakan from 1997 to 2000. Carlos Barajas holds a bachelor's degree in Civil Engineering from the Instituto Politécnico Nacional, 1992, a master's degree in Engineering from the University of British Columbia, 2000, and a master's degree in Economics by Universidad Anáhuac, 2007.

Jesús Córdoba Domínguez

Since 2012, Jesus Cordoba has been the Company's Vice President of Engineering and Construction. From 2010 to 2012 he acted as Director of Transportation Operations. Previously, Jesus Cordoba acted as Project Manager for subsidiaries of El Paso Corporation in Mexico from 2001 to 2010 and as Superintendent with TransCanada Pipelines in Mexico from 1998 to 2001.

Jesus Cordoba has 33 years of experience in project execution infrastructure, including 18 years of experience in project management in the construction industry in Mexico. Jesus Cordoba is a graduate of Civil Engineering from the Universidad La Salle, specializing in project management.

Manuela Molina Peralta

Manuela ("Nelly") Molina has been the Company's Vice President of Finance since July 2010.

Previously she served as Vice President of Finance at El Paso Corporation in Mexico from 2001 to 2010. Before working at El Paso Corporation (Mexico), Ms. Molina was General Manager of Kinder Morgan (Mexico), building and operating the first natural gas distribution company in Hermosillo, Sonora, from 1997 to 2001. Ms. Molina holds a Bachelor's Degree in Accounting, she graduated with honors from the Universidad de Sonora in 1995 and she holds a Master's Degree in Finance from the Instituto Tecnológico de Estudios Superiores de Monterrey.

Ms. Molina is the first woman to assume as national president of the Mexican Institute of Finance Executives (Instituto Mexicano de Ejecutivos de Finanzas) in 2015. During 2013, she was President for the Mexico City Chapter. In 2011 she was founder of the Infrastructure National Technical Committee and is member of the Corporate Finance, Corporate Governance and Financial Intermediaries National Technical Committees.

Juan Rodríguez Castañeda

Juan Rodriguez Castañeda has been IEnova´s Vice President of Corporate Matters and Human Resources since July 2014. Before joining IEnova he worked for 10 years in the aviation sector, where he served as Chief Corporate & Industry Affairs Officer from 2013 to 2014, Chief Human Resources Officer from 2010 to 2013 in Aeromexico, Chief Executive Officer in SEAT, currently Aeromexico Servicios in 2010 and Chief Executive Officer in Aeromexpress currently Aeromexico Cargo from 2004 to 2010.

Juan Rodriguez Castañeda also served in the Mexican Public Administration from 1988 to 2004 including positions within the Secretary of Finance and Public Credit, Secretary of Communication and Transportation (SCT), PEMEX, as well as the Office of the Presidency, his most relevant positions were Chief of Staff for three Secretaries and General Coordinator of Planning at the Secretary of Communication and Transportation. Juan Rodriguez Castañeda holds a bachelor´s degree in Economics from Instituto Tecnológico Autónomo de México (ITAM).

Roberto Rubio Macías

Roberto Rubio has been the Company's Comptroller since 2012. He was Foreign Investments Accounting Manager at Sempra San Diego from July 2011 to October 2012 and Manager of Internal Auditing of Luz del Sur, S.A.A (a Sempra Energy subsidiary in Lima, Peru) from January to June 2011. Mr. Rubio served as IEnova's Financial Reporting Manager from 2007 to 2010 in Tijuana, Comptroller of Termoeléctrica de Mexicali from 2005 to 2007, the Company's Accounting Manager in Tijuana from 2003 to 2005 and Comptroller at Ecogas, S. de R.L. DE C.V. in Chihuahua from 2001 to 2003. Before joining Sempra Energy in 2001, Mr. Rubio worked from 1998 to 2001 as Administrative Manager in Denimtex, a textile products manufacturer with more than 800 employees, as Regional Administrative Supervisor at British American Tobacco from 1996 to 1998 and as Senior Auditor at Deloitte Chihuahua, Galaz, Yamazaki, Ruiz Urquiza, S.C. from 1993 to 1996. Mr. Rubio holds an Accounting Degree from the Universidad Autónoma de Chihuahua, 1995, and a Master's Degree in Business Administration, 2001, from the Universidad Autónoma de Chihuahua, and is a Certified Public Accountant certified by the Mexican Public Accountants Institute in 2001.

Energía Sierra Juárez (ESJ)

Audit Committee

The Audit Committee supports the Board of Directors in:

1. Confirming the reliability of the financial and operational information reported by IEnova's Management to the Board of Directors for approval, considering the status of the Company's internal control and auditing systems, as well as the opinion of the Company's external auditor.

2. Preparing the reports required by the Securities Market Law.

Members:

Aarón Dychter Poltolarek	Chairman
Andrés Conesa Labastida	Audit Committee Member
Jeffrey S. Davidow	Audit Committee Member

Corporate Practices Committee

The Corporate Practices Committee supports the Board of Directors in:

1. Approving the policies and guidelines for the related–party transactions.

2. Appointing IEnova's Chief Executive Officer and his integral remuneration.

3. Determining the policies for the appointment and integral remuneration of the key directors.

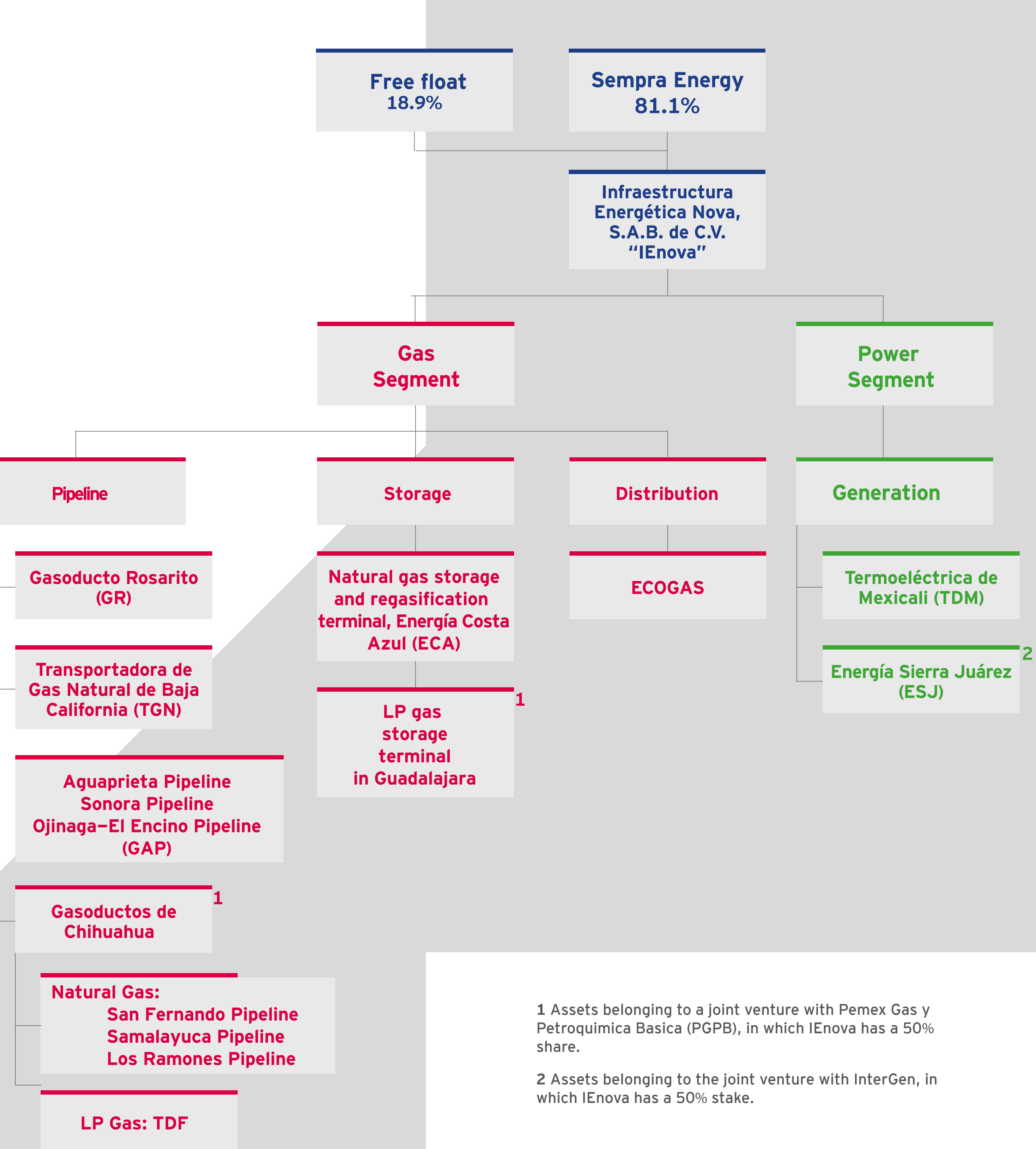
4. Preparing the reports required by the Securities Market Law.

Members:

Andrés Conesa Labastida	Chairman
Aarón Dychter Poltolarek	Corporate Practices Committee Member
Jeffrey S. Davidow	Corporate Practices Committee Member
Arturo Infanzón Favela	Corporate Practices Committee Member

Energía Costa Azul (ECA)

Corporate Structure



1 Assets belonging to a joint venture with Pemex Gas y Petroquimica Basica (PGPB), in which IEnova has a 50% share.

2 Assets belonging to the joint venture with InterGen, in which IEnova has a 50% stake.

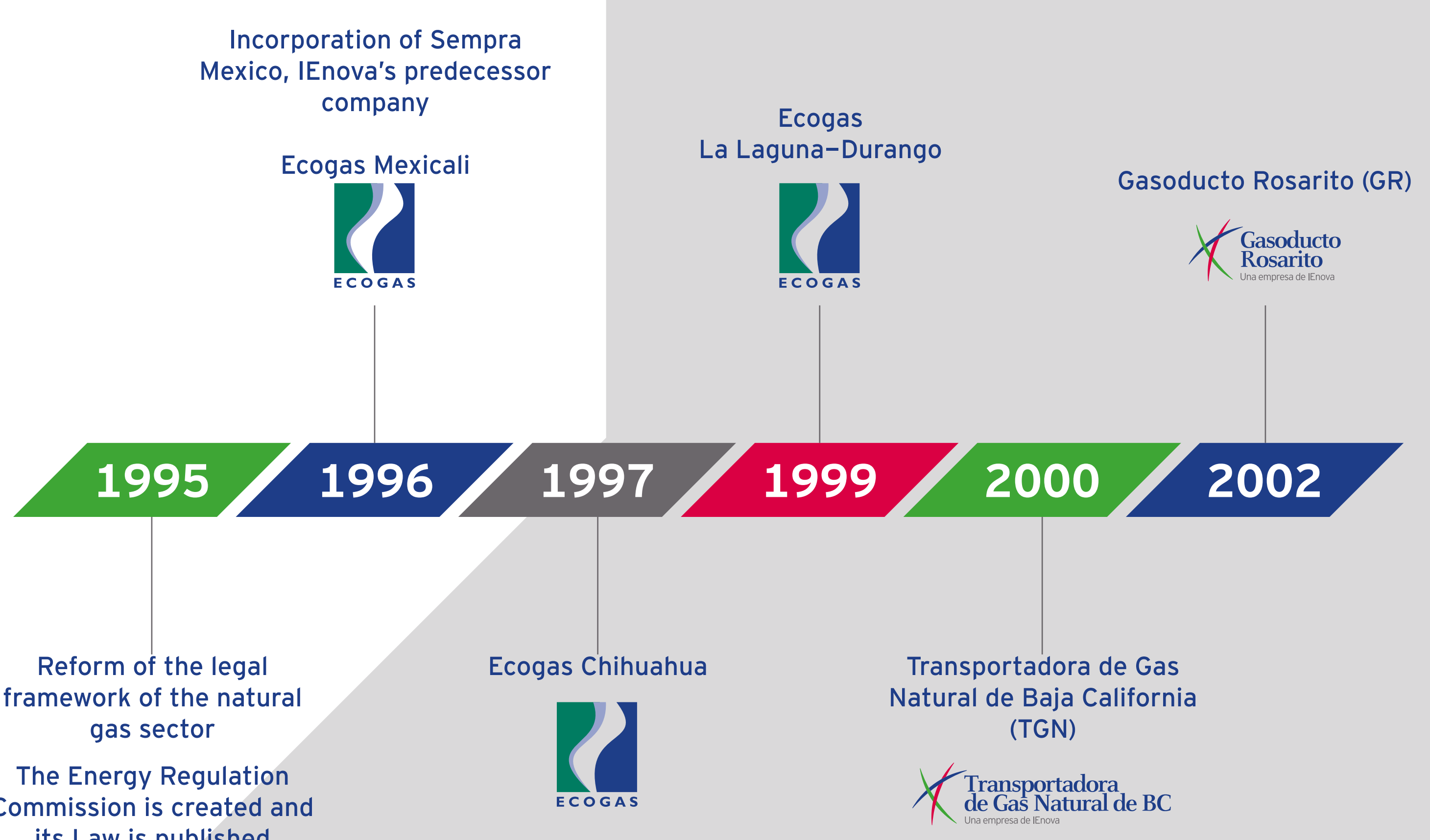
Energía Costa Azul Natural Liquifed Natural Gas Storage and Regasification Terminal

Sonora pipeline

History, Business and Operations

IEnova's History of Leadership

Over the years, we have defined a state–of–the–art profile that sets us apart in the energy sector in Mexico. Proof of this is that in March 2013, we became the first company of our kind to be listed on the Mexican Stock Exchange ("BMV"). Also in 2014, we were among the best–performing companies on said Index.



2003

Termoeléctrica de Mexicali (TDM)

2008

Energía Costa Azul (ECA) Storage Terminal

2010

Acquisition of El Paso assets: The Naco Compression Station, the Aguaprieta pipeline and a 50% stake in Gasoductos de Chihuahua (a joint venture with PGPB)

2012

Signing of Ethane pipeline Contract (joint venture). Award and signing of Sonora Pipeline Contract

2013

Debt placement of USD$408.3 million

Share issue USD$598.8 millions

IEnova's shares are part of the IPC Mexican Stock Index of the Mexican Stock Exchange ("BMV")

Began construction of Los Ramones I pipeline(joint venture with PGPB)

Began operations of LPG Terminal in Guadalajara (joint venture with PGPB)

Began construction of Energía Sierra Juárez

Began construction of Sonora pipeline

Began construction of Ethane pipeline (joint venture with PGPB)

2014

Listing on the Sustainable Prices and Quotations Index

50% joint venture with InterGen Energía Sierra Juárez wind park

Signing of Los Ramones Norte Contract (joint venture with PGPB)

Signing of financing contract for the Los Ramones Norte project and the Energía Sierra Juárez wind park

Start of operations of Los Ramones I and the Sásabe - Puerto Libertad segment of the Sonora Pipeline

Award and signing of the Ojinaga–El Encino gas pipeline contract awarded and signed

Great Place to Work " Best Companies to Work For in Mexico" (GPTW) Certification

Award of the Socially Responsible Company Distinction for first time

As proof of our commitment to maintain our leadership, we ended 2014 with two historic achievements. In November, we won the Federal Electricity Commission's tender to develop 220 km of the Ojinaga–El Encino gas pipeline. On December 2, we commenced operations in the Sásabe - Puerto Libertad segment of the largest gas pipeline construction project in the country, the Sonora Pipeline, which will be more than 800 km long. These facts demonstrate the solidity and commitment we have as a Company.

Business Segments

At IEnova, we develop, build and operate energy infrastructure in Mexico through two business segments: Gas and Power.

Assets in Operation

Segment	Type	Logo	Name	Characteristics
Gas	Pipeline	Gasoducto Aguaprieta	Sonora pipeline (Sásabe–Puerto Libertad segment)	220 km
		Gasoducto Rosarito	Rosarito pipeline	302 km
		Transportadora de Gas Natural de BC	Transportadora de Gas Natural de Baja California (TGN)	45 km
		Gasoducto Aguaprieta	Aguaprieta pipeline (GAP)	13 km
		IEnova	Naco Compression Station	14,340 hp
		Gasoductos de Chihuahua	Los Ramones I pipeline*	114 km
		Gasoductos de Chihuahua	San Fernando pipeline*	114 km
		Gasoductos de Chihuahua	Samalayuca pipeline*	37.7 km
		Gasoductos de Chihuahua	TDF LPG pipeline*	190 km
	Storage	Gasoductos de Chihuahua	Storage in the Terminal de Gas L.P. de Guadalajara *	80,000 bl
		Energía Costa Azul	Natural gas storage and regasification terminal, Energía Costa Azul (ECA)	320,000 m³
	Distribution	ECOGAS	ECOGAS	3,524 km natural gas distribution pipeline 106,221 customers
Electricity	Thermoelectrical	Termoeléctrica de Mexicali	Termoeléctrica de Mexicali (TDM)	625 MW

Projects in construction and development

Segment	Name	Characteristics	Description
Gas Pipeline	Sonora pipeline (Gasoducto Aguaprieta)	835 km 36″ and 30″ diameter Capacity of 770 mcfd	Natural gas transportation pipeline consisting of two interconnected segments located in the States of Sonora and Sinaloa. 220 kms entered operation at the end of 2014 and 615 kms are currently in construction. The operation date of the entire pipeline is scheduled for the third quarter of 2016.
	Ojinaga – El Encino pipeline (Gasoducto Aguaprieta)	220 km 42 diameter Capacity of 1,356 mcfd	Natural gas transportation pipeline that runs from the Waha–Presidio pipeline located on the US border and will run to El Encino in the State of Chihuahua. It is expected to commence operations in the first quarter of 2017.
	Ethane pipeline* (Gasoductos de Chihuahua)	224 km Total combined capacity of 151.9 mpcd	First private ethane transportation system in Mexico. It will transport ethane from PEMEX's processing installations in Tabasco, Chiapas and Veracruz to the ethylene and polyethylene polymerization plant Etileno XXI located in Veracruz. The commercial operation date of the first segment is scheduled for January, the second segment for May and the third segment for June 2015.
Electricidad	Energía Sierra Juárez**	155 MW Wind park	The first cross–border power generation project using renewable sources in Mexico. Operations are expected to start in first quarter 2015.

*Assets belonging to a joint venture with Pemex Gas y Petroquimica Basica (PGPB), in which IEnova has a 50% stake.

**An asset belonging to the joint venture with InterGen, in which IEnova has a 50% stake.

Ecogas
Sonora pipeline
Ecogas

Cities covered:

Mexicali

Chihuahua

Delicias

Anáhuac

Torreón

Gómez Palacio

Durango

Birth of IEnova

IEnova was one of the first private companies to enter the energy infrastructure industry in Mexico in the mid–1990s as a result of the regulatory reforms to the Mexican gas sector in 1995.

These reforms allowed private participation in natural gas pipelines, distribution and storage. Since 1997, IEnova's presence has increased through the development of projects, organic growth and acquisitions;having invested approximately US$ 3 billion in energy infrastructure works in Mexico, including assets in operation and construction.

Ecogas is IEnova's brand that operates the natural gas distribution system in seven cities in three geographical areas: Mexicali, Chihuahua and La Laguna–Durango.

This system consists of pipelines of an approximate length of 3,524 km and serves approximately 106,000 industrial, commercial and residential customers.

Gas Segment

At IEnova, we are engaged in the development, construction and operation of energy infrastructure in Mexico, which is divided into two business segments: Gas and Power.

The Gas Segment consists of:

- Natural gas distribution in seven cities through the Ecogas brand.
- Natural gas transportation through the systems: Transportadora de Gas Natural, Gasoducto Rosarito and Gasoducto Aguaprieta. IEnova built the first natural gas pipeline in the state of Baja California and has been the sole developer of open–access natural gas pipelines in that state. Our pipelines have allowed the Federal Electricity Commission to convert its electricity generating plants to natural gas, which were previously powered by fuel oil. IEnova is the main supplier of natural gas to the Federal Electricity Commission in the state of Baja California.
- Liquified natural gas (LNG) regasification and storage at our Energía Costa Azul terminal in Ensenada, Baja California: developed by IEnova and commissioned in 2008, this is the first LNG storage terminal on the west coast of the American continent; the Gasoducto Rosarito connects the terminal with the existing gas pipelines along the US border.

The Gas Segment includes natural gas distribution, transportation and storage operations.

Characteristics of our assets

Sonora pipeline, stockyard

* Considering that IEnova has a 50 stake in the capital stock of each of the joint ventures: Gasoductos de Chihuahua and Energía Sierra Juárez, IEnova includes their results in its financial statements in accordance with the equity method.

Energía Sierra Juárez (ESJ)

> Powered by natural gas, Termoeléctrica de Mexicali is a combined–cycle plant with the capacity to generate 625 MW

Termoeléctrica de Mexicali (TDM)

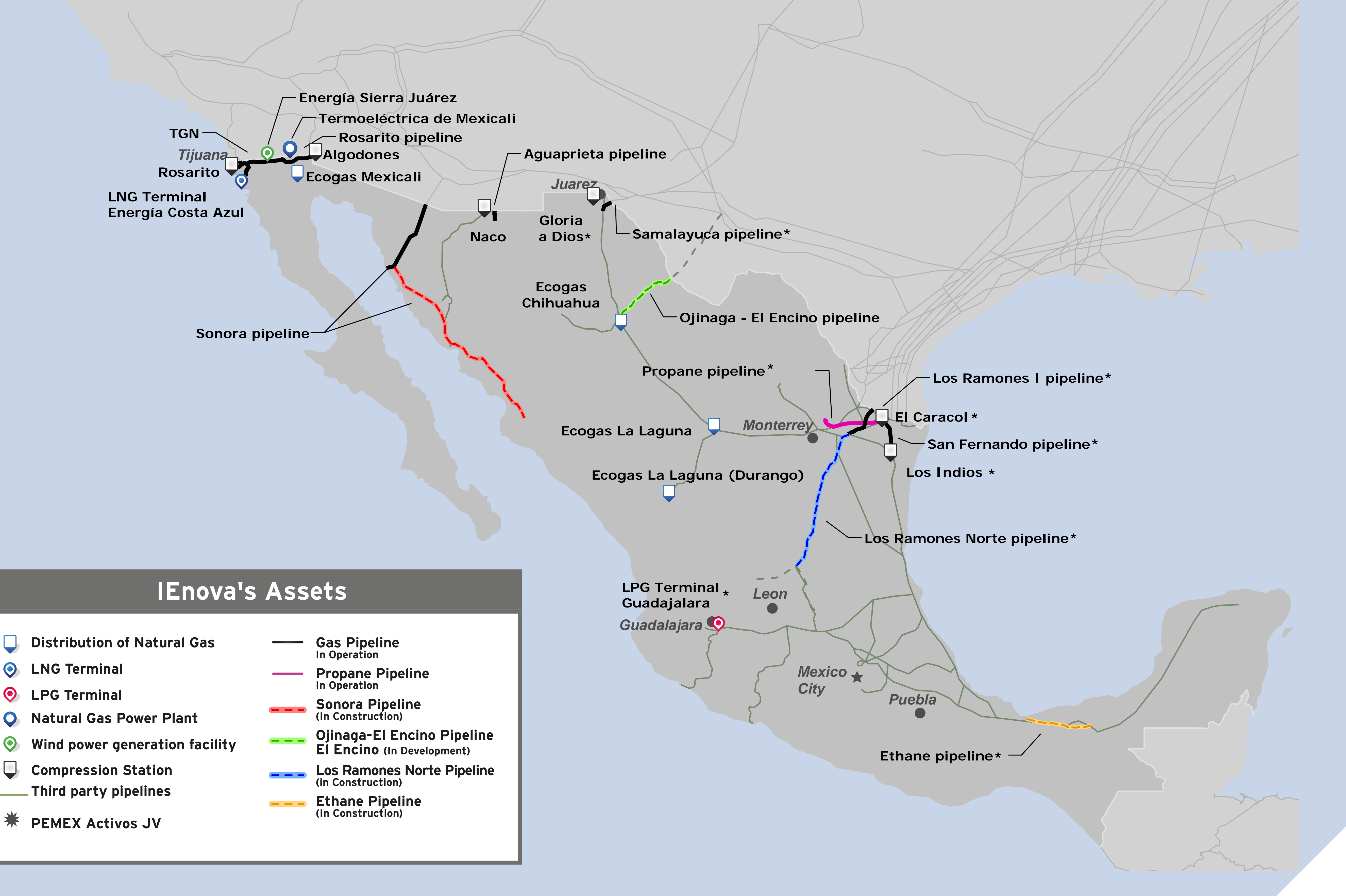
Power Segment

IEnova owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural–gas–fired, combined–cycle power generation facility located near the city of Mexicali, in Baja California.

This plant commenced operations in June 2003 and is interconnected to the Rosarito Pipeline, which allows it to receive both natural gas regasified by our Storage and Regasification Terminal as gas imported from the United States through the North Baja Pipeline system.

IEnova is developing the Energía Sierra Juárez wind power generation facility in the mountain range in the state of Baja California, which is one of the regions with the greatest resources in terms of wind strength on the west coast of North America. In 2014, IEnova sold 50% of its share in the first phase of Energía Sierra Juárez to InterGen. ESJ will commence commercial operations in the first half of 2015 and is located near the US border, 112 km (70 miles) from the city of San Diego, California. This first phase of the project includes the generation of up to 155 MW with 47 turbines, which is enough electricity to supply about 65,000 average homes in the United States.

Our Assets



Our Activities

We develop, build and operate the energy infrastructure through different business lines.

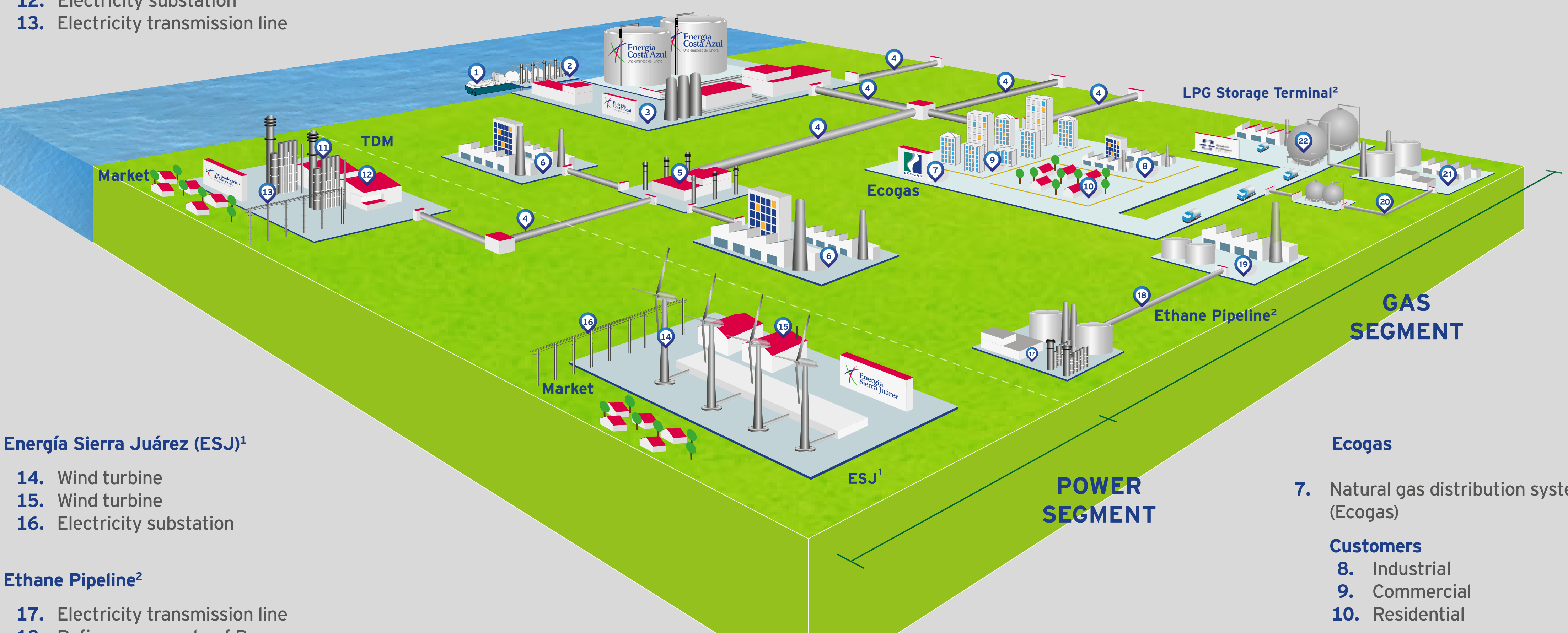
Termoeléctrica de Mexicali (TDM)

Combined cycle plant

11. Steam turbine and gas turbines
12. Electricity substation
13. Electricity transmission line

Liquefied Natural Gas Storage Terminal (LNG), Energía Costa Azul (ECA)

1. LNG tanker vessels
2. Wharf with the infrastructure to receive gas
3. ECA storage and regasification terminal



Energía Sierra Juárez (ESJ)[1]

14. Wind turbine
15. Wind turbine
16. Electricity substation

Ethane Pipeline[2]

17. Electricity transmission line
18. Refinery, property of Pemex
19. Ethylene XXI plant, owned by Braskem

LPG Storage Terminal[2]

20. LPG pipeline[2]
21. Refinery, property of Pemex
22. LPG storage domes[2]

Ecogas

7. Natural gas distribution system (Ecogas)

Customers

8. Industrial
9. Commercial
10. Residential

Pipelines

4. Gas pipelines
5. Compression station

Customers

6. Combined–cycle generation plants and industries

- More than **2,500 km*** of natural gas, LPG and ethane pipelines
- Storage capacity of **320,000 m3** of natural gas and 80,000 barrels of LPG
- **3,524 km** of natural gas distribution pipelines and more than 100,000 customers in seven cities within three geographical distribution regions: Mexicali, Chihuahua and La Laguna–Durango
- First private ethane **pipeline** system in **Mexico**

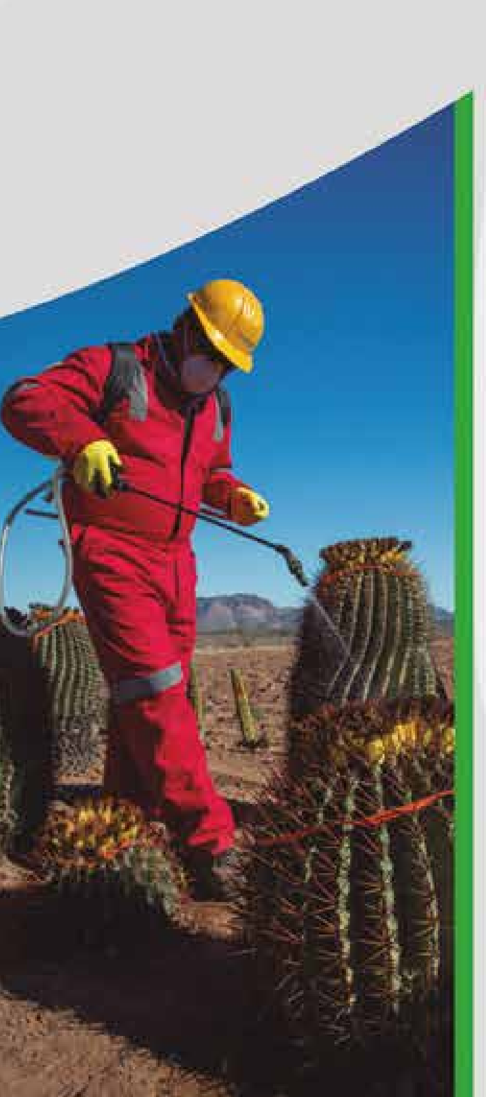
- **625 MW** of installed capacity to produce electricity at the combined–cycle thermoelectrical plant in Mexicali
- **The first cross–border** electricity generation wind facility using renewable energy sources: **Energía Sierra Juárez,** with a capacity **of 155 MW**

[1]Asset belonging to the joint venture with InterGen, in which IEnova has a 50% stake·

[2]Assets belonging to a joint venture with Pemex Gas y Petroquimica Basica (PGPB), in which IEnova has a 50 share.

*Total kilometers of pipelines in operation + under construction + joint venture.

Energy for Mexico



Sustainability

We are a Sustainable Company

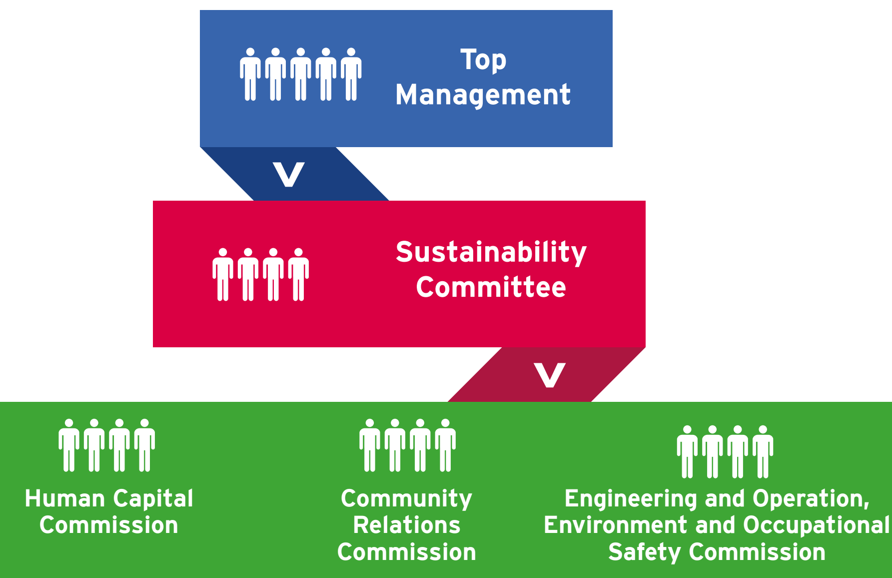
The objective of our sustainability strategy is to generate value for our Company's shareholders, employees, clients and the communities of which we are part. Our sustainability strategy is based on our fundamental pillars: economic, social and environmental, and on ethical and Corporate Governance bases.

Pillars of Action

Environmental
Clean and efficient energy sources
Environmental culture
Comprehensive waste and emissions management
Biodiversity
Social
Comprehensive development (professional and personal)
Diversity and inclusion
Economic and community development
Health and Safety
Economic
Maximizing value for shareholders
Efficient use of resources
Comprehensive risk management
Operational integrity and reliability
Customer satisfaction
Ethical Culture and Corporate Governance

Sustainability Model

Sustainability Management Structure



Our sustainability achievements in 2014 were:

- The publication of our first Sustainability Report.
- Entry into the Sustainable Prices and Quotations Index of the Mexican Stock Exchange ("BMV") in February 2015, as a result of the evaluation conducted in 2014.
- Obtaining the Great Place to Work certification as one of the Best Companies to Work For in Mexico.
- Obtaining for the first time, the Socially Responsible Company Distinction, granted by the Mexican Philanthropy Center (CEMEFI), also as a result of the evaluation conducted in 2014.

This progress is the result of the professionalism, talent and the effort of our employees.

Certifications and Awards		
Sustainable IPC	IEnova	Empresa Sustentable
Great Place to Work "Best Companies to Work For in Mexico" (GPTW).	IEnova	GREAT PLACE TO WORK®
SRC Distinction	IEnova	ESR EMPRESA SOCIALMENTE RESPONSABLE
ISO14001	Energía Costa Azul	CERTIFIED LUCIDEON MANAGEMENT SYSTEM ISO 14001
ISO 9001	Energía Costa Azul	ANAB ISO 9001:2008 Certificate No: 49548
ISO 9001	ECOGAS	EQA 9001

Management's Discussion and Analysis for 2014 Results

Amounts are presented in U.S. dollars, the functional currency of the company, unless otherwise noted, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Executive Summary, Full Year 2014 compared to Full Year 2013

- Profit for the year ended December 31, 2014, was $136.9 million, compared to $142.4 million in 2013 due to higher income tax expense and lower share of profits of the joint ventures, partially offset by the gain on the sale of our 50–percent equity interest in the first phase of the Energía Sierra Juárez wind generation project, higher capitalization of interest at the Sonora pipeline project and improved results at the power plant.
- Revenues were $822.8 million in 2014, compared to $677.8 million in 2013. The increase was mainly due to higher natural gas and electricity prices and volumes.
- Cost of revenues was $443.3 million in 2014, compared to $328.8 million in 2013. The increase was mainly due to higher natural gas prices and volumes.

The following tables set forth our results for the years ended December 31, 2014 and 2013.

i) Results of Operations

Condensed Consolidated Statements of Profit and Loss

	Year ended December 31,	
(thousands of US$)	**2014**	**2013**
Revenues	$ 822,796	$ 677,836
Cost of revenues	(443,298)	(328,817)
Operating, administrative and other expenses	(98,384)	(99,685)
Depreciation and amortization expenses	(61,943)	(61,164)
Net financing (cost) income	4,442	(3,663)
Other (losses) gains	1,258	6,986
Profit before income tax and share of profits of joint ventures	**224,871**	**191,493**
Income tax expense	(111,283)	(83,792)
Share of profits of joint ventures, net of income tax	23,346	34,689
(Loss) profit for the period	**$ 136,934**	**$ 142,390**

Segment Information

Segment information is presented after eliminating inter–company transactions.

Profit (Loss) before Income Tax and Share of Profits of Joint Ventures

	Year ended December 31,	
(thousands of US$)	**2014**	**2013**
Gas Segment	$ 223,932	$ 202,772
Power Segment	38,966	(591)
Corporate	(38,027)	(10,688)
	$ 224,871	**$ 191,493**

Gas Segment

In 2014, profit before income tax and share of profits of the joint venture was $223.9 million, compared to $202.8 million in 2013 mainly due to the capitalization of interest expense and the start of operations of the Sásabe–Puerto Libertad segment of the Sonora pipeline project.

Power Segment

In 2014, profit before income tax and share of profits of joint venture for the Power segment was $39.0 million, compared to a loss before income tax of $0.6 million in 2013 due to improved results and lower scheduled maintenance expense at the power plant and the gain on the sale of our 50–percent equity interest in the first phase of the Energía Sierra Juárez wind generation project.

Corporate

In 2014, the loss before income tax was $38.0 million, compared to $10.7 million in 2013. Variation was due to mark–to–market losses in 2014 compared to mark–to–market gains in 2013 on the valuation of an interest rate swap.

Revenues

	Year ended December 31,	
(thousands of US$)	**2014**	**2013**
Gas Segment	$ 598,183	$ 507,814
Power Segment	222,471	168,340
Corporate	2,142	1,682
	$ 822,796	**$ 677,836**

Gas Segment

In 2014, Gas segment revenues were $598.2 million compared to $507.8 million in 2013 due to higher natural gas prices and volumes.

Power Segment

In 2014, Power segment revenues were $222.5 million compared to $168.3 million in 2013. The increase in volume was due to higher power demand and the impact of scheduled maintenance in 2013.

Cost of Revenues

	Year ended December 31	
(thousands of US$)	**2014**	**2013**
Gas Segment	$ 277,341	$ 199,053
Power Segment	165,957	129,764
	$ 443,298	**$ 328,817**

Gas Segment

Gas segment cost of revenues was $277.3 million for the year 2014, compared to $199.1 million for the year 2013. The increase was due to higher natural gas prices and volumes.

Power Segment

In 2014, Power segment cost of revenues was $166.0 million compared to $129.8 million in 2013. The increase in natural gas volume was due to higher power demand and the impact of scheduled maintenance in 2013.

Operating, Administrative and Other Expenses

Operating, administrative and other expenses of $98.4 million in 2014 compared to $99.7 million in 2013 due to lower scheduled maintenance expenses at the power plant, partially offset by higher administrative expenses.

Net Financing Cost

Net financing income was $4.4 million in 2014, compared to a net financing cost of $3.7 million in 2013 due to higher capitalization of interest at the Sonora pipeline project.

Other Gains (Losses)

Other gains of $1.3 million during 2014 compare to $7.0 million in 2013 mainly due to mark–to–market losses on the valuation of an interest rate swap, compared to mark–to–market gains in 2013 and higher foreign exchange losses on peso–denominated balances partially offset by gain on sale of our 50–percent equity interest in the first phase of the Energía Sierra Juárez wind generation project.

Income Tax Expense

Income tax expense in 2014 was $111.3 million compared to $83.8 million in 2013. The increase was primarily due to changes in our deferred income tax balance resulting from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate, partially offset by the effects of the 2013 Tax Reform.

Share of Profits of Joint Ventures, Net of Income Tax

Our share of joint venture profits was $23.3 million in 2014 compared to $34.7 million in 2013 mainly due to higher income tax expense, interest expense and foreign exchange losses on peso-denominated balances.

EBITDA and Adjusted EBITDA

We present "EBITDA" and "Adjusted EBITDA" in this earnings report for the convenience of investors. EBITDA and Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Our definition of EBITDA is consolidated profit after adding back or subtracting, as the case may be: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit, (4) other (losses)/gains (which include net foreign exchange gains/(losses), net (losses)/gains on financial liabilities classified as held for trading associated with changes in the fair value from our interest rate swap and inflation effects on value added tax refunds receivable) and (5) share of profits of joint ventures, net of income tax.

We define the JV EBITDA adjustment as our 50-percent share of the profit of joint ventures with Pemex and InterGen, after adding back or subtracting, as the case may be our 50-percent share of: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit of our investment in joint venture and (4) other (losses) gains. Our investments in the joint ventures are accounted for under the equity method.

	Year ended December 31,	
(thousands of US$)	2014	2013
Gas Segment	$ 244,550	$ 235,841
Power Segment	36,241	14,604
Corporate	323	(1,111)
EBITDA	**281,114**	**249,334**
JV EBITDA adjustment (50-percent)	55,776	53,751
Adjusted EBITDA	**$ 336,890**	**$ 303,085**

ii) Financial Position, Liquidity and Capital Resources

Condensed Consolidated Statements of Financial Position

(thousands of US$)	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 83,637	$ 103,880
Short-term investments	30,020	207,027
Other current assets(1)	211,962	187,221
Total current assets	**325,619**	**498,128**
Non-current assets		
Investment in joint ventures	401,538	366,288
Property, plant and equipment - net	2,377,739	2,213,837
Other non-current assets(2)	275,322	163,655
Total non-current assets	**3,054,599**	**2,743,780**
Total assets	**$ 3,380,218**	**$ 3,241,908**
Equity and liabilities		
Short-term debt	$ 195,089	$ -
Other current liabilities(3)	172,461	193,089
Total current liabilities	**367,550**	**193,089**
Non-current liabilities		
Long-term debt	350,638	394,656
Due to related parties	38,460	38,893
Other non-current liabilities(4)	374,282	298,858
Total non-current liabilities	**763,380**	**732,407**
Total liabilities	**1,130,930**	**925,496**
Common stock	762,949	762,949
Additional paid-in capital	973,953	973,953
Retained earnings	576,717	603,783
Accumulated other comprehensive	(64,331)	(24,273)
Total equity	**2,249,288**	**2,316,412**
Total equity and liabilities	**$ 3,380,218**	**$ 3,241,908**

(1)Other current assets include trade and other receivables - net, VAT and other recoverable taxes, carbon allowances, current amounts due from related parties, inventory of natural gas, derivative financial instruments and other, less significant current assets.

(2)Other non-current assets include amounts due from related parties, deferred income tax assets, goodwill, finance lease receivables, carbon allowances and other, less significant non-current assets.

(3)Other current liabilities include trade and other payables, carbon allowance obligation, other current liabilities (wages and benefits payable), tax liabilities, accounts payable to related parties, derivative financial instruments, provisions and other, less significant current liabilities.

(4)Other non-current liabilities include deferred income tax, derivative financial instruments, non-current accounts due to related parties, non-current provisions, carbon allowances and post-employment and other long-term employee benefits.

Liquidity and Capital Resources

We are a holding company. As a result, our ability to meet our obligations and to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements and our access to the capital markets.

Sources and Uses of Cash

	Year ended December 31,	
(thousands of US$)	**2014**	**2013**
Cash at period beginning	**$ 103,880**	**$ 85,073**
Net cash provided by operating activities	163,217	162,760
Net cash (used) provided by investing activities *	(267,964)	(576,799)
Net cash provided (used) by financing activities	83,939	436,244
Effects of exchange rate changes on the balance of cash held in foreign currencies	565	(3,398)
Cash at period end	**$ 83,637**	**$ 103,880**

* Investing activities include the changes in Short–Term investments.

Operating Activities

Net cash generated by operating activities in 2014 was $163.2 million consistent with $162.8 million in 2013.

Investing Activities

Net cash used in investing activities in 2014 was $268.0 million due to capital expenditures of $325.5 million mainly for our Sonora pipeline project and $162.8 million of loans to unconsolidated affiliates, partially offset by proceeds from the sale of short–term investments of $177.0 million and a net cash inflow of $24.4 million from the sale of our 50–percent equity interest in the first phase of the Energía Sierra Juárez wind generation project.

Net cash used in investing activities in 2013 was $576.8 million due to $369.7 million of capital expenditures, primarily for the Sonora pipeline project and the Energía Sierra Juárez wind generation project, and $207.0 million in purchases of short–term investments.

Financing Activities

Net cash provided by financing activities was $83.9 million in 2014 due to bank loans and project financing of $278.4 million, partially offset by a dividend payment of $164.0 million and interest paid of $18.9 million.

Net cash provided by financing activities was $436.2 million in 2013, mainly due to proceeds from debt issuance of $408.3 million and the issuance of ordinary shares in our initial public offering of $598.8 million, partially offset by $388.0 million in repayment of loans to affiliates and dividend payments of $156.0 million.

iii) Internal Controls

Our management is responsible for maintaining a system of internal control over financial reporting. This system gives our shareholders a reasonable assurance that our transactions are executed and maintained in accordance with the guidelines set forth by our management and that our financial records are reliable as a basis for preparing our financial statements.

The system of internal control over financial reporting is supported by ongoing audits, the results of which are reported to management throughout the year. In addition, we maintain reliable databases and have modern and efficient systems designed to generate key financial information.

Sonora pipeline

Infraestructura Energética Nova,
S. A. B. de C.V. and Subsidiaries
(formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 and Independent Auditor´s Report Dated April 17, 2015

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Ruiz Urquiza, S.C.
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Independent Auditors' Report to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S.A. de C.V. and Subsidiaries) (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2014, 2013 and 2012, and the consolidated statements of profit, profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes for the years then ended.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Deloitte.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S.A. de C.V. and Subsidiaries) as of December 31, 2014, 2013 and 2012, and the results of its operations, changes in its stockholders' equity and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C.P.C. Omar Esquivel Romero

April 17, 2015

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets

	Notes	December 31, 2014	December 31, 2013	December 31, 2012
Current assets:				
Cash and cash equivalents	4, 22	$ 83,637	$ 103,880	$ 85,073
Short-term investments	22	30,020	207,027	-
Trade and other receivables, net	5	66,401	64,035	78,968
Due from related parties	6	26,601	24,860	28,946
Income tax receivable	23	34,297	15,931	8,840
Inventory of natural gas	8	9,375	3,836	9,273
Derivative financial instruments	22	4,709	9,188	2,827
Value added tax receivable		30,797	43,914	12,626
Carbon allowances	18	29,864	4,778	-
Other assets	10	9,918	20,679	10,403
Total current assets		325,619	498,128	236,956
Non-current assets:				
Due from related parties	6	146,775	331	416
Derivative financial instruments	22	-	-	2,330
Finance lease receivables	9	14,621	14,700	14,756
Deferred income tax asset	23	85,758	106,227	2,375
Investments in joint ventures	11	401,538	366,288	331,599
Goodwill	12	25,654	25,654	25,654
Property, plant and equipment, net	13	2,377,739	2,213,837	1,884,739
Carbon allowances	18	229	11,584	-
Other assets	10	2,285	5,159	1,893
Total non-current assets		3,054,599	2,743,780	2,263,762
Total assets		$ 3,380,218	$ 3,241,908	$ 2,500,718

Liabilities and Equity

	Notes	December 31, 2014	December 31, 2013	December 31, 2012
Current liabilities:				
Short-term debt	19	$ 195,089	$ -	$ -
Trade and other payables	14	59,575	49,459	24,448
Due to related parties	6	14,405	3,655	93,455
Income tax liabilities	23	18,022	90,130	18,170
Derivative financial instruments	22	6,808	10,705	11,434
Other financial liabilities	16	7,223	12,853	1,605
Provisions	20	1,619	1,945	2,788
Other taxes payable		11,247	7,815	5,790
Carbon allowances	18	29,864	4,778	-
Other liabilities	17	23,698	11,749	2,517
Total current liabilities		367,550	193,089	160,207
Non-current liabilities:				
Long-term debt	21	350,638	394,656	-
Due to related parties	6	38,460	38,893	331,803
Deferred income tax liabilities	23	232,538	205,385	170,169
Carbon allowances	18	-	11,151	-
Provisions	20	38,250	26,430	34,820
Derivative financial instruments	22	100,449	53,208	38,448
Employee benefits	15	3,045	2,684	2,153
Total non-current liabilities		763,380	732,407	577,393
Total liabilities		1,130,930	925,496	737,600
Stockholders' equity:				
Common stock	24	762,949	762,949	618,752
Additional paid-in capital	24	973,953	973,953	536,577
Accumulated other comprehensive income		(64,331)	(24,273)	(9,604)
Retained earnings		576,717	603,783	617,393
Total equity attributable to owners of the Company		2,249,288	2,316,412	1,763,118
Total equity and liabilities		$ 3,380,218	$ 3,241,908	$ 2,500,718

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Profit or Loss

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

	Notes	Year ended December 31, 2014	2013	2012
Revenue	26	$ 822,796	$ 677,836	$ 607,607
Cost of revenue		(443,298)	(328,817)	(253,299)
Operating, administrative and other Expenses	28	(98,384)	(99,685)	(76,423)
Depreciation and amortization	31	(61,943)	(61,164)	(61,349)
Interest income	27	3,299	1,372	1,027
Finance income (costs)	30	1,143	(5,035)	(11,346)
Other gains and (losses)	29	1,258	6,986	(8,845)
Profit before tax and share of profits in joint ventures		224,871	191,493	197,372
Income tax expense	23	(111,283)	(83,792)	(40,801)
Share of profits of joint ventures, net of income tax	11	23,346	34,689	37,444
		(87,937)	(49,103)	(3,357)
Profit for the year	32	$ 136,934	$ 142,390	$ 194,015

All results are from continuing operations.

Earnings per share:

	Notes	2014	2013	2012
Basic and diluted earnings per share:	32	$ 0.12	$ 0.13	$ 0.21

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Years ended December 31, 2014	2013	2012
Profit for the year	32	$ 136,934	$ 142,390	$ 194,015
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss				
Actuarial gains on defined benefits plans	15	357	179	414
Income tax relating to components of other comprehensive income		(107)	(54)	(124)
Total items that will not be reclassified to profit and loss		250	125	290
Items that may be subsequently reclassified to profit and loss:				
Loss on valuation of derivative financial instruments held for hedging purposes		(1,822)	(18,381)	-
Deferred income tax on loss on valuation of derivative financial instruments held for hedging purposes		547	5,514	-
Loss on valuation of derivative financial instruments purposes of joint ventures		(19,936)	-	-
Deferred income tax on loss valuation of derivative financial instruments held for hedging purposes at joint ventures		5,981	-	-
Exchange differences on translating foreign operations		(25,078)	(1,927)	13,650
Total items that may be reclassified subsequently to profit and loss		(40,308)	(14,794)	13,650
Other comprehensive (loss) income for the year		(40,058)	(14,669)	13,940
Total comprehensive income for the year		$ 96,876	$ 127,721	$ 207,955

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Common shares	Additional paid-in capital	Other comprehensive (loss) income	Retained earnings	Total
Balance as of December 31, 2012	$ 618,752	$ 536,577	$ (9,604)	$ 617,393	$ 1,763,118
Profit for the year	-	-	-	142,390	142,390
Loss on valuation of derivative financial instruments held for hedging purposes, net	-	-	(12,867)	-	(12,867)
Actuarial gains on defined benefits plans, net	-	-	125	-	125
Exchange differences on translating foreign operations	-	-	(1,927)	-	(1,927)
Total comprehensive income for the year	-	-	(14,669)	142,390	127,721
Issuance of shares, net (Note 24)	144,197	437,376	-	-	581,573
Payment of dividends (Note 25)	-	-	-	(156,000)	(156,000)
Balance as of December 31, 2013	762,949	973,953	(24,273)	603,783	2,316,412
Profit for the year	-	-	-	136,934	136,934
Loss on valuation derivatives financial instruments held for hedging purposes, net	-	-	(15,230)	-	(15,230)
Actuarial gains on defined benefits plans, net	-	-	250	-	250
Exchange differences on translating foreign operations	-	-	(25,078)	-	(25,078)
Total comprehensive income for the year	-	-	(40,058)	136,934	96,876
Payment of dividends (Note 25)	-	-	-	(164,000)	(164,000)
Balance as of December 31, 2014	$ 762,949	$ 973,953	$ (64,331)	$ 576,717	$ 2,249,288

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Cash Flows

(In thousands of U.S. Dollars)

	Notes	Years ended December 31, 2014	2013	2012
Cash flows from operating activities:				
Profit for the year	32	$ 136,934	$ 142,390	$ 194,015
Adjustments for:				
Income tax expense	23	111,283	83,792	40,801
Share of profits of joint ventures, net of income tax	11	(23,346)	(34,689)	(37,444)
Finance (income) costs	30	(1,143)	5,035	11,346
Interest income	27	(3,299)	(1,372)	(1,027)
Loss on disposal of property, plant and equipment		624	5,391	561
Impairment (gain) loss recognized on trade receivables		(8)	9	281
Gain on sale of equity interest in subsidiary		(18,824)	-	-
Depreciation and amortization	31	61,943	61,164	61,349
Net foreign exchange loss		9,057	2,303	1,631
Loss (gain) on derivative financial instruments valuation		4,045	(19,000)	(1,238)
		277,266	245,023	270,275
Movements in working capital:				
(Increase) decrease in trade and other receivables		(4,020)	19,066	(36,520)
(Increase) decrease in inventories		(5,539)	5,437	1,306
Decrease (increase) in other assets		14,308	(54,057)	2,028
Increase (decrease) in trade and other payables		49,393	18,241	(26,591)
(Decrease) increase in provisions		(19,873)	(28,512)	513
Increase (decrease) in other liabilities		17,895	32,219	(2,077)
Cash generated from operations		329,430	237,417	208,934
Income taxes paid		(166,213)	(74,657)	(35,502)
Net cash provide by operating activities		163,217	162,760	173,432
Cash flows from investing activities:				
Proceeds from sale of equity interest, net of cash sold		24,411	-	-
Interest received		4	-	1,003
Acquisitions for property, plant and equipment		(325,484)	(369,672)	(50,278)
Loans to unconsolidated affiliates		(162,823)	(100)	-
Repayments received from loans to unconsolidated affiliated		18,921	-	-
Short-term investments		177,007	(207,027)	-
Net cash used in investing activities		(267,964)	(576,799)	(49,275)

(Continued)

	Notes	2014	Years ended December 31, 2013	2012
Cash flows from financing activities:				
Interest paid		(18,872)	(11,557)	(9,421)
Loans received from related parties		146	12,383	209,013
Payments on loans from related parties		(583)	(388,042)	(128,699)
Issuance of shares from initial public offering		-	598,812	-
Share issuance costs		-	(24,627)	-
Proceeds from bank loans and bank financing		278,432	-	-
Proceeds from debt issuance		-	408,278	-
Debt issuance costs		(11,184)	(3,003)	-
Dividends paid	25	(164,000)	(156,000)	(140,100)
Net cash provided by (used in) in financing activities		83,939	436,244	(69,207)
Net (decrease) increase in cash and cash equivalents		(20,808)	22,205	54,950
Cash and cash equivalents at the beginning of the year		103,880	85,073	27,364
Effects of exchange rate changes on the balance of cash held in foreign currencies		565	(3,398)	2,759
Cash and cash equivalents at the end of the year	4	$ 83,637	$ 103,880	$ 85,073

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014, 2013 and 2012
(In thousands of U. S. Dollars, except where otherwise stated)

1. General information, relevant events and activities

1.1. General information

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) (collectively, the "Company" or "IEnova") are companies domiciled and incorporated in México. Their parent and ultimate holding company is Sempra Energy ("Parent") domiciled and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 38.

1.2. Significant events

1.2.1. *Change of legal name –*

Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, the Company's change in legal form from "Sociedad de Responsabilidad Limitada de Capital Variable" ("S. de R. L. de C. V.", limited liability company) to "Sociedad Anónima de Capital Variable" ("S. A. de C. V.", corporation) was approved. Subsequently, through a resolution approved at the extraordinary general shareholders' meeting held on March 1, 2013, the legal name was changed from Sempra México, S. A. de C. V. to "Infraestructura Energética Nova, S. A. de C. V."

Additionally, as described in Note 1.2.3., through unanimous resolutions adopted outside the shareholders' meeting, on March 6, 2013, the Company again changed its legal form from S. A. de C. V. to "Sociedad Anónima Bursátil de Capital Variable" ("S. A. B. de C. V.", securities corporation) in order to comply with provisions of the Mexican Securities Market Law.

1.2.2. Debt securities offering –

On February 11, 2013, the Company received approval from the Mexican Banking and Securities Commission ("CNBV", by its initials in Spanish), for its program for the issuance and public offering of debt securities ("Certificados Bursátiles", or "CEBURES", by its initials in Spanish) in México for a total amount of 12,800 million Mexican pesos ("Pesos") or its equivalent in investment units ("UDIs", by its initials in Spanish), with a term of 5 years.

On February 14, 2013, the Company entered into two public placements of CEBURES in accordance with the program mentioned above mentioned program. The first placement was for $102 million ($1.3 billion Pesos) and the second placement was for $306.0 million ($3.9 billion Pesos). See Note 21 for more detail.

The net proceeds from the issuances of CEBURES were used for repayment of its balances due to related parties and for general corporate purposes, including capital expenditures (development of new pipeline projects) and working capital.

1.2.3. *Initial public offering of shares –*

On March 21, 2013, the Company carried out an initial public offering of shares ("IPO") in México and a private offering of shares in international markets (collectively the "Global Offering"). Through the Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Pesos per share; such offering included an over-allotment option up to 28,449,196 shares. The amount of this Global Offering was $520,707 ($6,448.4 million Pesos). On March 27, 2013, the underwriters in México and abroad, exercised the over-allotment option. The amount of over-allotment was $78,106 ($967 million Pesos), related to 28,449,196 shares at the placement price of $34.00 Pesos per share.

As a result of the Global Offering, the Company raised $574,185 ($7,118.4 million Pesos), net of issuance costs for $24,267 ($297.3 million Pesos). Subsequent to the Company's Global Offering, subscribed and paid common stock of Infraestructura Energética Nova, S. A. B. de C. V. is represented by a total of 1,154,023,812 shares.

The net proceeds from the IPO are invested in short-term investments and, are being used for general corporate purposes and for the financing of the Company's current investment and expansion plans.

1.2.4. *Projects under development –*

a. *Los Ramones Project*

i. Los Ramones I project

In January 2013, PEMEX announced that the first phase of the Los Ramones pipeline project was assigned to and would be developed by IEnova's joint venture with PEMEX (see Note 11). The project is a 114 Kilometers (Km) natural gas pipeline (Los Ramones I) with two compression stations, from the northern portion of the state of Tamaulipas bordering the United States to Los Ramones in the Mexican state of Nuevo León. The capacity is fully contracted under a 25-year transportation services agreement with PEMEX denominated in Mexican pesos, with a contract rate based on the U.S. dollar investment, adjusted annually for inflation and fluctuation of the exchange rate. The pipeline portion of the project began operations at the end of 2014. The compressor stations will be operational at the end of 2015. The pipeline capacity is 2.1 billion of cubic feet per day ("CFPD").

ii. Los Ramones Norte project

On March 12, 2014, Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC"), the Company's joint venture with PEMEX Gas y Petroquímica Básica ("PGPB") entered into a partnership agreement with TAG Pipelines, S. de R. L. de C. V. (an affiliate of Mex Gas International, PGPB's subsidiary), establishing the terms and conditions to jointly operate TAG Norte, S. de R. L. de C. V. ("TAG Norte").

TAG Norte will develop the Los Ramones Norte project, which consists of a 440 km pipeline system and two compression stations between the municipality of Los Ramones, Nuevo León and San Luis Potosí, with an investment of approximately $1.3 to $1.5 billion.

TAG Norte concurrently entered into an integrated transportation service of natural gas agreement with PGPB for all the capacity of the Los Ramones Norte system, with a 25-year term from the date of commercial operation, estimated for the last quarter of 2015. The pipeline capacity is 1.4 billion of CFPD.

b. *Energía Sierra Juarez project*

i. *Sale of 50% of the project ESJ*

On April 18, 2014, the Company, through its subsidiary Controladora Sierra Juárez, S. de R. L. de C. V. ("CSJ"), entered into a purchase and sale agreement with InterGen International N. V. ("Intergen") with respect to the 50% of the membership interests of Energía Sierra Juárez, S. de R. L. de C. V.'s ("ESJ") equity (entity responsible for the ESJ project). This transaction was completed on July 16, 2014. The Company recognizes ESJ as an investment in joint venture and accounts for its ownership share by the equity method of accounting. See Note 11.2 for more details of this transaction.

ii. *Project Financing Agreement for the ESJ project*

On June 12, 2014, ESJ entered into a project financing agreement for $239.8 million with a term of 18 years after the date of commencement of commercial operation (first half of 2015). The financing includes the granting of certain guarantees in favor of lenders and providers of coverage. See Note 11.2a. for more details of the project financing.

iii. *Financing of project's value added tax.*

On June 12, 2014, ESJ entered into a current account simple loan contract with Banco Santander (México), S. A. ("Santander") for an amount of up to $455.0 million Pesos (approximately $35 million U.S. Dollars historical) to financing the value added tax ("IVA", for its acronym in Spanish) of the ESJ project. See Note 11.2c. for more details.

c. *Pipeline Sonora*

In October 2012, GAP was awarded by the CFE with two contracts to build and operate an approximately 835 km natural gas pipeline network connecting the Northwestern Mexican states of Sonora and Sinaloa (the "Sonora Pipeline") to the U.S. interstate pipeline. The Sonora gas pipeline is comprised of two segments; the first one (Sasabe – Guaymas), is for an approximate length of 505 km, 36-inch diameter pipeline with 770 million cubic feet per day ("Mmcfd") of transportation capacity; and the second one (Guaymas – El Oro), is for an approximate length of 330 km, 30-inch pipeline with 510 Mmcfd of transportation capacity. The Company estimates the total cost of the Sonora gas pipeline will be approximately $1.0 billion, and be completed by second half 2016. The capacity of the Sonora gas pipeline is contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

On August 18, 2014, CFE granted a compliance certification for the Sasabe – Puerto Libertad segment construction. The first 220 Km, of the first segment was put into operation in the fourth quarter of 2014.

d. *Ojinaga - El Encino project*

In December 2014, Gasoductos de Aguaprieta, S. de R. L. de C. V. (GAP) (subsidiary company), entered into the Ojinaga pipeline natural gas transportation services agreement with the CFE which has a term of 25 years. The CFE contracted 100% of the transportation capacity of the Ojinaga pipeline, equal to 1.4 billion CFPD. GAP will be responsible for the development, construction and operation of the 42-inch pipeline, with a length of approximately 205 (Km) and estimated cost of $300 million, which is expected to begin operations in the first half of 2017.

e. Other financing

i. In June 2014, IEnova entered into an agreement for a $200.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México. As of December 31, 2014, IEnova had $145.0 million of outstanding borrowings supported by the facility, and available unused credit on the line was $55 million.

ii. In August 2014, IEnova entered into an agreement for a $100.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Sumitomo Mitsui Banking Corporation. As of December 31, 2014, IEnova had $51.0 million of outstanding borrowings supported by the facility, and available unused credit on the line was $49.0 million.

1.2.5. Tax and Energy Reforms

a. *Tax reform*. On September 8, 2013, the México's president announced the tax reform initiative. On December 11, 2013, legislation was published in the Official Gazette whereby several tax regulations were amended, supplemented, and repealed, becoming effective on January 1, 2014. Upon enactment of the legislation, the income tax and the business flat tax ("ISR" and "IETU" (Flat Tax), respectively, by their initials in Spanish) laws inforce as of December 31, 2013, were repealed and superseded by a new income tax law.

The main impacts of this reform for IEnova in its consolidated financial statements are:

- *Income tax rate*. The former income tax law indicated a reduction in the tax rate to 28% for 2014 and future years. The rate under the new income tax law is 30% for 2014 and future years.

  This change in tax rates impacts annual profits as follows:

  - For 2013, the change in rates resulted in an increase in deferred income tax expense of approximately $15.0 million.
  - Regarding 2014 to 2018, the Company estimates that the change in rates will result in an increase in income tax expense during this five year period of approximately $27.0 million.

- *Income tax consolidation regime*. The income tax consolidation regime in effect as of December 31, 2013 was replaced by a new regime in which the realized from tax consolidation are subject to recapture over three years instead of five years. In connection with the elimination of the income tax consolidation regime, there was an obligation to make an advance payment for approximately $81.0 million in 2014, this amount was included within income taxes liabilities line in the consolidated financial statements.

  In addition, within the assumption of non-consolidation, the effects of taxes recoverable and payable in subsidiaries are presented separately as of December 31, 2013, in the consolidated statements of financial position, considering that the Company no longer maintains the right to offset such amounts to the tax authorities for not consolidating for tax purposes.

- *Income tax on dividends*. Also, a new income tax on dividends was created equivalent to 10% on dividends received by foreign residents.

b. *Energy reform*. On December 20, 2013, México's president enacted constitutional reform with respect to laws governing the energy sector which was approved by the national congress and the majority of state congresses. The reform modifies Articles 25, 27 and 28 of the Mexican constitution, allowing for private investment in the following areas: exploration and production of hydrocarbons, petrochemicals, refining, transportation, storage and distribution of petroleum products and power transmission and distribution. On August 11, 2014, the secondary legislation derived from the reform was enacted and on October 31, 2014, its most relevant regulations were published in the official Federal Official Gazette.

   The Company's plans for participation in the segments that have been newly opened to private investment in the energy sector will depend on our evaluation of the potential of each project to add value and growth to our portfolio, mainly through obtaining synergies, and adherence to the Company's project selection policy.

1.3. Activities

Infraestructura Energética Nova, S. A. B. de C. V. ("IEnova") and Subsidiaries (collectively, the "Company") are companies domiciled and incorporated in México. Their parent and ultimate holding company is Sempra Energy (the "Parent"), domiciled and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 38.

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Note 26).

The Gas segment develops, owns and operates, or holds interests in, natural gas and propane pipelines Liquefied Petroleum Gas (LPG) storage facilities, transporation and distribution and sale of natural gas, in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Nuevo Leon and Jalisco, México. It also, owns and operates a liquefied natural gas ("LNG") terminal in Baja California, México for importing LNG.

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and is developing a renewable energy project in a joint venture, in Baja California, México, using wind resources to serve clients in the U. S.

1.3.1. Gas segment. The Company's subsidiaries included in this reportable segment are:

a. Ecogas México, S. de R. L. de C. V. ("ECO") is engaged in the distribution and sale of natural gas for industrial, residential and commercial use in three local distribution zones: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna-Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).

   During 1996, 1997 and 1999, the Mexican Energy Regulatory Commission (Comisión Reguladora de Energía, or "CRE" by its initials in Spanish), granted ECO the first natural gas distribution permits for the local distribution zones of Mexicali, Baja California, Chihuahua, Chihuahua and La Laguna-Durango, under which ECO receives, transports, delivers and sells natural gas through a pipeline system.

In May 2009, the CRE approved the third five-year plan to ECO for the local distribution zones of Chihuahua, Chihuahua and Mexicali, Baja California, and in June 2010 for the local distribution zone of La Laguna-Durango. Additionally, in 2010, the CRE authorized an adjustment to authorized tariffs to be applied in the five-year plan for the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2014, 2013 and 2012, ECO had over 106,000, 99,000 and 93,000 customers, respectively.

b. PE International Canada, S. de R. L. de C. V. ("PEI") is a subholding company of the group.

c. Servicios DGN de Chihuahua, S. A. de C. V. ("SDGN") provides administrative, personnel and operational services to other subsidiaries of the group.

d. Gasoducto Rosarito, S. de R. L. de C. V. ("GRO") transportation of natural gas, serving the energy requirements of Baja California, México. GRO operates the Gasoducto system comprised of three natural gas pipelines (*Rosarito Mainline, LNG Spur and Yuma Lateral)* and a 30,000 horse power ("HP") compressor station located in Baja California, México. The total length of GRO system is approximately 302 kilometers. The system begins at the interconnection with the El Paso Natural Gas Co. pipeline near Ehrenberg, Arizona, U. S. ("North Baja Pipeline"), and ends in southern Tijuana at the interconnection with the Transportadora de Gas Natural de Baja California, S. de R. L. de C. V. ("TGN", a subsidiary company) pipeline. The Mexican portion of the pipeline begins at the interconnection in Algodones with the North Baja Pipeline and travels through Mexicali and Tecate, ending at the interconnection with TGN. These three pipelines operate under one transportation permit issued by the CRE.

Rosarito Mainline: This system was originally placed in service in August 2002 to supply natural gas from the United States of America to several power plants and industrial customers in the Baja California, México market. This system is a 30-inch diameter pipeline with a length of approximately 225 km and a design transportation capacity of 534 million cubic feet per day ("MMcfd").

LNG Spur: This system was completed in May 2008 and transports natural gas to the Rosarito Mainline for delivery to power plants to the Baja California market. This system is a 42-inch diameter pipeline with a length of approximately 72 km and a design transportation capacity of 2,600 MMcfd.

Yuma Lateral: This system was the latest addition to the GRO transportation system and was placed in service in March 2010 to transport natural gas to the Arizona border. This system is a 12-inch diameter pipeline with a length of approximately 5 km and a design transportation capacity of 190 MMcfd.

e. TGN is engaged in the transportation of natural gas in accordance with a permit issued by the CRE, through a 45-km, 30-inch pipeline with a design transportation capacity of 940 MMcfd as permitted by the CRE. TGN interconnects with the GRO pipeline system in the Tijuana, Baja California, México, area and extends north to interconnect with the San Diego Gas & Electric Company ("SDG&E", a related party in U. S.) system at the Otay Mesa International border and southwest to the CFE's 600 megawatts ("MW") Presidente Juárez Power Plant in Rosarito, Baja California, México. The TGN pipeline system was placed in service in June 2000. A 19 km expansion to the TGN system began operations in May 2008.

f. IEnova Gasoductos México, S. de R. L. de C. V. ("IEnova Gasoductos México") (formerly Sempra Gasoductos México) is engaged in the acquisition and subscription of any kind of participation in the capital stock of any kind of companies; its subsidiaries are engaged in the compression, storage and transportation of natural and propane gas as well as in rendering all kind of services related to such activities, including the coordination, consulting and supervision of construction and development of energy infrastructure projects. IEnova Gasoductos México was acquired by Sempra Energy on April 30, 2010.

   Sempra Compresión México, S. de R. L. de C. V. ("SCM") was incorporated on August 8, 2003 as a result of a spin-off of El Paso Energy Marketing de México, S de R. L. de C. V. It is primarily engaged in the compression of natural gas using compression equipment located in Naco, Sonora (also referred to as the Naco Compression Station).

   In 2001, SCM entered into an agreement with PGPB to provide of natural gas compression services for a 20-year period. The term of the agreement may be extended up to five additional years by mutual agreement of SCM and PGPB.

   In 2014, SCM was merged with IEnova Gasoductos México subsisting such company.

g. Gasoducto de Aguaprieta, S. de R. L. de C. V. ("GAP") (formerly El Paso Gas Transmission de México, S. de R. L. de C. V.), owned subsidiary of IEnova Gasoductos México, was incorporated on July 4, 2001 and commenced operations on November 20, 2002. GAP is primarily engaged in the transportation of natural gas.

   On July 19, 2002, GAP obtained its natural gas transportation permit from the CRE. The term of the permit is for 30 years and is renewable every 15 years.

   On June 28, 2002, GAP entered into a 25-year gas transportation agreement with El Paso Energy Marketing de México, S. de R. L. de C. V. ("EPEMM"), a related party until April 2010. The pipeline starts at the border of Arizona, United States, and extends to the power plant called "Naco-Nogales", which is owned by Power and Energy Naco Nogales, S.A. de C.V., located in Agua Prieta, Sonora, México.

   Currently, GAP is also in charge of the constructions and operation of the Pipeline Gasoducto Sonora Pipeline (see Note 1.2.4 subsection c).

h. IEnova Gasoductos Holding, S. de R. L. de C. V. ("IGH") ("IEnova Gasoductos Holding") (formerly Sempra Gasoductos Holding) is engaged in the acquisition and subscription of any participation in the share capital of any companies.

   On April 30, 2010, IGH acquired a 50% equity interest in GdC, a jointly controlled entity with PGPB.

i. IEnova, S. de R. L. de C. V. (formerly Sempra Management, S. de R. L. de C. V.) is engaged in providing administrative and operating services to others subsidiaries in the group.

j. Energía Costa Azul, S. de R. L. de C. V. and Subsidiary (collectively "ECA"), own and operate an LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, México.

   During 2007, ECA obtained all necessary operating permits from Mexican regulatory agencies and operations commenced in May 2008.

In December 2009, ECA completed the construction of a nitrogen injection facility to allow customers to deliver LNG with a greater range of gross heating value. The nitrogen injection facility produces nitrogen that can be mixed with natural gas when it is necessary to lower the heating content to meet pipeline gas quality standards in México and the U. S.

ECA entered into a 20-year firm storage service agreement with Sempra LNG International, LLC ("SLNGI", a related party in the U.S.) through IEnova LNG, S. de R. L. de C. V., formerly Sempra LNG Marketing México, S. de R. L. de C. V. ("IEnova LNG", or "LNG Marketing") for which SLNGI is committed to lease 50% of the total storage capacity of the LNG Terminal. The agreement commenced in May 2008 after the LNG Terminal was placed in service. In April 2009, the shipper assigned the remaining contracted storage capacity to other independent third parties.

k. IEnova LNG, S. de R. L. de C. V. ("IEnova LNG") (formerly Sempra LNG Marketing México) provides LNG services related to the purchase and sale of LNG and natural gas. In May 2008, IEnova LNG began operating jointly with ECA. Up to that date, the activities of IEnova LNG were primarily focused on obtaining necessary permits.

On November 2009, IEnova LNG entered into an agreement with SLNGI, whereby SLNGI agreed to deliver and sell LNG cargoes to IEnova LNG from startup date of the LNG Terminal. Accordingly, IEnova LNG entered into transportation and storage capacity service agreements to commercialize the LNG.

Thereafter, on January 1, 2013, SLNGI and IEnova LNG entered into a new LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 million British Thermal Units ("MMBtus"). Under the terms of the agreement, SLNGI will be responsible for the transportation to the receiving terminal of all quantities of LNG sold and delivered from the delivery point to the receiving terminal and, in the other hand; IEnova LNG will take LNG in order to meet its purchase commitments.

As of September 30, 2014, concluded the agreement between IEnova LNG and JPM, there after IEnova LNG and TDM entered into a new agreement for gas rendered.

1.3.2. Power segment. The Company's subsidiaries included in this reportable segment are:

a. Termoeléctrica de Mexicali, S. de R. L. de C. V. and Subsidiaries (collectively "TDM") are engaged in the generation and sale of electricity. In August 2001, TDM received a favorable resolution by the CRE to generate and export electricity for exportation through an independent power production project.

On January 1, 2013 (with an effective date of January 1, 2012), Sempra Generation ("SGEN") and TDM entered into a new commercial agreement, in for which TDM delivers all of its power output directly to the California's Independent System Operator power grid ("CAISO") in the U. S. at the México border, and SGEN provides marketing, scheduling and dispatch services for TDM.

b. In October 2013, Energía Sierra Juárez S. de R. L. de C. V. began construction on the 155-MW first phase of the Energía Sierra Juárez ("ESJ") wind generation project, which is fully contracted by SDG&E and expected to be operational in the first half of 2015. The ESJ project is designed to provide up to 1,200 MW of capacity if fully developed. In June 2014, the Energía Sierra Juárez wind project entered into an 18-year, $240 million loan to project finance the construction and drew down $82 million under the loan agreement. The loan agreement also provides for a $31.7 million letter of credit facility. Energía Sierra Juárez also entered into a separate Peso- denominated credit facility for up to $35 million U.S. dollar equivalent to fund the value added tax of the project. (see Note 11.2).

1.3.3. *Corporate segment* holds interests in our pipeline, distribution, regasification, natural gas sale, and power generation operations in México.

a. IEnova is essentially a holding company that invests in affiliated companies in the electricity and natural gas industries.

b. Sempra Servicios Energéticos, S. de R. L. de C. V. ("SSE") is a holding company that invests in affiliated companies in the electricity and natural gas industries.

2. Significant accounting policies

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

2.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

a. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b. Fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.3. Reclassifications

The consolidated financial statements for the year ended December 31, 2012 have been reclassified to present Value added tax receivable and other payable taxes in conformity with the presentation for the year ended December 31, 2013.

	Balances originally reported	Retrospectively reclassified balances	Increase (decrease) due to reclassifications
2012			
Value added tax receivable	$ -	$ 12,626	$ 12,626
Other assets	23,029	(12,626)	10,043
Other taxes payable	$ -	$ 5,790	$ 5,790
Other liabilities	8,307	(5,790)	2,517

The consolidated financial statements for the year ended December 31, 2014 present a liability for current carbon allowances as a separate line item. Accordingly, current carbon allowances for an amount liabilities of $4,778 and $-, for the years ended December 31, 2013 and 2012, respectively, are presented as a separate line item (previously included within the "other" caption) to conform to the presentation as of December 31, 2014.

2.4. *Consolidation of financial statements*

2.4.1. *Consolidation basis*

The consolidated financial statements of IEnova incorporate the financial statements of all entities where it maintains control (its subsidiaries). An investor controls an investee if and only if the investor has all of the following elements:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not controls an entity if the facts and circumstances indicate that there are changes to one or more of the three control elements that were listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Company.

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

IEnova's equity ownership in subsidiaries for the years ended December 31, 2014 are as follows.

Company	Ownership percentage 2014
Gas Segment:	
Ecogas México, S. de R. L. de C. V.	100.00
PE International Canadá, S. de R. L. de C. V.	98.99
Servicios DGN de Chihuahua, S.A. de C.V.	100.00
Gasoducto Rosarito, S. de R. L. de C. V.	100.00
Transportadora de Gas Natural de Baja California, S. de R. L. de C. V.	100.00
IEnova Gasoductos México, S. de R. L. de C. V. ("IEnova Gasoductos México") (formerly Sempra Gasoductos México, S. de R. L. de C. V.)	100.00
Sempra Compresión México, S. de R. L. de C. V. (Merged in 2014 with IEnova Gasoductos México, S. de R. L. de C. V.)	100.00
Gasoducto de Aguaprieta, S. de R. L. de C. V.	100.00
IEnova Gasoductos Holding, S. de R. L. de C. V.	100.00
IEnova, S. de R. L. de C. V.	100.00
Energía Costa Azul, S. de R. L. de C. V. and Subsidiary	100.00
IEnova LNG, S. de R. L. de C. V. ("Sempra LNG Marketing México")	100.00
Power segment:	
Termoeléctrica de Mexicali, S. de R. L. de C. V. and Subsidiary	100.00
Controladora Sierra Juárez, S. de R. L. de C. V.	99.99
Corporate segment:	
Sempra Servicios Energéticos, S. de R. L. de C. V. ("SSE")	99.87

Pursuant to a resolution of the general ordinary members' meeting on September 10, 2012 ("increasing of membership interest date"), the variable equity of IEnova was increased by $5,861,622,509 Mexican Pesos, through the contribution of the Parent company of its membership interest in IEnova Gasoductos México as of that date. As a result of such membership increase, IEnova obtained ownership and control of IEnova Gasoductos México.

The contribution of IEnova Gasoductos México had no effect on the Company's financial position, operating results or cash flows. The transaction was accounted for on a retrospective basis as since both entities were under the common control of Sempra Energy.

As further described in Note 11.2, on July 16, 2014 CSJ sold 50% of the social parts in its indirect subsidiary ESJ; accordingly, the assets and liabilities of ESJ were derecognized and beginning on that date the investment is recorded using the equity method.

2.5. *Classification of costs and expenses*

The costs and expenses are presented according to their function because this is the practice of the industry in which the Company operates.

2.6. *Cash and cash equivalents*

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

2.7. *Short-term investments*

Short-term investments consist mainly in money market funds, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks and are maintained for purposes other than operation.

2.8. *Inventory of natural gas*

Liquefied natural gas inventory is recorded at the lower of cost or net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to sell.

2.9. *Leasing*

2.9.1. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the benefits. All other leases are classified as operating leases.

2.9.2. The Company as lessor

Amounts payable by lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is distributed in the accounting periods to reflect a constant periodic rate of return on the net investment of the Company with respect to leases.

The rental income under operating leases is recognized using the straight-line method over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and is recognized using the straight-line method over the lease term.

2.9.3. Company as lessee

The assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's accounting policy for borrowing costs (see Note 2.15). Contingent rents are recognized as expenses in the periods in which they are incurred.

Rent payments under operating leases are expensed using the straight-line method during the period corresponding to lease more representative unless another systematic basis of assessment to reflect the pattern of the benefits of leasing for the user more accurately. Contingent rents are recognized as expenses in the periods in which they are incurred.

In the event that income incentives received for holding operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed online.

2.10. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company reports its interests in joint venture using the equity method.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income (“OCI”) of the joint venture. When the Company’s share of losses of a joint venture exceeds the Company’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company’s net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39, Financial instruments: recognition and measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in OCI regarding that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Company realizes transactions with joint ventures, non- realized profit and losses are eliminated at the Company's ownership percentage in the joint venture.

2.11. Goodwill

Goodwill arising from the acquisition of IEnova Gasoductos México by Sempra Energy, and subsequent to Company's contribution (See Note 2.4.1.), has been included in the consolidated financial statements as it forms part of Company's net investment in such entity, and is carried at cost as established at the date of acquisition.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, on October 1, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit and loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.12. Carbon allowances

The Company has elected to account for carbon allowances, or emission allowances, ("CAs") under the inventory model, whereby CAs are measured at a weighted-average cost. CAs allocated by a regulatory body will have a zero cost basis, CAs purchased at auction or from other market participants are recorded at their purchase price, and CAs acquired when the Company elects to physically settle carbon futures are recorded based on the settlement price. The weighted-average cost of CAs consumed (i.e., carbon emitted while power is generated) is charged to cost of revenue of each reporting period. The CAs' carrying value is evaluated under the "lower of cost or net realizable value" approach. The CAs inventory is classified as other current assets or other non-current assets if it is expected to surrender the inventory within the term greater than one year beginning at the consolidated statements of financial position date. The CAs' cash inflows and outflows are classified as an operating activity in the consolidated statements of cash flows.

2.13. Property, plant and equipment

Property, plant and equipment are presented in the consolidated statements of financial position and recorded at acquisition cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Acquisition costs include labor, material costs and construction service agreements.

The Company recognizes decommissioning liabilities for the present value of liabilities of future costs expected to be incurred when assets are retired from service, if the retirement process is legally required and if a reasonable estimate of fair value can be made.

Property, plant and equipment include major expenditures for improvements and replacements parts, which extend useful lives or increase capacity. Routine maintenance costs are expensed as incurred.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. The buildings and land, equipment and other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write-off the cost of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that the Company generally borrows funds and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. For a relationship designated as cash flow hedging, none of the effects of the derivative are included in capitalized interest.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.16. Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee’s most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans, which include pension plans as well as its seniority premium benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The remeasurements, which include the actuarial gains and losses and the effect of the changes on the floor of the asset (if applicable), are immediately recognized in the statement of financial position charged to the credit that is recognized in the consolidated statements of profit and loss and OCI in the period in which they are incurred. The remeasurements recognized in OCI items are not reclassified to profit and loss. The Company presents service costs within administrative and other expenses in the consolidated statements of profit and loss. The Company presents net interest cost within finance costs in the consolidated statements of profit and loss. The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as of the end of each reporting period.

Short term and other long term employee benefits include benefits accruing to employees in respect of wages and salaries, annual leave and sick leave during the period of service provided and is recognized by the undiscounted amount of the benefits expected to be paid for that service.

The liabilities for short term employee benefits are valued at the undiscounted amount of the benefits expected to be paid for that service.

Liabilities recognized for other long-term benefits are valued at the present value of estimated future cash outflows that the Company expects to make related to the services provided by employees at the reporting date.

Employee Statutory Profit Sharing (PTU, by the acronym in Spanish). PTU is recorded in the profit or loss of the year when is caused and is included in administrative and other expenses balance in the consolidated statements of profit.

The Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without justified cause. The Company records a liability for such severance benefits when the event that gives rise to an obligation occurs upon the termination of employment as termination benefits result from either Company's management's decision to terminate the employment or an employee's decision to accept an offer of benefits in exchange for termination of employment.

2.17. Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.18.1. Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.18.2. Fair value

Fair value is defined in subparagraph b of Note 2.2.

2.19. Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL, by its acronym in English), investments preserved at maturity. financial assets 'available for sale' (AFS, by its acronym in English) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at initial recognition. All purchases or sales of financial assets made routinely identified and removed based on the trade date. Purchases or sales regularly are those purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or custom in that market.

2.19.1. Method of effective interest rate

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income or interest cost during the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition.

2.19.2. Financial assets at FVTPL

Financial assets are classified, other than held-for-trading, as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if, certain conditions are met. The Company has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the cost of natural gas and electric fuel and in other gains and losses line items in the consolidated statement of profit and loss. Fair value is determined in the manner described in Note 2.2b.

2.19.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Company does not hold any held-to-maturity financial assets.

2.19.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and amounts due from related parties) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.19.5. Impairment of financial assets

The various financial assets at fair value through income changes, financial assets are subject to impairment tests at the end of each reporting period. It is considered that financial assets are impaired when there is objective that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected evidence.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Non-payment of interest or principal;
- It is probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable where the carrying amount is reduced through an account of allowance for doubtful accounts. When a receivable is uncollectible, it is removed from the estimate. Subsequent recoveries of amounts previously written off become claims against the estimate. Changes in the carrying amount of the allowance account are recognized in the profit or loss.

2.19.6. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

In the conclusion of a financial asset entirety, the difference among the book value of the asset and the sum of the price received and receivable and profit or loss that has been recognized in the consolidated statements of profit and loss and OCI.

2.20. Financial liabilities and equity instruments

2.20.1. Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.20.2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.20.3. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2.20.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired mainly for the purpose of repurchasing it in the near term; or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of making profits in the short term; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if, certain conditions are met. The Company has not designated any financial liabilities as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statements of profit and loss. Fair value is determined as described in Note 22.

2.20.3.2. Other financial liabilities

Other financial liabilities (including borrowings, due to related parties, trade payables and customers deposits) are subsequently measured at amortized cost using the effective interest method.

2.20.3.3. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.21. Derivative financial instruments

The Company enters into derivative financial instruments to reduce its exposure to risks. These instruments are negotiated with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is to carry out transactions with derivative financial instruments for the purpose of offsetting its exposure to such risks through risk management. Further details of derivative financial instruments are disclosed in Note 22.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value on the consolidated statements of financial position, regardless of its intent for holding them.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss in the same line as the hedged item affects profit or loss for derivatives that are economic hedges.

2.21.1. Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.21.2. Own use exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements fall within the "own use" (or "normal purchase or sale") exemption. Under this scope exemption, ordinary physical supply arrangements are excluded from derivative accounting treatment.

2.22. *Hedge accounting*

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivative with respect to foreign currency risk, either as fair value hedges, cash flow hedges, or hedges of a net investment in a transaction foreign. The hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

For its hedging instruments, the Company documents the relationship between the hedging instrument and the hedged item at the inception of the hedge relationship, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

2.22.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statements of profit and loss as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in OCI and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2.22.2. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the profit or loss consolidated statements of related to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2.23. *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.23.1. Current tax

Income tax and the Business Flat Tax ("ISR" and "IETU", respectively, by their initials in Spanish) are recorded in the results of the year when they are incurred. Taxable profit differs from profit as reported in the consolidated statements of profit and loss because of items of income or expense that are taxable or deductible in other years, items that are not taxable or deductible, and items that are taxable or deductible but do not affect accounting results. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Asset tax ("IMPAC", by its acronym in Spanish) paid through 2007 that is expected to be recovered was recorded as an advanced payment of ISR and is classified in the consolidated statements of financial position within other assets.

2.23.2. Deferred taxes

Deferred taxes are presented as long-term and calculated by applying the tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carry forwards and certain tax credits. Deferred tax assets are generally recognized for tax loss carryforwards as well as deductible temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses or deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.23.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity, respectively.

Under the tax legislation in effect during 2013, the entities had to pay the greater of ISR or IETU. If IETU was payable, the payment was considered final; not subject to recovery in subsequent years.

Under the framework discussed in the paragraph above and due to Company's management estimated that the tax payable in future years would be IETU for certain subsidiaries, as of December 31, 2012, the deferred tax effects were determined under the IETU basis.

As of December 31, 2013, given that the IETU Law was repealed, (refer to Note 1.2.5, subparagraph a) the Company wrote off its deferred IETU tax asset, recognizing the effect in its consolidated statements of profit in 2013.

2.24. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue includes amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates; value added tax (Impuesto al Valor Agregado, "IVA" by its acronym in Spanish) and other sales-related taxes.

2.24.1. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rights of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company; and.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

The following revenue streams related to the sale of goods are recognized in accordance with the previous accounting policy as disclosed in more detail below:

- Sales of natural gas and the related costs are recognized upon the transfer of title, which coincides with the physical delivery of natural gas to customers.
- Power generation revenues are recognized when generated power is delivered.

2.24.2. Rendering of services

Revenues from service contracts are recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Service fees included in the price of the products sold are recognized by reference to the proportion of the total cost of the service provided for the product sold, and

- Revenue from contracts is recognized based on the rates provided to the extent incurred in working hours and direct costs.

The following revenue streams related to the rendering of services are recognized in accordance with the previous accounting policy as disclosed in more detail below:

- Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements.
- Revenues and related costs from natural gas distribution are recognized when the distribution services are rendered.
- Revenues also include net realized gains and losses and the net change in the fair value of unrealized gains and losses on derivative contracts for natural gas.
- Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.24.3. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.24.4. Rental income

The Company's policy for recognition of revenue from finance leases is described in Note 2.9.1.

2.25. Foreign currencies

The Company's functional currency is the U.S. Dollar, except for ECO, PEI and SDGN in its Gas segment, which is the Mexican Peso.

In preparing the financial statements of each individual subsidiary of the Company, transactions in currencies other than the subsidiaries' functional currency (U.S. Dollar or Mexican Peso) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in OCI and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiaries with Mexican peso functional currency are translated into U.S. Dollars (the Company's reporting currency) using exchange rates prevailing at the end of each reporting period. Profit and loss amounts are translated at the average exchange rate for the period, unless there are significant currency fluctuations during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other items of comprehensive income and accumulated in equity.

On the disposal of an operation with a Mexican peso functional currency all of the exchange differences accumulated in equity related to the disposed operation that are attributable to the owners of the Company are reclassified to profit or loss.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application the accounting policies of the Company, which are described in Note 3, management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the financial statements. The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

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

3.1. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3.2 below), that Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

3.1.1. Finance lease of natural gas compression station

The Company has a long-term natural gas compression arrangement with PGPB. The contract provides PGPB with the right to use 100% of the compression station's output for 20 years, with an additional five years, in return for fixed capacity payments.

Management has determined that the arrangement should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the compression station as of such date. Details of the finance lease asset are included in Note 9.

3.1.2. Regulatory accounting

Rate regulation is the setting by regulatory bodies or governments of prices that can be charged to customers for services or products through regulations, often where an entity has a monopoly or dominant market position that gives it significant market power.

As of December 31, 2014, 2013 y 2012 there is no explicit guidance under IFRS regarding whether entities operating in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation. U. S. Generally Accepted Accounting Principles ("U.S. GAAP") provide specific guidance on this matter.

The IFRS Interpretations Committee (“IFRIC”) has previously commented that the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with IFRSs. The IASB, issued IFRS 14, *Regulatory deferral accounts* on January 30, 2014, as a part of its project on this matter, however, such standard is not applicable to the Company as it is not a first-time adopter of IFRS. As a result, the Company does not recognize rate-regulated assets or liabilities in its consolidated financial statements. Management will continue to monitor the status of future deliberations by the IASB and IFRIC as it relates to this matter and its potential impact on the Company’s consolidated financial statements.

3.1.3. Contingencies

The Company accrues losses for the estimated impacts of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, the Company accrues for the loss if an event has occurred on or before the date of the consolidated statements of financial position. The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

3.1.4. Own use exemption

IAS 39 contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity’s own use. The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments. If a non-financial item can be settled net either in cash or another financial instrument, or by exchange of financial instruments, it must be accounted for as a financial instrument.

There are various ways in which a contract can be settled net. Management applies judgment in assessing whether, among others, past practices of net settling similar contracts or of taking delivery and selling the item within a short period; or, the commodity is readily convertible to cash, would lead to net settlement. Management analyzes each of its physical delivery contracts of nonfinancial items for determining if they are within the own use exemption from derivative accounting treatment.

3.1.5. Determining whether an arrangement contains a lease

The Company evaluates if an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a series of payments should be accounted for as a lease. The Company’s management uses its judgment to determine, whether, based on facts and circumstances existing at the inception of the contract, it is remote that parties other than the purchaser will take more than an insignificant amount of the output of the related asset.

3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities presented in the Company’s consolidated statements of financial position.

3.2.1. Estimated useful lives of property, plant and equipment

As described in Note 2.13, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. See Note 13.1 for useful lives of property, plant and equipment.

3.2.2. Impairment of long-lived assets (goodwill)

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment testing are performed on an annual basis.

3.2.3. *Asset decommissioning obligation*

The estimated cost of decommissioning at the end of the useful lives of the Company's long-lived assets is reviewed periodically and is based on estimates at the date of the consolidated statements of financial position of the present value of future costs expected to be incurred when assets are retired from service as required by law or per its contractual obligations. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the long-lived assets, but are currently anticipated to be between 25 to 50 years. The Company uses its long-term "borrowing cost" rate as the discount rate for calculating its provision related to its decommissioning liabilities, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by Bloomberg.

3.2.4. Valuation of financial instruments (fair value measurement)

As described in Note 22, the Company uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments.

The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

3.2.5. Purchase price allocation in the acquisition of IEnova Gasoductos México

Purchase price allocation adjustment requires most identifiable assets acquired and liabilities assumed or incurred to be measured at fair value. Therefore, a fair value measurement was determined based on the assumptions that market participants would use in pricing the acquired assets or assumed liabilities of Company's investment in IEnova Gasoductos México.

3.2.6. Allowance for doubtful accounts

The methodology for determining the allowance for doubtful accounts on trade and other receivables is set out in Note 5. The estimates and assumptions used to determine the allowance are reviewed periodically. Although the provisions recognized are considered appropriate, changes in economic conditions could lead to changes in the allowance and, therefore, impact profit or loss.

3.2.7. Recoverability of deferred tax assets

As mentioned in Note 23, the Company has accumulated tax loss carryforward benefits, for which an evaluation of recoverability is performed on an annual basis.

The use of estimates and assumptions are particularly important in the recognition of deferred income tax assets.

3.2.8. Calculation basis of deferred income tax

Until 2012, based on financial projections, the Company concluded that it essentially would pay ISR. Therefore, the Company recognized deferred income tax based on ISR. Beginning 2013, deferred income tax is calculated only based on ISR due to the repeal of IETU Law.

4. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and banks and investments in instruments in the money market funds, net of bank overdrafts. Cash and cash equivalents at end of period as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	12/31/14	12/31/13	12/31/12
Cash and bank balances	$ 42,844	$ 92,333	$ 56,125
Short term investments classified as cash equivalents	40,793	11,547	28,948
	$ 83,637	$ 103,880	$ 85,073

5. Trade and other receivables, net

	12/31/14	12/31/13	12/31/12
Trade receivables	$ 47,340	$ 49,216	$ 45,875
Allowance for doubtful accounts (a)	(194)	(202)	(193)
	47,146	49,014	45,682
Other receivables	19,255	15,021	33,286
	$ 66,401	$ 64,035	$ 78,968

(a) For the Gas segment, in ECO, the Company has recognized an allowance for doubtful accounts of 80% against all receivables outstanding between 180 and 269 days and 100% against all receivables outstanding over 270 days, based on historical experience. Allowances for doubtful accounts are recognized against trade receivables for customers whose outstanding balances are outstanding between 30 and 179 days when such receivables are estimated not to be recoverable based on an analysis of the customers' financial position.

For all the other companies within the Gas segment and for the Power segment, the average credit period on trade receivables is 30 days.

Trade receivables disclosed above include amounts (see below for aging analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because the amounts are still considered recoverable.

5.1 Age of receivables that are past due but not impaired

	12/31/14	12/31/13	12/31/12
31-120 days	$ 12	$ 18	$ 10
121-180 days	7	7	3
181-270 days	4	4	2
Total	$ 23	$ 29	$ 15
Average age (days)	36	56	62

5.2 Movement in the allowance for doubtful accounts

	12/31/14	12/31/13	12/31/12
Balance as of beginning of the year	$ (202)	$ (193)	$ (474)
Impairment losses recognized on receivables	(78)	(57)	(49)
Amounts written off during the year as uncollectible	63	47	365
Foreign exchange translation gains (losses)	23	1	(35)
Balance as of end of the year	$ (194)	$ (202)	$ (193)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. See Note 22.9 for more details of the Company's credit risk management and concentration of credit risk assessment.

5.3 Age of impaired trade receivables

	12/31/14	12/31/13	12/31/12
181-270 days	$ (15)	$ (16)	$ (9)
Over 270 days	(179)	(186)	(184)
Total	$ (194)	$ (202)	$ (193)

6. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

6.1 Trading transactions

During the year, the Company entered into the following trading transactions with related parties that are not members of the Company:

	Revenues Year ended		
	12/31/14	12/31/13	12/31/12
Sempra Generation ("SGEN")	$ 222,471	$ 168,340	$ 127,656
Sempra LNG International, LLC ("SLNGI")	90,871	90,842	107,754
Sempra International, LLC ("Sempra International")	1,739	1,248	55
Southern California Gas Company ("SoCalGas")	9	143	150
Sempra Global	-	434	1,739
Sempra LNG	-	-	46

	Cost of revenue, administrative and other expenses		
		Year ended	
	12/31/14	12/31/13	12/31/12
SLNGI	$ 335,025	$ 224,195	$ 195,593
SGEN	31,702	31,953	59,072
Sempra International	7,311	6,759	6,015
Sempra U.S. Gas & Power, LLC	7,106	7,144	-
SoCal Gas	1,074	1,402	1,137
Sempra Services Company, S. de R. L. de C. V. (“Sempra Services Company”)	985	1,745	-
Sempra Servicios México, S. de R. L. de C. V. (“Sempra Servicios México”)	517	694	-
Sempra Midstream, Inc.	448	556	532
Sempra Global	-	65	358
San Diego Gas & Electric	-	28	-

	Finance costs		
		Year ended	
	12/31/14	12/31/13	12/31/12
Sempra Oil Trading Suisse (“SOT Suisse”)	$ 1,480	$ 1,494	$ 2,835
SGEN	4	7	18
Sempra Chile, S. A. (“Sempra Chile”)	-	903	7,049
Sempra Energy International Holdings, N. V. (“SEIH”)	-	350	75
Sempra Global	-	7	392
Sempra Services Company	-	1	2

	Interest income		
		Year ended	
	12/31/14	12/31/13	12/31/12
Ductos Energéticos del Norte, S. de R. L. (“DEN”)	$ 1,828	$ -	$ -
ESJ	826	-	-
Sempra Services Company	3	-	-
Sempra Servicios México	-	3	24

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

	Amounts due from related parties		
		Year ended	
	12/31/14	12/31/13	12/31/12
SGEN	$ 23,949	$ 24,741	$ 28,822
Sempra International	1,336	119	-
ESJ	690	-	-
Servicios ESJ, S. de R. L. de C. V.	626	-	-
Sempra Global	-	-	124
	$ 26,601	$ 24,860	$ 28,946

	Amounts due to related parties		
	Year ended		
	12/31/14	12/31/13	12/31/12
SempraLNG International LLC	$ 14,228	$ 3,031	$ 8,011
Sempra Services Company	85	291	352
SoCalGas	77	106	121
Sempra Generation	9	-	-
Sempra Servicios México	6	181	668
Sempra Midstream	-	46	-
SEIH (a)	-	-	83,300
Sempra International	-	-	822
Sempra LNG	-	-	181
	$ 14,405	$ 3,655	$ 93,455

(a) During 2012, the Company received short-term loans from SEIH for $86.1 million, which were fully paid during 2013 (refer to Note 1.2.2.). During 2013, the Company paid capital and interest for $85.8 million and $350, respectively. The loan bore variable interest at the six-month LIBOR plus 250 bps (average annual rate of 3.12% during 2013 and 2012).

Sales and purchases of goods and services with related parties have been carried out in accordance with applicable transfer pricing requirements.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given nor received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect to the amounts owed by related parties.

In commercial transactions there are expenses for administrative services from affiliates of $8.0 million $8.8 million and $26.7 million for the years ended December 31, 2014, 2013 and 2012, respectively; balances were collected and paid, and have been properly distributed to the segments incurring those costs.

6.2 Loans to related parties

	12/31/14	12/31/13	12/31/12
DEN	$ 123,867	$ -	$ -
ESJ	22,693	-	-
Sempra Generation	115	-	-
Sempra Servicios México	100	231	416
Sempra Services Company	-	100	-
	$ 146,775	$ 331	$ 416

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

6.3 Loans from related parties

	12/31/14	12/31/13	12/31/12
SOT Suisse(a)	$ 38,460	$ 38,460	$ 91,660
SGEN (b)	-	433	143
Sempra Chile (c)	-	-	215,000
Sempra Global (d)	-	-	25,000
	$ 38,460	$ 38,893	$ 331,803

(a) During 2013 the Company paid capital and interest in the amount of $53.2 million and $1.9 million respectively. Also, during 2012 the Company paid interest of $3.6 million. The loans mature in March 2017 and bear variable interest based on the previous month midterm annual Applicable Federal Rate in U.S. ("AFR") plus 200 bps (an average annual rate of 3.27%, 3.04% and 4.02% in 2014, 2013 and 2012, respectively).

(b) During 2013 and 2012, the Company received long-term loans from SGEN of $737 and $21, respectively. During 2013 and 2012, the Company made payments of principal in the amount of $454 and $587, respectively. The loans mature on December 31, 2027 and bore variable interest based on the previous month midterm annual AFR plus 200 bps (an average annual rate of 2.7% during 2013 and 2012). During 2014, such principal and interest were fully paid.

(c) During 2012, the Company received a long-term loan from Sempra Chile for $215.0 million which bore interest of $0.9 million; during 2013, such and interest were fully paid (refer to Note 1.2.2.). The loan bore variable interest based on 6-month LIBOR e plus 250 bps (an average annual rate of 3.0% during 2013).

(d) The Company received loans from Sempra Global during 2012 of $122.0 million. During 2013, such loan and interests were fully paid by the Company (refer to Note 1.2.2.). During 2012, the Company made payments of capital and interest for $125.0 million and $0.4 million, respectively. The loans had maturities until December 15, 2027 and bore variable interest based on the previous month midterm annual AFR (an average annual rate of 0.98% during 2013).

7. Compensation of key management personnel

Since 2013, the Company has directly contracted certain key positions of its management. Total compensation expense was $6.5 million, $3.8 million and 1.8 million, for the years ended December 31, 2014, 2013 and 2012, respectively.

8. Inventory of natural gas

	12/31/14	12/31/13	12/31/12
Liquefied natural gas	$ 9,375	$ 3,836	$ 9,273

The cost of inventories recognized within cost of revenues was $327,110, $230,966 and $196,682 for the years ended December 31, 2014, 2013 and 2012, respectively.

The cost of revenues recognized as expense was $1,048, $- and $1,779 for years ended December 31, 2014, 2013, and 2012 respectively, due to write-downs of inventory to net realizable value. Previous write-downs have not been reversed.

9. Finance lease receivables

	12/31/14	12/31/13	12/31/12
Current finance lease receivables	$ 111	$ 81	$ 56
Non-current finance lease receivables	14,510	14,619	14,700
	$ 14,621	$ 14,700	$ 14,756

Due to materiality considerations, the Company's management decided to present the current receivable amount within the non-current portion.

9.1 Leasing arrangements

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

9.2 Amounts receivable under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
Not later than one year	$ 5,136	$ 5,136	$ 5,136	$ 111	$ 81	$ 56
Later than one year and not later than five years	22,458	22,458	22,458	1,116	1,264	1,264
More than five years	34,667	39,376	25,869	13,394	13,355	13,436
	62,261	66,970	53,463	14,621	14,700	14,756
Less: unearned finance income	(47,640)	(52,270)	(38,707)	n/a	n/a	n/a
Present value of minimum lease payments receivable	14,621	14,700	14,756	14,621	14,700	14,756
	$ 14,621	$ 14,700	$ 14,756	$ 14,621	$ 14,700	$ 14,756

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

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 34.48% per annum for 2014, 2013 and 2012.

The receivable under finance lease balance as of December 31, 2014, 2013 and 2012 is not neither past due nor impaired.

10. Other assets

	12/31/14	12/31/13 (Note 2.3.)	12/31/12 (Note 2.3.)
Prepayments	$ 5,629	$ 7,694	$ 5,676
Accrued interest receivable	-	7,286	-
IMPAC recoverable	3,429	5,120	4,261
Pipeline interconnection rights	2,285	4,973	1,629
Land leases	54	371	70
Natural gas imbalance	806	207	396
Guarantee deposits	-	187	264
	$ 12,203	$ 25,838	$ 12,296
Current	$ 9,918	$ 20,679	$ 10,403
Non - current	2,285	5,159	1,893
	$ 12,203	$ 25,838	$ 12,296

11. Investment in joint ventures

11.1 GdC

The Company has a 50% equity ownership in the members' equity of GdC, an entity jointly controlled with Pemex Gas Petroquimica Básica ("PGPB"). GdC operates two natural gas pipelines, a natural gas compression station, a propane system in Northern México, in the States of Chihuahua, Tamaulipas and Nuevo Leon, México; and a gas storage facility in the State of Jalisco, México. Construction is currently in process for phase two of the Los Ramones I pipeline, as well as the Los Ramones Norte and Ethane pipeline projects. On December 31, 2014 and 2013, GdC maintains construction in process related to Los Ramones I and Los Ramones Norte (refer to subparagraphs c and d of Note 1.2.4.) and Ethane pipeline projects (refer to subparagraph n of Note 33.2.). As of December 31, 2014, 2013 y 2012, there has been no change in the Company's ownership or voting interests in this joint venture since its acquisition.

As December 31, 2014, there has no change the Company's ownership or voting rights in this joint venture.

GdC's consolidated financial statements and the Company's equity method investments are summarized as follows:

	12/31/14	12/31/13	12/31/12
Cash and cash equivalents	$ 74,931	$ 98,869	$ 74,527
Short-term investments	58,233	12,805	151,766
Other current assets	94,086	47,713	29,343
Current assets	227,250	159,387	255,636
Finance lease receivables	346,314	-	-
Property, plant and equipment, net	673,714	508,023	349,925
Due from TAG Holding, S. de R. L. de C. V.	140,160	-	-
Other non-current assets	413	476	901
Deferred income tax asset	359	-	-
Non-current assets	1,160,960	508,499	350,826
Total assets	$ 1,388,210	$ 667,886	$ 606,462
Current liabilities	$ 31,201	$ 16,345	$ 20,684
Non-current liabilities	724,810	48,853	52,467
Total liabilities	756,011	65,198	73,151
Total members' equity	$ 632,199	$ 602,688	$ 533,311
Share of members' equity	$ 316,100	$ 301,345	$ 266,656
Goodwill and indefinite lived intangible assets	64,943	64,943	64,943
Carrying amount investment in GdC	$ 381,043	$ 366,288	$ 331,599

	12/31/14	Year ended 12/31/13	12/31/12
Revenue	$ 496,789	$ 147,478	$ 139,196
Expenses	(368,802)	(51,445)	(49,492)
Interest expenses, net	(26,973)	(396)	(1,337)
Investment in subsidiaries	(9,019)	-	-
Income tax expense	(42,456)	(26,260)	(13,479)
Net and comprehensive income	$ 49,539	$ 69,377	$ 74,888
Share of profits of GdC	$ 24,770	$ 34,689	$ 37,444

(a) ***Credit agreement*.** On December 5, 2013 GdC entered into a credit agreement for $490.0 million with BBVA Bancomer, Institucion de Banca Múltiple, Grupo Financiero BBVA Bancomer, Bank of Tokyo Mitsubishi UFJ, Ltd., Mitzuho Bank and Norddeutsche Landesbank, for the purpose of funding the Los Ramones I pipelines project. The funding is contracted for a term of 13 years, with quarterly of principal payments, bearing interest at the 90 day London Interbank Offered Rate ("LIBOR") plus 200 to 275 base point ("bps") from the anniversary date of the credit agreement. This funding is guaranteed by collection rights of certain GdC projects. Borrowings under the facility began in 2014.

(b) On March 7, 2013, GdC made an advance repayment of its long-term debt to Export-Import Bank of the United States of approximately $19 million.

(c) On January 22, 2014, GdC entered into a derivative financial instrument for hedging the interest rate risk on the total of the credit agreement mentioned above at a rate of 2.63%.

(d) Regular investment contribution to TAG Norte Holding, S. de R. L. de C. V.: TAG Norte Holding, S. de R. L. de C. V. ("TAG Holding") is owned by GdC through its subsidiary, DEN, and partners PMI and TAG Pipelines. Pursuant to the amended partnership agreement dated June 30, 2014, an ordinary contribution investment to capitalize TAG Holding was authorized as follows::

PGPB	$	123,867
IEnova		123,867
	$	247,734

Under the terms of the contract, the contributions made in July, August and November 2014, are presented as loans to DEN. As of December 31, 2014, the amount includes interest of 1.8 millions

(e) In December 19, 2014, TAG Norte Holding, S. de R. L. de C. V. (TAG) (subsidiary company of the GdC Joint Venture), entered into a credit as a debtor, signed a promissory note in favor to Santander, the amount of such credit is in the amount of $1.276 million. In additions TAG contracted a derivative instrument in order to cover the risk of interest rate.

11.2 ESJ

On July 16, 2014, CSJ completed the sale a 50% interest in the fisrt phase of ESJ to a wholly oned subsidiary of InterGen N. V. ("InterGen") (see Note 1.2.4b). The net cash received was $25.9 million. The retained interest in ESJ was recorded at its fair value of $25.9 million as a non-cash transaction. The net gain for the sale of ESJ shares was $18.8 million after income tax and is, included within the other gains (losses) line item in the statements of profit and loss.

As of December 31, 2014, the Company's remaining 50% interest in ESJ is accounted for under the equity method. ESJ's condensed consolidated financial statements and the Company's equity method investment are summarized as follows:

		Year ended 12/31/14
Cash and cash equivalents	$	4,784
Other current assets		6,339
Current assets		11,123
Property, plant and equipment, net		258,885
Other non-current assets		10,189
Deferred income tax		7,914
Non-current assets		276,988
Total assets	$	288,111

	Year ended 12/31/14
Current liabilities	$ 11,815
Non-current liabilities	259,548
Total liabilities	271,363
Total members' equity	$ 16,748
Share of members' equity	$ 8,374
Goodwill and indefinite lived intangible assets	12,121
Carrying amount of investment in ESJ	$ 20,495

ESJ's condensed consolidated statement of profit is as follows:

	For the period of 07/16/2014 to 12/31/14
Expenses	$ (571)
Interest income, net	67
Income tax expense	(2,343)
Net income	$ (2,847)
Share of profits of ESJ	$ (1,424)

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

The credit facilities consist of construction loans and term loan commitments. ESJ will use the proceeds of construction loans to fund or reimburse ESJ project's costs. The proceeds of terms loans will be used for paying any unpaid principal amount of construction loans and other obligations accumulated as of the earlier of conversion date or project substantial completion date.

The variable rate loan is secured by the project and will convert to an 18-year term loan upon completion of the first phase of the project. The credit facilities mature on June 30, 2033, with payments due on a semi-annual basis (each June 30 and December 30 until the final maturity date), starting on December 30, 2015. The credit facilities (both construction and term loans) bear interest at selected rate between LIBOR plus the applicable margin and Prime Rate plus applicable margin.

Years	Base Rate applicable margin	LIBOR applicable margin
0 – 1	1.375%	2.375%
1 – 4	1.375%	2.375%
5 – 8	1.625%	2.625%
9 – 12	1.875%	2.875%
13 – 16	2.125%	3.125%
17 – 18	2.375%	3.375%

	Total credit facilities	Withdrawals	Unexercised outstanding balances
Mizuho Bank. Ltd.	$ 49,270	$ 39,475	$ 9,795
Nacional Financiera, S.N.C.	40,112	32,138	7,974
Norddeutsche Landesbank Girozentrale	55,154	44,189	10,965
North American Development Bank	40,112	32,138	7,974
Sumitomo Mitsui Banking Corporation	55,154	44,189	10,965
	$ 239,802	$ 192,129	$ 47,673

As of December 31, 2014, ESJ has withdrawn a total of $192.1 million from the credit facility. The loan agreement also provides for a $31.7 million letter of credit. ESJ has drawn down $5.7 million on the letter of credit, and generated interest expense in the amount of $3.1 million for the period ended December 31, 2014. The total unexercised outstanding balances under these arrangements is $38.8 million.

b) ***Interest rate swaps.*** To partially moderate its exposure to interest rate changes associated with the term loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount, which will result in an effective fixed rate of 6.1 percent. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014 and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges. The cumulative loss recognized in other comprehensive income of $5.1 million net of taxes, was reclassified from equity to profit or loss upon deconsolidation of ESJ..

c) ***Financing of project's value added tax with Santander.*** Financing of the project's value-added tax ("VAT") with Santander. On June 12, 2014, ESJ entered into a loan with Santander for up to $455.0 million Pesos (approximately $35.0 million historical U.S. dollar equivalent). Interest on each withdrawal will be accrued at the Mexican Interbank Interest Rate ("TIIE") plus 145 bps payable on a semi-annual basis. The credit line under this contract will be used to finance the VAT on the ESJ project. As of December 31, 2014, the Company has withdrawn $453.3 million pesos (approximately $30.8 million historical U.S. dollar equivalent) of this credit line.

d) ***Other disclosures.*** The member's agreement provides certain restrictions and benefits to the sale of the membership interest in ESJ. The Partnership agreement establishes that capital calls that are to be contributed on a pro rata basis by the members. CSJ and its joint venture partner have provided guarantees of payment of amounts due by ESJ and its subsidiaries under the wind turbine supply agreement with Vestas WTG México, S. A. de C. V.

12. Goodwill

	12/31/14	12/31/13	12/31/12
Cost	$ 25,654	$ 25,654	$ 25,654

There are no accumulated impairment losses.

12.1 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to IEnova Gasoductos México's cash-generating unit, which is included in the Gas segment.

The recoverable amount of this cash-generating unit is determined based on a 10-year discounted cash flow ("DCF") analysis of IEnova Gasoductos México's projected results. The DCF for 2014, 2013 and 2012, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 9.0%, which was the same rate used at the acquisition date.

There are no significant changes in IEnova Gasoductos México's operations that would indicate potential impairment since acquisition, including the following: a) its financial results have been consistent with management's initial projections, b) the changes on the macroeconomic indicators have not had adverse effect on the Company's operations (i.e. risk free rates are unchanged or lower than acquisition date and the change of Sovereign average rating from BBB to BBB+ for México), c) changes in the regulatory environment have not had adverse effect on the Company's operations and, d) there have been no significant changes in workforce, strategy, market trends or impacts due to recent acquisitions/integrations.

Although, the Company's management believes the current discount rate may be lower as market rates have declined since the acquisition, the discount rate used as of the acquisition date was deemed to be a reasonable rate for goodwill impairment testing purposes

13. Property, plant and equipment – Net

	12/31/14	12/31/13	12/31/12
Carrying amounts of:			
Buildings and plants	$ 2,287,706	$ 2,077,478	$ 2,072,258
Equipment	64,572	52,960	43,729
Other assets	32,948	27,032	27,923
	2,385,226	2,157,470	2,143,910
Accumulated depreciation and amortization	(497,686)	(442,043)	(381,890)
Land	74,988	74,421	74,421
Properties under construction	415,211	423,989	48,298
	$ 2,377,739	$ 2,213,837	$ 1,884,739

Cost	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Balance as of January 1, 2012	$ 74,233	$ 2,047,554	$ 43,118	$ 15,900	$ 22,943	$ 2,203,748
Additions	185	9,349	559	32,398	4,806	47,297
Disposals	-	(553)	(46)	-	(511)	(1,110)
Effect of foreign currency translation	3	11,598	98	-	685	12,384
Revisions and additions to decommissioning liability	-	4,310	-	-	-	4,310
Balance as of December 31, 2012	74,421	2,072,258	43,729	48,298	27,923	2,266,629
Additions	-	16,335	11,097	375,848	2,856	406,136
Disposals	-	(613)	(1,855)	-	(3,684)	(6,152)
Effect of foreign currency translation	-	(931)	(11)	(157)	(63)	(1,162)
Revisions and additions to decommissioning liability	-	(9,571)	-	-	-	(9,571)
Balance as of December 31, 2013	74,421	2,077,478	52,960	423,989	27,032	2,655,880
Additions	571	221,938	11,841	120,269	8,424	363,043
Disposals	-	(7,908)	-	(128,848)	(1,241)	(137,997)
Effect of foreign currency translation	(4)	(14,292)	(229)	(199)	(1,267)	(15,991)
Revisions and additions to decommissioning liability	-	10,490	-	-	-	10,490
Balance as of December 31, 2014	$ 74,988	$ 2,287,706	$ 64,572	$ 415,211	$ 32,948	$ 2,875,425
Accumulated depreciation						
Balance as of January 1, 2012	$ -	$ (300,691)	$ (5,002)	$ -	$ (12,096)	$ (317,789)
Eliminated on disposals of assets	-	22	45	-	482	549
Depreciation expense	-	(58,046)	(1,052)	-	(2,101)	(61,199)
Effect of foreign currency translation	-	(2,365)	(13)	-	(1,073)	(3,451)
Balance as of December 31, 2012	-	(361,080)	(6,022)	-	(14,788)	(381,890)
Eliminated on disposals of assets	-	41	18	-	702	761
Depreciation expense	-	(56,044)	(1,136)	-	(3,833)	(61,013)
Effect of foreign currency translation	-	277	1	-	50	328
Other	-	(758)	62	-	467	(229)
Balance as of December 31, 2013	-	(417,564)	(7,077)	-	(17,402)	(442,043)
Eliminated on disposals of assets	-	244	-	-	817	1,061
Depreciation expense	-	(56,571)	(1,043)	-	(4,178)	(61,792)
Effect of foreign currency translation	-	5,113	27	-	882	6,022
Other	-	-	(452)	-	(482)	(934)
Balance as of December 31, 2014	$ -	$ (468,778)	$ (8,545)	$ -	$ (20,363)	$ (497,686)

ECA acquired 19,452,209 square meters of land of which 627,614 were used for the construction of the LNG Terminal. The remaining land is used as buffer and access zones in accordance with the authorization issued by the Mexican Natural Resources and Environmental Ministry (Secretaría de Medio Ambiente y Recursos Naturales, "SEMARNAT" by its acronyms in Spanish).

The additions to property, plant and equipment during 2014 is comprised mainly of additions to construction in process, related to the Pipeline Gasoducto Sonora Pipeline and Energía Sierra Juárez Wind projects (see subparagraph c of Note 1.2.4.).

The Company capitalized borrowing costs on qualifying assets of $21,016, $12,811and $76 for the years ended December 31, 2014, 2013 and 2012, respectively.

13.1 Useful lives of property, plant and equipment

Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	40
Plant and equipment for LNG storage, regasification and nitrogen injection facility [1]	5-45
Pipelines system for transportation and distribution of natural gas [1]	34-50
Plant and equipment for generation of electricity [1]	37
Fiber optic network [1]	5-20
Leasehold improvements [2]	3-10
Machinery and other equipment [2]	3-10
Other assets [2]	3-20

[1] Useful lives related to Plant and equipment category
[2] Useful lives related to other assets category

14. Trade and other payables

	12/31/14	12/31/13	12/31/12
Trade payables	$ 41,436	$ 48,573	$ 24,388
Trading financial instrument payable (a)	18,101	-	-
Other miscellaneous payables	38	886	60
	$ 59,575	$ 49,459	$ 24,448

The average credit periods on purchases of goods and services are between 15 to 30 days. No interest has been charged on trade payables. The Company has policies in place to ensure that all payables are paid within the pre-agreed credit terms.

a. ***Trading financial instruments***

The Company enters into derivative financial instrument agreements to hedge the volatility of the fluctuation of the Peso relative to the Dollar. Certain monetary assets and liabilities of the Company are denominated in Dollars (functional currency); however, they are remeasured in Pesos throughout the year for Mexican tax purposes. The remeasurement of these assets and liabilities gives rise to foreign currency gains and losses for Mexican tax purposes.

15. Employee benefits

15.1 Defined contribution component

The Company provides a defined contribution plan for all permanent full-time employees in México. Employees that leave the Company obtain their employee contributions according to the following vesting schedule: a) Basic Contribution: 100% immediately for the capital accumulated. b) Additional Contribution: for the capital accumulated the vesting rates are: 100% in case of death or disability, and in case of voluntary termination according with the Company policy.

15.2 Defined benefit component

The Company also provides defined benefit plans for all permanent full-time employees of its subsidiaries in México. Under the plans, the employees are entitled to retirement benefits varying between 55% and 100% of their final salary upon reaching the retirement age of 65. No other post-retirement benefits are provided to these employees.

15.3 Seniority premium benefits

The Company provides seniority premium benefits, which consist of a lump sum payment of 12 days of wages per each year worked, calculated using the employee's most recent salary, not to exceed twice the minimum wage established by law.

15.3.1 Costs and obligations for post-employment and other long-term employee benefits

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at		
	12/31/14	**12/31/13**	**12/31/12**
Discount rates	8.25%	8.00%	7.25%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$ 14.72	$ 12.78	$ 13.01

Amounts recognized within current earnings and OCI as well as benefits paid with respect to the Company's post-employment and other long-term employee benefits were as follows.

	12/31/14	**12/31/13**	**12/31/12**
Current service cost recognized in administrative and other expenses	$ 381	$ 341	$ 208
Interest on obligation recognized in finance costs	209	167	113
Actuarial losses recognized in OCI	357	179	414
Benefits paid recognized in administrative and other expenses	-	-	(8)

The amount included in the consolidated statements of financial position arising from the Company's obligation related to its defined benefit plans, and changes in the present value of the defined benefit obligation in the current year, were as follows:

	Year ended		
	12/31/14	12/31/13	12/31/12
Opening defined benefit obligation	$ 2,684	$ 2,153	$ 1,381
Current service cost	381	330	253
Interest (benefit) cost	(50)	(2)	113
Actuarial gains	357	178	414
Exchange differences on plans maintained by Mexican peso functional currency entities	(294)	52	-
Benefits paid	(33)	(27)	(8)
Ending defined benefit obligation	$ 3,045	$ 2,684	$ 2,153

16 Other financial liabilities

	12/31/14	12/31/13	12/31/12
Accrued interest payable (a)	$ 6,561	$ 12,218	$ -
Customer deposits	662	635	616
Borrowing (b)	-	-	989
	$ 7,223	$ 12,853	$ 1,605

(a) Balance represents accrued interest payable on long-term debt (see Note 21).

(b) On November 7, 2011, the Company signed a funding agreement with BP Wind Energy North America Inc., for a credit line in the aggregate principal amount up to $1,106. The availability period of the line of credit was originally until January 31, 2012. Interest would accrue on any outstanding amount of advances thereunder from time to time, calculated at a rate of interest per annum equal to, for any given month, the 30-day LIBOR plus 500 bps (average annual rate of 5.24% for 2012). As of December 31, 2012, the accrued interest was $51 and the Company paid interest in the amount of $26. During 2013, the Company fully paid this loan.

17 Other liabilities

	12/31/14	12/31/13	12/31/12 (Note 2.3.)
Wages and benefits payable	$ 11,964	$ 8,869	$ 2,517
Other current liabilities	11,734	2,880	-
	$ 23,698	$ 11,749	$ 2,517

18 Carbon allowances

During 2013, the California Air Resources Board ("CARB") established the "Cap-and-Trade" program as a strategy for reducing the greenhouse gas ("GHG") emissions; such program includes the obligation for acquiring carbon allowances by an amount equal to GHG emissions in the period, through the mechanisms outlined in this program. Under the Cap-and-Trade program, TDM is subject to this extraterritorial regulation, despite being located in Baja California, México since their end users are located in California, U.S.

	Year ended		
	12/31/14	12/31/13	12/31/12
Assets:			
Current	$ 29,864	$ 4,778	$ -
Non-current	229	11,584	-
	$ 30,093	$ 16,362	$ -
Liabilities			
Current (a)	$ 29,864	$ 4,778	$ -
Non-current	-	11,151	-
	$ 29,864	$ 15,929	$ -

(a) Changes in the consolidated statements of financial position, as of December 31, 2014 were recorded in cost of revenues in the amounts of $13.9 million and $453 thousand, respectively.

19 Short-term debt

As of December 31, 2014, within other financial liabilities short-term debt includes the following:

	Year ended 12/31/14
Santander (a)	$ 145,346
SMBC (b)	51,020
	196,366
Financing Costs	(1,277)
	$ 195,089

(a) ***Current account credit contract with Santander.*** On June 19, 2014, the Company entered into an agreement for a $200.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México. Interest accrues based on 3-month LIBOR plus 105 bps. The credit facility is payable on a quarterly basis and as of December 31, 2014, the Company has $145.0 million of outstanding borrowings supported by the facility, and available unused credit on the line of $55.0 million.

(b) ***Current account credit contract with SMBC.*** On August 25, 2014, IEnova entered into an agreement for a $100 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Sumitomo Mitsui Banking Corporation. . Interest accrues based on 3-month LIBOR plus 105 bps and as of December 31, 2014, IEnova had $51.0 million of outstanding borrowings supported by the facility presented within short-term debt due to management´s intention and ability to repay borrowings in the near term and available unused credit on the line was $49.0 million.

20 Provisions

	Year ended		
	12/31/14	12/31/13	12/31/12
Decommissioning liabilities (a)	$ 38,250	$ 26,430	$ 34,820
Other (b)	1,619	1,945	2,788
	$ 39,869	$ 28,375	$ 37,608
Current	$ 1,619	$ 1,945	$ 2,788
Non-current	38,250	26,430	34,820
Total provisions	$ 39,869	$ 28,375	$ 37,608

	Asset retirement obligations	Others	Total
Balance as of January 1, 2012	$ 28,862	$ 3,080	$ 31,942
Additional provisions recognized	1,906	-	1,906
Payments and other decreases in provisions recognized	-	(327)	(327)
Unwinding of discount and effect of changes in the discount rate	4,052	-	4,052
Effect of foreign currency exchange	-	35	35
Balance as of December 31, 2012	34,820	2,788	37,608
Additional provisions recognized	1,432	1,945	3,377
Payments and other decreases in provisions recognized	-	(2,788)	(2,788)
Unwinding of discount and effect of changes in the discount rate	(9,822)	-	(9,822)
Balance as of December 31, 2013	26,430	1,945	28,375
Additional provisions recognized	1,330	-	1,330
Payments and other decreases in provisions recognized	-	(326)	(326)
Unwinding of discount and effect of changes in the discount rate	10,490	-	10,490
Balance as of December 31, 2014	$ 38,250	$ 1,619	$ 39,869

(a) For long-lived assets, the Company recognized decommissioning liabilities for the present value of future costs expected to be incurred when assets are withdrawn from service, if the Company has a legal or constructive obligation and if the Company can make a reasonable estimate of that obligation. The discount rates used by the Company were 4.14%, 4.98% and 4.11% at December 2014, 2013 and 2012, respectively.

(b) The balance of other provisions include in 2012 a liability arising from an onerous contract representing the present value of future losses that the Company expects to incur under one of their service contracts. Because the related asset is operating below full capacity, management of the Company utilized a present value model to determine the provision utilizing a discount rate of 10%. The balance of this provision as of December 31, 2012 was 2,536.

21 Long-term debt

	Year ended		
	12/31/14	12/31/13	12/31/12
CEBURES fixed rate (a)	$ 264,981	$ 298,245	$ -
CEBURES variable rate (b)	88,327	99,415	-
	353,308	397,660	-
Cost of debt	(2,670)	(3,004)	-
	$ 350,638	$ 394,656	$ -

On February 14, 2013, the Company entered into two public placements of Notes or CEBURES ("Certificados Bursatiles by the acronym in Spanish") as follows:

(a) The first placement was for $306.2 million ($3.9 billion Pesos) bearing interest at a rate of 6.30%, with half-yearly interest payment; maturing in 2023.

(b) The second placement was for $102.1 million ($1.3 billion Pesos) bearing interest at variable rate based on TIIE plus 30 bps, with monthly interest payments of interest; maturing in 2018. The average annual rate as of December 31, 2013 was 4.52%.

Cross-currency and interest rate swaps. On February 15, 2013, regarding the placements of CEBURES, the Company executed cross-currency and interest rate swap contracts for hedging its exposure to the payment of its liabilities in Pesos:

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

(b) For the debt maturing in 2018, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average rate, in U.S. Dollars through this swap was 2.65%.

The swaps' total notional value is $408.3 million ($5.2 billion Pesos).

These contracts have been designated as cash flow hedges.

22 Derivative Financial instruments

22.1 Capital management

Decisions on capital management for IEnova are made by directors of the parent and IEnova's key executives. The Parent's risk management committee reviews the capital structure of the Company at its regular sessions. As of December 2012, all funding for major capital projects was received from the Parent and, as of December 31, 2014, projects were funded through the resources obtained from the CEBURES and IPO (refer to Notes 1.2.2. and 1.2.3., respectively). The Company expects its cash flows from operations to fund a substantial portion of future capital expenditures and dividends.

The Company is subject to externally imposed capital requirements for its regulated subsidiaries in the gas segment. According to applicable regulations the subsidiaries need to include in their bylaws the requirement to have a minimum fixed capital, without withdrawal rights, equivalent to ten percent (10%) of their investment.

Also, the Company has a commitment with the Mexican regulator for capital contributions based on invested capital for its LNG terminal. As of December 31, 2014, 2013 and 2012 the Company had complied with the above requirements.

22.2 *Categories of financial instruments*

		12/31/14		12/31/13		12/31/12
Financial assets						
FVTPL						
Cash and cash equivalents	$	83,637	$	103,880	$	85,073
Held for trading		34,729		216,215		5,157
Loans and receivables		239,777		89,226		119,720
Financial leasing		14,621		14,700		14,756
Financial liabilities						
FVTPL						
Held for trading	$	107,257	$	63,913	$	49,882
Amortized cost		665,390		499,516		451,311

22.3 *Financial risk management objectives*

The activities carried out by the Company may expose it to financial risk, including market risk, which encompasses foreign exchange, interest rate and commodity price risks, credit risk and liquidity risk. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities on the consolidated statements of financial position or off-balance sheet risks (firm commitments and highly probable forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for permissible losses, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can qualify as held-for-trading, which is the case for derivative financial instruments and a certain interest rate swap agreement. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

22.4 *Market risk*

Market risk is the risk of erosion of the Company's cash flows, earnings, asset values and equity due to adverse changes in market prices and interest and foreign currency rates.

The Company has policies governing its market risk management and trading activities. The Parent's senior officers are members of committees that establish policies, oversee energy risk management activities, and monitor the results of trading and other activities to ensure compliance with the Company's stated energy risk management and trading policies. These activities include, but are not limited to, daily monitoring of market positions that create credit, liquidity and market risk. The respective oversight organizations and committees are independent from the energy procurement departments.

The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price, interest rate and foreign currency exchange rate risks, including:

- Interest rate swaps to mitigate the risk of rising interest rates or foreign currencies under which certain liabilities are denominated (and its related tax impacts); and
- Commodity price contracts to hedge the volatility in the prices and basis of natural gas.

There has been no material change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

As of December 31, 2012, ECO used natural gas derivatives to manage natural gas price risk associated with servicing load requirements. The use of natural gas derivatives was subject to certain limitations imposed by the Company's policy and is in compliance with risk management and trading activity plans that have been filed with and approved by regulators. Any costs or gains/losses associated with the use of natural gas derivatives were considered as commodity costs. Commodity costs are generally passed on to customers as incurred. No asset or liability was recognized regarding the amounts to be passed on to customers in subsequent periods as there was no contractual right or obligation with the customers for reimbursement of such amounts.

22.5 Value at Risk ("VaR") analysis

The VaR measure estimates the potential loss in pre-tax profit, under normal market conditions, over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Along with other tools, the Company uses VaR to measure its exposure to market risk primarily associated with commodity derivative instruments that the Company holds. The Company uses historical volatilities and correlations between instruments and positions in the calculations.

The Company uses a one-day holding period and a 95% confidence interval in its VaR calculations. The one-day 95% VaR number reflects the 95% probability that the daily loss will not exceed the reported VaR.

The variance-covariance approach was used to calculate the VaR values.

VaR History (95%, one day) by risk type		**Year ended**	
	12/31/14	**12/31/13**	**12/31/12**
Interest rate swap	$ 4,606	$ 4,061	$ 1,059
Natural gas purchase and sale	-	31	61
Total VaR exposure	$ 4,376	$ 3,887	$ 1,064

VaR is a statistical estimate of how much a portfolio may lose in the given time horizon for the given confidence interval. By using a VaR with a 95% confidence interval, the potential losses above that percentile are not considered; by using historical data possible adverse extreme movements might not be captured, since these did not occur during the time period considered in the calculations; and there is no guarantee that the actual losses will not exceed the calculated VaR.

While VaR captures the Company's daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in commodity prices and interest rates over a year. Details of sensitivity analysis for foreign currency risk are set out in Note 22.7 below.

22.6 Commodity price risk

Market risk related to physical commodities is created by volatility in the prices and basis of certain commodities. The Company's various subsidiaries are exposed, in varying degrees, to price risk, primarily to prices in the natural gas markets. The Company's policy is to manage this risk within a framework that considers the unique market and operating and regulatory environments of each subsidiary.

The Company is generally exposed to commodity price risk, indirectly through its LNG, natural gas pipeline and storage, and power generating assets. The Company may utilize commodity transactions in the course of optimizing these assets. These transactions are typically priced based on market indexes, but may also include fixed price purchases and sales of commodities. Any residual exposure is monitored as described above.

22.7 Foreign currency risk management

The Company has investments in entities whose functional currency is not the U. S. Dollar; also, it also has balances in Mexican Pesos held by its U.S. Dollar functional currency subsidiaries, exposing the Company to currency fluctuations.

The Company's primary objective in reducing foreign currency risk is to preserve the economic value of the investments and to reduce earnings volatility that would otherwise occur due to exchange rate fluctuations.

As mentioned above, the Company enters into transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency-denominated financial assets and financial liabilities, in relation to its subsidiaries' functional currencies, at the end of the reporting period are as follows.

	Financial assets		
	12/31/14	**12/31/13**	**12/31/12**
U. S. Dollar functional currency subsidiaries	$ 174,435	$ 194,573	$ 27,259
Mexican Peso functional currency subsidiaries	26,011	34,920	39,473

	Financial liabilities		
	12/31/14	**12/31/13**	**12/31/12**
U. S. Dollar functional currency subsidiaries	$ 593,099	$ 695,450	$ 13,103
Mexican Peso functional currency subsidiaries	37,531	38,188	4,059

For the Company's U.S. Dollar functional currency subsidiaries their Mexican Peso balances include: bank accounts and short-term investments, IVA, ISR and IETU receivables or payables, prepaid expenses, guarantee deposits, long-term debt, trade accounts payable and other tax withholdings.

For the Company's Mexican peso functional currency subsidiaries, their U.S. Dollar balances include: bank accounts, intercompany loans, trade accounts payable and provisions.

Exchange rates in effect as of the date of the consolidated financial statements and their issuance date are as follows.

	12/31/14	**12/31/13**	**12/31/12**	**4/17/2015**
One U.S. Dollar	$ 14.7180	$ 13.0765	$ 13.0101	$ 15.3891

22.7.1. Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 22.7 above are exposed to the Mexican Peso for its U.S. Dollar functional currency subsidiaries and to the U.S. Dollar for its Mexican Peso functional currency subsidiaries.

The following table details the Company's profit or loss and OCI sensitivity to a 10% increase and decrease in the U.S. Dollar against the Mexican Peso. The sensitivity rate used to report foreign currency risk internally to key Company's management is 10%, which represents management's benchmark of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes intercompany loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A negative number below indicates a decrease in profit or equity where the U.S. Dollar strengthens 10% against the Mexican Peso for U.S. Dollar functional currency subsidiaries. For a 10% weakening of the U.S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be positive.

For U.S. Dollar functional currency entities, the sensitivity analysis to changes in the Mexican Peso to U. S. Dollar exchange rate is determined on a pre-tax basis due to the complexity of determining the tax impacts (tax laws recognize taxable or deductible exchange gains and losses based on the U.S. Dollar monetary position, regardless of the functional currency).

For Mexican Peso functional currency subsidiaries, a positive number below indicates an increase in profit or equity where the U.S. Dollar strengthens 10% against the Mexican Peso. For a 10% weakening of the U.S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	U.S. Dollar functional currency			**Mexican Peso functional currency**		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Profit or loss	$ 17,623	$ 31,874	$ (901)(i)	$ -	$ -	$ -
OCI	-	-	-	(4,731)	(208)	2,254

(i) This is mainly attributable to the exposure to outstanding Mexican peso receivables in the U.S. Dollar functional currency subsidiaries at the end of each reporting period.

The U.S. Dollars functional currency subsidiaries sensitivity to foreign currency has increased during the years ended December 31, 2014, 2013 and 2012 mainly due to income tax payments.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has decreased during the years ended December 31, 2014, 2013 and 2012 mainly due to lower intercompany loans with affiliates.

22.8 Interest rate risk management

In 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of $450 million in U.S. dollars from third parties for ECA, which were designated as cash flow hedges. In 2007, the original hedged items became probable of not occurring due to a change in the Company's external borrowing needs. Accordingly, a cash flow hedge gain of $30 million was reclassified from OCI in members' equity to current earnings, and changes in the fair value of these instruments were recognized in current earnings prospectively within other gains and losses line item. As of December 31, 2014, 2013 and 2012, there is one remaining interest rate swap agreement with a notional amount of $151,232, $159,287 and $166,948 in U.S. Dollars under which IEnova receives a variable interest rate (three-month LIBOR) and pays a fixed interest rate of 5.0%. The swap expires on December 15, 2027.

The Company recognizes the change in fair value and the settlements of the interest rate swap in the other losses and gains line item within the consolidated statements of profit and loss.

The one-year VaR information related to the interest rate swap is included in Note 22.5.

22.8.1 Interest rate swaps contracts entered into by the Company's joint ventures

The joint venture with PGPB entered into a swap contract to convert its variable interest rate debt, which matured on October 15, 2013, to a fixed interest rate. The notional value as of October 15, 2013 and December 31, 2012 amounted to $13.5 million and $25.8 million, respectively, hedging the entire outstanding debt with the commercial bank, and the maturity date coincided with that of the debt. The interest was recorded in the gas pipeline construction cost during the construction period, and as part of the financial costs in the joint venture's individual statements of profit and loss as of the commercial startup date.

Additionally, as described in Note 11.2 (b) the joint venture with InterGen entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings.

The fair value of derivative instruments is based on the market values in place as of the date of the consolidated financial statements, which impacts investment in joint venture with a debit to current earnings.

The Company's management considers the results of the sensitivity analysis for these derivatives to be immaterial.

22.9 Credit risk management

Credit risk is the risk of loss that would be incurred as a result of nonperformance of the Company's counterparties' contractual obligations. The Company monitors credit risk through a credit-approval process and the assignment and monitoring of credit limits. The Company establishes these credit limits based on risk and return considerations under terms customary for the industry.

As with market risk, the Company has policies and procedures to manage credit risk, which are tailored for each business segment, administered by each subsidiary's respective departments and overseen by their management.

In ECO, depending on the type of service requested by the customer, different criteria are applied as follows:

Minor customers (residential customers for household consumption):

- Copy of official identification;
- Proof of residence or power of attorney from landlord, in case of rental residences;
- Personal references, which are confirmed, and
- Registration with tax agency for commercial customers with minor consumption

Major customers (customers for industrial and commercial consumption):

- Power of attorney;
- Legal representative official identification;
- Copy of articles of incorporation;
- Proof of address; and
- Depending on consumption volume, a guarantee is required, which could include letter of credit, cash deposit, or promissory notes among others.

The oversight includes a monthly review of 100% of the balances of major customers by the credit and collection department, to make sure that payments are made on a timely manner and to ensure that they are in compliance with the agreed terms of their contract.

The Company believes that it has allocated adequate reserves for counterparty's nonperformance.

For all other entities of the Gas and Power segments, when the Company's development projects become operational, they rely significantly on the ability of their suppliers to perform on long-term agreements and on the ability to enforce contract terms in the event of nonperformance.

Also, the factors that the Company considers in evaluating a development project include negotiating customer and supplier agreements and, therefore, rely on these agreements for future performance.

22.9.1. Concentration of credit risk

GRO and TGN conduct their businesses based upon ongoing evaluations of their customers' financial conditions and certain guarantees, except when such clients qualify for credit based on their long-term debt credit ratings issued by "Standard & Poors" or other credit rating agency in the U. S. or Canada.

GRO believes that the risk arising from its concentration of credit is mitigated since all customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

TGN provides transportation services mainly to one sole customer. TGN believes that a concentration of credit risk is mitigated since its customer pays on a monthly basis, otherwise service can be suspended until due amounts are collected.

IEnova LNG's sells natural gas and provides transportation services to three customers. IEnova LNG's management estimates that despite there is a concentration of credit risk, this risk is mitigated since one of its customers is a governmental entity and another is a related party. Additionally, all customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

ECA provides LNG storage and regasification services to IEnova LNG and two other third parties. ECA's management estimates that despite there is a concentration of credit risk, this risk is mitigated based on the creditworthiness of its customers.

GAP provides transportation services mainly to one sole customer. GAP believes that its credit risk is mitigated since the customers is a governmental entity with high credit rating and pays on a monthly basis.

Following is a table that shows the Company's revenue concentration by customer:

	Segment	12/31/14	12/31/13	12/31/12
Customer 1 (U.S. related party)	Power	$ 222,471	$ 168,340	$ 127,656
Customer 2	Gas	242,581	168,963	143,901
Customer 3 (U.S. related party)	Gas	90,871	90,842	121,446
Customer 4	Gas	91,625	95,571	95,856
Customer 5	Gas	-	-	71,674
Others *		175,248	154,120	47,074
		$ 822,796	$ 677,836	$ 607,607

* Within others, there are no customers with greater than 10% of revenue concentration.

As mentioned above, all major customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected, and as a result, the Company's management does not estimate the Company is exposed to significant credit risks.

The Company's maximum credit risk exposure as of December 31, 2014, 2013 and 2012, was $234.6 million $157.9 million and $205.0 million, respectively.

22.9.2. *Other credit enhancements*

The Company held letters of credit to cover its credit risks associated with its derivative financial assets with industrial customers (Note 22.11.4), amounting $27 and $1,358 as of December 31, 2013 and 2012 respectively.

22.10 *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the Parent's directors and IEnova's key executives, who have established an appropriate liquidity risk management framework for management of the Company's funding and liquidity management requirements. As of December 31, 2013, all funding for major capital projects was received from Parent and, as of December 31, 2014, projects were funded through the resources obtained from the CEBURES and IPO (refer to Notes 1.2.2. and 1.2.3., respectively).

22.10.1 *Liquidity and interest risk tables*

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on contractual maturity, which is the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2014						
Non-interest bearing	-	$ 76,717	$ -	$ -	$ -	$ 76,717
Variable interest rate current account credits (Note 19)	1.28	198,944	-	-	-	198,944
Variable interest rate of long-term debt (Note 21)	4.52	4,021	8,042	8,042	104,107	124,212
Fixed interest rate of long-term debt (Note 21)	6.30	16,798	33,596	33,596	247,976	331,966
Variable interest rate loan from SOT Suisse's	3.28	1,279	2,558	34,721	-	38,558
		$ 297,759	$ 44,196	$ 76,359	$ 352,083	$ 770,397
December 31, 2013						
Non-interest bearing	-	$ 65,967	$ -	$ -	$ -	$ 65,967
Variable interest rate of long-term debt (Note 21)	4.52	4,526	9,051	9,051	117,176	139,804
Variable interest rate loan from GEN	2.70	12	24	24	540	600
Fixed interest rate of long-term debt (Note 21)	6.30	18,906	37,813	37,813	279,106	373,638
Variable interest rate loan from SOT Suisse's	3.28	1,279	2,558	38,730	-	42,567
		$ 90,690	$ 49,446	$ 85,618	$ 396,822	$ 622,576

	Weighted average effective interest rate	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2012						
Non-interest bearing		$ 36,187	$ -	$ -	$ -	$ 36,187
Variable interest rate loan from Sempra Global's	0.89	25,194	-	-	-	25,194
Variable interest rate loan from SOT Suisse's	2.93	2,723	5,446	94,957	-	103,126
Variable interest rate loan from SEIH	3.14	85,840	-	-	-	85,840
Variable interest rate loan from Sempra Chile	3.14	6,836	220,993	-	-	227,829
		$ 156,780	$ 226,439	$ 94,957	$ -	$ 478,176

Prepayments on intercompany loans can be made at the Company's discretion.

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or commodity prices forward curves at the end of the reporting period.

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2014					
Net settled:					
- Interest rate swaps, exchange rate	$ (6,415)	$ 7,258	$ (3,748)	$ 76,795	$ 73,890
- Interest rate swaps	6,808	8,827	5,455	8,271	29,361
	$ 393	$ 16,085	$ 1,707	$ 85,066	$ 103,251

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2013					
Net settled:					
- Interest rate swaps, exchange rate	$ -	$ (19,226)	$ 2,943	$ 52,428	$ 36,145
- Interest rate swaps	7,326	13,896	2,817	350	24,389
- Natural gas purchase/sale	3,379	-	-	-	3,379
	$ 10,705	$ (5,330)	$ 5,760	$ 52,778	$ 63,913

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2012					
Net settled:					
- Interest rate swaps	$ 7,666	$ 13,594	$ 9,806	$ 13,444	$ 44,510
- Commodity price swaps	3	-	-	-	3
- Natural gas purchase/sale	3,785	3,189	-	-	6,974
	$ 11,454	$ 16,783	$ 9,806	$ 13,444	$ 51,487

22.11 Fair value of financial instruments

22.11.1 Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the Company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	12/31/14		**12/31/13**		**12/31/12**	
	Carrying amount	**Fair value**	**Carrying amount**	**Carrying amount**	**Fair value**	**Carrying amount**
Financial assets						
Financial lease receivables	$ 14,621	$ 47,640	$ 14,700	$ 52,270	$ 14,756	$ 51,936
Financial liabilities						
Financial liabilities held at amortized cost:						
-Long-term debt (traded in stock exchange)	350,638	343,584	394,656	374,899	-	-
-Short- term debt (not traded in stock change)	195,089	193,119	-	-	-	-
- Loans from related parties (not traded in stock exchange)	38,460	37,207	38,893	36,573	415,124	316,715

22.11.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair value of finance lease receivables is determined by calculating the present value of the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.

- The Company determines the fair value of its long-term debt recognized market prices.

- The Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount to present value is adjusted to reflect the Company's own credit risk.

- The fair value of commodity and other derivative positions, which include interest rate swaps, are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

Significant assumptions used by the Company in determining the fair value of the following financial assets and liabilities are set out below.

22.11.3 Fair value measurements recognized in the consolidated statements of financial position.

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" is defined in subparagraph b of Note 2.2b.

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (no observable indicators).

The Company's assets and liabilities that were accounted for at fair value on a recurring basis as listed in the table below are classified as Level 1 and 2 within the fair value hierarchy:

			Year ended			
		12/31/14		**12/31/13**		**12/31/12**
Financial assets at FVTPL						
Short-term investments (Level 1)	$	30,020	$	207,027	$	-
Derivative financial assets (Level 2)	$	4,709	$	9,188	$	5,157
Financial liabilities at FVTPL						
Derivative financial liabilities (Level 2)	$	107,257	$	63,913	$	49,882

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

22.11.4 Commodities and other derivative positions

On May 26, 2006, Sempra LNG entered into a natural gas sales and purchase agreement with RBS Sempra Commodities LLP ("RBS"), an unconsolidated related party who later novated the contract to J.P. Morgan Ventures Energy Corp. ("JPM") in connection with a sale of assets to JPM, who in turn entered into another agreement with TDM to facilitate the sale and purchase transactions between Sempra LNG and TDM. The agreement includes the nomination and scheduling service of monthly natural gas quantities to be delivered to TDM by Sempra LNG from September 2009 through September 2014 with a notional amount of 70,000 million British Thermal Units ("MMBtus") per day. In the agreement between JPM and TDM, settlement is based on the Southern California Index ("SOCAL Index") price. In the agreement between JPM and Sempra LNG, settlement is based on the SOCAL Index price minus a discount. These agreements were recorded as derivatives at fair value.

ECO uses forward purchase agreements to manage the price risk associated with anticipated future purchases of natural gas on behalf of its customers: industrial, commercial and residential. As of December 31, 2012, the notional amounts of the outstanding positions were 6,000 MMBtus, respectively. As mentioned in Note 22.4, ECO passed through the effects or benefits of such forward purchase agreements to its customers. As of December 31, 2013, the notional amounts of the outstanding positions with industrial customers were 6,000 MMBtus which were realized through 2014. No derivative financial instrument is recognized on the residential customer's part since there is no contractual right or obligation with them for future gains or losses.

The Company recognizes the change in fair value and the settlements in the "cost of revenue" line item within the consolidated statements of profit and loss.

The Company enters into derivative financial instrument agreements to hedge the volatility of its income tax impact attributable to the fluctuation of the Peso relative to the U.S. Dollar. Certain monetary assets and liabilities of the Company are denominated in U.S. Dollars (functional currency); however, they are remeasured in Pesos throughout the year for Mexican tax purposes. The remeasurement of these assets and liabilities gives rise to foreign currency gains and losses for Mexican tax purposes and impacts the Mexican income tax liability.

23 Income taxes

The Company is subject to ISR and IETU until 2013.

ISR - The rate was 30% for 2014, 2013 and 2012 under the new Income Tax Law 2014 continues at 30% for 2014 and beyond. ISR caused the Company on a consolidated basis with its subsidiaries until 2012, due to changes in the Fiscal Miscellaneous Resolution I.3.2.14, the Company lost its right to consolidate for tax purposes retroactively, from January 1, 2013, therefore, the tax effects shown at December 31, 2013 in this note, considers the effects of the deconsolidation.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The IETU rate was 17.5%.

The income tax expense was the greater of ISR and IETU up to 2013.

Until 2012, based on financial projections, the Company determined that it will basically pay ISR. Therefore, the Company recognizes deferred ISR. Beginning 2013 deferred ISR is calculated due to the repeal of the IETU.

23.1. Income taxes recognized in the consolidated statements of profit and loss:

		Year ended	
	12/31/14	**12/31/13**	**12/31/12**
Current income tax:			
ISR	$ (72,848)	$ (50,210)	$ (58,989)
ISR for desconsolidation	-	(21,436)	-
IETU	-	-	(75)
	(72,848)	(71,646)	(59,064)
Deferred Income tax:			
Deferred income tax	(38,435)	(14,789)	18,263
IETU write-off	-	2,643	-
	(38,435)	(12,146)	18,263
Total taxes in the consolidated statements of profit and loss	$ (111,283)	$ (83,792)	$ (40,801)

Income tax expense is reconciled with the profit before tax as follows:

	Year ended 12/31/14	12/31/13	12/31/12
Profit before income taxes	$ 224,871	$ 191,493	$ 197,372
Income tax expense calculated at 30%	(67,461)	(57,448)	(59,212)
Effects of foreign exchange rate	(3,813)	(6,706)	(6,682)
Effect of unused tax losses not recognized as deferred income tax asset	(58)	5,979	(2,819)
Effects of inflation adjustment	(2,845)	(38)	(2,600)
Effect of exchange rate and inflation on the tax bases of property, plant and equipment	(39,252)	11,696	33,951
Adjustment to deferred tax attributable to the change in laws	-	(21,436)	-
Non-taxable revenues	479	-	-
Effects of sale of subsidiary	3,365	-	-
Effect of deferred income tax balances due to changes in the income tax rate from 28% to 30% (effective beginning January 1, 2014)	-	(15,463)	-
Other	(1,698)	(376)	(3,439)
Expense for income taxes recognized in the statement of profit	$ (111,283)	$ (83,792)	$ (40,801)

23.2. Income tax recognized directly in common stock and OCI

	Year ended 12/31/14	12/31/13	12/31/12
Recognized directly in common stock:			
Issuance or ordinary shares under IPO	$ 7,388	$ 7,388	$ -
	7,388	7,388	-
Recognized directly in OCI:			
Financial instruments valuation held for hedging purposes	6,528	5,514	-
	6,528	5,514	-
Total of income tax recognized directly in common stock and OCI	$ 13,916	$ 12,902	$ -

23.3. Deferred income tax assets and liabilities balances

The following is the analysis of deferred income tax assets (liabilities) presented in the consolidated statements of financial position:

		Year ended	
	12/31/14	12/31/13	12/31/12
Deferred income tax assets:			
Benefit of tax-loss carryforwards for recovering income taxes paid in previous years	$ 83,931	$ 54,697	$ 37,847
Financial instruments	-	267	12,622
Accrued expenses and provisions	24,838	24,034	12,225
Effect of combining IEnova Gasoductos México	1,746	1,844	1,942
Employee benefits	4,106	2,392	1,931
Asset from dividends not distributed from net income tax account (“CUFIN”, by its initials in Spanish)	14,592	43,024	610
Inventories	3,733	2,086	(3,055)
Allowance for doubtful accounts	214	236	234
Deferred income tax assets for issuance or ordinary shares under IPO	7,388	7,388	-
Deferred income tax asset regarding financial instruments valuation held for hedging purposes	6,061	5,514	-
Others	638	20	963
Total deferred income tax assets	147,247	141,502	65,319
Deconsolidation effect (a)	(61,489)	(35,275)	-
Consolidated deferred income tax assets	-	-	(62,944)
Deferred income tax asset	$ 85,758	$ 106,227	$ 2,375

		Year ended	
	12/31/14	12/31/13	12/31/12
Deferred income tax liabilities:			
Property, plant and equipment	$ (277,756)	$ (227,121)	$ (204,691)
Liability related to tax consolidation benefits	-	-	(13,958)
Finance leases	(4,386)	(4,410)	(4,433)
Deferred income tax liabilities derived from dividends not distributed from CUFIN	-	-	(634)
Prepaid expenses	(5,896)	(5,896)	(5,792)
Other	(5,989)	(3,233)	(3,605)
Total deferred income tax liabilities	(294,027)	(240,660)	(233,113)
Deconsolidation effect (a)	61,489	35,275	-
Consolidated deferred income tax assets	-	-	62,944
Deferred income tax liabilities	$ (232,538)	$ (205,385)	$ (170,169)

(a) The effects of tax deconsolidation in deferred income tax are presented to reflect that the Company no longer has the right to offset income taxes of its subsidiaries and therefore, they are presented separately in the statement of financial position as of December 31, 2014.

23.4. Deferred income tax in the consolidated statements of financial position

The following is an analysis of the deferred tax assets (liabilities) included in the consolidated statements of financial position:

	12/31/14	Year ended 12/31/13	12/31/12
Assets	$ 85,758	$ 106,227	$ 2,375
Liabilities	(232,538)	(205,385)	(170,169)
	$ (146,780)	$ (99,158)	$ (167,794)

Given changes in circumstances considered for assessing the recoverability of tax-loss carryforward, a deferred income tax asset of $58 was recognized with a benefit in the consolidated statement of profit and loss.

Deferred tax assets have been recognized for tax-loss carryforwards and the IMPAC paid which provide for future tax benefits in the form of future deductible amounts and tax credits, respectively, and can be realized subject to compliance with certain requirements. Expiration dates and restated amounts as of December 31, 2014, are as follows:

Years	Tax-Loss Carryforwards	IMPAC recoverable
2015	$ -	$ 96
2016	474	96
2017	457	96
2018	5,034	96
2019	5,674	96
2020	4,189	308
2021	60,260	308
2022	6,035	308
2023	45,572	308
2024	152,075	308
Thereafter	-	1,060
	$ 279,770	$ 3,080

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $279,770 and $3,080 respectively.

23.5. Current tax receivable and payable

	12/31/14	Year ended 12/31/13	12/31/12
Current tax assets:			
ISR receivable	$ 34,297	$ 15,931	$ 4,657
IETU	-	-	4,183
	$ 34,297	$ 15,931	$ 8,840
Current tax liabilities:			
ISR payable	$ (18,022)	$ (90,130)	$ (18,049)
IETU	-	-	(121)
	$ (18,022)	$ (90,130)	$ (18,170)

24. Stockholders' equity

	Year ended		
	12/31/14	12/31/13	12/31/12
Common stock	$ 762,949	$ 762,949	$ 618,752
Additional paid-in equity	973,953	973,953	536,577
	$ 1,736,902	$ 1,736,902	$ 1,155,329

24.1 Issued member's equity is comprised as follows:

		For the year ended at December 31, 2014 and 2013 (Mexican Pesos)			Total Social parts
Company stockholder's	Number of social parts	Fixed social parts	Variable social parts	Total	(Thousands of U.S. Dollar)
Semco Holdco, S. de R.L. de C. V.	935,913,312	50,000	9,359,083,120	9,359,133,120	$ 618,752
Private investors	218,110,500	-	2,181,105,008	2,181,105,008	144,197
	1,154,023,812	50,000	11,540,188,128	11,540,238,128	$ 762,949

		For the year ended at December 31, 2012 (Mexican pesos)			Total partnership interest
Company / Member's name	Number of social parts	Fixed social parts	Variable social parts	Total	(Thousands of U.S. Dollar)
Sempra Energy Holdings XI, B.V.	1	49,900	9,359,083,119	9,359,133,019	$ 618,752
Sempra Energy Holdings IX, B.V.	1	100	-	100	-
	2	50,000	9,359,083,119	9,359,133,119	$ 618,752

On August 16, 2012, Sempra Energy Holdings VIII, B. V. ("BV8", Sempra Energy's subsidiary) and Sempra Energy Holdings XI, B.V. ("BV11", Sempra Energy's subsidiary) entered into an intercompany share premium agreement by which BV8 agreed to make a non-cash premium contribution to BV11, consisting of its entire ownership interest in IEnova (formerly Sempra México). As a result of such transaction, BV11 was IEnova's new parent company.

On September 10, 2012, variable members' equity of Sempra México was increased by $480,094 ($5,861,622,509 Mexican Pesos) through the contribution of the BV11 membership interest in Sempra Gasoductos México. Such increase in comprised of $291.1 million ($3,252,367 Mexican Pesos) allocated to social parts and $188,942 ($2,609,256 Mexican Pesos) allocated to additional paid-in capital, which is eliminated on consolidation. As a result of such membership increase, IEnova obtained ownership and control of Sempra Gasoductos México.

As of December 31, 2012, IEnova's equity is comprised of two, issued and outstanding, membership interest of $50,000 Mexican Pesos as fixed capital and $9,359,083,119 Mexican Pesos as variable capital, amounts owned by BV11 (99.999999%) and Sempra Energy Holdings IX, B.V. ("BV9", Sempra Energy's subsidiary) (0.000001%).

Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, member's equity increased was approved in $1.00 Peso, which was subscribed and paid by BV11, increasing the value of its social part; also, Company's change of name from Sempra México, S. de R. L. de C. V. to "Sociedad Anónima de Capital Variable" ("S. A. de C. V.", Public limited Company) was approved (see Note 1.2.1). As a result of such resolution, the change of social parts for shares was performed; as of February 15, 2013 the distribution of such shares is as follows:

	Shares		
Shareholders name	**Class I**	**Class II**	**Total**
Sempra Energy Holdings XI, B.V.	4,990	935,908,312	935,913,302
Sempra Energy Holdings IX, B.V.	10	-	10
	5,000	935,908,312	935,913,312

Shareholders' equity consists of nominative shares with no-par value. The theoretical value per share is $10.00 Pesos. The Class I and II represent the fixed and the variable part of shareholders' equity, respectively. Variable capital may be increased without limitation.

On March 6, 2013, BV11 subscribed for a capital increase in Semco Holdco, S. de R. L. de C. V. ("Semco", a subsidiary of Sempra Energy), agreeing to pay for such capital increase through a contribution of IEnova's shares in an amount to be determined based on the price per share in the Global Offering, and subject to the shares being duly registered with the Mexican National Securities Registry ("RNV", by its initials in Spanish). On March 21, 2013, the effective date of the Global Offering and registration of IEnova's shares with the RNV, Semco acquired 100% of the Shares of BV11 pursuant to the above described terms; therefore, beginning this date, Semco is the new Parent Company of IEnova.

On March 21, 2013, the Company carried out Global Offering of shares. Through such Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Pesos per share; such offering included an over-allotment option up to 28,449,196 shares. The amount of this Global Offering was $520,707 ($6,448.4 million Pesos).

In connection with the Global Offering, on March 27, 2013, the bookrunners in México and abroad exercised the over-allotment option. The amount of over-allotment was $78,106 ($967 million Pesos), related to 28,449,196 shares at the placement price of $34.00 Pesos per share.

25. Declared dividends

During 2014, 2013 and 2012, pursuant to the resolution of extraordinary stockholders' meetings, payments of dividends in cash were approved, against CUFIN balance, for the following amounts:

Meeting date	
July 22, 2014	$ 164,000
	$ 164,000
March 1, 2013	$ 39,000
October 7, 2013	117,000
	$ 156,000
March 29, 2012	$ 15,100
December 5, 2012	125,000
	$ 140,100

25.1 *Dividends per share*

	Cents per share for year ended		
	12/31/14	12/31/13	12/31/12
IEnova	$ 0.14	$ 0.14	$ 0.15

26. Segment information

26.1. Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments under IFRS 8, Operating Segments, are described and presented in Note 1.3.

The following tables show selected information by segment from the consolidated statements of profit and loss and consolidated statements of financial position.

26.2. Segment revenues and results

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

	Segment revenue		
	12/31/14	12/31/13	12/31/12
Gas:			
Sales to customers	$ 507,312	$ 416,829	$ 370,314
Revenues with foreign related parties	90,871	90,985	107,959
Intersegment sales	301,870	252,117	169,595
Power:			
Sales to customers	222,471	168,340	127,656
Intersegment sales	66,085	52,950	5,890
Corporate:			
Assignment of professional services	2,142	1,682	1,678
Professional services between segments	27,468	35,854	3,117
	1,218,219	1,018,757	786,209
Adjustments and eliminations between segments	(395,423)	(340,921)	(178,602)
Total revenues by segment	$ 822,796	$ 677,836	$ 607,607

	Segment profit		
	12/31/14	12/31/13	12/31/12
Gas	$ 161,120	$ 180,296	$ 222,568
Power	28,611	8,567	6,868
Corporate	(52,797)	(46,473)	(35,421)
Total segment profit	$ 136,934	$ 142,390	$ 194,015

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

26.3. Assets and liabilities by segment

	12/31/14	12/31/13	12/31/12
Assets by segment:			
Gas	$ 2,684,488	$ 2,413,965	$ 2,101,378
Power	417,601	433,894	360,494
Corporate	278,129	394,049	38,846
Consolidated total assets	$ 3,380,218	$ 3,241,908	$ 2,500,718
Liabilities by segment:			
Gas	$ 334,572	$ 272,298	$ 243,904
Power	76,076	64,794	59,084
Corporate	720,282	588,404	434,612
Consolidated total liabilities	$ 1,130,930	$ 925,496	$ 737,600

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

- All assets are allocated to reportable segments. Goodwill is allocated to reportable segments as described in Note 12.1., and
- All liabilities are allocated to reportable segments.

26.4. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
Gas	$ 2,414,223	$ 2,138,129	$ 1,813,044	$ (326,875)	$ (287,407)	$ (243,429)
Power	447,038	504,595	442,518	(165,795)	(150,791)	(135,421)
Corporate	14,164	13,156	11,067	(5,016)	(3,845)	(3,040)
	$ 2,875,425	$ 2,655,880	$ 2,266,629	$ (497,686)	$ (442,043)	$ (381,890)

	Depreciation and amortization			Additions to property, plant and equipment		
	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
Gas	$ 45,403	$ 44,605	$ 42,830	$ 291,424	$ 337,545	$ 40,371
Power	15,234	15,420	17,755	70,611	63,345	5,960
Corporate	1,306	1,139	764	1,008	5,246	966
	$ 61,943	$ 61,164	$ 61,349	$ 363,043	$ 406,136	$ 47,297

	Interest income			Finance cost		
	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
Gas	$ 529	$ 1,140	$ 999	$ 30,322	$ 12,046	$ (1,355)
Power	817	5	3	1,182	683	364
Corporate	1,953	227	25	(30,361)	(17,764)	(10,355)
	$ 3,299	$ 1,372	$ 1,027	$ 1,143	$ (5,035)	$ (11,346)

	Share of profits of joint ventures			Income tax expense		
	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
Gas	$ 24,770	$ 34,689	$ 37,444	$ (87,581)	$ (57,165)	$ (29,559)
Power	(1,424)	-	-	(8,932)	9,158	2,479
Corporate	-	-	-	(14,770)	(35,785)	(13,721)
	$ 23,346	$ 34,689	$ 37,444	$ (111,283)	$ (83,792)	$ (40,801)

26.5. Revenue by type of product or services

The following is an analysis of the Company's revenue from its major type of product or services:

		Year ended	
	12/31/14	12/31/13	12/31/12
Power generation	$ 222,471	$ 168,340	$ 127,656
Sale of natural gas	230,003	169,832	144,483
Storage and regasification capacity	93,744	93,785	94,174
Natural gas distribution	109,330	99,235	78,128
Transportation of natural gas	56,915	44,335	52,298
Other operating revenues (a)	110,333	102,309	110,868
	$ 822,796	$ 677,836	$ 607,607

(a) Due to a lack of LNG cargoes, IEnova LNG, S. de R. L. de C. V. (formerly Sempra LNG Marketing México, S. de R. L. de C. V.) received payments from SLNGI related to the losses and obligations incurred for $90.8 million, $90.9 million and $107.7 million for the year ended December 31, 2014, 2013 and 2012, respectively; which are presented within the revenues line item in the accompanying condensed interim consolidated statements of profit and loss.

27. Interest income

		Year ended	
	12/31/14	12/31/13	12/31/12
Interest income:			
Bank investments	$ 759	$ 1,369	$ 1,003
Related parties	2,540	3	24
	$ 3,299	$ 1,372	$ 1,027

The following is an analysis of interest income by category of asset.

		Year ended	
	12/31/14	12/31/13	12/31/12
Held-to-maturity investments	$ 759	$ 1,369	$ 1,003
Loans and receivables (including cash and bank balances)	2,540	3	24
	$ 3,299	$ 1,372	$ 1,027

28. Operating, administrative and other expenses

		Year ended	
	12/31/14	12/31/13	12/31/12
Employee benefits expenses	$ 34,141	$ 23,221	$ 14,328
Purchased materials	11,316	12,274	10,238
Purchased services	34,976	47,409	34,017
Outside services and others	17,951	16,781	17,840
	$ 98,384	$ 99,685	$ 76,423

Outside services and others include charges related to leases of land and buildings with lease terms between five and ten years. Operating lease contracts greater than five years includes review periods of five years to rent. The Company does not have an option to purchase the leased land at the end of the leasing periods.

29. Other gains and (losses)

	Year ended		
	12/31/14	12/31/13	12/31/12
Net foreign exchange (losses)	$ (9,057)	$ (2,303)	$ (1,631)
Gain on sale of equity interest in subsidiary	18,824	-	-
Net (loss) gain arising on financial liabilities classified as held for trading (a)	(12,424)	8,272	(8,399)
Other (losses) gains	3,915	1,017	1,185
	$ 1,258	$ 6,986	$ (8,845)

(a) The amount represents a change in fair value arising from the interest rate swap (see Note 22.8) and the related settlements.

30. Finance income (costs)

	Year ended		
	12/31/14	12/31/13	12/31/12
Interest on loans from related parties	$ (1,596)	$ (2,761)	$ (10,371)
Decommissioning liabilities accretion expense	(1,330)	(1,432)	(1,906)
Interest of long-term loan	(16,363)	(13,636)	-
Capitalized interest (a)	21,016	12,811	76
Other finance (costs) income	(584)	(17)	855
	$ 1,143	$ (5,035)	$ (11,346)

(a) Refer to Note 13, for the capitalized interest on qualified assets.

31. Depreciation and amortization expense

	Year ended		
	12/31/14	12/31/13	12/31/12
Depreciation of property, plant and equipment	$ 61,792	$ 61,013	$ 61,199
Amortization of other assets	151	151	150
Total depreciation and amortization expense	$ 61,943	$ 61,164	$ 61,349

32. Basic and diluted earnings per share

	Year ended		
	12/31/14	12/31/13	12/31/12
Basic and diluted earnings per share in U.S. Dollar	$ 0.12	$ 0.13	$ 0.21

32.1. *Earnings used in the calculation of basic and diluted earnings per share*

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

	Year ended		
	12/31/14	12/31/13	12/31/12
Earnings used in the calculation of basic and diluted earnings per share	$ 136,934	$ 142,390	$ 194,015

	Year ended		
	31/12/14	31/12/13	31/12/12
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,123,885,851	935,913,312

Due to Company exchanged its social parts for shares (see Note 24.1.) during the year ended December 31, 2013, the basic and diluted earnings per share were calculated retrospectively to December 31, 2013, considering the same number of exchanged shares.

The Company does not have potentially dilutive shares.

33. Commitments

33.1. *Sale commitments*

a. GRO has entered into firm transportation service agreements ("FTSAs") with eight customers. Under the FTSAs, the Company is committed to provide firm natural gas transportation service up to certain daily quantities of natural gas, defined as Maximum Daily Quantities ("MDQ") measured in dekatherms per day ("Dth/d"). The FTSAs establish a transportation service rate which can be a conventional rate or a regulated rate. Such rates are applied to customers' reserved daily transportation capacity. Conventional rates typically remain fixed during the term of the contract. The regulated rates are adjusted annually for inflation and other factors per regulations and the CRE authorization. The range of effective periods and the agreed-upon MDQ for each agreement described above are from five to 25 years and from 800 to 1,307,000 Dth/d, respectively.

b. TGN entered into a 20-year FTSA with a third party that began when LNG Terminal commenced operations. The FTSA provides for 540,000 MMBtus per day of reserved capacity.

c. ECA has a contract to sell 50% of the LNG Terminal's capacity to a third party for 20 years commencing in May 2008. As of April 2009, the customer assigned up to 29% of its contracted capacity to another independent third party.

d. ECA built a nitrogen facility to provide nitrogen injection services to agreed storage capacity parties. Agreement terms were embedded into the LNG Terminal's FTSAs with same period term of 20 year.

e. GAP entered into a 25 year capacity contract with CFE corresponding to segment Sásabe Guaymas, which started operations in December 2014 and has a capacity of 793,100 Dth/d.

33.2 Purchase commitments

a. TDM signed a five year contract for the sale of natural gas with RBS Sempra Energy Trading México, S. de R. L de C. V., related party, starting from September 1, 2009. As of May 1, 2011, the contract was assigned to JPM Energy Ventures México, S. de R. L de C. V. ("JPM"). TDM is obligated to buy and JPM is required to supply a load equal volume daily basis, but not less than the minimum amount (70,000 MMBtus per day) or more than the maximum amount (105,000 MMBtus / d). Please refer to note 1.3.2 a.

   During 2014, 2013 and 2012, payments under the contract were $119,575, $92,620 and $ 75,809, respectively.

b. Through an agreement which assigned rights and obligations from Rumorosa Wind Energy, S. de R. L. de C. V. to ESJ, ESJ has acquired the rights to a 30-year land lease agreement with the Ejido Jacume to use land for generating and transmitting electricity using wind turbines. The agreement can be extended by another 30-year term, and includes a four year grace period starting with the beginning of excavation for turbine foundations. If commercial generation of wind power is successfully developed, ESJ will pay a leasing fee to Ejido Jacume equal to 4% of gross revenues from the sale of electricity for the duration of the agreement.

   ESJ, Ejido Cordillera La Molina and Parque Eólico La Rumorosa, S. A. de C. V. entered into a land lease agreement under which ESJ acquired rights to use land for generating and transmitting electricity using wind turbines. ESJ made up-front payments of $750 and is obligated to make quarterly payments of $30 during the first five years or until the start of commercial operations. In addition, $1,500 is due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 250 MW, and $300 is due at the beginning of excavation for turbine foundations for each additional block of 100 MW. If commercial generation of wind power is successfully developed, ESJH will also pay a leasing fee equal to 3% of gross revenues from the sale of electricity for the first 20 years, increasing to 4% thereafter. Company's management believes all costs and expenses related to this agreement have been properly recognized within administrative and other expenses in these consolidated financial statements.

   During 2014, 2013 and 2012, payments under the agreement were $144 for each year. Future contractual cash payments are as follows:

Year	Amounts
2015	$ 144
2016	144
2017	144
2018	144
Thereafter	2,724
	$ 3,300

c. ESJH and Ejido de Sierra Juarez entered into a land lease agreement under which ESJH acquired rights to use land for generating and transmitting electricity using wind turbines. ESJH made up-front payments of $296.0 and is obligated to make quarterly payments of $74.0 during the first 10 years or until the start of commercial operations. In addition, $294.0 is due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 100 MW, and $71.0 is due at the beginning of excavation for turbine foundations for each additional block of 100 MW. If commercial generation of wind power is successfully developed, ESJH will also pay a leasing fee equal to the greater of $75.0 or 3.5 % of gross revenues from the sale of electricity for the remainder of the term.

During 2014, 2013 and 2012, payments under the agreements were $294 for each year. Future contractual cash payments are as follows:

Years	Amounts
2015	$ 294
2016	294
2017	294
2018	294
	$ 1,176

d. ESJ has received its environmental impact manifest permit (Manifiesto de Impacto Ambiental, "MIA" for its acronym in Spanish). The MIA is the principal environmental permit in México, and is issued by SEMARNAT. Company's management believes all costs and expenses related to this permit have been properly recognized within administrative and other expenses in these consolidated financial statements; however, future costs could be incurred.

e. The Company leases the building space of its administrative offices in the cities of (Tijuana only in 2013), Mexicali, Chihuahua, Durango, and México City. During 2014, 2013 and 2012, the rent expense amounted to $2,477, $1,976 and $1,113, respectively.

The leases expire in 2015 through 2021 and establish the following future contractual payments:

Years	Amounts
2015	$ 2,256
2016	2,089
2017	2,017
2018	1,561
Thereafter	1,083
	$ 9,006

f. During 2003, TDM entered into an LTSA with a third party, which covers certain periodic maintenance, including replacement parts for power generation turbines. The term of the agreement is based on turbine usage, which TDM estimates to be approximately 15 years.

Payments under the agreement consist of a fixed fee of $24 per month, plus a variable escalation percentage and a variable fee based upon unit run-hours and starts.

The fixed monthly fee payments are expensed as incurred. The variable payments are classified as prepayments on the statements of financial position and are capitalized as property, plant and equipment if they relate to the replacement of major components, or expensed when such payments occur. While some services are provided ratably throughout the year, the primary cost driver is planned outages at the facility. Variable payments are subject to fluctuations based on the timing and scope of the services being provided.

During 2014, 2013 and 2012 fixed payments, under the LTSA, were $397, $645 and $639, respectively; variable payments under such LTSA were $5,168, $6,484 and $6,549, respectively.

Future contractual cash payments under the LTSA are as follows:

Years	Amounts
2015	$ 397
2016	397
2017	397
2018	397
Thereafter	1,190
	$ 2,778

g. During 2008, ECA entered into a service agreement with a third party which provides extended service and maintenance for turbines utilized at the LNG Terminal. The agreement provides for a monthly fee which covers operational support and extended product warranty. The agreement also provides for an additional cost for major turbine maintenance, which will be capitalized and amortized over a five-year period based on its estimated useful life. The term of the agreement is 60 months starting from the date of first beneficial use. During 2013, the company renegotiate the agreement-terms until 2018.

During 2014, 2013 and 2012, payments under the agreement were $1,560, $1,511 and $1,841, respectively. Future contractual cash payments are as follows:

Years	Amounts
2015	$ 1,638
2016	4,105
2017	4,254
2018	440
	$ 10,437

h. ECA entered into various technical service and maintenance agreements with third parties. During 2014, 2013 and 2012, payments under such agreements were $5,237, $10,747 and $5,914, respectively. Future contractual cash payments of such commitments are as follows.

Years	Amounts
2015	$ 4,552
2016	1,459
2017	1,200
2018	1,200
Thereafter	20,400
	$ 28,811

i. On January 1, 2013 (with effective date on January 1, 2012), SGEN and TDM entered into an schedule coordination, energy management and related services agreement, with term of 5 years (with possibility to extend the term one more year), for which TDM will continue to deliver all of its power output directly to the CAISO and SGEN provides marketing, scheduling, and dispatch services for TDM, among others.

During 2014, 2013 and 2012, payments under the agreement were $5,004 and $1,800 and $16,875 respectively. Future contractual cash payments are as follows:

Years	Amounts
2015	$ 3,166
2016	1,943
2017	1,981
Thereafter	2,021
	$ 9,111

j. *International public tender LPI-001/12 and LPI-002/2012 convened by the CFE to enter into* contracts *for the provision of gas transmission services.*

In October 2012, GAP was awarded by the CFE with two contracts to build and operate an approximately 835 km (500 miles) natural gas pipeline network connecting the Northwestern Mexican states of Sonora and Sinaloa ("Northwest gas pipeline", also known as the "Sonora Pipeline") to the U.S. interstate pipeline. The Northwest gas pipeline will comprised of two segments; the first one, is for an approximate length of 505 km, 36-inch diameter pipeline with 770 Mmcfd of transportation capacity; and the second one, is for an approximate length of 330 km, 30-inch pipeline with 510 Mmcfd of transportation capacity. The estimated price per Mmcfd is approximately $0.25. The Company estimates the total cost of the Northwest gas pipeline will be $1.0 billion, approximately, and be completed by August 2016. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Northwest gas pipeline, GAP issued 2 irrevocable standby credit letters, for $90.0 million and $65.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until November 30, 2039 and until October 31, 2041, respectively.

k. In order to carry out the construction of the Sonora pipeline project, the Company has entered into gas supply contracts with several suppliers:

- On November 20, 2012, GAP signed a contract with Stupp Corporation (a division of Stupp Bros., Inc.); the work will take place in several stages with estimated completion date on August, 2015. The contract value is $155,335; in this transaction Sempra Energy is the guarantor to Stupp Corporation, for the total value of the contract, less the amounts paid by GAP.

- On December 12, 2012, GAP held a contract with Tubacero, S. de R. L. de C. V. and Distribuidora Tubacero, S. de R. L. de C. V.; the work will take place in several stages with estimated completion date on July 2014. The supply contract value is $123.3, and as a guarantee of compliance, GAP issued an irrevocable standby credit letter for $28.6 regarding the 20% in advance of the contract plus VAT, with due date on January 4, 2013.

- On February 1, 2013, GAP held a contract with Tuberías Procarsa, S. A. de C. V.; the work will take place in several stages with estimated completion date in August 2015. The supply contract value is $53.9, and as a guarantee of compliance, GAP issued an irrevocable standby letter of credit for $28.5 regarding the 47% in advance of the contract plus VAT, with a maturity date of May 14, 2013.

l. During November and December, 2012, the Company entered into trust agreements with the Governments of the Mexican States of Sonora and Sinaloa, for a total of $52.5 and $35.3 million, respectively for such trust agreement, and for which the Company paid advances in 2012 for $13.1 and $8.7 million, respectively and during 2013, was realized the additional contributions of $5.0 million and 0.1 million, respectively. These contracts were entered into in order to comply with the bidding rules of the CFE's tender for the construction and operation of Northwest gas pipeline. The trust assets will cover the costs and expenses of real estate rights, permits and studies required for the construction and operation of the Northwest gas pipeline.

m. On December 13, 2012, Gasoductos del Sureste, S. de R. L. de C.V. ("Gasoductos del Sureste", wholly owned subsidiary of GdC, a joint venture with PGPB), entered into a transportation agreement of ethane and liquid ethane with PGPB between Gas Processors Centers ("CPG", by its initials in Spanish) of Ciudad PEMEX (Tabasco, México), Nuevo PEMEX (Tabasco, México), Cactus (Chiapas, México), Complejo Etileno XXI and the Petrochemical Complex Cangrejera (both in Coatzacoalcos, Veracruz, México). Gasoducto del Sureste is responsible for the construction of transportation works and its maintenance, which will have an approximate length of 140 miles (225 kilometers, approximately). The scheduled term of the works and commencement date of commercial operation is June 30, 2014; the contract has a term of 21 years, from the date on which the first segment begins commercial operation. Gasoducto del Sureste is also liable to obtain and maintain all permits, as well as comply with all labor obligations according to the Mexican Law; also, Gasoductos del Sureste has to comply with the applicable law to protect the environment, and reporting in writing to PGPB the physical and financial progress of the work. Gasoductos del Sureste guaranteed to PGPB the fulfillment of its obligations through a corporate guarantee and a standby credit letter for $30.0 million, up to the date of commercial operation and, after that date, up to an amount equals to the largest among between: (a) 10% of the estimated amount to deliver by PGPB for payment of transportation services per year, or (b) the 10% of the annual average estimated amount to exercise in all subsequent years during the term of the contract for the correct and timely compliance

    The estimated construction costs of the pipeline are approximately $330.0 million.

n. In January 2013, PEMEX announced the first phase of the project known as "Los Ramones", which consists of a natural gas distribution system of approximately 1,000 kilometers, which will pass through four Mexican states: Tamaulipas, Aguascalientes, Queretaro and Guanajuato, bordering with the U. S., and reaching Los Ramones in Nuevo Leon, México, and that will be developed by GdC. The pipeline network will incorporate tubes with diameters of 48, 42 and 24 inches and will feature five compression stations. The 17% demand for gas in the Centre - West of México will be satisfied with this infrastructure.

o. On January 1, 2013, the Company entered into an Information Technology Services Agreement with Sempra U.S. Gas & Power (a related party in U.S.). Pursuant to this agreement, Sempra U.S. Gas & Power will provide certain software and information technology services, including software, support and security services. The Company expects to pay approximately $6,843 per year to Sempra U. S. Gas & Power pursuant to this agreement. This agreement has an initial term of five years.

p. On February 28, 2013, the Company entered into a Management, Technical and Advisory Services Agreement with Sempra International (a related party in U.S.); pursuant to which Sempra International (directly or through affiliates) will provide with certain support services. The Company expects to pay approximately $8.0 million per year for these services. The contract has indefinite term.

q. The Company entered into sale of natural gas contract with EDF Trading North America LLC from February 1, 2013 to January 31, 2015 for 10,000 MMBtus daily.

r. *Pipeline Gasoducto Sonora.* According to the turnkey contract with GSP for the construction of the Sonora project, GSP is committed to complete the construction works according to the technical specifications indicated in the tender and the natural gas transportation service contracts between GAP and CFE, complying with GAP's schedule and construction plan; with proven and fully operating facilities. The project construction materials will be supplied by GAP; also, GAP will be responsible for obtaining the rights of ways required for the construction and operation of the gas pipeline network.

The construction of the project will include two segments; the first will have a length of approximately 505 kilometers, diameter of 36 inches a transportation capacity of 770 million of cubic feet per day ("Mmcfd"); and the second, will have a length of approximately 330 kilometers, diameter of 30 inches and a transportation capacity of 510 Mmcfd. The construction of the first segment started on the execution of the contract and was concluded in the 4th quarter of 2014, approximately; the second segment commenced in September 2013 and will conclude on February 15, 2015, approximately.

The contract price for the construction of the first segment will be $156.5 million until termination, with the option to extend to the second segment.

s. *Energía Sierra Juárez.* According to Wind Turbine Supply and Warranty Agreement, for developing the first phase of the Energía Sierra Juárez, project, the contracting parties agreed: (i) ESJ, ESJ Turbinas and ESJ Turbinas II will acquire from Vestas, jointly, 47 wind turbines, as well as the option to acquire 5 more turbines, (ii) IEnova will act as the guarantor of the obligations of ESJ Turbinas and ESJ Turbines II under the supply contract, and (iii) Vestas will provide maintenance services to wind turbines to ESJ.

The supply contract price is $159.0 million.

t. On July 10,2013, regarding the development of first phase of the Energía Sierra Juárez project, ESJ, ESJ Turbinas, ESJ Turbinas II and Anemo Energy, S. de R. L. de C. V. ("Anemo Energy") entering into an Engineering, Procurement and Construction Agreement. Under the terms of the agreement, Anemo Energy will provide technical assistance, engineering services, construction management for the completion of a wind-powered electric generating facility with a maximum capacity from approximately 156 to 174 MW.

The contract price is $73.7 million.

u. On July 19, 2013, GdC entered into a contract with PGPB for providing natural gas transportation service, for 25 years regarding all of the transport capacity of the pipeline network known as "Los Ramones I".

Other commitments-

v. As mentioned in Note 11.1, the Company has capital increase contributions to TAG Holding.

w. As mentioned in Note 11.2, the Company has signed a bank loan, which is guaranteed by the ESJ project.

34. Contingencies

34.1 Matters related with tax authorities

Additional income taxes payable could arise in transactions with nonresident related parties if the Mexican Tax Authority (Servicio de Administración Tributaria, "SAT" by its acronym in Spanish), during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

34.2 *Judicial, administrative or arbitral proceedings*

The Company may become involved in litigation and administrative proceedings relating to claims arising out of its operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, there are no material governmental, legal or arbitration proceedings against the Company which may have a material adverse effect on its business, financial position or results of operations:

<u>*ECA's matters*</u>

a. *Castro, Valdez, and Palafox Appeals of the LNG Terminal's MIA.* In May 2003, Hiram Castro Cruz and Roberto Valdez Castañeda ("Castro and Valdez") in one proceeding, and Mónica Fabiola Palafox ("Palafox") in another, filed administrative appeals with SEMARNAT challenging the issuance of the MIA for the LNG Terminal granted to ECA in April 2003, alleging claims similar to those alleged by IVG described above. SEMARNAT dismissed the appeals. The claimants appealed the dismissals, and in January 2006 and May 2010, the TFJFA in México City issued judgments nullifying SEMARNAT's dismissals and ordering SEMARNAT to issue new resolutions in compliance with the judgments. In the Castro and Valdez case, SEMARNAT considered the appeal, and in January 2012 it issued a new resolution confirming the validity of the MIA. In March 2012, Valdez appealed SEMARNAT's resolution to the TFJFA in México City and ECA filed an appeal in federal district court in México City challenging the TFJFA's admittance of Valdez's appeal. In the Fabiola case, SEMARNAT has not yet issued its new resolution concerning the MIA. The Company's management believes that the Castro, Valdez, and Palafox claims are without merit.

b. *IVG Challenge to the ECA's Port Concession.* In January 2005, Action for annulment against the port concession ECA, brought by IVG. In January 2005, IVG filed with the Secretariat of Communications and Transportation ("SCT"), an annulment with respect to the port concession ECA, which authorizes ECA to use national port facilities for its maritime operations. IVG claimed that the SCT should have applied certain environmental requirements regarding the authorization of the port concession ECA and the activities of the LNG Terminal are not within the competence of the SCT, and that ECA did not conduct a risk assessment environmental and SEMARNAT MIA modified without duly notify the SCT. In March 2005, the SCT and IVG dismissed that appeal brought before the TFJFA, in the City of México, an action for annulment against the respective agreement. In March 2010, the TFJFA gave judgment declaring the agreement that the SCT dismissed the appeal and ordered the latter to admit that resource. In May 2011, the SCT issued a new agreement dismissing the action again. In August 2011, IVG brought a second action for annulment before the TFJFA, reiterating his previous arguments and claims further that the SCT is not empowered to issue the agreement.

   ECA appealed the agreement that the TFJFA admitted the second appeal for annulment, based on the fact that the claims claimed by IVG resolved during the preliminary appeal. In June 2012, the TFJFA concurred with this argument and dismissed the second appeal filed by IVG. IVG filed a petition with the federal courts, against the latter agreement TFJFA. The answer to this demand was made by the Company on August 27, 2012. The SCT and LNG Terminal answered this demand. The final hearing has not yet been held. The Company believes that the claims are unfounded IVG. During 2013, IVG filed a petition with the federal courts against the dismissal of the appeal before the TFJFA, which was granted under lifting the dismissal of the action for annulment. The annulment is pending and there the SCT and LNG Terminal have already answered the application. The management of the Company believes that the claims are unfounded IVG.

c. *Inmuebles Baja Pacífico, S.A. de C.V. ("IBP") Challenge to the LNG Terminal's MIA*. In May 2006, IBP filed a complaint against the Mexican Federal Attorney of Environmental Protection (Procuraduría Federal de Protección al *Ambiente*, "PROFEPA" by its initials in Spanish), alleging that the conditions and mitigation measures imposed in the MIA are inadequate and that ECA's operations cause damage to the environment, and seeking an order modifying or nullifying the MIA. PROFEPA inspected the LNG Terminal and by official communication dated May 18, 2010, PROFEPA notified IBP that ECA's operations comply with the mitigation measures imposed in the MIA and do not cause damage to the environment. IBP appealed this determination to the TFJFA in México City, and IBP's appeal remains pending. During 2013, the TFJFA resolved the judgment declaring the nullity of the claimed act to the effect that PROFEPA will evaluate the tests offered by and ruling on arguments of IBP. The Company and IBP presented demands for amparo against TFJFA's resolution, which were admitted and are pending of resolution. The Company's management considers that IBP claims are without merit.

d. *Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie") Amparo.* In June 2010, Sánchez Ritchie filed an amparo in the federal district court in Baja California, México. The suit challenges all of the permits and authorizations issued for the construction and operation of the LNG Terminal. Sánchez Ritchie's suit was filed against 17 different government agencies, including SEMARNAT, the CRE, and the Municipality of Ensenada, among others. Although the primary permits for the LNG Terminal had been issued more than six years *prior* to his filing, Sánchez Ritchie alleged that the operation of the LNG Terminal would endanger him as the alleged owner of property adjacent to the LNG Terminal (which is disputed by ECA) and that the ECA Permits therefore were granted in violation of his rights. He requested injunctive relief and demanded that the court order the applicable government agencies to revoke the ECA Permits. On June 17, 2010 the federal district court issued a provisional order calling for the various authorities to suspend the ECA Permits, but that provisional order was reversed by the federal circuit court on June 24, 2010 before any governmental authorities responded. Each of the governmental authorities named in the amparo denied the allegations and asserted the validity of its respective permits and authorizations. The hearing on the merits of Sánchez Ritchie's amparo has been delayed by numerous procedural motions and appeals. In May 2012 the case was transferred to the federal district court in Tijuana. No date is set for the resolution on the merits. The Company's management believes that Sánchez Ritchie's claims are without merit.

e. *Sánchez Ritchie Municipal Complaint.* In February 2011, Sánchez Ritchie filed an administrative complaint with the Direction of Urban Control (Dirección de Control Urbano, "DCU" by its initials in Spanish) from the Municipality of Ensenada in Baja California, México challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004, respectively. Although the Municipality had confirmed the validity of those permits in its response to Sánchez Ritchie's amparo described above, shortly after receiving the complaint the DCU issued a temporary "closure order" calling for the terminal to cease operations. Actions by state and federal government authorities prevented interruption of the terminal's operations while ECA filed a response to the administrative complaint with the DCU and an amparo in federal district court in Ensenada.

   In March 2011, the federal district court issued injunctions precluding enforcement of the closure order pending resolution of ECA's amparo. Sánchez Ritchie and the Municipality appealed the injunctions, which appeals are pending before the federal circuit court in Mexicali. The resolution on the merits of ECA's amparo was stayed by the federal district court in Ensenada pending the resolution of procedural appeals filed by Sánchez Ritchie. The resolution of the administrative proceeding is stayed until ECA's amparo is decided. The Company's management believes that Sánchez Ritchie's claims are without merit. On May 15, 2014, in connection with the claim by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie"), dated February 2011, with the Dirección de Control Urbano from the Municipality of Ensenada, Baja California, México challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004; on April 28, 2014, the Municipality of Ensenada was declared incompetent to attend, process or continue with the procedure initiated in 2011 by Sánchez Ritchie. Therefore, the administrative authority has resolved to void all administrative procedures, including the closing order, ordering to file the records as a matter fully and properly completed. Sánchez Ritchie still can appeal the authority's decision.

f. *Agrarian Court Action.* In February 2006, Saloman Arya Furst and Abraham Hanono Raffoul filed an annulment action in the federal agrarian court in Ensenada naming as defendants the Mexican Agrarian Reform Ministry (Secretaría de la Reforma Agraria), ECA, and twenty other parties. The suit seeks to annul property titles granted by the National Agrarian Registry for parcels on which the *L*NG Terminal is situated, as well as restitution of a different parcel that allegedly sits in the same place, on the grounds that the titles to the ECA parcels were improperly issued to ECA's predecessors and without regard to the allegedly existing title. In August 2011, a final hearing was held in the case; before a decision could be issued, the plaintiffs filed an amparo challenging the court's refusal in 2006 to admit certain evidence in the case. That amparo cannot proceed until the court formally notifies all of the defendants in the underlying action, which has not occurred. The Company's management believes that the annulment action is without merit.

During 2013, the appeal was discarded by the authorities. However the Agrarian Curt decided to promote a petition for review. The authorities are in process to conclude such case.

g. *Criminal Investigation.* In May 2009, Sánchez Ritchie filed with the state District Attorney in Ensenada a complaint alleging that "Sempra affiliates," several ECA employees, and former members of the District Attorney's office committed the crime of procedural fraud in connection with a criminal prosecution ECA initiated against Sánchez Ritchie in 2006 relating to a dispute over the possession of property to which ECA holds title that is adjacent to the LNG Terminal. In particular, ECA complained to the District Attorney's office in September 2006 that Sánchez Ritchie had committed the crime of despojo, or dispossession, when he forcibly entered the property. In connection with that criminal proceeding, the District Attorney issued a provisional order removing Sánchez Ritchie from the property. Sánchez Ritchie alleged in his 2009 complaint that ECA and the other defendants gave false information to procure that order. The District Attorney, the official charged with investigating such complaints, determined there was insufficient evidence to indict any defendant and closed its investigation, and in March 2011, the criminal court in Tijuana confirmed the dismissal. In September 2011, Sánchez Ritchie filed an amparo in federal district court in Ensenada challenging the court's ruling. On April 15, 2014, in connection with the claim by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie"), dated February 2011, with the Dirección de Control Urbano from the Municipality of Ensenada, Baja California, México challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004; on April 28, 2014, the Municipality of Ensenada was declared incompetent to attend, process or continue with the procedure initiated in 2011 by Sánchez Ritchie. Therefore, the administrative authority has resolved to void all administrative procedures, including the closing order, ordering to file the records as a matter fully and properly completed. Sánchez Ritchie still can appeal the authority's decision.

ESJ's matters

a. In November 2011, Terra Peninsular, A. C. ("TP"), filed an administrative appeal with the TFJFA in México City challenging SEMARNAT's issuance of an MIA to ESJ for the construction and operation of a wind electric generation project. TP alleges that it was not notified of the resolution granting the MIA and that the MIA was not evaluated in compliance with applicable law, and further alleges that had SEMARNAT done so, it would have denied the MIA. However, TP does not specify which laws or regulations were not properly applied. TP further alleges that separate authorizations should have been required for the different phases of the project, and that the project's conditional authorization permitting future development phases that are not yet fully defined is inadequate to protect the environment. TFJFA in México City denied an injunction sought by TP, but admitted TP's complaint. ESJ and SEMARNAT filed their responses to TP's complaint in June 2012, contending that TP's challenge is not timely and that the MIA was validly issued. The court must determine whether to admit the experts appointed by TP and ESJ, as well as any appointed by SEMARNAT, before setting a date for trial. The Company's management believes that TP's challenges are without merit.

LNG's matters

a. In May 2003, Inmuebles Vista Golf, S.A. de C.V. filed an administrative appeal with the Mexican Environmental Protection Ministry challenging the issuance of the environmental authorization for the LNG terminal granted to us in April 2003. Inmuebles Vista Golf claimed that the Mexican Environmental Protection Ministry failed to give proper notices and follow applicable procedures in issuing the environmental authorization; that our LNG terminal's activities are industrial and therefore do not comply with the Regional Program for Urban, Touristic and Ecological Development for the Tijuana Rosarito Ensenada Coastal Corridor; and that the conditions and mitigation measures imposed in the environmental authorization were inadequate. The Mexican Environmental Protection Ministry denied the appeal, and in October 2006, Inmuebles Vista Golf submitted an annulment claim before the Mexican Federal Tax and Administrative Court in México City seeking to annul the Mexican Environmental Protection Ministry's resolution. In December 2010, the Mexican Federal Tax and Administrative Court confirmed the validity and lawfulness of the Mexican Environmental Protection Ministry's action denying the administrative appeal. In April 2012, Inmuebles Vista Golf obtained a ruling from the federal circuit court in México City in an amparo (a specialized suit seeking redress for actions of governmental authorities alleged to have violated constitutional rights) against the Mexican Federal Tax and Administrative Court's refusal to admit certain testimony in its proceedings, ordering the Mexican Federal Tax and Administrative Court to issue a new resolution taking into account the excluded testimony. In August 2012, the Mexican Federal Tax and Administrative Court issued a new resolution again finding the issuance of the environmental authorization to have been proper and the conditions and mitigation measures sufficient to prevent damage to the environment. Inmuebles Vista Golf filed an appeal alleging that the resolution failed to comply with the amparo ruling. In October 2012, the federal circuit court in México City ruled that the Mexican Federal Tax and Administrative Court's resolution did comply, and Inmuebles Vista Golf filed an amparo challenging the Federal Tax and Administrative Court's resolution. The Mexican Supreme Court of Justice decided to assert jurisdiction over amparo, and on February 7, 2014, the Mexican Supreme Court of Justice dismissed the amparo action filed by Inmuebles Vista Golf, S.A. de C.V. As a result, the Mexican Federal Tax and Administrative Court's confirmation of the validity of the environmental authorization has become final.

The operations at the LNG Terminal, TDM's generating plant and ESJ's eolic project have not been affected as a result of the various claims described above, with each facility continuing to operate normally during these proceedings. However, a resolution against the Company on any of these claims could have a material adverse effect on the operations of the LNG Terminal or the TDM generating plant, and in turn, on Company's business, financial position, results of operations or cash flows.

Except as it relates to the aforementioned matters, neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.

Contingencies 2014.

On May 15, 2014, in relation to the complaint filed by Ramon Eugenio Sanchez Ritchie, in February 2011, before the Urban Control ("DCU") in the municipality of Ensenada, Baja California, México, in which alleging the invalidity of land use permits and construction given to the liquefied natural gas terminal in 2003 and 2004, dated April 28, 2014, the municipality of Ensenada was declared incompetent to serve, process, continue processing and arriving in time to resolve the procedure initiated in 2011 by Ramón Eugenio Sánchez Ritchie. Therefore, the administrative authority has decided to rescind all proceedings in the administrative proceedings, including the closure order, ordering the file closed as completed and duly closed case. The office mentioned can still be appealed by Ramón Eugenio Sánchez Ritchie.

35 Application of new and revised IFRSs

New and revised IFRSs issued effective as of January 1, 2014

- Amendments to IFRS 10, IFRS 12 and IAS 27 (revised 2011), Consolidated Financial Statements, Disclosures of Interest in Other Entities and Separate Financial Statements (1)
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities (1)
- Amendments to IAS 36, *Impairment of assets* (1)
- Amendments to IAS 39, *Financial instruments: recognition and measurement* (1)
- IFRIC 21, Levies (1)

(1) Effective for annual periods beginning on or after January 1, 2014

Amendments to IFRS 10, IFRS 12 y IAS 27 (revised 2011), *Consolidated Financial Statements, Disclosures of Interest in Other Entities and Separate Financial Statements*

Amendments to IFRS 10, IFRS 12 and IAS 27, provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. In addition, the amendments also require disclosures about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2014.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities", clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

Amendments to IAS 36, *Impairment of assets*

Amendments to IAS 36 "Impairment of Assets", reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21, *Levies*

IFRIC 21 Levies, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies, where the liability is recognized progressively if the obligating event occurs over a period of time; and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This interpretation is effective for accounting periods beginning on or after January 1, 2014, with early adoption permitted.

The application of these amendments and revised standards had no significant effect on condensed interim consolidated financial statements.

New and revised IFRSs issued but not yet effective

- Amendments to IAS 19, *Employee benefits* (2)
- Annual improvements 2010-2012 cycle (2)
- Annual improvements 2011-2013cycle (2)
- IFRS 9, *Financial Instruments* (6)
- IFRS 14, *Regulatory Deferral Accounts* (3)
- IFRS 15, *Revenue from Contracts with Customers* (5)
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (3)
- Amendments to IAS 16, *Property, Plant and Equipment* and IAS 41 *Agriculture* (3)
- Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures* (3)
- Amendments to IAS 27, Separate Financial *Statements* (3)
- Amendments to IFRS 11, *Joint Arrangements* (3)
- Annual improvements 2012-2014 cycle (4)
- Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment Entities: Applying the Consolidation Exception* (3)
- Amendments to IAS 1, *Disclosure Initiative* (3)

(2) Effective for annual periods beginning on or after July 1, 2014
(3) Effective for annual periods beginning on or after January 1, 2016
(4) Effective for annual periods beginning on or after July 1, 2016
(5) Effective for annual periods beginning on or after January 1, 2017
(6) Effective for annual periods beginning on or after January 1, 2018

Amendments to IAS 19, *Employee benefits*

Amendments to IAS 19 (2011) "Employee Benefits", in regards to employee contributions on defined benefit plans, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. These amendments are effective for annual periods beginning on or after July 1, 2014.

Annual Improvements 2010-2012 Cycle

Annual Improvements 2010-2012 Cycle makes amendments to: IFRS 2 "Share-based payment", by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 "Business combinations", which require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 "Operating segments", requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly; IFRS 13 "Fair value measurement", clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" clarifying that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 "Related party Disclosures", clarifying how payments to entities providing management services are to be disclosed. These improvements are applicable to annual periods beginning on or after July 1, 2014.

Annual Improvements 2011-2013 Cycle

Annual Improvements 2011-2013 Cycle makes amendments to the following standards: IFRS 1 "First-time adoption of IFRS" clarifying which versions of IFRSs can be used on initial adoption (amends basis for conclusions only); IFRS 3 clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13, clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions; IAS 40 "Investment property", clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. These improvements are applicable to annual periods beginning on or after July 1, 2014.

IFRS 9, *Financial Instruments*

IFRS 9, "Financial Instruments" issued in July 2014, is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project.

IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or Fair Value Through Other Comprehensive Income (FVTOCI), lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

IFRS 14, *Regulatory Deferral Accounts*

IFRS 14, "Regulatory Deferral Accounts", was issued in January 2014 and applies to annual reporting periods beginning on or after 1 January 2016, earlier application is permitted. The standard specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. It permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, "Revenue from Contracts with Customers", was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Amendments to IAS 16 and IAS 38, *Property, Plant and Equipment and Intangible Assets*

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", clarify that "the use of revenue-based methods to calculate the depreciation or amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset." The amendments are effective prospectively for annual reporting periods beginning on or after January 1, 2016, earlier application is permitted.

Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*

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

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

Amendments to IAS 27, *Separate Financial Statements*

Amendments to IAS 27, "Separate Financial Statements", were issued in August 2014 and apply to annual reporting periods beginning on or after January 1, 2016, with earlier application being permitted. The standard reinstates the equity method (as described in IAS 28 "Investments in associates and Joint Ventures") as an accounting option for investments in subsidiaries, joint ventures and associates in an entity´s separate financial statements. The amendment continues the allowance to account such investments in separate financial statements at cost or in accordance with IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9). The chosen accounting option must be applied by category of investments. Finally, the amendments are to be applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Amendments to IFRS 11, *Joint Arrangements*

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

These amendments are effective prospectively for annual reporting periods beginning on or after January 1, 2016, earlier application is permitted. The amounts recognized in previous acquisitions of interests in joints operation should not be adjusted.

Annual Improvements 2012-2014 Cycle

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

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

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

Amendments to IAS 1, *Disclosure Initiative*

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

The Company's is in process of assessing the potential effects these new or revised standards could have on its consolidated financial statements.

36 Events after reporting date

1. The Company, together with its affiliate Sempra LNG, announced the execution of a "Memorandum of Understanding" with a subsidiary of Petróleos Mexicanos (PEMEX), for the collaboration in the development of a natural gas liquefaction project at Energía Costa Azul, its receipt, storage and regasification facility, located in Ensenada, Baja California, México. Such Memorandum defines the basis for the collaboration for the parties to approve the extent of their participation in the liquefaction project, including the development, structuring and the terms under which PEMEX may become a client and/or investor. This Memorandum, will allow PEMEX to enhance its position in the natural gas markets, and to set the basis that allow its participation in other regions of the world. This is the first project involving a liquefaction facility in México and with it Petróleos Mexicanos proves that it is ready to establish alliances in the energy market. The development of this project will support the commercial policy of the country through an increase in exports and the promotion of México's commercial relations worldwide.

2. On March 11, 2015, IEnova entered into inter-company revolving credit facilities in the amount of $90.0 million and $30.0 million dollars with the following characteristics:

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

   The lenders are Inversiones Sempra Latin America Limitada and Inversiones Sempra Limitada.

3. In March 2015, the Company made partial prepayments in the amount of $95.0 million and $26.1 million relative to the short-term debt to Santander credit and Sumitomo Mitsui Banking Corporation, respectively.

4. Incorporation of new Partners in TAG Norte Holding, S. de R. L. de C. V. (Joint Venture)

   On March 26, 2015, Petróleos Mexicanos, through its affiliate PMI, announced the execution of an agreement with BlackRock and First Reserve, by means of which they acquired a combined participation of 45% in the capital stock of TAG Norte Holding, S. de R. L. de C. V., an Entity in which the Company´s affiliate, Gasoductos de Chihuahua, S. de R. L. de C. V., participates, and which will develop the project known as Ramones II Norte.

37 Approval of financial statements

The accompanying consolidated financial statements were authorized for issuance on April 17, 2015, by Arturo Infanzón Favela, Executive Vice President of Operations and Finance, and subject to the approval of the Management Board and the ordinary shareholders of the entity, who may be modified in accordance with the provisions of the General Law of Commercial Companies.

38 Registered offices

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  Col. El Sauzal, C. P. 22760
  Ensenada, B.C.

- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 212110
  Mexicali, B.C.

- Avenida Tecnológico No. 4505
  Col. Granjas, C. P. 31160
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- Boulevard Francisco Eusebio Kino No. 309
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