Annual Report presented in accordance with the General Provisions for Securities Issuers and Other Market Participants, for the Year Ended December 31, 2014.

Infraestructura Energética Nova, S.A.B. de C.V.
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Col. Juárez
Mexico City, Federal District 06600
Mexico
www.ienova.com.mx

The number of outstanding shares of Infraestructura Energética Nova, S.A.B. de C.V. ("the Company") as of December 31, 2014 was 1,154,023,812 single series of registered common stock shares, with no par value, of which 5,000 correspond to the fixed Class I portion and 1,154,018,812 to the variable Class II portion.

The Company's shares are registered with the National Securities Registry (RNV) of the Mexican National Banking and Securities Commission (CNBV) under number 3420-1.00-2013-001 and they are listed on the Mexican Stock Exchange (BMV) under the **"**IENOVA**"** ticker symbol.

The Company maintains a single-series program for the issuance of share certificates to the value of up to MXN$12,800,000,000.00, which was authorized by the CNBV through official registration communication153/6298/2013. The Company has made two offerings under this program, which are current and listed with the "IENOVA 13" and "IENOVA 13-2" ticker symbols.

Registration in the National Securities Registry does not imply the certification of the value of the securities, the creditworthiness of the issuer, or of the accuracy or veracity of the information contained in this document, nor does it condone acts that might, as the case may be, have been performed in violation of the law.

Characteristics of the issuances:

"IENOVA 13"

Amount of Issue: MXN$3,900,000,000.00
Placement Price: MXN$100.00 each.
Issuance Date: February 14, 2013**.**
Maturity Date: February 2, 2023
Term of Issue: up to 3,640 days, equivalent to 20 periods of 182 days, or approximately 10 years.
Interest and Procedure for Calculation: the fixed annual gross interest rate is 6.30% on the par value of the share certificates.
Periodicity in Payment of Interest: ordinary interest accrued shall be paid every 182 calendar days in accordance with the payment schedule.
Place and Payment Method of Interest and Principal: interest accrued and principal in regard to the stock certificates shall be paid by the issuer, through an electronic funds transfer at Indeval's offices: Paseo de la Reforma No. 255, Tercer piso, Col. Cuauhtémoc, Del. Cuauhtémoc, C.P. 06500, Mexico City, Federal District, upon delivery of the security itself, or of the certificates that Indeval issues for this purpose. The foregoing allows Indeval to distribute funds to the accounts established for this purpose by the respective depositors and in turn to pay the amounts owed to holders.
Repayment of Principal: single repayment of principal on maturity date.
Early Full Repayment of Principal: the issuer shall have the right to make an early full repayment (but not of a portion) of the share certificates, on any date after the fifth year as of the Issuance Date, before the maturity date.
Collateral: Share certificates are unsecured, hence they do not have any specific collateral.
S&P Rating of the issuance: "mxAAA," in other words, the highest rating granted by Standard & Poors, S.A. de C.V. on its CaVal scale, which indicates that the issuer's creditworthiness to perform its financial obligations is extremely strong compared with other issuers in the domestic market. The rating granted is not deemed an investment recommendation, and it may be subject to updates at any time in accordance with the Standard & Poor's, S.A. de C.V.'s methodologies.
Moody's Rating at the Time of issuance: "Aaa.mx," which shows the strongest credit quality and the least likelihood of a loss compared with other Mexican issuers. The rating granted is not an investment recommendation, and it may be subject to updates at any time in accordance with Moody's de México, S.A. de C.V.'s methodologies.
Common Representative: Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciary division.
Depositary: S.D. Indeval (Institución para el Depósito de Valores, S.A. de C.V.)
Tax Treatment: the income tax withholding rate for interest paid in relation to share certificates is subject to: (i) companies and individuals in Mexico , and for tax purposes, according to provisions set forth in Articles 18 and 135 and other applicable provisions of the current Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*); and (ii) for foreign individuals and companies for tax purposes, in accordance with the provisions set forth in Articles 153, 166 and other applicable provisions of the current Mexican Income Tax Law. Potential investors in share certificates must ask their consultants about the tax consequences resulting from their investment, including enforcement of specific rules regarding their particular situation.

Negative Covenants: until the share certificates are fully repaid, the issuer may not merge, or otherwise consolidate, unless (i) the company or entity resulting from the merger or consolidation expressly undertakes the issuer's obligations, and (ii) the share certificates do not mature early as a result of such merger or consolidation. The share certificates do not contain any negative covenant regarding control changes or on the sale or encumbrance of essential assets.

<u>"IENOVA 13-2"</u>

Amount of Issue: MXN$1,300,000,000.00.
Placement Price: MXN$100.00 each.
Issuance Date: February 14, 2013.
Maturity Date: February 8, 2018
Term of Issue: up to 1,820 days, equivalent to 65 periods of 28-days, or approximately 5 years.
Interest and Procedure for Calculation: the Annual Gross Interest Rate shall be calculated by adding 0.30 percentage points to the Mexican Interbank Interest Rate (TIIE) for up to a 28-day term. To determine the Annual Gross Interest Rate, the Common Representative shall use the following formula:

$$TC = \left[\left(1 + \frac{TR}{36000} \times PL\right)^{\frac{NDE}{PL}} - 1\right] \times \left[\frac{36000}{NDE}\right]$$

Where:
TC = Capitalized Reference Interest Rate or equivalent to the number of calendar days effectively elapsed in the respective Interest Period.
TR = TIIE (or the equivalent rate) or the Reference Rate.
PL = Term of the TIIE (or rate that substitutes same) in days.
NDE= Number of calendar days effectively elapsed in the respective Interest Period

Periodicity in Payment of Interest: ordinary interest accrued shall be paid every 28 calendar days.
Place and Form of Payment of Interest and Principal: accrued ordinary interest and the principal in relation to the Stock Certificates shall be paid by the Issuer, through an electronic funds transfer at Indeval's offices: Paseo de la Reforma No. 255, Tercer Piso, Col. Cuauhtémoc, Del. Cuauhtémoc, C.P. 06500, Mexico City, Federal District, upon delivery of the security itself, or of the certificates issued by Indeval for such purpose. The foregoing allows Indeval to distribute funds to the accounts established for this purpose by the respective depositors, and in turn, to pay the amount owed to holders.
Repayment of Principal: single repayment of principal on maturity date.
Early Full Repayment of Principal: issuer shall have the right to make an early full repayment (but not a portion) of the share certificates, on any date after the third year after the issuance date, before the maturity date.
Collateral: Share certificates are unsecured, hence do not have any specific collateral.
S&P's Rating of Issue: "mxAAA," in other words, the highest rating granted by Standard & Poor's, S.A. de C.V. on its CaVal scale, which indicates that the issuer's creditworthiness to perform its financial obligations is extremely strong compared with other issuers in the domestic market. The rating granted is not deemed an investment recommendation and may be subject to updates at any time, in accordance with Standard & Poor's, S.A. de C.V.'s methodologies.
Moody's Rating of Issue: Aaa.mx, which shows the strongest credit quality and the least likelihood of loss compared with other Mexican issuers. The granted rating is not deemed as an investment recommendation, and may be subject to updates at any time, in accordance with Moody's de México, S.A. de C.V.'s methodologies.
Common Representative: Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciary Division.
Depositary: S.D. Indeval (Institución para el Depósito de Valores, S.A. de C.V.).
Tax Treatment: the income tax withholding rate for interest paid in relation to share certificates is subject to: (i) companies and individuals in Mexico, and for tax purposes, according to provisions set forth in Articles 18 and 135 and other applicable provisions of the current Mexican Income Tax Law; and (ii) for foreign individuals and companies for tax purposes, in accordance with the provisions set forth in Articles 153, 166 and other applicable provisions of the current Mexican Income Tax Law. Potential investors in share certificates must ask their consultants about the tax consequences resulting from their investment, including enforcement of specific rules regarding their particular situation.
Negative Covenants: until the share certificates are fully repaid, the issuer may not merge, or otherwise consolidate, unless (i) the company or entity resulting from the merger or consolidation expressly undertakes the issuer's obligations, and (ii) the share certificates do not mature early as a result of such merger or consolidation. The share certificates do not contain any negative covenant regarding control changes or on the sale or encumbrance of essential assets.

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PRESENTATION OF INFORMATION

Financial Statements

All of the Company's financial information that is part of this Report, including its consolidated financial statements, is prepared in U.S. dollars. From April 30, 2010 to September 10, 2012, the Company's financial statements were prepared to reflect its consolidated income statements combined with those of IEnova Gasoductos and its subsidiaries, which were acquired on April 30, 2010 by Sempra Energy. Sempra Energy is a U.S. energy services holding company listed on the New York Stock Exchange, under the ticker symbol "SRE" and it is the indirect shareholder that exercises control of the Company. Sempra Energy contributed IEnova Gasoductos and its subsidiaries to the Company on September 10, 2012. The Company's financial statements after September 10, 2012, therefore reflect IEnova's consolidated income statements. For further details see Note 2.4.1 of the audited financial statements.

The Company's functional currency is the U.S. dollar, except for the natural gas distribution business, whose functional currency is the Mexican peso. Furthermore, the Company reports its income statements in U.S. dollars. For the purposes of presenting the Company's consolidated financial statements, subsidiaries' assets and liabilities, whose functional currency is the Mexican peso, are stated in U.S. dollars at the exchange rate published by the Bank of Mexico in the Mexican Federal Official Gazette in force on the closing date of the corresponding period; and income and expenditure are converted at the exchange rates in force on the dates of the related transactions. Exchange differences, if any, are recognized in other comprehensive income items and accumulated in equity. The audited financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board, or (IASB).

This Report includes the Company's audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014. The Company's consolidated financial statements were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., members of Deloitte Touche Tohmatsu Limited, as stated in its report included in this Annual Report.

This Report also includes the audited consolidated financial statements of Gasoductos de Chihuahua, S. de R.L. de C.V., (the "Gasoductos de Chihuahua" or "joint venture with Pemex Gas"), as of and for the years ended December 31, 2012, 2013 and 2014 which were prepared in Mexican pesos. The consolidated financial statements of Gasoductos de Chihuahua were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., members of Deloitte Touche Tohmatsu Limited, as described in this report. Financial statements of Gasoductos de Chihuahua are prepared in accordance with Mexican Financial Reporting Standards (NIF) issued by the Mexican Financial Reporting Standards Board (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.*). The NIF are substantially different from the IFRS in several respects. Therefore, Gasoductos de Chihuahua's financial statements are not comparable with the Company's consolidated financial statements. Considering that the Company and Pemex Gas and Basic Petrochemicals (Pemex Gas), each hold 50% of Gasoductos de Chihuahua's capital stock and jointly share control of the company, the Company includes the latter's income statements in its financial statements under the equity method, making the necessary adjustments to align its accounting policies with the policies followed by the Company in line with the IFRS. Note 11 of the Company's consolidated financial statements contains a summary of Gasoductos de Chihuahua's financial information, expressed in U.S. dollars and prepared in accordance with the IFRS.

Market Estimates

This Report contains information on the industry, demographic issues, the market situation (including market forecasts) and on the competition, that comes in part from internal market studies and research, as well as public information and industry publications.

The Company's statements are based on information from independent sources that it considers reliable and statistics commonly used in Mexico, including:

- The World Bank;
- The International Monetary Fund;
- The International Energy Agency;

- The Mexican Federal Official Gazette;
- The Central Bank of Mexico (*Banco de México*);
- The Energy Ministry (SENER); and
- The Energy Regulatory Commission (CRE).

Industry and government publications generally indicate their information comes from reliable sources, but there is no guarantee that the information is correct and complete. Even though the Company has no reason to believe that this information is not accurate in any significant sense, they have not verified such information in an independent manner, and therefore, cannot guarantee that it is correct, accurate and complete.

This report also contains information based on Company's estimates, derived from the review of internal studies and analyses, as well as from independent sources. Although the Company deems that these sources are reliable, it has not verified the information independently and cannot guarantee that it is correct and complete. In addition, it is possible that these sources define the relevant markets in a form that is different from the Company. Information on the industry is intended to present an overview, but is inherently imprecise. Even though the Company considers that its estimates were made reasonably, investors should not rely on them excessively, due to the fact that any estimate is by its nature uncertain. Nothing expressed in this report should be interpreted as a market forecast.

Rounding Off

Some of the figures and percentages included in this report have been rounded off and, therefore, it is possible that some totals do not correspond to the sum of the different items that make them up.

Other Information

Some of the figures in dollars included in this report are converted into pesos (MXN). Unless otherwise provided, the exchange rate used for the conversion was MXN$14.7180 for each USD$1.00, which corresponds to the purchase exchange rate published by the Bank of Mexico in the Mexican Federal Official Gazette on December 31, 2014.

In Mexico the decimal metric system is used as standard. This report includes certain measurements in U.S. customary units in the report for convenience. The table below allows for conversion from metric to U.S. units:

1 square meter = 10.764 square feet
1 cubic meter = 35.315 cubic feet

In addition, for convenience and consistency purposes, the different capacity and volume measurements or thermal units (provided in certain agreements, permits, information sources or other documents) have been converted to uniform units. Specifically, natural gas volumes are presented in million cubic feet (mcf), liquefied natural gas (LNG) volumes are presented in cubic meters (m^3), and liquefied petroleum gas (LPG) volumes, are presented in barrels (bl). To facilitate comparison of natural LNG and LPG gas units, the thermal value in millions of therms (thm) for each of these products is included in parenthesis. All of the conversions are approximate. The conversion factors used for these purposes are the following:

1 mcf of natural gas = 252 gigacalories
1 mcf of natural gas = 1,040 million British thermal units ("BTU")
1 mcf of natural gas = 1,097 gigajoules
1 mcf of natural gas = 1,040 dekatherms
1 m^3 of LNG = 23.0 million British thermal units ("BTU")
1 mcf of natural gas = 0.01040 mth
1 mcf of ethane = 0.017775 mth
1 m^3 of LNG = 0.000229 mth
1 bl of LPG = 0.000055 mth

Descriptions of Contracts and Permits

This report contains summarized descriptions of material provisions of several agreements and permits. These descriptions are not meant to be detailed or complete. Likewise, it is important to mention that as with any other agreement or legal instrument, the terms may be subject to interpretation.

GLOSSARY

The following terms and abbreviations, as used in this Report, shall have the meanings set forth below. Please note that all common Mexican acronyms are in Spanish (e.g. CFE for *Comisión Federal de Electricidad).*

Term	**Meaning**
"Aguaprieta Pipeline"	Pipeline consisting of 20 inch diameter pipeline of a length of 8 miles (13 km) of with an installed capacity of 200 mpcd (2.1 mthd).
"ASEA"	National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector *(Agencia Nacional de Seguridad Industrial y Protección al Medio Ambiente del Sector Hidrocarburos).*
"ANSIPA"	National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector *(Agencia Nacional de Seguridad Industrial y Protección al Medio Ambiente en Materia de Hidrocarburos).*
"Audited Financial Statements"	The Company's audited consolidated financial statements for the fiscal years ended December 31, 2012, 2013 and 2014, including the notes to the reports.
"bl"	Barrels.
"BlackRock"	BlackRock, financial entity engaged in asset management.
"bld"	Barrels per day.
"Bloomberg"	Bloomberg L.P.
"BMV"	Mexican Stock Exchange *(Bolsa Mexicana de Valores, S.A.B. de C.V.)*
"bp"	A basis point (bp) is 1/100 of 1%. Example: 30 bp = 0.30%
"bpcd"	Billion cubic feet per day.
"Braskem IDESA"	Braskem IDESA, S.A.P.I. de C.V.
"British Petroleum"	BP plc, a private limited company, incorporated in accordance with the United Kingdom laws.
"BTU"	British Thermal Units.
"CAISO"	California Independent System Operator.
"CEBURES"	Bond certificates.
"CEL"	Clean Energy Certificates.

Term	**Meaning**
“CENAGAS”	The National Center of Natural Gas Control *(Centro Nacional de Control de Gas Natural)* is a new decentralized public body of the federal public administration. Some of its main tasks are the management and operation of the National Integrated Natural Gas Transport and Storage System, which was previously managed by Pemex.
“CFE”	Mexican Federal Electricity Commission *(Comisión Federal de Electricidad).*
“Gasoductos de Chihuahua” or “joint venture with Pemex Gas”	Gasoductos de Chihuahua, S. de R.L. de C.V., the joint venture of the Company with Pemex Gas that operates the San Fernando Pipeline, the Samalayuca Pipeline, the TDF LP Gas Pipeline, the Gloria a Dios Station, the LP Gas Terminal in Guadalajara and the Ethane Pipeline.
“CNBV”	Mexican National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores)*.
“COFECE”	Federal Economic Competition Commission *(Comisión Federal de Competencia Económica).*
“Company”	Infraestructura Energética Nova, S.A.B. de C.V., jointly with its subsidiaries.
“Constitution”	The constitution of the United Mexican States.
“CPI”	Consumer Price Index.
“CRE”	Energy Regulatory Commission *(Comisión Reguladora de Energía).*
“Credit Suisse”	Credit Suisse Securities (USA) LLC.
“Credit Suisse México”	Credit Suisse Brokerage Firm (Mexico), Credit Suisse Financial Group (Mexico).
“Data Protection Law”	Federal Personal Data (Private Individuals) Protection Law, as amended from time to time.
“Dollars” or “USD$”	Legal currency of the United States.
“DWR”	The Californian Department of Water Resources.
“EBITDA”	Earnings before interests, taxes, depreciation and amortization.
“Ecogas”	Ecogas México, S. de R.L. de C.V., the Company’s natural gas distribution concern.

Term	Meaning
"EMISNET"	Electronic Information Sending and Dissemination System that the CNBV authorized for the BMV, called the Stock Issuer's Electronic Communication System *(Sistema Electrónico de Comunicación con Emisoras de Valores).*
"Energía Sierra Juárez"	Energía Sierra Juárez, S. de R.L., the wind farm under development by the Company, in 50% partnership with InterGen.
"Energia Sierra Juarez U.S."	Energia Sierra Juarez U.S., LLC, a Sempra Energy subsidiary.
"Energy Regulation Law"	The Energy Regulation Law is the law governing the Energy Regulatory Commission (CRE), as amended from time to time.
"EPE"	State industrial enterprise *(Empresa Productiva del Estado).*
"Ethane Pipeline Project"	Project in development that involves the construction and operation of a 224-km pipeline that will carry ethane from the PEMEX processing facilities located in the states of Tabasco, Chiapas and Veracruz to the ethylene and polyethylene polymerization plant for the Etileno XXI project, located in the state of Veracruz, property of Braskem IDESA. Section I began operating in 2015.
"Federal Government"	The Federal Government of Mexico.
"FERC"	U.S. Federal Energy Regulatory Commission.
"First Reserve"	First Reserve, financial entity dedicated to asset management.
"FRS"	Financial Reporting Standards, issued by the Mexican Council for the Research and Development of Financial Information Standards *(Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.).*
"FVTPL"	Fair value through profit or loss.
"Gazprom"	Gazprom Marketing & Trading México, S. de R.L. de C.V.
"GDP"	Gross domestic product.
"General Distribution Conditions"	General conditions for the provision of natural gas distribution services, which are part of the respective permits.
"General Storage Conditions"	General conditions for the provision of LNG storage services or general conditions for the provision of LPG storage services (as the case may be), which are part of the respective permits.
"General Transportation Conditions"	General conditions for the provision of natural gas transportation services or the general conditions for the provision of LPG transportation services (as the case may be), which are part of the respective permits.

Term	**Meaning**
"Gloria a Dios Station"	Compressor station that is part of the joint venture with Pemex Gas. It has 14,340 horsepower, and it is located at the interconnection point of the Samalayuca Pipeline and the Ciudad Juárez-Chihuahua Pipeline belonging to Pemex Gas, located at Gloria a Dios, Chihuahua.
"Guadalajara LP Gas Terminal"	An LP Gas storage terminal located in Guadalajara with a total storage capacity of 80,000 bl (4.4 mth) of LP Gas.
"Guaymas-El Oro Pipeline"	Pipeline that is part of the Sonora Pipeline that will cross the states of Sonora and Sinaloa, and which will have a capacity of 510 mpcd (5.3 mthd).
"GW"	Gigawatts.
"GWh"	Gigawatts-hour.
"IASB"	International Accounting Standards Board.
"IEnova Gasoductos"	IEnova Gasoductos México, S. de R.L., the subsidiary that operates the Gasoducto Aguaprieta and Estación Naco and owner of the Company's share in Gasoductos de Chihuahua, S. de R.L. de C.V.
"IETU"	Mexican flat rate business tax *(impuesto empresarial a tasa única).*
"IFRS"	International Financial Reporting Standards issued by the IASB.
"Indeval"	S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.
"indirect shareholder that exercises control of the Company"	Sempra Energy.
"InterGen"	InterGen N.V. and/or its subsidiaries Energía Azteca X, S. de R.L. de C.V. and/or Energía de Baja California, S. de R.L. de C.V.
"IPP"	Independent power producer(s).
"ISR"	Mexican income tax *(impuesto sobre renta).*
"Issuer"	Infraestructura Energética Nova, S.A.B. de C.V.
"JPM Ventures Energy"	JPM Ventures Energy México, S. de R.L. de C.V., a J.P Morgan subsidiary.
"km"	Kilometers.
"kWh"	Kilowatt-hour.
"LGSM"	The General Corporation and Partnership Law *(Ley General de Sociedades Mercantiles)*, as amended from time to time.
"Libor"	London Interbank Offered Rate.
"LMV"	The Securities Market Law *(Ley del Mercado de Valores)*, as amended from time to time.

Term	Meaning
"LNG"	Liquefied natural gas.
"LNG Terminal"	An LNG storage terminal located in Ensenada, Baja California that has a storage capacity of 320,000 cubic meters or m^3 (73.3 mth) in two 160,000 m^3 (36.6 mth) tanks each.
"Los Ramones I Pipeline"	Pipeline that is part of the joint venture with Pemex Gas, with a length of 114 km, 48 inches in diameter and two compressor stations. The system starts at the border of the state of Tamaulipas with the United States and it will interconnect with the Gasoducto Los Ramones Norte and the pipelines operated by CENAGAS in Ramones, Nuevo León.
"Los Ramones Norte Pipeline"	Pipeline that is part of the joint venture with Pemex Gas, with a length of 440 km, 42 inches in diameter and two compressor stations. The system starts at the Los Ramones I pipeline in the state of Nuevo León and it will interconnect with Los Ramones Sur pipeline in the state of San Luis Potosi. Gasoductos de Chihuahua, S. de R.L. de C.V., our joint venture with Pemex Gas, in association with PEMEX's subsidiaries, will develop the Los Ramones Norte pipeline.
"LP Gas" or "LPG"	Liquefied Petroleum Gas.
"LP Gas Regulations"	Liquefied Petroleum Gas Regulations.
"m^3"	Cubic meters.
"mcf"	Million cubic feet.
"mcfd"	Million cubic feet per day.
"México"	United Mexican States.
"Mizuho"	Mizuho Bank, Ltd.
"MMBTU"	Millions of British thermal Units
"mth"	Millions of therms.
"mthd"	Millions of therms a day.
"MW"	Megawatts.
"NAD Bank"	North American Development Bank.
"NAFINSA"	The Mexican state development bank *(Nacional Financiera, S.N.C. Institucion de Banca de Desarrollo).*
"NAFTA"	North American Free Trade Agreement.
"National Gas Pipeline System"	The Mexican National Gas Pipeline System.
"NGR"	Natural Gas Regulations.
"NOM"	Mexican Official Standard(s) *(Normas Oficiales Mexicanas).*

Term	Meaning
"NORD LB"	Norddeutsche Landesbank Girozentrale
"OCI"	Other Comprehensive Income.
"Ojinaga-El Encino Pipeline"	137 mile (220 km) pipeline with a capacity of 1,400 mcfd (14.6 mthd), located in the state of Chihuahua. After an initially estimated length of 127 miles (205 km), a change in the route was made and the actual length of the Ojinaga-El Encino pipeline is about 137 miles (220 km), still within the investment budget of US$300 million.
"PEMEX"	Petróleos Mexicanos.
"Pemex Gas"	Pemex Gas y Petroquímica Básica.
"Peso(s)" or "MXN$"	The peso, the national currency of Mexico.
"PGPB"	See "Pemex Gas"
"PMI"	PMI Comercio Internacional, a PEMEX subsidiary.
"PROFEPA"	Federal Environment Protection Agency *(Procuraduría Federal de Protección al Ambiente).*
"PUHCA"	The 2005 Public Utility Holding Company Act of the United States.
"Rate of Exchange of the Bank of Mexico"	The Peso/Dollar rate of exchange published by the Banco de México in the Federal Official Gazette at a certain date.
Report	This 2014 Annual Report.
"Rosarito Pipeline"	Gasoducto Rosarito, S. de R.L. de C.V. Pipeline system composed sections: Rosarito Mainline, Lateral LNG Spur and Yuma; with a total length of 188 miles (302 km) and a compressioncompressor station with capacity of 30,000 horsepower. The system starts in the valve that connects with the North Baja Pipeline at the border with the United States and concludes at the LNG Terminal, located south of Tijuana. In 2013 and for the purposes of the public offerings, the Rosarito Pipeline received the alternative name of Baja East Pipeline for easy identification in presentations to investors.
"RNV"	The Mexican national securities registry *(Registro Nacional de Valores)*
"Samalayuca Pipeline"	Pipeline that is part of the joint venture with Pemex Gas, 24 inch diameter pipeline with a length of approximately 23 miles (37 km) with a capacity of 272 mcfd (2.8 mthd). The pipeline runs from Ejido San Isidro, Chihuahua, to the CFE's Samalayuca power plant and interconnects with a 16-inch diameter pipeline that is wholly owned by Pemex Gas, which runs from Ciudad Juárez to Chihuahua.

Term	**Meaning**
"San Fernando Pipeline"Pipeline	Pipeline that is part of the joint venture with Pemex Gas, a 36 inch diameter pipeline with a length of approximately 71 miles (114 km), with 36 inches in diameter pipes and two compression stations with a total of 90,000 horsepower.). The system links the Company's pipeline runs from the El Caracol Compressor Station in the city of Reynosa, Tamaulipas to its the Los Indios Compressor Station in San Fernando, Tamaulipas.
"Santander"	Santander Bank, Mexico *(Banco Santander (México), S.A. Institución de Banca Múltiple, Grupo Financiero Santander México).*
"Sásabe - Puerto Libertad - Guaymas Pipeline"	First section of the Pipeline that is part of the Sonora Pipeline, with an approximate length of 314 miles (505 km) with 36 inch diameter piping. The Sásabe-Puerto Libertad section is 137 miles (220 km) long and it started operating in the fourth quarter of 2014. The Puerto-Libertad-Guaymas section is 177 miles (285 km) long and is currently under construction. located in the state of Sonora, which will have a capacity of 770 mpcd (8.0 mthd) and is under construction.
"SCT"	Mexican Communications and Transportation Ministry *(Secretaría de Comunicaciones y Transportes)*.
"SDG&E"	San Diego Gas & Electric Company, a Sempra Energy subsidiary.
"SEMARNAT"	Spanish acronym of Environment and Natural Resources Ministry *(Secretaría del Medio Ambiente y Recursos Naturales)*.
"Sempra Energy"	Sempra Energy, the Company's indirect controlling shareholder, a corporation incorporated under the laws of the state of California, U.S.A.
"Sempra Generation"	A Sempra Energy subsidiary, incorporated under the laws of the state of California, U.S.A.
"Sempra Natural Gas"	Sempra LNG International, LLC, a business operating division of Sempra Energy that includes the United States subsidiaries of the Company that sell LNG and buy and/or sell natural gas and electricity to and /from the latter.
"Sempra Services Company"	Sempra Services Company, S. de R.L. de C.V.
"Sempra Servicios México"	Sempra Servicios México, S. de R.L. de C.V.
"SENER"	Spanish acronym of the Mexican Energy Ministry *(Secretaría de Energía)*.
"Shares"	Common single series of common, registered shares, without par value, representing the variable portion of the capital stock of Infraestructura Energética Nova, S.A.B. de C.V.
"Shell"	Shell México Gas Natural, S. de R.L. de C.V.
"SMBC"	Sumitomo Mitsui Banking Corporation.

Term	Meaning
"Sonora Pipeline"	System formed by 519 miles (835 km) of pipelines with a design capacity of 770 mpcd (8.0 mthd) located in the states of Sonora and Sinaloa. The first sections are the Sásabe-Puerto Libertad-Guaymas Pipeline and the Guaymas-El Oro Pipeline, which interconnect with each other. They were tendered and won in October, 2012, and
"Storage General Conditions"	General Conditions for the Provision Natural Gas Storage, or General Terms for the Provision Natural Gas Storage (as applicable), part of the respective permits.
"TAG Norte"	TAG Norte Holding, S. de R.L. de C.V. We are the developer, through a non-controlling interest in a joint venture with an affiliate of PEMEX, BlackRock and First Reserve which we refer to as the TAG Norte. This company is developing Gasoducto Los Ramones Norte Pipeline. Initial holdings: Pemex Gas (indirect) 50%, Gasoductos de Chihuahua (indirect) participation is 50%.
"TAG Pipelines"	TAG Pipelines, S. de R.L. de C.V. 100% participation (indirect) of Pemex Gas.
"TDF LPG Pipeline"	System that is part of the joint venture with Pemex Gas, formed by approximately a 12 inch pipeline of a length of 118 miles (190 km) of 12-inch diameter pipes, with an average daily capacity of 30,000 bld (1.6 mthd) of Liquefied Petroleum Gas. It stretches from the production area of the Pemex Gas Burgos LPG Gas plant in the state of Tamaulipas to the delivery system located in the outskirts of Monterrey, Nuevo León.
"Terminal de Gas LP de Guadalajara"	A LPG storage terminal located in Guadalajara with a total storage capacity of 80,000 bl (4.4 mth) of LP Gas.
"Termoeléctrica de Mexicali" or "TDM"	Termoeléctrica de Mexicali, S. de R.L. de C.V. or depending on the context, the electricity operating plant operated by the corporation.
"TGN Pipeline" or "Transportadora de Gas Natural de Baja California"	Transportadora de Gas Natural de Baja California, S. de R.L. de C.V. or TGN received the alternative name of Baja West Pipeline in 2013, for the public offering easy identification in investors' presentations. TGN transports natural gas to the plant President Juarez CFE industrial clients in the areas of Tijuana and Rosarito. Composed of approximately 30 inch diameter pipeline with a length of 28 miles (45 km) of pipeline, with a capacity of 940 mcfd (9.8 mthd). This system interfaces with the Gasoducto Rosarito, near Tijuana, and extends northward to interface with the pipeline system SDG&E in Otay Mesa, located at the north of the border crossing with the United States; southwest direction and takes on the ground to connect to the CFE President Juarez in Rosarito, Baja California. TGN includes a compressor station with a total installed capacity of 8,000 horsepower, located in Rosarito, Baja California.

Term	**Meaning**
“TIIE”	Mexican Interbank Equilibrium Rate *(Tasa de Interés Interbancaria de Equilibrio).*
“TJFA”	The Federal Fiscal and Administrative Court of Justice *(Tribunal Federal de Justicia Fiscal y Administrativa).*
“Transportation General Terms and Conditions”	The transportation general terms and conditions are approved and registered with the CRE.
“UDI” or “UDIS”	The accounting unit known as an “Investment Unit” *(Unidad de Inversión)* whose value in pesos MXN is published periodically by the Bank of Mexico in the Mexican Federal Official Gazette and which in general terms reflects the increases suffered by the CPI.
“United States” or “U.S.A”	The United States of America.
“USPPI”	The U.S. Producer Price Index.
“VAT”	Value-Added Tax.
“WECC”	Western Electricity Coordinating Council of the United States.

EXECUTIVE SUMMARY

This summary contains a description of the Company's activities and its financial and operational status, and is not intended to be comprehensive or to replace the information contained in the rest of this Annual Report. Therefore, investors must read all of this Annual Report carefully to understand the Company's activities in depth, including the Company's financial statements, the notes to the statements and the sections entitled "Presentation of Information," "Summary of Consolidated Financial Information," "Risk Factors," "Selected Financial Information" and "Management's Discussion and Analysis of the Results of Operations and the Financial Position."

The Company

The Company is the first publicly listed private sector company engaged in energy infrastructure in Mexico and one of the largest private sector energy companies in the country. The Company is engaged in developing, building and operating large energy infrastructure projects in Mexico. The Company's operations in Mexico include business in several segments of the value chain of the energy infrastructure sector.

The Company's assets are distributed between two business segments: (1) the gas segment, which includes the transportation and storage of natural gas and LP Gas and transportation of ethane through pipelines, storage of LNG and the distribution of natural gas; and (2) the power segment, which includes power generation in a natural gas fired combined cycle power plant, as well as wind farm that is being developed. The Company's assets generate revenues mainly through long term dollar-denominated agreements with highly creditworthy counterparties.

The Company was one of the first private companies to enter the energy infrastructure industry in Mexico in the mid-nineties, after the reform of the legal framework of the gas sector in 1995. Specifically, this reform allowed private sector participation in natural gas storage, transportation and distribution. During the last 19 years, the Company's presence as a leading company in private investment in the energy sector has grown considerably through the development of new projects, as well as organic growth and acquisitions. It has invested approximately USD$3.0 million in energy infrastructure works.

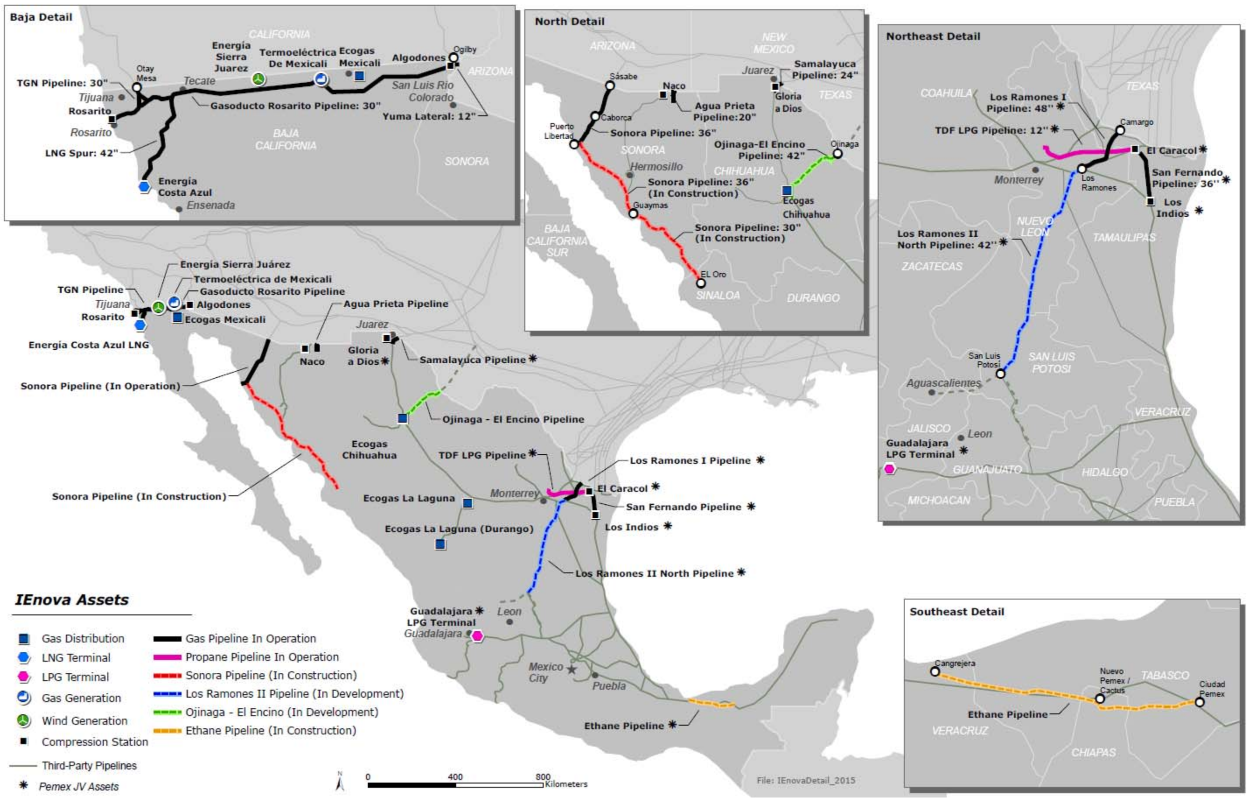
The Company's achievements as a pioneer in private investment in the Mexican energy sector, include the following:

- The Company was the first private sector company to win a natural gas distribution tender in Mexico, after the reform of the industry's legal system in 1995;
- The Company built the first natural gas pipeline in the state of Baja California, and has been the only developer of open-access natural gas transportation systems in that state (which previously did not have access to U.S. or Mexican pipeline systems);
- The Company's natural gas transportation systems in Baja California allowed the CFE to convert its fuel oil power generation plants to natural gas fired plants. Likewise, the Company is CFE's main natural gas supplier in the state of Baja California;
- The Company is a partner of Pemex Gas in the first joint venture gas infrastructure project in Mexico;
- The Company built the first LNG storage terminal on the west coast of the Americas;
- Jointly with InterGen, the Company is developing the first cross-border power generation project with renewable sources in Mexico: the Energía Sierra Juárez wind farm;
- The Company is developing the first privately owned ethane pipeline system in Mexico;
- The Company is developing the Sonora pipeline that shall have a total length of approximately 519 miles (835 km), and a design capacity of 770 mcfd (8.0 mthd), under two natural gas transportation service agreements awarded by CFE in October 2012;

- Jointly with Pemex Gas, the Company is developing the Los Ramones I pipeline, an approximately 71 miles (114 km) natural gas pipeline transportation system with a capacity of 2,100 mcfd (21.8 mthd); the pipeline started operations in December 2014;
- The Company is developing the Los Ramones Norte Pipeline through a non-controlling interest in a joint venture with a subsidiary of PEMEX, BlackRock and First Reserve which the Company calls the TAG Norte joint venture. The pipeline is a 273 mile (440 km) natural gas pipeline transportation system with a capacity of 1,430 mcfd (14.9 mthd); and
- The Company is developing the Ojinaga-El Encino natural gas pipeline project, with a length of approximately 137 mile (220 km) and an approximate capacity of 1,400 mcfd (14.6 mthd), in accordance with a natural gas transportation service agreement entered into with the CFE in December 2014. See the *"Recent Developments"* section.

Aside from having assets in several segments of the energy sector's infrastructure value chain, the Company has improved its market position by entering into strategic partnerships. In 2010, the Company acquired several assets, including a 50% interest in a joint venture with Pemex Gas. Currently, this joint venture is engaged in developing, building and operating natural gas, LPG and ethane transportation and storage systems. Additionally, the Company has entered into a 50% partnership with a subsidiary of InterGen for the development of the initial phase of the Energía Sierra Juárez wind power generation project and through Gasoductos de Chihuahua the Company has entered into a new partnership with a PEMEX subsidiary, BlackRock and First Reserve to develop the Los Ramones Norte project.

The following map shows the location of the Company's main assets which are divided between the gas and power segments.



Gas Segment

Pipeline Business

The Company owns and operates several systems for receiving, transporting, storing, compressing, and delivering natural gas and LPG in the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora, San Luís Potosí and Tamaulipas. These systems include:

- More than 1,453 miles (2,338 km) of pipeline (including 927 miles (1,492 km) under construction) with a combined transportation design capacity of over 11,142 mcfd (115.9 mthd) of natural gas;
- Six compressor stations with a total higher power of more than 155,000 horsepower;
- 118 miles (190 km) of pipelines with a design capacity for the transportation of over 30,000 bld (1.6 mthd) of LP Gas; and
- An LPG terminal in Guadalajara with a total storage facility of 80,000 bl (4.4 mth).

The current business assets of the gas segment include the Rosarito Pipeline, the TGN Pipeline, the Aguaprieta Pipeline, the Naco Compressor Station, as well as two which are under construction: the Sonora Pipeline and the Ojinaga-El Encino Pipeline.

Likewise, the pipeline business includes assets owned by the joint venture with Pemex Gas, in which the Company holds a 50% interest. This joint venture owns the San Fernando Pipeline, the Samalayuca Pipeline, the TDF LPG Pipeline system, the Gloria a Dios Station, the Los Ramones I pipeline and the Guadalajara LP Gas Terminal and is currently developing an ethane pipeline project, and through the joint venture TAG Norte: the Los Ramones Norte Pipeline.

LNG Business

The LNG Terminal, located near Ensenada, Baja California, started operations in 2008 and was the first LNG receiving terminal on the west coast of the Americas. This terminal receives and stores its clients' LNG, regasifies and delivers the resulting natural gas to the Rosarito Pipeline for distribution to Baja California and the United States. The Company's LNG business also purchases LNG on its own for storage and regasification in this terminal and later sells it to independent customers. The LNG Terminal has a storage capacity of 320,000 cubic meters, or m^3, (73.3 mth) in two tanks of 160,000 m^3 (36.6 mth); and is designed to operate at a maximum delivery capacity of 1,300 mcfd (13.5 mthd). The terminal's capacity is equivalent to approximately one-eighth of the country's internal consumption needs.

Natural Gas Distribution Business

The Company owns and operates the Ecogas natural gas distribution system, which covers three distribution areas: 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). This system, with its approximately 2,190 miles (3,524) km of pipeline, currently serves more than 106,000 industrial, commercial and residential customers.

For the year ended December 31, 2014, the segment reported approximately USD$598 million in revenues, representing 73% of the total consolidated revenues, and an adjusted EBITDA of USD$301 million, representing 89% of the total adjusted EBITDA for the year ended December 31, 2014. These revenue figures do not include a share of the profit from the joint venture with Pemex Gas of approximately USD$25 million for the year ended December 31, 2014. This profit is accounted for using the equity method, however, a 50% share of the joint venture's EBITDA is included in the gas segment's EBITDA.

Power Segment

Natural Gas Fired Power Generation.

The Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation plant located near Mexicali, Baja California. The power plant, which started operating in June 2003, receives natural gas through a connection to the Rosarito Pipeline, which allows it to receive regasified LNG from the LNG Terminal, as well as imported gas from the United States through the North Baja Pipeline system. Termoeléctrica de Mexicali is a modern, efficient, combined-cycle plant that uses advanced environmental technologies that meet or exceed the applicable environmental standards both in Mexico and in the state of California in the United States, and in February 2013, it received a clean industry certification from PROFEPA due to its outstanding environmental performance. The plant is directly connected to the CAISO network by a double-circuit 230 kilovolt dedicated transmission line at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California.

Wind Power Generation.

The Company's Power Segment is developing the Energía Sierra Juárez project. This project is located in the mountain range known as the Sierra de Juárez in the state of Baja California. The project's initial stage consists of an installation of up to 47 wind turbines (approximately 155 MW); will be located 70 miles (112 km) from the city of San Diego, California, south of the border between Mexico and the United States. The Company is developing this initial stage with its joint venture partner InterGen. Construction started in 2013 and completion is estimated for the first half of 2015.

During the year ended December 31, 2014, the segment reported revenues of approximately USD$222 million, representing 27% of the total consolidated revenues, and adjusted EBITDA of approximately USD$36 million, representing 11% of the total adjusted EBITDA for the year ended December 31, 2014.

Competitive Advantages

The Company considers that the following competitive advantages distinguish it from its competitors and are crucial for it to be able to continue successfully implementing its strategy:

- ***Proven capacity for the development of different types of energy assets and extensive experience operating them.*** The Company has over 18 years' experience of operating in Mexico, which has allowed it to develop the necessary capacity and relationships to build and operate its own energy infrastructure projects successfully, as these are critical for the country. During this period, the Company has built up a proven record of success developing greenfield and expansion projects, as well as the flexibility to acquire energy assets in existing and new lines of business. The Company made its first investment in Mexico in 1996, after obtaining the first private natural gas distribution permit granted in Mexico. Ever since, its Ecogas distribution system has grown to become a model among natural gas distribution companies. The largest project developed by the Company to date is the LNG Terminal, with an investment of USD$1.2 billion. The Company has completed the construction of the Sásabe -Puerto Libertad section of the first segment of the Sonora Pipeline project and has started to generate revenues from this segment. Additionally, the joint venture with Pemex Gas, the Los Ramones I Pipeline started commercial operations in December 2014. Among the Company's other outstanding projects are its investment of approximately USD$350 million in the construction of its the natural gas-fired combined-cycle power plant in Mexicali, Baja California; the 2010 acquisition of USD$300 million of Mexican energy infrastructure assets from El Paso Corporation, which includes its joint venture with Pemex Gas, and a USD$200 million investment in the expansion of the Rosarito Pipeline and the TGN Pipeline.

- ***Well capitalized to explore new opportunities in the energy industry.*** As of December 31, 2014, the Company had approximately USD$584 million in outstanding debt, and a l.7 debt to adjusted EBITDA ratio, providing the Company with flexibility to explore acquisitions, growth opportunities and new project opportunities in a competitive manner. Additionally, the Company has proven its capacity to enter capital markets successfully, having obtained USD$599 million from the capital market and USD$408 million in the debt market in March and February 2013, respectively.

- ***Stable cash flows and clarity from its long-term agreements.*** The Company has contracted out a substantial portion of its assets' capacity under long-term agreements that oblige its customers to pay the agreement's total cost regardless of whether they actually use the contracted capacity or not. This helps the Company to have steady and predictable long-term cash flows. Substantially all of the counterparties to these agreements are creditworthy private companies or public sector entities and the contracts are U.S. dollar-denominated. Aside from improving the stability of the Company's cash flows, these firm basis agreements minimize the Company's direct exposure to risks related to commodity prices. The current fee structure minimizes the Company's market risks due to the fact that rates fees regulated by the CRE, which are the basis of some of the Company's agreements, are adjusted regularly for inflation or fluctuations in exchange rates.

- ***Portfolio of energy assets that covers a wide range of market opportunities.*** The Company has diversified in several segments of the value chain, in activities that are open to private investment, including pipelines, LNG, distribution and power generation. Based on its size, location and its diverse asset portfolio, the Company considers that it is ideally positioned to continue expanding and developing from its platform of energy infrastructure assets. Given its proven track record as a pioneer in private investment in Mexican infrastructure projects and its relationship with the most important players in the industry, the Company is well located to enter new sectors of the industry as new investment opportunities are opened to the private sector. In addition, in view of the fact that the majority of its energy infrastructure assets are located in the north of the country, the Company is strategically positioned to become a key player in the growing demand for hydrocarbon import and export services along the border with the U.S.

- ***Pioneer in the development of the country's energy infrastructure.*** The Company is one of the few private companies that own and operate energy infrastructure assets in Mexico; and it was one of the first private companies to enter the country's energy infrastructure market. Since the federal government opened the natural gas sector to private investment in 1995, the Company has invested approximately USD$3.0 billion in energy infrastructure assets in the country and has successfully entered several sectors as legal reforms have opened new sectors to private investment. This experience as a pioneer, owning and operating infrastructure projects in Mexico, has helped the Company acquire a leading position in the industry. According to figures from the Mexican Energy Ministry, the Company currently ranks first in terms of its presence in the LNG sector, with 50% of the market, and second in the pipeline sector with 30%. The Company is well-positioned to act as a pioneer in new energy sector opportunities as these arise, taking advantage of its broad experience.

- ***Sound history of positive relationships and performance of obligations with the competent authorities and state-owned companies.*** For the last 18 years the Company has worked closely with the Energy Regulatory

Commission (CRE) and the other authorities with jurisdiction over the energy sector, and as a result it has developed a deep understanding of the sector's processes and regulatory framework. The Company considers that its cooperation and close coordination with the competent authorities, give it a key advantage, and for this reason it plan to continue cultivating and expanding these positive relationships. Furthermore, the Company has entered into several long-term contracts with the state-owned companies (PEMEX and the CFE), and has the permits and authorizations to develop and operate its energy assets in Mexico.

- ***Highly experienced management team.*** The Company's management team has extensive experience in the energy infrastructure sector. The members of the Company's management team have an average of over 18 years' experience developing and operating energy assets in Mexico. The Company has the necessary knowledge and skills to manage all of its assets successfully and safely and the experience to expand its current operations and enter new sectors as new opportunities arise. The Company considers its management team is one of its main competitive advantages compared to other industry participants.
- ***Holding company renowned worldwide.*** The Company also has the benefits derived from the strong support of its holding company, Sempra Energy, which has a long history of creating diversified energy sector services companies globally. Sempra Energy, based in San Diego, California, is a Fortune 500 energy services company, with revenues of approximately USD$11.0 billion in 2014. The almost 17,000 employees of Sempra Energy's companies serve more than 32 million consumers worldwide. The Company expects that its relationship with Sempra Energy will allow it to continue having access to a considerable network of strong commercial relationships throughout the industry, as well as solid support for management, operations, commercial and technical areas, and risk management. The Company believes this access will, among other things, allow it to continue maximizing the operational and financial performance of its assets and to improve the efficiency of its current operations, and its growth and expansion projects.

Financial Situation, Executive Summary

(in thousands of US$)	**Years ended December 31,**		
	2012	**2013**	**2014**
Revenues	$607,607	$677,836	$822,796
Depreciation and amortization	(61,349)	(61,164)	(61,943)
Profit for the period	$194,015	$142,390	$136,934

(in thousands of US$)	**As of December 31,**		
	2012	**2013**	**2014**
Property, plant and equipment, net	1,884,739	2,213,837	2,377,739
Total assets	$2,500,718	$3,241,908	3,380,218
Current liabilities	160,207	$193,089	$367,550
Total non-current liabilities	577,393	732,407	763,380
Total liabilities	737,600	925,496	1,130,930
Stockholders' equity	1,763,118	2,316,412	2,249,288

Ratios

	Years ended December 31,		
	2012	2013	2014
Current assets to current liabilities	1.5 times	2.6 times	0.9 times
Total liabilities to total assets	29%	29%	33%
Total liabilities to Stockholders' equity	42%	40%	50%
Accounts receivable turnover	34 days	38 days	29 days

IEnova *, Closing Price per share and average volume

Date	Closing Price per share	Average volume
2013	52.17	1,886,829
2014	73.80	1,034,837
31-Mar-15	83.24	1,137,804

RISK FACTORS

Any investment in the Company's shares entails a high degree of risk. Investors must carefully consider the risks described in this section before making any investment decision. The Company's activities, financial situation, operating results, cash flows and/or projects could be affected adversely and significantly by any of these risks. The market price of the Company's shares could drop due to any of these risks or other factors, and investors could lose all or part of their investment. The risks described in this section are those that in the Company's current opinion could affect it adversely. It is possible that there are additional risks and factors that the Company does not know, or that it currently does not consider to be important at present, that could also have a significant and adverse effect on its activities, financial situation, operating results, cash flows, projects and/or the market price of its securities. In this section, when we state that a risk or uncertainty may, could or will have a "material adverse effect" on the Company or could or will "materially affect us adversely" we mean that the risk or uncertainty could have a material adverse effect on our business, financial situation, operating results, cash flows, projects and/or the market price of the Company's shares.

Risks Related to the Company's Activities and Industry

The Company operates in a highly regulated industry, and its profitability depends on its capacity to comply with various laws and regulations in a timely and efficient manner.

The Company operates under the laws and regulations of several federal, state and local governmental authorities in Mexico and is required to obtain and maintain many permits, licenses and governmental approvals for its activities. Likewise, in some cases the prices that the Company charges for its products and services are subject to regulated rates set by governmental authorities. These regulations and permits may limit the Company's operational flexibility, which could have a material adverse effect on its activities, financial situation, results of operations, cash flows, prospects and/or the market price of its securities. For example, in order to obtain the favorable opinion of the Mexican Federal Economic Competition Commission (COFECE) in connection with the permits necessary for the operation of our Rosarito Pipeline, the Company agreed to sell its Ecogas natural gas distribution system in Mexicali. The Company agreed to this obligation in 2000 and has made efforts in good faith to comply with the requirement, but up to date it has not yet been able to identify a purchaser for the assets. The Company has notified COFECE of our inability to find a purchaser and the regulator has yet to impose a deadline for compliance.

The regulated rates that the Company charges service users, are periodically adjusted by the CRE in accordance with the applicable regulations, and they could have a material adverse effect on the Company's business, financial situation, results of operations, cash flows, prospects and/or the market price of our shares. In order to undertake new energy infrastructure projects we may require additional permits from the Mexican Environment and Natural Resources Ministry (SEMARNAT), the newly-created National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector (ANSIPA), the CRE and the Energy Ministry as well as a favorable opinion from COFECE, and the Company's capacity to obtain these permits could be affected by various factors, including changes in Mexican energy policies and the recent reform to the legal framework applicable to the energy sector.

The Company cannot predict the future course of changes in laws and regulations that cover its activities or the impact that this changing regulatory environment will have on its operations. In addition, due to the complex overlapping federal, state and local regulatory systems in which the Company operates, it may from time to time discover that it is lacking, or does not comply with, one or more permits that are necessary. If there is a delay in obtaining any required regulatory approval or permit to conduct the Company's operations, or if we fail to obtain or maintain a required approval or permit, we may not be able to operate our energy infrastructure projects, or we may be forced to incur additional costs, which in turn could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. See *"Company Activities–Legal, Administrative and Arbitration Proceedings."*

The Company is subject to numerous environmental, health and safety regulations that may become more stringent in the future and may lead to greater responsibilities and require larger investments in assets.

The Company's business is subject to comprehensive federal, state and local environmental, health and safety legislation, as well as supervision by Mexican governmental agencies that are responsible for the implementation of the laws, regulations, official standards and related policies. These laws, regulations and official standards force the Company, among other requirements, to obtain and maintain environmental, health and safety licenses for construction and operation of all facilities, including its facilities related to the transportation, storage and distribution of natural gas, LPG and power generation . These laws, regulations and official standards may also require the Company to obtain and maintain the following with respect to the construction and operation of its facilities: environmental impact statements and authorizations; accident prevention program authorizations; forestry land use change authorizations; operating licenses for facilities producing atmospheric emissions; local land use and construction licenses; waste disposal permits and authorizations including hazardous, special management and urban solid wastes; concessions or permits for the use and exploitation of water and the discharge of wastewaters; and concessions for the use of federal zones, construction of maritime infrastructure or installation of new equipment. See "*Company Activities–Legal, Administrative and Arbitration Proceedings.*" The failure to obtain and maintain these authorizations, licenses, permits and concessions could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

Even once obtained, compliance with authorizations, permits, concessions, regulations and license terms and conditions may be expensive, difficult or economically unfeasible, therefore affecting the future activities of the Company. Moreover, governmental agencies could take enforcement action against the Company for failing to comply with the laws, regulations, official standards and related policies. These actions could include, the imposition of fines or remediation obligations, the seizure of machinery and equipment, the revocation of licenses and/or the temporary or permanent closure of part or all of a facility, and possibly even imprisonment if environmental violations are classified as criminal offenses. Compliance with more stringent environmental, safety and health regulations, including as a result of any environmental contamination or pollution for which the Company may be held liable in the future, could force the Company to divert resources to make investments in assets. In addition, complying with environmental health and safety laws, regulations, official standards and related policies, including obtaining related licenses, permits, concessions and/or authorizations, could cause delays in the schedules of construction and modernization of any of the Company's on-going projects and/or facilities for the transportation, storage and distribution of natural gas and power generation. Private parties may also have the right to pursue legal actions to enforce compliance with environmental regulations and to seek payment of damages for personal injuries, property or environmental damages or for non-compliance with respect to environmental laws. The failure to comply with the terms and conditions of these authorizations, permits, concessions, regulations and licenses could materially adversely affect the Company's business activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

Mexico is also a party to many international agreements on environmental protection. Moreover, the Company anticipates that the regulation of its business operations under Mexican federal, state and local environmental laws and regulations will increase and become more stringent over time, and may be influenced by international agreements. Such international agreements, upon ratification by the senate, become a part of Mexican law. Under the North American Agreement on Environmental Cooperation, a side agreement to the North American Free Trade Agreement (NAFTA), each country that is a party to NAFTA, including Mexico, must ensure that its environmental laws and regulations are enforced in a correct and timely manner. While the North American Agreement on Environmental Cooperation does not empower any of the environmental agencies of the three NAFTA partners to enforce the environmental laws of another party, if a NAFTA partner fails to enforce its domestic environmental laws, it may be subject to the dispute mechanism established in the agreement, which may lead to the imposition of fines, and in some cases, to the suspension of NAFTA benefits, the result of which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. While it is difficult to predict the scope and effect of new environmental laws and regulations, such changes could have a material adverse effect on the Company's business, financial condition, operating results, cash flows, prospects and/or the market price of its securities.

The Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*) which became effective in July 2013 may significantly increase the Company's liabilities for environmental damages in Mexico as it expanded liability for violations of environmental laws. In addition, due to the lack of judicial precedents in the interpretation and implementation of this law, the Company cannot predict the outcome of any actions under the new law, including the scope of any liability the Company might face. See *"Regulation, Permits and Environmental Matters."* Under the new law, the cost of remediation or compensation of any environmental damage may be significant and could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company cannot predict the impact that legal, regulatory and social responses to climate change may have on its business.

A number of legal and regulatory measures as well as social initiatives have been introduced both internationally and in Mexico as part of an effort to reduce greenhouse gases and other carbon emissions. In October 2014, the regulations related to the General Law on Climate Change (*Ley General de Cambio Climático*) were published. However, the publication of various agreements covered by that regulation, and which complement the regulation on climate change, is still pending.

The Company may be exposed to high costs to acquire LNG in order to maintain the operation of its LNG Terminal.

In order for the Company's LNG Terminal to be operational, to prevent equipment damage from thermal expansion or contraction during warming and subsequent cooling, and to provide services when needed by the users, its storage tanks and piping must be kept at or below approximately -160° Celsius by maintaining a minimum volume of LNG in its system. This can be achieved if one or more users maintain a sufficient amount in storage at the Company's LNG Terminal. However, other than the Company's subsidiary IEnova LNG, which is a client of the LNG Terminal and has agreed to make reasonable efforts to procure LNG for the terminal at the Company's request, none of its users has the obligation to make deliveries or maintain a minimum LNG inventory, and there is no guarantee that they will. IEnova LNG is the only LNG Terminal user that has made LNG deliveries to the latter. Based on LNG's market price compared with the price of natural gas in the natural gas markets typically served using regasified LNG from its LNG Terminal, the Company does not anticipate that its independent users Shell and Gazprom, will deliver LNG to the terminal in the near future, and that IENova LNG will deliver no more than the necessary minimum quantity required to keep the terminal cold.

In the event that the LNG Terminal's users or customers do not maintain the necessary minimum volume of LNG, the Company will need to buy LNG in the market in order to maintain its terminal cold. If the cost of acquiring these volumes is higher than the price that the Company may sell the regasified LNG, the Company could suffer losses. In addition, if the quality of LNG that is delivered to the terminal is different from historical quality levels, or if the natural gas specifications in the United States or Mexico become more restrictive, the Company may require a higher quantity of LNG to keep the terminal cold than it is estimating. The costs related with LNG acquisition in the market could have a material adverse effect on the Company's business, financial situation, results of operations, cash flows, prospects and/or the market price of its securities.

The Company relies, and will continue to rely, on certain subsidiaries for certain services and financing and cannot guarantee that in the future it will be able to obtain these services or financing from the subsidiaries or third parties.

The Company relies and foresees that it will continue to depend on several of its subsidiaries to provide various technical and administrative services. The Company has entered into different service provision agreements with these subsidiaries which are described in detail in *"Selected Relationships and Related Party Transactions."* However, these subsidiaries are not obliged to continue providing these services upon the expiration of the existing agreements. While the Company intends to continue relying on its subsidiaries for these services, the Company may not be able to obtain such services from these subsidiaries or third parties in the future at reasonable prices or at all. Failure by the Company to obtain these key technical, administrative and management services on acceptable terms could have a material adverse effect on its capacity to comply with its contractual obligations or to expand its business, and could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

As of December 31, 2014 the Company's outstanding debt with its subsidiaries had an approximate value of USD$38.5 million. If its subsidiaries do not provide the Company with credit in the future, it may be unable to secure alternative funding sources, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. Despite the fact that the Company considers that the interest rates and other terms of credit granted by its subsidiaries are comparable to those that it could have obtained in the market, it cannot provide any assurance that it would have been able to obtain such credit from third parties at interest rates and on equally favorable terms than those agreed with its subsidiaries. It is possible that the Company may not be able to obtain similar financing from its subsidiaries or from third parties, at reasonable rates and terms or at all. Any failure by the Company to obtain sufficient financing at acceptable interest rates and terms, could adversely affect its capacity to perform its contractual obligations or expand its business operations, which in turn could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. See *"Summary—Recent Developments."*

In addition, the Company's indirect controlling shareholder, Sempra Energy, has guaranteed some of the Company's financial obligations, including IEnova LNG's obligations to the LNG Terminal under its firm storage services agreement and to the natural gas transportation subsidiaries under its transportation services agreement, as well as obligations to third parties. There is no assurance that Sempra Energy will be willing to provide similar credit support regarding the commercial agreements entered into by the Company, nor in terms of what it may require from the Company in exchange for providing this support. Likewise, the Company can offer no assurances that if it is unable to obtain such credit support from Sempra Energy on commercially reasonable terms, or at all, that it will be able to obtain such credit support from independent third parties on commercially reasonable terms, or at all. The Company's inability to obtain credit support could limit its capacity to enter into certain commercial contracts or adversely affect the terms of the commercial agreements that it enters into, which in turn could materially adversely affect its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. See *"Selected Relationships and Related Party Transactions."*

There may be a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities if the outcome of pending litigation goes against the Company or it affect its permits or property rights in connection with its LNG Terminal and wind power generation project.

Several parties have initiated actions with SEMARNAT or PROFEPA, challenging the environmental authorization, for the LNG Terminal, and one party has brought a civil action challenging the issuance of the authorizations and permits for the construction and operation of this terminal. While, to date, SEMARNAT and the PROFEPA have pronounced judgment against the claimants challenging the Company's environmental impact authorization, these claimants have appealed the resolutions issued by the authorities. In the event that any of the proceedings filed by these parties were to ultimately prevail against the Company, this could result in a modification to, or in extreme circumstances, a nullification of, its environmental impact authorization or one or more of the LNG Terminal's permits. To the extent that any such modifications require the Company to make new investments to comply with more stringent mitigation measures or conditions, they could have a material adverse effect on the LNG Terminal's operations. If the environmental authorization or one or more of the LNG Terminal permits were to be nullified, it could result in the terminal being unable to continue operations, which could also result in breaches of one or more permits or agreements of the Company. Any modification or nullification of the Company's environmental authorization or one or more of the LNG Terminal permits could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company is also engaged in disputes regarding its property rights over the real estate where the LNG Terminal is located. In the event that the Company does not succeed in defending and keeping its property rights to the real estate where the LNG Terminal is located, it could lose possession and use of the real estate and the corresponding terminals, which could result in breaches of one or more permits or contracts in connection with the real estate and/or the terminals. In the event the Company is unable to occupy and use these properties, this could have a material adverse effect on its business, financial situation, operating results, cash flows and/or prospects.

In addition, a non-governmental organization has filed an administrative appeal challenging SEMARNAT's environmental impact authorization issued for the construction and operation of the Company's wind power generation project being developed currently, and certain private U.S. entities filed a complaint in a U.S. federal court challenging the issue of the U.S. Presidential Permit by the U.S. Department of Energy through which the construction of the cross-border transmission line for the project is authorized. If either of these appeals were to succeed, the relevant authorizations could be modified or annulled, which could have a material adverse effect on the development program for the project and could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company has invested and continues investing substantial amounts of money and time defending these lawsuits, and on related investigations and regulatory proceedings. The uncertainties inherent in legal proceedings make it difficult for the Company to estimate the costs and effects of resolving these disputes with any degree of certainty. Aside from the aforementioned proceedings, from time to time the Company may become involved in other litigation and administrative proceedings relating to claims arising out of its operations and properties, including claims filed by suppliers and users, government regulators, tax authorities, neighbors and environmental activists, as well as labor disputes. The outcome of these proceedings may have a material adverse effect on the

Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. For additional information regarding the legal and administrative proceedings in which the Company is involved, see *"Company Activities–Legal, Administrative and Arbitration Proceedings."*

Some government authorities have the power to revoke the Company's permits for several reasons, some of which are beyond the Company's control.

The permits granted by the CRE, including the LNG storage permit, transportation permits, distribution permits, and power generation permits, are essential for the operation of the Company's assets, which would be unable to continue its operation of a particular project without the applicable permit granted by the CRE.

The CRE may revoke the permits it grants due to the reasons set forth in the permits, as well as for any other reason provided by any other law applicable to natural gas, LPG and electric power in force at the time when the permit was granted, including (1) discriminatory practices or violation of the prices and rates established by the CRE, (2) assignment, encumbrance or transfer of permits in violation of the provisions of the law in question, or (3) failing to use the rights conferred by the permits during the established term. Likewise, the Company's permits may be revoked in certain circumstances, including for non-compliance with the obligations established in Official Mexican Standards or for non-compliance with the general conditions for the provision of the respective service and the partial or total interruption of the system's operations or facilities without a justified cause or without an authorization from the CRE.

The recently enacted Hydrocarbons Law provides similar reasons for the revocation of permits that will apply to any new permit that is obtained by the Company to perform its activities, including (1) discriminatory practices that affect final users, (2) non-compliance regarding applicable regulations on rates and tariffs, (3) if any permit is transferred without the CRE's prior authorization, or (4) lack of use of the rights conferred by permits during the established terms.

Early termination of any of the Company's permits, the suspension of the operations of any of its projects or changes to the manner in which the Company is authorized to operate any of its assets, as a result of changes to its permits at the request of the CRE, may have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

Natural disasters, accidents, acts of terrorism or crime could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's facilities, including the LNG Terminal, its gas transportation systems, its power generation plants, and its office buildings may be damaged by natural disasters, accidents, acts of terrorism or crime. Practically all of the Company's assets are located in the north and center of the country, which are susceptible to earthquakes and forest fires. In April 2010 an earthquake in the vicinity of our Termoeléctrica de Mexicali power plant caused approximately USD$6.8 million in damages and disrupted its operations for approximately six weeks while necessary repairs were performed. The repairs necessary after the earthquake included repairs to the power plant's water storage tank. In addition, in September and October 2012, certain assets belonging to PEMEX, located to one side of the Company's TDF LPG Pipeline and the storage facilities near Guadalajara, Jalisco, suffered explosions that temporarily interrupted the operation of the TDF LPG Pipeline and the construction of the Company's storage facilities near Guadalajara. However, these events did not have a material effect on the Company's financial situation. If other similar events occur, these could cause significant and important business disruptions, significant decreases in the Company's revenues, or represent considerable additional costs for the Company. Any such event could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

Depending on the nature and location of the affected facilities, any of the aforementioned events could also cause fires, leaks, explosions, spills or other significant damage to natural resources or third parties' property, or cause personal injuries or deaths. Any of these consequences could lead to the filing of significant claims against the Company. The cost of insurance policies for some of these risks may increase considerably or it may be impossible to obtain coverage for them, and any insurance payments received by the Company may be insufficient to cover its losses or liabilities, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's business activities may not be successful and the projects under construction may not start operation as scheduled, which could considerably increase the Company's costs and affect its capacity to recover the investments made.

The acquisition, development, construction or expansion of the receiving terminals, natural gas and LPG distribution systems or pipelines, storage and distribution terminals, power generation facilities, and other energy infrastructure projects entail many risks. The Company may spend significant sums on engineering, permits, fuel supplies, resource exploration, legal and other expenses before it can determine whether a project is feasible, economically attractive, or if there is a possibility of proceeding with construction.

Success in developing a particular project depends, among other things, on:

- Obtaining the necessary property rights;
- The satisfactory negotiation of engineering, construction and supply agreements;
- Long term agreements to supply natural gas, power or capacity;
- Timely granting of the required governmental permits, licenses, authorizations, and rights-of-way;
- Negotiation with local communities and indigenous groups;
- Timely implementation and satisfactory completion of construction; and
- Obtaining adequate and reasonably priced financing for the project.

Successful completion of a particular project may be affected negatively by several factors, including:

- Unforeseen engineering problems;
- Unforeseen difficulties in obtaining rights-of-way and easements;
- Construction delays and contractor performance deficiencies;
- Strikes, work stoppages or boycotts;
- Lack of equipment, delays and cost increases;
- Bad weather conditions;
- Environmental and geological conditions;
- Opposition and disputes with environmental NGOs;
- Risks related with projects that have started, such as hidden defects, inherited environmental liabilities and problems with rights-of-way; and
- Unanticipated increases in costs associated with known or unknown adverse environmental conditions, including costs of compliance with environmental laws.

If the Company is unable, or decides not to complete the development of a project or to obtain the necessary permits, rights-of-way or easements for a project, including the approximately 137 miles (220 km) of the Company's Ojinaga-El Encino Pipeline infrastructure project, the approximately 519 miles (835 km) of the Company's Sonora Pipelines, the approximately 139 miles (224 km) of the Ethane Pipeline project, or the approximately 273 miles (440 km) of the Los Ramones Norte pipeline and two related compressor stations, that the Company is currently constructing through its joint venture with Pemex Gas, the Company may be unable to recover its investment in these projects or it may have to make payments under performance obligations, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company may not be successful in obtaining new energy infrastructure projects.

The market for new energy infrastructure projects in Mexico is highly competitive. The Company competes with Mexican and foreign companies for most of the new energy infrastructure projects in Mexico and some of its competitors may have better access to capital or to more financial resources, which would give them a competitive advantage in the project bidding processes. Likewise, the Company may also experience increased competition for new energy infrastructure projects and for the retention of key personnel as a result of Mexico's recently enacted energy reform. As a result of the energy reform, it is possible that fewer energy infrastructure projects may be awarded to the current joint venture with Pemex Gas.

Furthermore, while the Company may compete for energy infrastructure projects in new sectors where it has not previously operated under the new energy reform, it is possible that the Company may not able to see the full benefits of these new opportunities as the Company may lack the necessary experience or involvement in these new areas. For additional information see *"Regulation, Permits and Environmental Matters."* In addition to the above, the Company may not be able to obtain new permits from the CRE, SEMARNAT, ASEA or SENER, or a favorable opinion from COFECE, which may be required for new energy infrastructure projects. Likewise, the projections contained in this Report regarding growth of the Mexican energy sector may not ultimately be correct. An inability to obtain new energy infrastructure projects successfully may adversely affect the Company's growth, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's business requires large amounts of capital and, consequently, substantial changes in its capital requirements could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

Any expansion of the Company's business operations will require large amounts of capital and the investment of considerable sums. The value and timing of investments and expenditures on the development of any new project will partially depend on market conditions and it is possible that the Company does not manage to predict accurately the value and timing of capital investments and expenditures related to its new projects.

To the extent that the Company does not have sufficient internal resources to fund its new projects, it may be forced to resort to external funding sources which may be subject to certain limitations in terms of the availability of loans and/or other financial alternatives or to increases in interest rates or applicable margins. In case the credit market situation is difficult, the Company may be forced to fund its operations and asset investments at a higher cost or on other very unfavorable terms; or it may be unable to raise necessary amount of capital to support its business operations. This could force the Company to reduce its asset investments and could increase its finance costs, which could reduce its short-term and long-term profitability, and consequently, have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

As a result of its long term agreements to supply services or commodities at fixed prices, the Company is exposed to risks related to inflation, interest rates, exchange rates and the creditworthiness of its counterparties.

The Company generally seeks to negotiate long-term supply agreements with its users or customers to maximize the use of its assets, reduce the volatility of its earnings and to support the construction of new infrastructure. However, if these agreements are at fixed prices, in other words, they are not subject to adjustment based on inflation, and there could be a material adverse effect on its profitability from inflationary pressures, such as rising operating costs, commodity and fuel prices, labor costs, materials and equipment, and interest rates that affect financing costs, as well as changes in the U.S. dollar to Mexican peso exchange rate. In addition, the counterparties to long-term contracts with the Company may default on their obligations under these agreements. Any of these factors may have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The operation of the Company's assets involves many operational risks, availability risks, technological risks and other risks beyond its control.

The operation of the LNG Terminal, pipelines, distribution systems and power generation facilities involves a great many risks, including the following:

- The possibility of performing below expected levels of output or efficiency;
- Facility shutdowns due to wear and tear, defects, design errors or the breakdown or failure of equipment or processes, or shortages of replacement equipment, spare parts and consumables such as oil and grease;
- Unexpected operation and maintenance costs;

- Failure to operate according to design specifications;
- Operator errors; and
- Government's exercise of powers of eminent domain or similar occurrences.

If any of these risks arise, they could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects as well as on the market price of its securities.

The Company's operations depend on a limited number of users with whom it has entered into long-term agreements.

Under the Company's long-term LNG Terminal capacity agreements with Shell, Gazprom and IEnova LNG, these users pay the LNG Terminal certain capacity reservation and usage fees to receive, store and regasify their LNG. The Company has also entered into long-term capacity agreements for the transportation of natural gas and LPG through its pipelines with a limited number of key customers, including Pemex Gas, the CFE, Shell, Gazprom, InterGen and the subsidiary IEnova LNG. Under these agreements, users pay capacity reservation and usage fees to receive, transport and deliver natural gas or LPG, as applicable, through the Company's pipelines. Additionally, under the electricity purchase agreement that the Company had entered into with a US subsidiary, Sempra Generation, in force up to December 31, 2011, Sempra Generation paid the Company a fee for the power generated by the Company at the Termoeléctrica de Mexicali. After recognizing the effects of the consolidation of intercompany revenues received from IEnova LNG, collectively the Company's four main users represented approximately 60%, 64% and 66% of the Company's revenues for the years ended December 31, 2012, 2013 and 2014. For the same years, apart from these four revenue sources, no other user represented more than 5% of the Company's revenues. The main user in 2012, 2013 and 2014 accounted for approximately 24%, 25% and 28% of the Company's revenues.

Shell has obtained credit support from BNP Paribas to the value of USD$210.6 million to meet its obligations regarding the LNG storage capacity services provided by the Company, a sum that may decrease during the term of the agreement , as well as credit support from Shell Finance (Netherlands) B.V. of up to USD$95.6 million to meet its transportation service obligations. Gazprom has obtained credit support from BNP Paribas and Barclays Bank plc for a total of USD$73.2 million to meet its obligations for LNG storage capacity services provided by the Company. IEnova LNG has obtained credit support for a total of USD$282 million to meet its obligations for the LNG storage capacity services, provided by the Company; and for USD$171.5 million to meet its obligations for transportation services. However, there is no guarantee that these amounts will be sufficient to cover the damages suffered by the Company in case any of these users or customers fails to comply with their contractual obligations.

In general terms, these agreements are subject to (1) early termination provisions due to failure of a party to perform its obligations under the agreement or in the event of the insolvency of any of the parties, (2) suspension or termination due to force majeure beyond the parties' control, and (3) substantial restrictions in terms of the parties' remedies for other kinds of non-performance, including limitations on the amount of payable damages that could be substantially lower than those necessary to fully recover costs derived from non-performance. Moreover, the Mexican Public Administration Ministry (*Secretaría de la Función Pública*) and the CFE may also terminate the agreements it has entered into with the Company if they consider that doing so would be in the best interest of the public, provided that they previously prove that performance of a particular agreement would cause losses and damages to Mexico, or when, for a justified reason, the CFE no longer requires the supply of natural gas, in any case subject to the Company's right to a hearing and other applicable proceedings.

In case that one or several counterparties of the Company fails to perform or is unable to meet its contractual obligations in a timely manner, or if any of these agreements is terminated in advance, this could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities. Furthermore, the Company cannot guarantee that upon the termination of any of these agreements it will be able to enter into LNG storage capacity or natural gas transportation agreements with other users or customers on a long-term basis, on otherwise favorable terms, or at all. In the event of not being able to do so, its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities could be adversely affected.

The adequate operation of the Company's energy infrastructure depends on key suppliers, including a subsidiary of its indirect controlling shareholder.

The Company's activities depend on key suppliers fulfilling their respective agreements. In particular, the Company's LNG storage operations have depended on Sempra Natural Gas supplying an adequate quantity of LNG to keep the terminal sufficiently cold to operate continuously, and for the sale of natural gas to users. From the beginning of the LNG Terminal's operations, the Company has not been able to obtain the necessary quantities of LNG from Sempra Natural Gas to fulfill all of IEnova LNG's contractual obligations with its natural gas customers using regasified LNG. However, Sempra Natural Gas is able to purchase and supply the required quantities of gas at the U.S. border, and makes payments to IEnova LNG to cover fixed LNG Terminal and pipeline storage capacity costs to the extent it supplies a lower annual LNG volume than the one agreed, and consequently, does not use all of the reserved capacity. This payment obligation has mitigated the losses that IEnova LNG would otherwise have experienced in the last years. The Ecogas distribution system operations, mainly depend on the supply of natural gas by Pemex Gas and British Petroleum, for its resale to customers. If any of these key suppliers fails to perform its supply obligations, the Company could incur considerable expenses and, in some cases, would be exposed to commodity price volatility risk, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company is also exposed to the risk that suppliers who owe money or commodities as a result of market transactions or other long-term agreements fail to perform their obligations under the agreements. In this case, the Company could be forced to purchase additional insurance or to fulfill the underlying agreements by purchasing commodities from other suppliers at current market prices. This could cause additional losses to the extent of the sums paid to the suppliers responsible for non-performance. Furthermore, any financial problems faced by the Company's suppliers could increase its costs or have an adverse effect the operation of its energy infrastructure.

The financial situation of any of the Company's suppliers could be affected by a number of factors, including natural disasters, accidents or acts of terrorism, which could affect their capacity to fulfill their obligations with the Company. The payment terms set forth in the agreements between the Company and its suppliers are considered to be customary in their respective markets. However, any significant change in the payment terms with strategic suppliers could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's capacity to supply natural gas depends on services and assets that it does not own or that are not under its control.

The Company's facilities are interconnected with other facilities outside the areas it serves. Therefore, the Company often depends on electric transmission lines, pipelines and other transportation facilities owned and operated by third parties to:

- Deliver the electricity, natural gas and LPG sold to its customers;
- Supply natural gas to its power generation plants;
- Provide energy services to final users; and
- Provide itself with natural gas and LPG for its resale to its customers.

If the transportation service is interrupted or if capacity is inadequate, the Company's capacity to sell and deliver its products and services could be affected; and the Company may be liable for damages incurred by its customers, such as the additional costs related to acquiring natural gas or LPG from alternative sources at current prices in the spot market, which could have a material adverse effect on the Company's business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

If the commodities transported in the Company's systems do not meet certain specifications, the pipelines or markets with which the Company is interconnected may reject these products.

Official Mexican Standards (NOM) establish specifications for the products that may be delivered through natural gas and LPG pipelines. These specifications include requirements such as the hydrocarbon dew point, the composition, temperature and the impurity content such as water, sulfur, carbon dioxide and hydrogen sulfide. In case the total mixture of products delivered to a specific pipeline or market fails to meet the quality specifications set forth in the NOM, the Company must inform the producer and the pipeline or applicable market of the non-compliance. The pipeline or market in question may refuse to accept all or a part of the non-compliant products scheduled for delivery, potentially reducing the Company's commodity processing volumes or revenues, which could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company does not own all of the real estate property where its pipelines, facilities and other infrastructure are located, due to which, its operations could be affected by owners' actions. Furthermore, the delay or impossibility of obtaining the release of rights-of-way for the land where some of the energy projects currently under construction will cross, may cause material cost increases and delays to the commencement of operations.

The Company does not own all of the land on which the pipelines, facilities and other infrastructure are built, such as transmission lines and pipelines. The Company typically obtains the rights to construct and operate its pipelines and other infrastructure for a specific period of time on land owned by third parties or government authorities. Therefore if in the future it is determined that the Company does not have valid rights-of-way or leases, or if these rights-of-way or leases expire or are terminated in advance, the Company could be exposed to more onerous terms or increased costs for obtaining the rights-of-way for this real estate. The loss of these rights, in case the Company is unable to renew the corresponding rights-of-way or leases, could have a material adverse effect on its business, financial situation, operating results, cash flows, prospects or the market price of its securities.

In case of delays to obtain rights-of-way for the real estate where the power lines will be constructed, or the impossibility of obtaining these rights, the Company may face delays in the construction works or increases in the costs of its power generation projects. Power transmission projects require the Mexican federal government, the permit-holder, or both, to obtain authorization to use third parties' real estate for the construction and operation of a particular project. If the Company does not obtain the corresponding rights-of-way on time, it may incur additional costs and delays in the commencement of operations. Furthermore, in the event that rights-of-way are impossible to obtain, the Company may be forced to change the project's route. This may also result in cost increases and delays in the commencement of operations, which could have a material adverse effect on the Company's business, financial situation, operating results, cash flows and / or prospects, as well as on the market price of its securities.

The Company's activities are exposed to market risks, including fluctuations in input prices - that could adversely and significantly affect its business, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

From time to time the Company purchases energy-related products or commodities in order to meet its contractual obligations with customers. There could be a material adverse effect on the Company's activities, financial situation, operating results, cash flows and its prospects, and the market price of its securities if the market prices for electricity, natural gas, LNG or other commodities change in an unexpected manner and against which the Company is not protected through purchase or sale commitments or other hedging transactions. In addition, although the natural gas distribution operations of the Ecogas system, are not currently exposed to market risks due to the fact that the price of commodities is transferred directly to the customers, the differences in prices between natural gas and LPG affect the Company's capacity to sell natural gas. Therefore, the natural gas market prices can have a material impact on the Company's commodity distribution operations. Under the energy management services agreement signed on January 1, 2013 with a subsidiary of the Company, Sempra Generation, the Termoeléctrica de Mexicali started selling electricity in the U.S. market as of January 1, 2012. Unlike the previous contract, the Company no longer has a right to be reimbursed for the expenses related to its purchases of natural gas to fuel Termoeléctrica de Mexicali; and it may need to purchase electricity in the market to fulfill its contractual obligations. This new agreement exposes the Company to risks related to fluctuations in input prices, to a much greater extent than the agreement it previously entered into with Sempra Generation over Termoeléctrica de Mexicali. Moreover, the Company currently purchases natural gas to supply Termoeléctrica de Mexicali directly from its subsidiary IEnova LNG. In view of the fact that the agreement signed between the Company and JPM Ventures Energy, provided for JPM Ventures Energy to sell natural gas to the Company at lower prices compared with the market rates, the Company's costs have increased since the expiration of that agreement in September 2014. The fluctuations of input market prices may have a significant negative effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company cannot and does not attempt to hedge its assets or contract positions fully against changes in commodity prices, and its hedging procedures may not work as planned.

To reduce its financial exposure to commodity price fluctuations, the Company may enter into agreements to hedge its purchase and sale agreements, inventories of LNG and natural gas, and power generation capacity and transportation capacity, both in real and projected terms. As part of this strategy, the Company may use forward contracts and physical sale financial swaps and options. The Company does not hedge its entire exposure to the market price volatility of its assets or its contract positions, and levels of hedging will vary over time. To the extent the Company has un-hedged positions, or if its hedging strategies do not work as planned, fluctuating input prices could have a material adverse effect on its business activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities. When hedging its purchase and sale commitments, the Company is subject to the risk that the counterparty to the hedge may be unable to fulfill its obligations; and such failure to comply could have a material adverse effect on the Company's business activities, financial situation, operating results, cash flows, prospects and the market price of its securities.

Unexpected changes in market prices for energy-related products or commodities result from multiple factors, including: (1) weather conditions, (2) seasonality, (3) changes in supply and demand, (4) transmission or transportation constraints or inefficiencies, (5) availability of competitively priced alternative energy sources, and (6) commodity production levels. Finally, the Company often extends credit to its counterparties and customers. Despite the fact that the Company performs credit analyses prior to extending credit, it is exposed to the risk that it may not be able to collect the sums it is owed. Such changes in market prices or the Company's inability to collect the sums it is owed, could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and the market price of its securities. For additional information regarding the Company's hedging strategies and positions, see *"Management's Discussion and Analysis of the Results of Operations and the Financial Position—Liquidity and Sources of Financing—Quantitative and Qualitative Information on Market Risks"* and Note 19 of the audited financial statements included in this Report.

The LPG price subsidy policy of the Mexican federal government could materially adversely affect the operations of the Ecogas distribution system.

Currently, the price of LPG, which is affected by the market price of gasoline, is subsidized by the Mexican federal government. These subsidies could put the Ecogas distribution system's unsubsidized natural gas products at a competitive disadvantage. If the LPG price subsidy policy of the Mexican federal government continues and the Company is not able to obtain competitively priced natural gas relative to the LPG that is available to its customers and potential customers through its competitors, there could be a material adverse effect on the profitability of its natural gas distribution operations, which in turn could have a material adverse effect on its activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's risk management procedures may not be sufficient to prevent losses.

Although the Company has risk management and control systems that use advanced methodologies to quantify and manage risk, these systems may not always prevent the Company from suffering material losses. Risk management procedures may not always be followed or may not always work as planned. In addition, daily value-at-risk and loss limits are based on historic price movements. If prices significantly or persistently deviate from historic prices, the limits may not protect the Company from significant losses. As a result of these and other factors, there is no guarantee that the risk management procedures will prevent losses that could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

A material portion of the Company's operations are conducted through its joint ventures, which are subject to joint control.

The Company has a 50% interest in its joint venture with Pemex Gas. This joint venture operates two natural gas pipelines, a natural gas compressor station and an LPG pipeline system and an LPG Supply Plant in the outskirts of Guadalajara, Jalisco, and it is currently constructing the Ethane Pipeline, whose first segment started operations during the first quarter of 2015, and additionally, through the joint venture with Pemex Gas, the Company has a non-controlling interest in a separate joint venture to construct the Los Ramones Norte Pipeline with a PEMEX subsidiary, BlackRock and First Reserve, which is identified as TAG Norte. All material operating and management decisions related to its joint ventures with Pemex, including the decision to declare dividends or distributions or to reinvest profits, require the unanimous approval of both members of the joint venture. Historically, this joint venture has reinvested its profits and has not paid regular dividends. In view of this fact, the Company cannot guarantee that dividend payments, distributions or the reinvestment of profits will be approved in the future. The joint venture's organizational documents do not provide for a dispute resolution mechanism other than arbitration. In the event the Company does not reach an agreement with Pemex Gas on an issue that requires the unanimous approval of the partners, the Company may have to resort to arbitration to resolve the issue, which could adversely affect the operations of the businesses operated through the joint venture, and in turn, this could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or prospects. In addition, the

Company recently entered into a joint venture with InterGen for the construction of the initial phase of the Energía Sierra Juárez wind power generation plant. So long as the Company shares joint control of this project with InterGen, any dispute with InterGen may force the Company to sell its stake in the joint venture, purchase InterGen's stake in the joint venture or to resort to binding arbitration.

In 2009 COFECE issued a resolution by which Pemex Gas was under an obligation to sell its stake in the assets of its joint venture with the Company. If Pemex Gas sells its stake in the joint venture, the Company will have a preemptive right to acquire this stake, which could result in absolute ownership and control of the joint venture. The Company cannot guarantee that it will exercise this preemptive right, and in the event that the Company exercises this right it would be obliged to undertake a material capital investment commitment for which it may not have adequate resources. If the Company does not exercise its preemptive right or is otherwise unable to exercise its preemptive right of acquisition of Pemex Gas' stake, this stake may be acquired by a third party which would consequently become a partner of the Company. The Company cannot guarantee that it and its new partner would be able to cooperate effectively in the operation of the joint venture. Given the joint venture's requirement that all material operating and management decisions be made with the unanimous approval of the partners, if any future partner were unwilling to cooperate effectively with the Company in the management and operation of the joint venture, this could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or prospects, and the market price of its securities.

The operation of the Company's facilities depends on its good relations with its employees.

As of December 31, 2014, the Company had 581 employees, of which 84 are administrative and 497 provide operational and maintenance services on the Company's facilities. Thirty-seven of the operational and maintenance employees are covered by a collective labor agreement with different labor unions. The Company's collective labor agreements are renegotiated independently for each plant. Salaries are revised annually and the other terms are revised every two years.

Any failure to agree on new collective agreements or to renegotiate the current agreements, might result in strikes, boycotts or other labor disputes. These potential labor disputes may have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and Company's prospects, as well as on the market price of its securities. The Company's facilities have not been affected by labor disputes since it started its operations. Labor disputes, strikes or significant salary increase negotiations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or Company's prospects, as well as on the market price of its securities.

The Company depends on its employees and executive officers and their unique knowledge of the business segments, and the Company may not be able to replace those key executives and employees if they resign.

The operations and continuous growth of the business depends on the Company's capacity to attract and keep its personnel, including corporate management, specialized engineers and employees, who have the necessary and required experience and expertise to manage and operate the business. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without an adequate replacement or if it is impossible to attract new qualified personnel, these circumstances could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities. The Company does not have life insurance for the members of its management team. In the event that the Company were to lose the services of its personnel, this could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's activities are concentrated in energy infrastructure projects located in the States of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Tabasco and Veracruz, and if these regions are specifically affected by, for example, local recessions, natural disasters, local regulation, increases in crime rates or political and social events, they may have a material adverse effect on the Company.

The Company's current energy infrastructure projects are primarily located in the states of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Tabasco and Veracruz, and all the permits and approvals for these projects were granted by either the federal government or by the local government authorities. As a result of this, legislative reforms, the adoption of measures, the implementation of stricter rules or the establishment of additional requirements by the relevant governmental authorities, including changes arising from state and local elections, there may be a material adverse effect on the Company's activities, financial situation, operating results, cash flows and Company's prospects, as well as on the market price of its securities. Furthermore, the Company is exposed to risks related to local recessions, natural disasters in these regions, increases in local crime rates or local political and social occurrences, which could have a material adverse effect on its activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company's insurance coverage may not be sufficient.

The Company has insurance policies that cover the operations of the LNG Terminal and the corresponding marine terminals, power generation facilities, transportation and distribution systems. The policies provide insurance coverage on property, general commercial liability, excess liability, environmental liability insurance and against the interruption of operations. The sums insured are subject to deductibles that the Company deems appropriate. However, the Company cannot guarantee that in the future it will be able to acquire insurance coverage at reasonable premiums or under similar terms to those of its current policies, or under the necessary terms. Moreover, the insurance coverage in the event of a claim could prove to be insufficient, or accidents or disasters could occur that either are not covered, or that become the subject of dispute. Currently, the Company does not have certain types of insurance, such as insurance for losses caused by war, or government actions, due to the fact that these losses are not economically insurable.

If certain types of disasters occur, there could be a total or partial loss of Company facilities, or part of its facilities or operations could be interrupted for long periods, and the Company cannot guarantee that its insurance payments under the respective policies would be sufficient to cover its losses of revenues, increased expenditures or the resulting costs of repair or replacement. Furthermore, at the time the disaster in question, there is no guarantee that the insurers would be solvent. These revenue losses, increased expenditures or additional costs could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and Company's prospects, as well as on the market price of its securities.

The Company regularly uses volatile and hazardous materials that expose it to risks that could affect its operations.

The Company's operations entail storage and transportation of highly flammable and explosive materials which are subject to extensive regulation. Even if the Company complies with all of the environmental, public health, safety, transportation and risk management requirements and standards, its operations are exposed to important risks related to the use, storage, transportation and disposal of such materials, including:

- Explosions;
- Fires;
- Severe weather conditions and natural disasters;
- Mechanical failure such as pipeline or storage tank leaks and cracks;
- Discharges or emissions of hazardous substances or gases;
- Other environmental risks; and
- Terrorist attacks.

Any accident, damage or destruction derived from the use of these materials in the environment, could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and the Company's prospects, as well as on the market price of its securities. See *"Risks Related to the Company's Activities and Industry—The Company is subject to numerous environmental, health and safety regulations that may become more stringent in the future and may generate more responsibilities and require larger investments in assets."*

The Company's natural gas distribution operations (the Ecogas system) could face increased competition due to the expiration of its exclusive rights.

The Company had a 12-year period of exclusivity regarding natural gas distribution in each of the three areas where it carries out its activities. The last of these periods of exclusivity ended in 2011. Therefore, the

Company could face competition from other distributors due to the fact that these may build distribution systems and compete with the Company to attract customers in each of these areas. To the extent that these distributors expand their systems, or that other distributors enter the market and build new natural gas distribution systems in these areas, they will generate additional competition for the natural gas provided by the Company; and in the event the Company is unable to compete successfully with these competitors, this could have a material adverse effect on its activities, financial situation, operating results, cash flows and Company's prospects, as well as on the market price of its securities..

The development of new business technologies increases the risk of attacks against the Company's information systems and the integrity of its energy grid.

Some elements of the Company's energy infrastructure systems are exposed to cyber security risks. In addition to general information protection and cyber risks,-including viruses, malicious intent by insiders and inadvertent disclosure of sensitive information-, the energy industry is exposed to new security risks associated with automated metering and other electronic components in the infrastructure. The implementation of these technologies offers a new and large-scale opportunity for attacks on information systems and, more importantly, on the integrity of the energy supply grid. While addressing these risks is the subject of significant ongoing activities across our business, the Company cannot guarantee that a successful attack will not occur. Any attack to our information systems, on the integrity of the energy supply grid, or on any of the Company's facilities could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or its prospects, as well as on the market price of its securities.

The development of new or alternative energy sources could reduce the natural gas market, reducing our revenues from the Company's natural gas business.

Currently, industrial customers of the Company's natural gas distribution system use natural gas as their main source of energy for their operations. However, in the future other energy sources might become available at competitive costs. This circumstance could affect the demand for natural gas and consequently the Company's revenues and financial position.

Households in Mexico meet their energy needs mainly through electricity, LPG and natural gas. To the extent that households use electricity, LPG or other alternative sources of energy, there could be a reduction in domestic natural gas consumption, which could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or the Company's prospects, as well as on the market price of its securities.

Risks Related to the Situation in Mexico

Unfavorable economic and political conditions in Mexico may have an adverse and material effect on the Company's activities, financial situation, operating results, cash flows and/or prospects, as well as on the market price of its securities.

The Company carries out all of its operations in Mexico and all of its growth potential is centered on Mexico; and as a result it depends significantly on the performance of the Mexican economy. As a consequence of the economic situation in Mexico, over which it has no control, there may be a material adverse effect on its activities, financial situation, operating results, cash flows and prospects, as well as on the market price of its securities. In the past, Mexico has experienced economic crises caused by internal and external factors, characterized by exchange rate instability (including important devaluations), high rates of inflation and unemployment, increases in interest rates, economic contraction, reduced foreign capital flows and reduced liquidity in the banking sector. These conditions could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Mexican government does not currently restrict the capacity of Mexican companies or individuals to convert Mexican pesos into U.S. dollars, except for certain restrictions relating to cash transactions involving U.S. dollar, or other currency payments to Mexican banks, and Mexico has not had a fixed exchange rate policy since 1982. The Mexican peso has been subject to significant devaluations against the U.S. dollar in the past and may be substantially devalued in the future. Significant devaluations or depreciations of the Mexican peso may result in governmental intervention to institute restrictive exchange control policies, as has occurred before in Mexico and other Latin American countries. Accordingly, fluctuations in the value of the Mexican peso against other currencies, particularly the U.S. dollar, may have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and/or prospects, as well as on the market price of its securities. For more information regarding recent trends in the Mexican peso-U.S. dollar exchange rate, see *"Exchange Rates."*

After being significantly affected by the global economic crisis that began in 2008, Mexico's gross domestic product, or GDP, fell 6.1% in 2009, the sharpest decline since 1932, according to the World Bank statistics. However, Mexico's GDP grew by 4.0%, 1.1% and 2.1% respectively, in 2012, 2013 and 2014. However, if the Mexican economy experiences another recession, if inflation or interest rates increase significantly, or if the Mexican economy is otherwise adversely affected, this could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and /or prospects, as well as on the market price of its securities.

Changes in Mexican federal governmental policies could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. The economic measures of the Mexican government and state-owned companies could have a significant effect on Mexican private sector entities in general, and on the Company in particular, as well as on market conditions, prices and on the returns on Mexican securities, including the Company's shares. In the past, strong congressional opposition to presidential initiatives has hindered the enactment of economic and other reforms..

The Mexican government could implement significant changes in laws, policies and regulations, which could affect the economic and political situation in Mexico. The most recent presidential and congressional elections took place in July 2012, and Enrique Peña Nieto, a member of the Institutional Revolutionary Party (PRI), was elected President of Mexico and took office on December 1, 2012, ending 12 years of presidential tenure by the National Action Party (PAN). In addition, the Mexican president has had a strong influence on new government policies and actions in the economic sphere, and the new administration could implement substantial changes in laws, policies and regulations in Mexico, which could have a material adverse effect on the Company's activities, financial situation, operating results, cash flows and /or prospects, as well as on the market price of its securities..

The PRI does not currently control an absolute majority in Congress, which could result in long disagreements and political uncertainty over future reforms and secondary laws to modernize key sectors of the Mexican economy, including the energy sector. By mid-2015 new elections will take place in the House of Representatives which may change the composition of the legislature.

While recent amendments to the Mexican Constitution have opened up participation by private companies in natural gas exploitation and production, the Company's performance historically has been tied to the willingness of the Mexican government, including the state-owned industrial enterprises: CFE and PEMEX, to invite the private sector to take part in the development of energy infrastructure works and to enter into service agreements with private sector companies. In general terms, this willingness depends on Mexico's political environment.

On September 8, 2013, the President of Mexico announced a tax reform initiative. On December 11, 2013, the tax reform was published in the Mexican Federal Official Gazette whereby several tax regulations related to income tax and the flat rate business tax (IETU) were amended, modified or repealed with effect from January 1, 2014. For additional information on the tax reform, see *"Management's Discussion and Analysis of the Results of Operations and the Financial Position—Factors Affecting our Results of Operations—Mexican Income Tax Reform."*

The Company cannot guarantee that the current political situation or any future events in Mexico will not have a material adverse effect on its activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The introduction of laws on class actions could have an adverse effect on the Company's operations.

The Mexican Congress approved amendments to laws that expressly allow class actions to be brought. These new laws may result in the Company's customers and other players in the market bringing class actions against the Company. Due to the lack of judicial precedent in the interpretation and application of these laws, the Company cannot predict the outcome of any class actions brought under these laws, including the scope of any liability and the impact of potential liabilities on the Company's activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities. See "*Constitutional Amendments on Class Actions*."

Changes in the relative value of the Mexican peso to the U.S. dollar may have a material adverse effect on the Company.

The Mexican peso-U.S. dollar exchange rate is important for the Company because of its effect on its activities, financial position, operating results, cash flows and prospects. In general, as described below, a depreciation of the peso will likely result in an increase of the Company's operating margins and an appreciation of the peso will likely result in a decrease in the Company's operating margins. This is because the aggregate amount of the Company's net sales denominated in, or linked to U.S. dollars, exceeds the aggregate amount of the Company's cost of sales and other selling, general and administrative expenditure denominated in, or linked to, U.S. dollars. In addition, a depreciation of the Mexican peso will likely affect the value of receivables and payables as well as and peso-denominated deferred income tax assets and liabilities. See *"Management's Discussion and Analysis of the Results of Operations and the Financial Position—Effects of Currency Exchange Rates on Income tax."*

Most of the Company's net sales are either denominated in, or linked to the value of, the U.S. dollar. However, a portion of the cost of goods sold, including labor costs, and other costs of sales and general and administrative expenditure is are invoiced in pesos. Additionally the Company pays taxes in pesos, and the Company's future debt obligations may be payable in pesos. . Consequently, the real appreciation or depreciation of the peso relative to the U.S. dollar can have an effect on the Company's operating margins. Fluctuations in the Mexican peso-U.S. dollar exchange rate could have a material adverse effect on the Company's activities, financial position, operating results, cash flows and/or prospects, as well as on the market price of its securities. For additional information regarding recent trends in the Mexican peso-U.S. dollar exchange rate, see *"Exchange Rates."*

The recent increase in violence in Mexico has adversely affected, and may continue to affect the Mexican economy and may have a negative effect on the Company's financial situation or performance.

Over the past few years Mexico has experienced a significant increase in violence relating to illegal drug trafficking, particularly in Mexico's northern states near the U.S. border, and most of our facilities are located in this region. This increase in violence has had an adverse impact on the economic activity in Mexico. Also, social instability in Mexico and adverse social or political developments in or affecting Mexico could significantly affect the Company and its financial performance; while violent crime may increase the Company's insurance and security costs. The Company cannot guarantee that the levels of violent crime in Mexico, over which it has no control, will not increase or decrease. An increase in violent crime could have a material adverse effect on the Company's activities, financial position, operating results, cash flows and/or prospects, as well as on the market price of its securities.

Events in other countries and investors' risk perceptions, especially of the United States and emerging market countries, may adversely affect the market price of securities issued by Mexican issuers, including the Company's shares.

The market price of securities issued by Mexican issuers is affected to varying degrees by economic and market conditions in other countries, including the United States and other Latin American and emerging market countries. Therefore, investors' reactions to events in any of these countries could have an adverse effect on the market price of securities issued by Mexican issuers. Crises in the United States or in other emerging market countries may reduce investors' interest in securities issued by Mexican companies, including those issued by the Company.

In the past, the advent of negative economic conditions in other emerging market countries resulted, in general, in capital flight and, as a consequence, in a decrease in the value of foreign investments in Mexico. The financial crisis that originated in the United States during the third quarter of 2008, triggered a global recession that directly and indirectly affected the Mexican economy and securities markets, and caused, among other things, fluctuations in the trading prices of securities issued by publicly-owned companies, scarcity of credit, cuts in expenditures, slowdown in the global economy, exchange rate volatility, and inflationary pressures. Any of these factors, if they were to occur again, would negatively affect the market price of the Company's Shares and would make it more difficult for the Company to access capital markets to finance its future operations on acceptable terms, or at all, which could have a significant adverse effect on the Company's activities, financial position, operating results, cash flows and/or prospects, as well as on the market price of its securities.

Furthermore, the Mexican economy is affected by international economic and market conditions generally, and especially by economic and market conditions in the United States. For example, share prices on the Mexican Stock Exchange have traditionally been sensitive to fluctuations in U.S. interest rates and activity on the major U.S. securities exchanges.

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the NAFTA and increased economic activity between the two countries. Adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. The Company cannot guarantee that events in other emerging market countries, in the United States or elsewhere will not have a significant negative effect on its activities, financial situation, operating results, cash flows, prospects and/or the market price of its securities.

The Company could be adversely and significantly affected by violations of the Mexican Federal Anti-Corruption Law on Procurement, the U.S. Foreign Corrupt Practices Act and other similar applicable anti-bribery laws worldwide.

The Mexican Federal Anti-Corruption Law, the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials and other persons for the purpose of obtaining or retaining business opportunities. There is no guarantee that the Company's internal control policies and procedures will protect it from reckless or criminal acts committed by its employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on the Company's activities, financial position, operating results, cash flows and/or the market price of its securities.

Risks Related to the Company's Shares

The market price of the Company's shares may fluctuate considerably, and investors could lose all or part of their investment.

Volatility in the market price of the Company's shares may prevent investors from selling their shares at or above the price they paid for same. The market price and liquidity of the Company's shares may be significantly affected by different factors, some of which are beyond the Company's control and may not be directly related to the Company's operating performance. These factors include, among others:

- Excessive volatility in the market prices and trading of securities issued by other issuers of the same industry as the Company, which is not necessarily related to the operating performance of said issuers;
- Investors' perceptions of the Company's prospects and its industry;
- Possible differences between the Company's actual financial and operating results and those expected by investors;
- Changes in profits or operating results;
- Operating performance of other companies comparable with the Company;
- Decisions of the indirect shareholder that controls the Company regarding sale of its shares, or the proceeds in the sense that the indirect shareholder may sell its shares;
- Gain or loss of key executives;
- Announcements of acquisitions, divestitures, strategic partnerships, or the Company's/its competitors' capital investment commitments;
- Issuance of new laws or regulations or changes in the interpretation of laws or regulations in force, -including tax resolutions- applicable to the Company's activities or to its shares;
- General economic trends in the Mexican, United States or global economies or financial markets, including those resulting from war or acts of terrorism, or from responses to these events; and
- Political situation or events in Mexico, the United States and other countries.

In the future, the Company may issue other securities representing its capital stock. Any such issuances or the prospect of any such issuances, could result in a dilution of investors'/ shareholders' economic and voting rights, create negative market perceptions and trigger a significant market price drop of the Company's shares. Moreover, the Company's indirect controlling shareholder may sell all or part of its shares, which could likewise, lead to a negative perception of the market and plummeting market price of Company's shares.

The Company is a holding company and, as such, depends on the operating results of its subsidiaries and joint ventures.

The Company is a holding company with no independent operations or substantial assets other than the capital stock of its operating companies and joint ventures. Accordingly, the Company depends on the operating results of its subsidiaries and joint ventures. Each of the Company's subsidiaries and joint ventures is an independent entity and, in some cases, legal and contractual restrictions may limit the Company's capacity to obtain cash from these subsidiaries and joint ventures. For example, in the case of the joint venture with Pemex Gas, the declaration of any dividend or distribution is subject to approval by both partners. Furthermore, according to Mexican law, Companies' subsidiaries may only pay dividends (1) out of retained earnings included in financial statements that have been approved at their respective partners meetings, (2) after all losses from prior fiscal years have been paid, and (3) after allocating of 5% of net profits of the fiscal year to constitute a legal reserve, until the reserve represents at least 20% of the corresponding entity's paid-in capital. Any adverse change in the financial situation or operating results of Company's subsidiaries or joint ventures, could have a material adverse effect on the Company's activities, financial position, operating results, cash flows and prospects, as well as on the market price of its securities.

Future issuance of debt or preferred securities may limit the Company's operating and financial flexibility, and may negatively and significantly affect the market price of its securities and may dilute their value.

If the Company issues debt or preferred securities in the future or otherwise incurs other types of debt, the documents that govern the issuance of such securities or the terms of debt may include commitments that limit the Company's operating flexibility and its capacity to make distributions to its shareholders. Likewise, any convertible or exchangeable securities that the Company issues in the future, if necessary, may confer more favorable rights, preferences and privileges, than those conferred by shares -including payment of distributions- and could dilute the shareholders' stake. In view of the fact that the Company's decision to issue other securities for placement, or acquire other types of debt, will depend on the situation of the market and other factors beyond the Company's control. The Company cannot predict or estimate the amount, timing or nature of its future offers or financing, any of which could materially reduce the market price of the Company's shares and dilute their value.

The Company is part of a business group and it enters into transactions with related parties and subsidiaries, which could give rise to conflicts of interest.

The Company enters into and plans to continue entering into transactions with different entities directly or indirectly owned or controlled by Sempra Energy, the Company's indirect controlling shareholder. Both provisions applicable to public companies and the Company's bylaws, establish several procedures designed to ensure that the transactions entered into with, or between, its subsidiaries and its indirect controlling shareholder do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of the Company's Board of Directors for some of these transactions. It is likely that the Company continues to engage in transactions with Sempra Holding and its subsidiaries and affiliates; and the Company's subsidiaries and affiliated companies are likely to continue engaging in transactions between them. The Company cannot guarantee that its opinion, or that of its subsidiaries' the terms of the transactions "substantially conform to market terms" would be considered as such by third parties. Furthermore, a conflict of interest may arise between the Company and Sempra Energy or any of its subsidiaries or affiliated companies, or among the Company's subsidiaries and affiliated companies, and there is no obligation to resolve these conflicts –which, in fact, may not be resolved- in the Company's favor. See *"Selected Relationships and Related Party Transactions."*

The Company cannot guarantee that it will pay or maintain a cash dividends policy.

The sums available for the payment of cash dividends, if any, will depend on several factors, including the Company's future operating results and financial position, capital requirements and the terms and conditions of legal and contractual restrictions applicable to the Company and to its subsidiaries, including the terms of its debt instruments. Likewise, the amount available for payment of dividends in cash may vary significantly from the planned amount. The Company cannot guarantee that it will be able to pay dividends or maintain a dividend payment policy. The Company's actual results may differ substantially from the assumptions used by the Board of Directors when recommending payment of dividends to shareholders, or to adopt or amend a Company dividend policy in the future. Furthermore, there is no guarantee that the Company's Board of Directors will recommend payment of dividends to shareholders or, in case it recommends such a payment, that it will be approved by the Company's shareholders. Sempra Energy, as the Company's controlling shareholder, has the power to establish and modify the Company's dividends policy and, if necessary, to declare the payment of dividends. Payment of dividends by the Company and the amount of dividends paid, shall be subject to shareholders' approval. While the indirect shareholder which exercises control of the Company holds most of the shares that represent the Company's capital stock, it will have the power to decide if the Company will or will not pay dividends and, if necessary, to determine the value of the distribution.

The Company's bylaws contain provisions to avoid entering into transactions that imply a change of control that could otherwise end up benefitting a change of control.

The Company's bylaws contain certain provisions that could make it difficult for a third party to acquire a significant shareholding in the Company without being forced to acquire a greater shareholding, or all of the Company's shares. These provisions could prevent certain types of transactions involving the acquisition of the Company's shares. Likewise, these provisions could prevent transactions in view of which the Company's shareholders would receive a premium on the market price of its stock. Consequently, parties acquiring shares contrary to the provisions for the prevention of changes in control set forth in the Company's bylaws, will not be able to exercise the corresponding corporate rights over the shares, specifically the right to vote. Parties acquiring shares in violation of these provisions shall be required to sell them via one or more transactions on the BMV within a term not exceeding 90 days from the date of acquisition, without prejudice to the ownership rights of the shares until the shares in question have been sold. The Board of Directors may consider the criteria established in the bylaws, as well as any prior approvals of governmental authorities required for the acquisition, including anti-trust or other regulatory approvals. For further information on these measures see *"Description of the Company's Share Capital and Bylaws—Anti-Takeover Protection Provisions"* and *"Regulation, Permits and Environmental Matters—Laws Applicable to Power Generation."*

In compliance with Mexican law, the Company's bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.

Under Mexican law, the Company's bylaws provide that non-Mexican shareholders are considered to be Mexican in terms of their share ownership. The law covers all property, rights, concessions, securities and interest foreigners may have in the Company, and it relates to all rights and obligations derived from any agreements the Company has with the Mexican government. Under this provision, non-Mexican shareholders are deemed to have waived the protection of their own governments by agreeing not to ask their governments for diplomatic support for claims against the Mexican government with respect to their shareholder's rights, but foreigners are not considered to have waived any other rights they may have with respect to their investment in the Company. Shareholders who seek the protection of foreign governments in violation of this agreement, would forfeit their shares to the Mexican government.

Risks Relating to Statements About the Future

This report contains estimates and forward-looking statements. These statements relate to the Company's business, financial position, operating profits, cash flows and prospects. Estimates and forward-looking statements are based primarily on the Company's current expectations and estimates of future events and trends. Although the Company believes that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to various risks and uncertainties, and are based on information available to the Company at the date of the report.

The Company's estimates and forward-looking statements may be influenced by factors which include:

- Economic, political, legislative, regulatory and competitive developments on the local, national and international levels;
- Measures taken by regulatory, governmental and environmental bodies in Mexico and other countries, as well as the timing of these measures, including energy reform and its requirements;
- The energy markets, including the timing and extent of changes and volatility in commodity prices;
- The services and financing provided to the Company by its subsidiaries;
- The outcome of the Company's litigation and disputes;
- The loss of the Company's most important suppliers or customers;
- The Company's ability to hire, train and retain highly qualified employees and executives;
- The timeliness and success of the Company's efforts to conduct its business and undertake construction, maintenance and capital projects, including the risks involved in obtaining permits, licenses, certificates

and other necessary authorizations in a timely fashion, and the risks involved with obtaining suitable and competitive financing for such projects;

- The availability of electric power, natural gas and liquefied natural gas, including disruptions caused by explosions and faults in the Company's equipment;
- Wars, terrorist attacks, local crime, weather conditions, natural disasters, catastrophic accidents and recovery efforts;
- Inflation, interest and currency exchange rates;
- Business, regulatory, environmental and legal decisions and requirements;
- The inability or decision not to enter into long-term supply and sales agreements or long-term firm capacity agreements as a result of lack of market demand, unattractive prices or other factors;
- Increased competition due to expected expansion of the natural gas sector and other energy sectors in Mexico;
- The Company's reliance on natural gas delivery transportation assets and services that it does do not own or control;
- Risks posed by working with or handling volatile and/or hazardous materials;
- Risks related to potential cyber-attacks on the Company's information systems and critical infrastructure and the integrity of the energy grid, as well as the confidentiality of Company information and the personal data of customers;
- Temporary or permanent disruption to the operation of the Company's pipelines and/or storage facilities due to *force majeure* or other events outside the Company's control;
- Government expropriation of assets and goods and other disputes over Company property;
- Capital markets conditions, including the availability of credit and the liquidity of the Company's investments;
- Risks related to inability to perform or non-performance of the contractual obligations of the Company's partners or counterparties;
- Risks associated with decisions and actions of joint venture partners; and
- Other risks and uncertainties discussed in this section and elsewhere in this report.

Estimates and forward-looking statements may be identified by the choice of language, including but not limited to the following words: "believes," "expects," "anticipates," "plans," "estimates," "projects," "envisages," "intends," "depends," "should," "could," "would," "will," "may," "potential," "target" and suchlike. The estimates and forward-looking statements are only valid as of the date of this annual report, and given the aforementioned risk factors and uncertainty the Company's results may differ substantially from those forecast in the estimates and forward-looking statements. Because of these uncertainties, investors should not rely unduly on these estimates and forward-looking statements.

OTHER SECURITIES

On February 11, 2013, the Mexican National Banking and Securities Commission (CNBV) authorized and registered a bond certificate (CEBURES) program to the value of MXN$12.8 billion, or the equivalent in UDIs. The program is valid for five years from the authorization date, during which the company is able to issue bond certificates up to, and not in excess of, the registered amount.

On February 14, 2013 the Company undertook two bond certificate issues for a total of MXN$5.2 billion, (equivalent to USD$408 million at the exchange rate of MXN$12.7364 per USD$1.00 at the exchange rate published by the Banco de México on February 12, 2013, when swaps were traded, as discussed below). The first bond certificate issue was for MXN$3.9 billion (equivalent to USD$306 million) with a 10-year term and a 6.30% fixed interest rate; and the total value of the second issue was MXN$1.3 billion (equivalent to USD$102 million) with a variable interest rate at the Mexican Interbank Equilibrium Rate (TIIE) plus 30 basis points. The Company applied the net funds of $408 million from the two debt issues to the repayment of approximately USD$356 million of subsidiary's debt plus the financing of the Company's expansion plans. On February 12, 2013, the Company entered into interest rate swap agreements to cover its exposure to fluctuations in interest rates and in the peso denominated repayments associated with the bond certificate issue. For the CEBURES expiring in 2018, the Company exchanged a variable peso denominated interest rate for a fixed dollar denominated interest rate, changing the principal and interest payments to dollars. For bond certificates expiring in 2023, the company exchanged a fixed peso-denominated interest rate for a fixed dollar-denominated interest rate, changing the principal and interest payments to dollars. See the sections: "Liquidity and Sources of Financing–Quantitative and Qualitative Information on Market Risks–Interest Rate Risk Management."

As a result, the Company has to comply with the reporting obligations of the Mexican National Banking and Securities Commission and the Mexican Stock Market (BMV) set forth in the Sole Issuers' Circular *(Circular Única de Emisoras)* and in the BMV's internal regulations. Apart from these, the Company is not obliged to file public information reports with any other stock market authority.

Since 2013, the Company has filed the relevant quarterly and annual reports in a correct and timely fashion as required under the CNBV's Sole Issuers' Circular *(Circular Única de Emisoras)* and the BMV's internal regulations.

SIGNIFICANT CHANGES TO THE CONDITIONS OF REGISTERED SECURITIES

As of the date of this annual report, the company has not modified the conditions of the securities registered with the National Register of Securities (RNV) maintained by the CNBV.

ALLOCATION OF FUNDS

Bond Certificate (CEBURES) Issue. On February 14, 2013 the Company undertook two public placements of CEBURES with a net value of MXN$5.2 billion. The Company allocated part of the next funds to the repayment of approximately US$356 million of subsidiaries' debt and the remaining balance was used towards the cost of expansion plans.

Global Share Offering. On March 21, 2013, the Company carried out a global offering announcing an initial share offer in Mexico and a simultaneous private international offering. The net proceeds of the offerings were approximately MXN$7.1184 billion, including the exercise of over-allotment options.

In 2013, the Company's allocation of funds from the Global Offering was: 21% for general corporate purposes, 37% for the financing of current investment and expansion plans (divided between the gas segment with 81% and the power segment with 19%), and the remaining 42% is available in cash and cash equivalents in the form of short-term investments.

In 2014, the Company's allocation of the remaining funds was: 32% for general corporate purposes and 68% for the financing of current investment and expansion plans, which was divided between the gas segment with 71% and the power segment with 29%.

PUBLIC DOCUMENTS

The Company has filed its quarterly and annual financial information in a timely fashion in accordance to the CNBV's Mexican Securities Issuer Regulation and the Securities Market Law. The Company has also complied with the information required on specific contracts by rating agencies. This information is available to the general public and may be requested from:

Mike Adams
madams@ienova.com.mx
Tel. +52 (55) 9138 0100

Av. Paseo de la Reforma No. 342, Piso 24,
Col. Juárez, C.P. 06600, Mexico City, Federal District

The information reported is available on the issuer's web page: www.ienova.com.mx .

THE ISSUER

a) The Issuer's History and Development

The Company was incorporated on April 2, 1996 under the name "Enova de México, S.A. de C.V.," by public instrument No. 1,352, issued by Pedro Cortina Latapí in the capacity of notary public No. 226 for the Federal District, and it was recorded on page number 209,466 of the Federal District Public Registry of Commerce on April 15, 1996. IEnova was incorporated for duration of 99 years. On April 25, 2008, the Company converted into a limited liability corporation under the LGSM changing its name to Sempra Energy México, S. de R.L. de C.V., and again on December 3, 2008 to Sempra México, S. de R.L. de C.V.

At the extraordinary general meeting of members held on February 15, 2013 the company became a variable capital corporation with effect from February 20, 2013. During the extraordinary general meeting of shareholders held on March 1, 2013 it was decided to change the Company's corporate name to Infraestructura Energética Nova, S.A. de C.V., and to use the IEnova commercial brand. IEnova consolidates all the assets of Sempra Energy in Mexico under a single organizational structure. These actions confirm its strategy of maintaining an independent operation, integrating and consolidating all its assets in Mexico under its own identity.

At the meeting of March 6, 2013, the Company's shareholders adopted various resolutions, including: (i) to authorize it to become a publicly traded corporation upon registration of its shares in the RNV, (ii) to convert into a variable capital publicly traded corporation by the amendment article one of its bylaws, changing its name to Infraestructura Energética Nova, S.A.B. de C.V., and (iii) to make a global offering.

The Company's main offices are located at Paseo de la Reforma 342, Piso 24, Colonia Juárez, C.P. 06600 in the Federal District of Mexico City. Telephone number is +52 (55) 9138 0100.

Recent Developments

Los Ramones II Pipeline (also known as the *Los Ramones Norte pipeline*). In March 2015, PEMEX announced, through its subsidiary PMI, that it had entered into an agreement with BlackRock and First Reserve, whereby they had acquired a combined 45% share in the equity of TAG Norte Holding, a joint venture company with Pemex Gas, which will develop the Los Ramones II Pipeline project.

USD$120 million credit. In March 2015, the Company entered into a credit agreement with a total value of USD$120 million with Inversiones Sempra Latin America Limitada (USD$90 million) and Inversiones Sempra Limitada (USD$30 million) with an initial term of nine months which the potential for extension to up to four years. The funds are allocated to working capital and general corporate purposes. During March 2015, the company repaid Santander and SMBC borrowings to the value of USD$95.0 million and USD$26.1 million, respectively.

Memorandum of understanding. In February 2015, the Company announced that it had entered into a memorandum of understanding with PEMEX and Sempra LNG to cooperate over the development of a natural gas liquefaction project located at Energía Costa Azul, the terminal for reception, storage and regasification in Ensenada, Baja California.

IPC Sustainability Index. In February 2015, the Company announced it has been included in the 2015 Sustainability Index of the Mexican Stock Exchange.

Relevant Events

Ojinaga-El Encino Pipeline. In December 2014, the CFE awarded a natural gas transportation services agreement to the Company, under which the Company would develop a pipeline of approximately 137 miles (220 km) with an estimated capacity of 1,400 mcfd (14.6 mthd). The Company agreed to provide transportation services to the CFE for a 25 year period effective from the date on which the pipeline entered into commercial operation. The Company expects it will being operating from the first half of 2017. The Company estimates its investment at USD$300 million.

USD$100 million credit. In August 2014 the Company entered into an agreement for a USD$100 million three-year credit facility with SMBC, to finance working capital and for general corporate purposes.

Sásabe-Puerto Libertad segment of the Sonora Pipeline. In August, 2014 the CFE granted a compliance certificate for the Sásabe-Puerto Libertad segment of the Sonora pipeline. This 137 mile (220 km) segment was put into operation in the fourth quarter of 2014.

Declaration and distribution of dividends. In accordance with resolutions passed by an ordinary general meeting of the Company's shareholders on April 20, 2014, and by the Board of Directors of the Company on July 22, 2014, a USD$164 cash dividend was declared, equivalent to USD$0.14 per share. This dividend was paid on July 31, 2014.

Sale of a 50% stake in the first phase of Energía Sierra Juarez. In July 2014, the Company announced its agreement with InterGen to sell a 50% equity interest in Energía Sierra Juarez S. de R.L. de C.V., the subsidiary in charge of developing the first phase of the Energía Sierra Juarez wind power project.

USD$200 million credit arrangement. In June 2014, the Company announced it had entered into an agreement for a US$200.0 million, three-year corporate revolving credit facility with Santander, to finance working capital and for general corporate purposes.

USD$239.8 million project finance agreement. In June 2014, the Company announced that it had entered into a US$239.8 million project finance agreement to be repaid within 18 years from the start of commercial operations of the Energía Sierra Juarez wind power project. The finance agreement was documented in a contract, letters of credit and several documents signed with a syndicate of financial bodies under the coordination of Mizuho Bank, with NAD Bank, NAFINSA, Nord LB and SMBC.

MXN$455 million credit. In June 2014, the Company announced it had entered into a MXN$455 million credit agreement with Santander to finance the value added tax of the Energía Sierra Juarez wind power project.

Partnership contract for the Los Ramones Norte project. In March 2014, the Company, announced that it had signed a partnership contract through a subsidiary of Gasoductos de Chihuahua with TAG Pipelines to determine the terms and conditions for the joint operation of the TAG Norte partnership. TAG Norte will develop the Los Ramones Norte project, a 273 mile (440 km) pipeline with two compressor stations, one in the Los Ramones municipality of the state of Nuevo Leon and the other in the state of San Luis Potosi.

Natural gas transportation services agreement. In March 2014, the Company, announced it had signed a natural gas transportation services agreement through Gasoductos de Chihuahua, and in partnership with TAG Pipelines for the whole of the capacity of the Los Ramones Norte system, with a 25-year term starting from date scheduled for commercial operations in the last quarter of 2015.

b) Company Activities

i) Principal Activity

The Company was the first private sector publicly-traded energy infrastructure company in Mexico and is one of the country's largest private sector energy companies. The Company's operations in Mexico include business lines encompassing a significant portion of the Mexican energy infrastructure value chain.

The Company's assets are divided between two business segments: (1) the gas segment, which includes the transportation and storage of liquefied natural gas (LNG) and liquefied petroleum gas (LPG); and (2) the power segment, which includes a natural-gas-fired, combined-cycle power generation facility and a wind power generation project currently in development. The Company's assets generate revenues primarily under U.S. dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with counterparties with high creditworthiness ratings.

Following changes to the gas regulations in 1995 in Mexico, the Company became one of the first private companies to enter the energy infrastructure business. Specifically, this reform allowed private participation in gas pipelines, distribution and storage. During the last eighteen years the Company's presence as a leading private investor in the energy sector has grown considerably with investments in new projects, organic growth and acquisitions amounting to a total energy infrastructure investment of approximately USD$3.0 billion.

In October 2012, the CFE awarded the Company two new U.S. dollar-denominated natural gas transportation service agreements. Under these agreements, which were signed with the CFE in 2012, the Company is building the Sonora Pipeline, located in the states of Sonora and Sinaloa, with a combined length of approximately 519 mile (835 km) and total combined capacity of 770 mcfd (8.0 mthd). The Company has completed construction of the Sásabe-Puerto Libertad section, the first part of the Sonora Pipeline, and this has already started to generate revenue.

In December 2012, the joint venture with Pemex Gas y Petroqímica Básica (PGPB) entered into an ethane transportation and operation agreement with Pemex Gas to construct and operate a pipeline of approximately 139 miles (224 km) with a designed capacity of up to 151.9 mcfd (2.7 mthd) that will supply ethane from the PEMEX processing plants located in the states of Tabasco, Chiapas and Veracruz to the Ethylene XXI ethylene cracker and polyethylene plant located in the state of Veracruz owned by Braskem IDESA. The first segment started operations during the first quarter of 2015. It is expected that the construction cost will be paid in full by the joint venture without any additional capital contributions from the partners. This will be the first privately-owned ethane pipeline in Mexico.

In July, 2013, through its Gasoductos de Chihuahua subsidiary, the Company signed a contract with Pemex Gas for natural gas transportation services on a firm basis for a period of 25 years and for the whole transportation capacity of the 71 mile (114 km) long, 48 inch wide Los Ramones I Pipeline, and its two compressor stations. The Company concluded the construction of the pipeline and started commercial operations in December 2014.

In October, 2013, Pemex announced the implementation of the Los Ramones II Pipeline in two segments: Los Ramones Norte and Los Ramones Sur. The Los Ramones Norte Pipeline is a natural gas transportation system with a pipeline of approximately 273 mile (440 km), including two compressor stations. Initially, in March 2014 and with modifications in March 2015, the joint venture with PEMEX decided to develop the Los Ramones Norte pipeline project through a non-controlling interest in what the Company refers to as the TAG Norte joint venture, with a subsidiary of PEMEX, BlackRock and First Reserve. The TAG Norte joint venture signed a 25 year firm natural gas transportation services agreement with Pemex Gas for the whole of the capacity of the Los Ramones Norte system, starting from the date scheduled for the start of commercial operations in the last quarter of 2015.

In November 2014, the CFE awarded the Company a natural gas transportation services agreement, under which the Company is developing the Ojinaga-Encino Pipeline project, of approximately 137 mile (220 km) with an estimated capacity of 1,400 mcfd (14.6 mthd).

The Company's achievements as a pioneering private investor in Mexican energy infrastructure include the following:

- It was the first private company to win a natural gas distribution tender in Mexico after the 1995 energy regulation reforms;

- The Company built the first natural gas pipeline in the state of Baja California, and it has been the sole developer of open-access natural gas pipelines in Baja California. Previously the region did not have access to U.S. or Mexican natural gas pipeline systems;

- The Company's natural gas pipelines in Baja California allowed the CFE to convert its power generation facilities from fuel oil to natural gas. In addition, the Company is the main supplier of natural gas to the CFE in the state of Baja California;

- The Company is a partner with Pemex Gas in the only natural gas infrastructure joint venture in Mexico;

- The Company built the first LNG Terminal on the west coast of the Americas;

- With InterGen the Company is developing the Energía Sierra Juárez wind power project the first cross-border renewable energy project in Mexico;

- The Company is developing the first privately-owned ethane pipeline system in Mexico, whose first segment started operations during the first quarter of 2015;

- The Company is developing the Sonora Pipeline project, with an approximate length of 519 mile (835 km) and a combined total capacity of 770 mcfd (8.0 mthd), in accordance with two natural gas transportation service agreements signed with the CFE in October 2012;

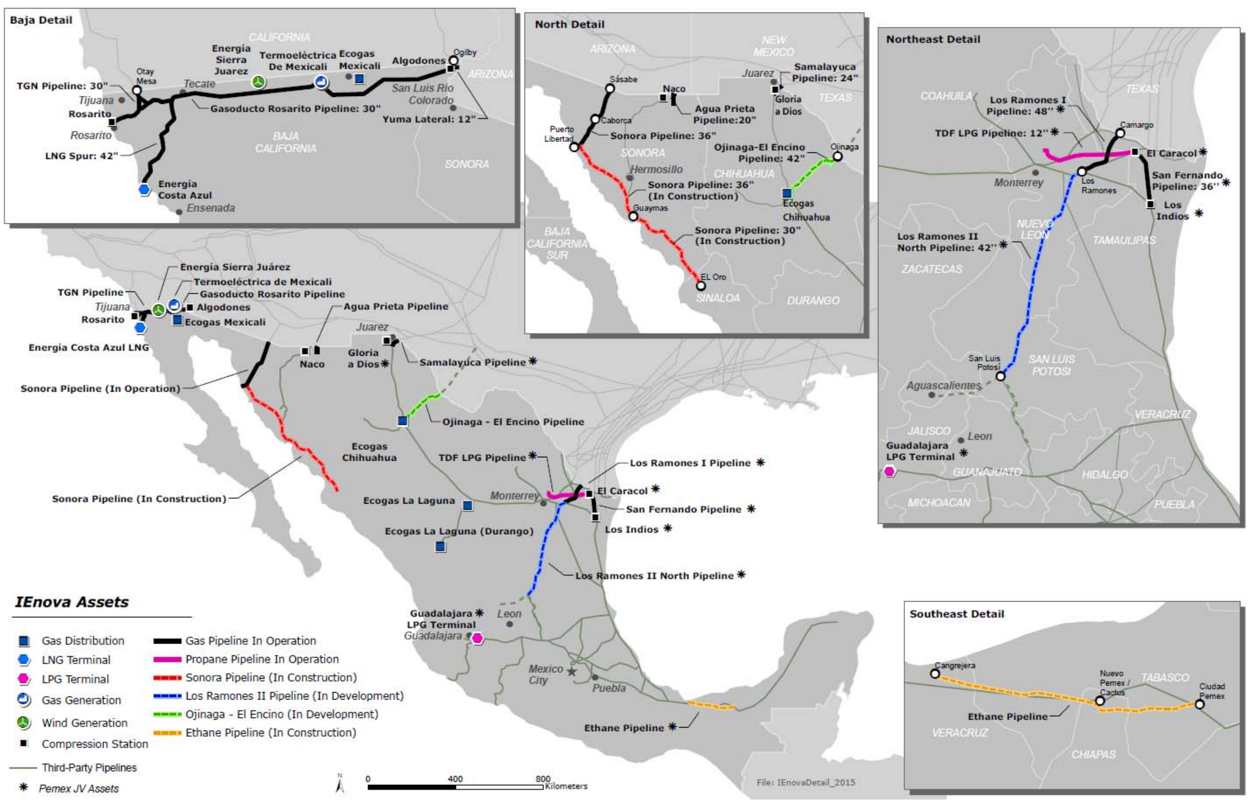
- In a joint venture with Pemex, the Company is developing the Los Ramones I Pipeline, a 71 mile (114 km) pipeline with a capacity of 2,100 mcfd (21.8 mthd); the pipeline started operations in December 2014;

- The Company is developing the Los Ramones Norte Pipeline, through a non-controlling interest in a subsidiary of Pemex, BlackRock and First Reserve referred to by the Company as the TAG Norte joint venture. The pipeline system has a length of 273 miles (440 km) with a capacity of 1,430 mcfd (14.9 mthd); and

- The Company is developing the Ojinaga-El Encino Pipeline, with an approximate length of 137 miles (220 km) with an estimated capacity of 1,400 mcfd (14.6 mthd), in accordance with a natural gas transportation service agreement entered into with the CFE in November 2014. See the section *"Recent Events."*

In addition to its ownership of assets across the energy infrastructure value chain, the Company has also improved its market position by entering into strategic partnerships. In 2010, the Company acquired various assets, including a 50% interest in a joint venture with Pemex Gas. Currently, this joint venture focuses on the development, construction and operation of natural gas, LPG and ethane transportation systems, as well as LPG storage terminals. Additionally, the Company entered into a 50% joint venture with a subsidiary of InterGen for the development of the first phase of the Energía Sierra Juarez wind power project.

The following map shows the location of the Company's business segments.



Gas Segment

Pipeline Business

The Company owns and operates several systems for receiving, transporting, compressing, storing and delivering natural gas and LPG in the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora, San Luis Potosi and Tamaulipas. These systems include:

- More than 1,430 miles (2,300 km) of pipelines (including 927 miles (1,492 km) under construction) with a design capacity for the transportation of over 11,000 mcfd (114.4 mthd) of natural gas (excluding Los Ramones Norte);
- Six natural gas compressor stations with an aggregate of over 155,000 horsepower;
- 118 miles (190 km), of pipelines with capacity for the transportation of over 30,000 mcfd (1.6 mthd) of LPG; and
- An LPG storage terminal near Guadalajara with a total LPGG storage capacity of 80,000 bl (4.4 Mth) .

Current gas segment assets include the Rosarito Pipeline, the TGN Pipeline, the Aguaprieta pipeline and the Naco Compressor Station, and two pipelines under construction: the Sonora pipeline and the Ojinaga-El Encino Pipeline.

The pipeline business also includes the assets held by the Company's joint venture with Pemex Gas, in which the Company holds a 50% interest. This joint venture with Pemex Gas owns the San Fernando Pipeline, the Samalayuca Pipeline, the TDF LPG Pipeline system, and the Gloria a Dios station, the Guadalajara LPG Terminal, the Los Ramones I Pipeline and it is currently developing an Ethane Pipeline project, whose first section has started operations, and through the TAG Norte joint venture, the Company is building the Los Ramones Norte Pipeline.

Most of the the pipelines and compressor stations that are being constructed have long-term contracts on a firm basis, with credit-worthy, leading industry players, including Shell Mexico, Gazprom Mexico, the CFE, Intergen, TransCanada and Pemex Gas. The following is an overview of the current assets of the Company's gas segment:

- *Rosarito Pipeline.* This wholly bi-directional system is comprised of three sections approximately 188 miles (302 km) long in aggregate, as well as a 30,000 horsepower compressor station. The system starts at the valve that interconnects it with the Baja Norte Pipeline system at the Mexico-U.S. border and extends west to the valve that interconnects it with the Company's TGN near the city of Tijuana, and then turns south to the Company's LNG Terminal. This system's bi-directional capability allows the Company to use natural gas supplies from either the U.S. domestic natural gas market or from its LNG Terminal. The three sections comprising this system are known as the "Rosarito Mainline", the "LNG Spur" and the "Yuma Lateral." The Company has entered into 15-year long-term firm transportation service agreements with the customers of the Rosarito Pipeline system, which represents a total maximum daily capacity of 3,633 mcfd (37.8 mthd) equivalent to 95% of the system's design capacity, contracted on a firm basis.

- *TGN Pipeline.* This wholly bi-directional system is comprised of approximately 30 inch pipeline with a length of 28 miles (45 km) and an 8,000 horsepower compressor station, with a capacity of 940 mcfd (9.8 mthd). The system interconnects with the Rosarito Pipeline in the Tijuana area, and extends north to interconnect with the SDG&E pipeline system, an affiliate of the Company, on the Mexico-U.S. border, and then southwest, ending at the CFE's 1,300 MW, Presidente Juárez power plant in Rosarito, Baja California. The system's full design capacity is contracted through 2028 under firm transportation service agreements.

Aguaprieta Pipeline. System comprised by approximately 8 miles (13 km) of 20-inch diameter pipeline with a designed capacity of 200 mcfd (2.1 mthd). It transports natural gas from the Mexico-U.S. border to the Fuerza y Energía Naco-Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the CFE. The existing firm transportation service agreements with Aguaprieta Pipeline's customers represent a total capacity of 48 mcfd (0.5 mthd), equivalent to 25% of the system's design capacity, contracted on a firm basis. The company entered into a firm Natural Gas Transportation Service Agreement with CFE on September 2013, for 67 mcfd (0.7 mthd), with annual renewals after an initial period of two years, and additionally a Natural Gas Transportation Service Agreement, on a firm basis, with El Paso Marketing in October 2013, for 2 mcfd (0.3 mthd). This system was built foreseeing the possible construction of two additional power generating plants in the same area by the CFE. One of these plants is expected to start commercial operations in the last quarter of 2015. The Company expects to provide natural gas transportation services to both plants. *Naco Compressor Station.* This compressor station, with 14,340 horsepower, is installed on the Naco-Hermosillo natural gas transportation system belonging to Pemex Gas, in the town of Naco, Sonora. It has a compressor capacity of 90 mcfd (0.9 mthd). Pemex Gas is the only client of this compressor station and 100% of its design capacity is contracted out on a firm basis to Pemex Gas until 2021. This contract can be extended for an additional five years at the option of Pemex Gas.

Sonora Pipeline. A 518 mile (835 km) gas pipeline with a design capacity of 770 mcfd (8.0 mthd), currently under construction. It is located in the states of Sonora and Sinaloa. The first segment of this system is a 36-inch diameter pipeline with an approximate length of 314 miles (505 km) with a design capacity of 770 mcfd (8.0 mthd), and the second segment is a 30-inch diameter pipeline with an approximate length of 205 miles (330 km), with a design capacity of 510 mcfd (5.3 mthd). The construction of the Sásabe-Puerto Libertad section of the first segment has been completed and commercial operations started in December 2014. It is expected that the Puerto Libertad-Guaymas section will start operations during the third quarter of 2015, and the second Guaymas-El Oro segment with will start operating in the third quarter of 2016. The Company has entered into 25-year, firm natural gas transportation services agreement with the CFE, which covers 100% of the capacity of the system.

Ojinaga-El Encino Pipeline. The contract was awarded to IEnova. A 42- inch diameter pipeline with an approximate length of 137 miles (220 km) located in the state of Chihuahua under a contract awarded to IEnova. The designed capacity is 1,400 mcfd (14.6 mthd).. In December 2014, the Company entered into a dollar denominated, firm 25-year term, natural gas transportation services agreement with the CFE, accounting for 100% of the system's capacity.

Joint Venture with Pemex Gas. The Company acquired a 50% interest in the joint venture with PGPB in April 2010. PGPB is the PEMEX subsidiary responsible for gas processing, transportation and marketing. This joint venture owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG Pipeline system, the Gloria a Dios Compressor Station, the Guadalajara LP Gas Terminal and the Los Ramones I Pipeline. Additionally, this joint venture owns the Ethane Pipeline, currently under construction, and through the joint venture with TAG Norte, it owns a 50% stake in the Los Ramones Norte Pipeline, which is also currently under construction. These assets are described in more detail below:

San Fernando Pipeline. This fully bi-directional system consists of a 36-inch diameter pipeline with an approximate length of 71 miles (114 km) and two compressor stations with a total of 90,000 horsepower. It has a transportation capacity of 1,000 mcfd (10.4 mthd) and a compressor capacity of 1,460 mcfd (15.2 mthd). The pipeline runs from the Company's El Caracol Compressor Station in the city of Reynosa, Tamaulipas to its Los Indios Compressor Station in San Fernando, Tamaulipas. The San Fernando pipeline's sole customer is Pemex Gas, which has an agreement to use the maximum capacity of the system of 1,000 mcfd (10.4 mthd) on a firm basis to 2023. Pemex Gas also purchases the extra compressor capacity of this pipeline on an as-needed basis under to an interruptible transportation services agreement, to the extent that it requires this capacity.

Samalayuca Pipeline. This system consists of a 24-inch diameter pipeline with an approximate length of 23 miles (37 km) with a capacity of 200 mcfd (2.1 mthd). This pipeline has been in operation since 1997 and it was the first privately-owned natural gas pipeline system in Mexico. The pipeline runs from Ejido San Isidro, Chihuahua, to the CFE's Samalayuca power plant and it interconnects with a 16-inch diameter pipeline that belongs to Pemex Gas, which runs from Ciudad Juárez to Chihuahua. Existing firm transportation service agreements with the customers of the Samalayuca pipeline represent 140 mcfd (1.5 mthd), equivalent to 70% of the system's installed capacity.

Gloria a Dios Compressor Station. This 14,340 horsepower compressor station is installed at the interconnection point of the Samalayuca pipeline and the Ciudad Juárez-Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua that belongs to Pemex Gas. The Company has contracted out 100% of the 60 mcdf (0.6 mthd) capacity of the compressor station on a firm basis transportation and compression services agreement with the CFE through 2021. Under this agreement, the Gloria a Dios Compressor Station provides compression services for the Chihuahua II power plant and it transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca Pipeline at the Mexico-U.S. border, and it delivers the compressed gas at the Gloria a Dios interconnection of the Samalayuca Pipeline and Pemex Gas's pipeline system.

TDF LPG Pipeline. This LPG system consists of: a 12-inch diameter pipeline with an approximate length of 118 miles (190 km) with an average daily LPG transportation capacity of 30,000 bld (1.6 mthd), a pumping station near the pipeline's point of reception, and a delivery facility with two storage spheres with a combined capacity of 40,000 bld (2.2 mthd). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex Gas's Burgos LPG production area in the state of Tamaulipas to a delivery facility near the city of Monterrey, Nuevo León. The existing firm transportation service agreement with Pemex Gas, the pipeline's sole customer, accounts for 30,000 bld (1.6 mthd) of the average daily installed capacity of the system through 2027.

Guadalajara LPG Terminal. The construction of an 80,000 bl (4.3 mth) capacity LPG storage facility near Guadalajara was concluded in 2013. The terminal consists of four storage spheres, each with a capacity of 20,000 bld (1.1 mthd), 10 loading bays and an interconnection to the Pemex Gas LPG pipeline system. The Company has entered into a 15-year storage service agreement with Pemex Gas to utilize the full capacity of the terminal through 2028.

Los Ramones I Pipeline System. This system consists of a 48-inch diameter pipeline with a length of 71 miles (114 km). It commenced operations in December 2014 transporting natural gas from the northern region of the state of Tamaulipas at the border with the United States to the interconnection points with the Los Ramones Norte

Pipeline and the National Gas Pipeline System in Los Ramones; Nuevo León. Currently, construction of two compressor stations is under way. Pemex Gas will be the sole customer of this pipeline under a 25-year firm base transportation service agreement.

Ethane Pipeline Project. Through the joint venture with Pemex Gas, the Company is currently building a 139 mile (224-km) pipeline with an approximate capacity of 151.9 mcfd (2.7 mthd) that will carry ethane from the PEMEX processing facilities located in the states of Tabasco, Chiapas and Veracruz to the ethylene and polyethylene polymerization plant for the Etileno XXI project of Braskem IDESA, located in the state of Veracruz, property of. The first segment commenced operations in the first quarter of 2015. The Ethane pipeline's sole customer is Pemex Gas, according to a 21-year, guaranteed purchase (take-or-pay) contract. This will be the first privately-owned ethane pipeline in Mexico.

Los Ramones Norte Pipeline. The Company, through its non-controlling stake in the TAG Norte joint venture, is building a 42-inch diameter pipeline with a length of 273 miles (440 km), and two compressor stations that will interconnect with the Los Ramones Norte Pipeline and the Los Ramones I pipeline and Los Ramones Sur pipeline in San Luis Potosi. Pemex Gas will be the sole customer of this pipeline, under a 25-year firm base Natural Gas ttransportation service agreement, subject to the availability of the necessary permits.

Liquefied Natural Gas Business

LNG Business

The LNG Terminal, which began operations in 2008, is located near Ensenada, Baja California and it was the first LNG receiving facility on the west coast of the Americas. This terminal receives and stores its clients' LNG, regasifies it and delivers the resulting natural gas to the Rosarito Pipeline system for its later distribution in Baja California and the United States. The Company's LNG business also purchases LNG on its own, to store and regasify in this terminal and then to sell to independent clients. The LNG Terminal has a storage capacity of 320,000 m^3, (73.3 mth) in two 160,000 m^3 (36.6 mth) tanks. The capacity of the LNG Terminal is equivalent to approximately an eighth of Mexico's internal consumption needs, at 2013 rates of consumption.

The LNG Terminal generates revenue mainly through long-term firm storage service agreements with independent customers such as Shell and Gazprom, as well as with IEnova LNG, a Company subsidiary. Currently, 50% of the LNG Terminal's storage and send-out capacity is under contract with Shell and Gazprom, while the remaining 50% is under contract with IEnova LNG. IEnova LNG's obligations, which are worth USD$282 million, are backed by Sempra Energy, the Company's indirect controlling shareholder. Each customer must pay for its full contracted LNG storage capacity and natural gas send-out capacity regardless of whether or not it delivers LNG to the terminal. The total LNG capacity is fully contracted through 2028 under firm storage services agreements with these customers.

IEnova LNG generates revenues by purchasing LNG for storage and regasification at the LNG Terminal, and selling natural gas under natural gas supply contracts that cover 100% of the LNG Terminal's natural gas send-out capacity. IEnova LNG also generates revenue through sales of natural gas it purchases on the continental market. The Company has supply contracts signed with the CFE, which uses the natural gas at its Presidente Juárez power generating plant, with the Termoeléctrica de Mexicali power plant, and with other customers. If Sempra Natural Gas, an operating division of Sempra Energy, the Company's indirect controlling shareholder, which includes the USA subsidiaries involved in the sale of LNG and natural gas to the Company and in the purchase of natural gas, does not deliver the amount of LNG to IEnova LNG in accordance with the long-term LNG supply contract for reasons other than a *force majeure* event, it makes payments to IEnova LNG to cover the fixed costs associated with terminal and pipeline capacity.

Natural Gas Distribution

The Company owns and operates the Ecogas natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna-Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With pipelines of approximately 2,190 miles (3,524 km), this system currently serves approximately 106,000 industrial, commercial and residential customers.

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

In terms of numbers of accounts, residential customers make up 98% of the distribution business, and they contribute 57% of its profit margin. Commercial and industrial customers together comprise 2% of the number of customers in terms of the number of accounts, but are responsible for 92% of the system's throughput volume and 43% of the profit margin of the business. The Company has entered into long-term supply contracts with some of the industrial and commercial customers, with whom the Company negotiates lower than regulated rates in exchange for the obligation to purchase a long-term minimum volume.

For the years ended December 31, 2012, 2013 and 2014 the gas segment reported revenues of approximately US$478 million, US$508 million and US$598 million, representing 79%, 75% and 73%, respectively, of the Company's total consolidated revenues, and adjusted EBITDA of US$311 million, US$290 million and US$301 million, representing 95%, 96% and 89%, respectively, of the Company's total adjusted EBITDA for the years ended December 31, 2012, 2013 and 2014. The aforementioned revenues do not include the share in the revenues of the joint venture with Pemex Gas, of US$37 million, US$35 million and US$25 million, respectively, the results of which are entered into accounts under the equity method. However, the adjusted EBITDA of the gas segment does includes a 50% share on the adjusted EBITDA attributed to the joint venture.

Power Segment

Natural Gas Fired Power Generation

The Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located in the city of Mexicali, Baja California. This power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with the Rosarito Pipeline system, which allows it to receive both regasified LNG produced by the LNG Terminal and imported gas from the United States via the Baja Norte Pipeline. Termoeléctrica de Mexicali is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California, and in February 2013 this facility received a clean industry certificate for outstanding environmental performance from PROFEPA. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the CAISO power grid at the Imperial Valley substation and it is capable of providing energy to a wide range of potential customers in California. The Termoeléctrica de Mexicali plant has generated revenues by selling electricity to consumers in the CAISO network and the Company's U.S subsidiary Sempra Generation acts as an agent for the sale and scheduling of these sales. Even though the entire production of the plant is at present sold to the U.S. grid the physical interconnection may be modified by building a two kilometer transmission line and, subject to obtaining the necessary permits, a portion or all of the plant's output could be delivered to the CFE's La Rosita substation.

Wind Power Generation Business

The Company's power segment is developing the Energía Sierra Juárez wind power generation project. This project is located in the Sierra de Juárez mountains in Baja California, which has one of the strongest wind resources on the west coast of North America. The initial stage of the project consists of the installation of 47 wind turbines in a location south of the Mexico-US border and 70 miles to the east of San Diego, California, to generate approximately 155 MW.. The first phase is being developed with InterGen, a joint venture partner, with a total estimated requirement for investment of US$318 million. The project will interconnect via a new cross-border transmission line with the Southwest Powerlink at the East County substation that SDG&E plans to build, and it could potentially also connect directly with the Mexican power grid. The Company expects that the full amount of the 155 MW of electricity from as many as 47 wind turbines that will be installed initially will be sold to the Sempra Energy affiliate SDG&E under a 20-year power purchase. The Company began construction of the project in 2013 and its completion is estimated in the first half of 2015.

For the years ended on December 31, 2012, 2013 and 2014, the Company's power segment had revenues of approximately USD$128 million, USD$168 million and USD$222 million, representing 21%, 25% and 27%, respectively, of its total consolidated revenues, and adjusted EBITDA of USD$36 million, USD$15 million and USD$21 million, representing 5%, 5% and 11% of its total adjusted EBITDA for the years ended December 31, 2012, 2013 and 2014, respectively.

Since 1995, the Company has invested approximately US$3.0 billion in energy infrastructure across its two business segments, and it continues to pursue several opportunities for growth such as the Sonora Pipeline project, the Ethane Pipeline project, the Energía Sierra Juárez wind generation project and Ojinaga-El Encino Pipeline, which are currently under development, both directly and through its joint venture with Pemex Gas and other partners.

Given its established track record in developing and operating energy infrastructure in Mexico and in working with the CFE and Pemex Gas, the Company believes that it is well situated to benefit from this type of future development opportunities.

Seasonality

Demand for the gas and power segment products experiences seasonal variations. In the gas segment, in times of cold weather, the demand for the service of natural gas distribution is higher than in warmer weather. For the power segment, electricity supply demand is higher during warmer weather.

ii) Distribution Channels

See *"Natural Gas Distribution"*

iii) Patents, Licenses, Trademarks and Other Agreements

Intellectual Property

The Company and its affiliates currently hold several registered trademarks in Mexico, including IEnova and Ecogas names and logos. Title for these brands is up-to-date and the Company expects that they will be renewed prior to their expiration in accordance with applicable laws. In general, trademark registrations can be renewed every ten years indefinitely as long as the brands are being used. To the Company's knowledge, there are no disputes regarding the ownership of its trademarks. To the extent the Company considers any trademarks owned by its subsidiaries to be material to its business, it will enter into license agreements with its corresponding subsidiary for their use. The Company has no registered patents related to its business activities.

iv) Principal Customers

LNG Terminal Customers and Arrangements

The LNG Terminal generates revenue mainly through long-term firm storage services agreements with its third-party customers such as Shell and Gazprom, as well as with IEnova LNG, a Company subsidiary. Each customer must pay for its full contracted nitrogen storage, send-out and production regardless of whether it actually delivers LNG to the LNG Terminal. Customers also pay usage charges and fuel in-kind charges based on their actual use of the LNG Terminal and the nitrogen facility. Customers maintain ownership of the LNG they store at the terminal and as well as of the natural gas that the Company delivers to the Rosarito Pipeline system on their behalf.

The terminal's total storage capacity is fully contracted through 2028 under firm storage service agreements with these customers. The obligations of Shell are currently backed by a standby letter of credit issued by BNP Paribas to the value of USD$132.2 million; the obligations of Gazprom are currently backed by two letters of credit issued by BNP Paribas and Barclays Bank Plc for a total sum of USD$85.3 million; and the obligations of IEnova LNG are covered by a USD$282.0 million financial guarantee from Sempra Energy, the Company's indirect controlling shareholder. The amount of credit support required for Shell's obligations decreases over the life of the contract. The LNG Terminal's customers have also contracted for 100% of the nitrogen facility capacity of 12 mcfd.

The terms of the firm storage service agreements with the LNG Terminal's customers, which are substantially similar to each other, have been filed with the CRE and are governed by the provisions of the General Storage Terms and Conditions, which may be amended by the terminal from time to time if approved by the CRE as part of the natural gas storage permits it issues. For a description of the gas storage general terms and conditions, see the section *"Regulation, Permits and Environmental Matters—Laws Applicable to Natural Gas Activities— General Terms and Conditions for Gas Storage."*

Currently, 50% of the LNG Terminal's storage and send-out capacity is under contract with Shell and Gazprom, and the remaining 50% is under contract with IEnova LNG. The Company believes that the size and creditworthiness of these global energy companies serve to enhance the security and predictability of the terminal's future cash flows. Existing customers can assign their LNG Terminal capacity and/or nitrogen production to each other on a temporary basis, although the assigning customer remains liable for all payments, credit requirements and other obligations to the Company. Shell and Gazprom are also bound to coordinate their shipments, storage and gas send-out, and to share their respective storage capacities since neither customer has contracted for sufficient storage capacity to unload a standard-sized LNG marine tanker. Shell and Gazprom continue to pay their respective monthly LNG storage charges, but can reallocate their joint LNG storage and natural gas send-out capacity between them. If the Company expands the capacity of its LNG Terminal, it will be required to conduct an open season process to allow any potential customer to contract for the additional capacity. Based on current market conditions, the Company does not anticipate any short-term expansions of the terminal's capacity.

The Company will not incur in liability in the event that it experiences a *force majeure* event and as a result is unable to provide the contracted and requested service. However, payments from customers shall be suspended during any *force majeure* event that the Company experiences to the extent that service is made unavailable, and customers may terminate their firm storage services agreements if a *force majeure* event occurs that lasts for two consecutive years and significantly affects their service. The customer's payment obligations shall not be suspended if they are affected by a *force majeure* event.

The Company is required to pay a contractual penalty to any customer that terminates its firm storage services agreement for cause under the agreement. The termination fee is equal to two years of contracted storage capacity payments or, if termination occurs after 2023, the fee is for one year's storage capacity. The Company's agreement with Shell also provides that if it fails to pay the required termination fee, Shell will have the right to purchase the Company's LNG Terminal for an amount equal to its fair market value less the amount of the unpaid contractual penalty.

LNG and Natural Gas Purchases and Sales

The Company, through its subsidiary IEnova LNG sells natural gas to third parties both in Mexico and to Sempra Natural Gas at the Mexico-U.S. border. Currently, the Company has supply contracts for a total of between 120 mcfd (1.2 mthd), and 300 mcfd (3.1 mthd) of natural gas to these customers, including the CFE, to supply its Presidente Juárez power plant in Rosarito, Baja California, and the Company's Termoeléctrica de Mexicali power plant. Through IEnova LNG the Company has contracted to purchase LNG from Sempra Natural Gas and deliver it to the LNG Terminal, where IEnova LNG has contracted firm capacity for storage and regasification. IEnova LNG also has firm capacity contracted to transport the natural gas to be delivered to the aforementioned customers through the Company's pipelines. To the extent that the Company's reserves of regasified LNG are insufficient to meet its obligations to the CFE and the Termoeléctrica de Mexicali power plant, the Company covers the shortfall by purchasing the gas from Sempra Natural Gas. The rate paid by the Company to Sempra Natural Gas for this supply is such that it is economically irrelevant to the Company if it purchases this gas in the market or buys LNG from Sempra Natural Gas.

The Company delivers natural gas to the CFE at the Presidente Juárez power plant in Rosarito, Baja California, under a long-term agreement which specifies firm amounts to be delivered for the duration of the contract, with additional variable amounts to be delivered as requested by the CFE. In addition to the payments for natural gas delivery, the CFE also pays the Company a fixed monthly fee to cover the obligations of IEnova LNG under a transportation agreement with the TGN Pipeline. The natural gas supply contract with the CFE expires in 2022. However, both the CFE and the Public Administration Ministry may terminate this agreements if they determine that doing so would be in the general public interest by providing evidence that compliance with the agreement would result in losses and damages to the Nation or if, for justified cause, the CFE no longer requires the supply of natural gas, in each case subject to a hearing and other due process procedures.

LNG Purchase and Sale Agreement with the Company's U.S. Affiliate

As mentioned before, the Company purchases LNG from Sempra Natural Gas. This subsidiary is obliged to sell up to 8.2 million cubic meters (1,880 mth) of LNG a year to the Company. In the case that this subsidiary delivers to IEnova LNG less than this amount, except for reasons of *force majeure*, it is obliged to compensate the latter for the costs related to the fixed capacity contracted with the LNG Terminal and the pipeline business. In January 2013, the Company terminated the contract under which it purchased LNG from Sempra Natural Gas and replaced it with a new long-term LNG sale and purchase contract with Sempra Natural Gas. While the material terms of the new contract are substantially similar to those of the prior contract, it does differ in two significant respects. First, the new contract provides that Sempra Natural Gas will make a limited number of LNG shipments available to the Company with the express purpose of maintaining a sufficient volume of LNG such that the LNG Terminal can remain in operation continuously. Second, the new contract corrected certain non-intentional economic consequences for the Company that resulted in excessively high payments to the Company by Sempra Natural Gas because the number of shipments delivered under the previous contract was substantially lower than what had been expected before the signing of the previous contract. This new LNG sales and purchase contract with Sempra Natural Gas expires in August, 2029. During the years ended on December 31, 2012, 2013 and 2014, the US subsidiary of the Company paid the Company approximately USD$107.8 million, USD$90.8 million and USD$90.9

million, respectively, to compensate for the delivery of smaller volumes of LGN than had been agreed. If the new contract had been entered upon in January 2012, the adjusted EBITDA for 2012 would not have been significantly different.

Sempra Natural Gas, purchases LNG from various suppliers, including under a long-term contract with the Tangguh Project partners (a consortium of companies that produce LNG in Indonesia) which have agreed to sell up to 8.2 million m^3 (1,880 Mth) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG shipments annually to other purchasers. Having non-divertible shipments available under the agreement between Sempra Natural Gas and the Tangguh Project partners increases the likelihood that the LNG Terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that it will be able to satisfy at least some portion of its regasified natural gas customer commitments. The contract between Sempra Natural Gas and the Tangguh Project partners expires in 2029. The Company is a party to this contract solely with regard to the scheduling of the deliveries of LNG shipments and the coordination of the use of its marine terminal by the other parties.

REGULATIONS, PERMITS AND ENVIRONMENTAL MATTERS

v) Applicable Law and Taxation

As holders of LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas distribution permits and electric power generation permits, the Company's activities in Mexico are governed by the Mexican Constitution together with various laws, regulations, general provisions, guidelines and official standards.

In addition to the regulations under which the Company is allowed to transport, store and distribute natural gas and to generate electricity, the recent modifications to the Mexican Constitution and and to the industry's legal framework allow the Mexican state to conduct hydrocarbon exploration and extraction activities through contracts entered into with private sector parties, such as the Company. The new legal framework allows private sector enterprises to obtain permits for the treatment and processing of oil, natural gas refining and the transport, storage, distribution, compression, liquefaction, decompression, regasification, marketing and direct sale to the public of hydrocarbons, oil products and petrochemicals; and for power generation and marketing on the wholesale market, and to establish associations with state-owned industrial enterprises or enter into contracts with them for the financing, installation, maintenance, management, operation and expansion of electric transmission and distribution infrastructure.

The Company is subject to the laws governing the following activities related to natural gas and LPG storage, transportation, marketing and refining that the Company performs:

- ***Storage***, which includes receiving, storing and delivering natural gas, LNG or LPG with respect to facilities other than pipelines.
- ***Transportation,*** which includes the ownership, construction and operation of systems for receiving, transporting and delivering natural gas or LPG on routes authorized by the Energy Regulatory Commission (CRE), excluding the marketing of these gases.
- ***Distribution,*** which includes receiving, transporting and delivering natural gas via pipelines within zones defined by the CRE, for marketing or final use.
- ***Marketing,*** which covers the activities related to the sale of hydrocarbons including the purchase and sale of natural gas and LPG, and brokerage of added value services for final users.

Processing, storage, transportation, marketing and distribution of natural gas and LPG are activities governed by the provisions of the new Hydrocarbons Law, the Energy Regulatory Bodies' Law, the National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector (ANSIPA) Law, as well as the regulations to the Hydrocarbons Law and the rules covering the activities specified in Chapter Three of the Hydrocarbons Law. The directives issued by the CRE, the Mexican Official Standards (NOM) and the terms and conditions set forth in our permits also regulate our activities. See *"Risk Factors— The Company cannot predict the future course of changes in laws and regulations that cover its activities or the impact that this changing regulatory environment will have on its operations."* Additionally the CRE needs to issue general administrative provisions to regulate issues including open access, storage, own-use activities and legal asset separation.

Building and operating natural gas and LPG storage facilities, pipelines and distribution systems also require governmental permits and authorizations from federal, state and municipal authorities, including principally permits from the Energy Ministry and the CRE, which in some cases may require the favourable opinion of the Federal Economic Competition Commission, various environmental permits from the Environment Protection Ministry (SEMARNAT) and ANSIPA, real estate rights-of-way, municipal land-use permits, municipal construction permits and other authorizations. These permits are granted in accordance with the Hydrocarbons Law and environmental, civil and urban development laws. In addition, permits issued by the CRE impose a series of regulatory obligations and specific terms and conditions commonly referred to as "general terms and conditions"

Laws Applicable to Natural Gas Activities

Article 27 of the Constitution sets forth the general principles that regulate activities involving petroleum and other hydrocarbons, including natural gas. Previously, Article 27 of the Constitution prohibited the Mexican government from entering into agreements or granting concessions with respect to hydrocarbons, specifying that activities involving petroleum and other hydrocarbons were exclusively reserved to the Mexican State, through a state monopoly.

In 1995, Congress passed a bill reforming Article 27 of the Constitution to allow both Mexican and foreign private participation in the transportation, storage, distribution and marketing of natural gasin Mexico. The Natural Gas Regulations were published the same year. In addition, in 2002, the Energy Ministry issued technical rules through a Mexican Official Standard (NOM) establishing the minimum safety requirements for the development of LNG storage and regasification terminals, permitting the participation of the private sector in this industry.

In December, 2013, certain energy related Constitutional provisions were amended, and among others, the legal framework applicable to exploration, production, refining, processing, transportation, storage and marketing was modified in August 2014 to allow the Mexican State to grant contracts through public tenders to private sector enterprises for exploration and production. These modifications permit private sector companies to obtain permits for processing, refining, marketing, transportation and storage of hydrocarbons, including processing, compression, liquefaction, regasification, transportation, distribution, marketing and retail of natural gas; the transportation, storage, distribution, marketing and retail of petroleum products, and transportation through pipelines and storage of petrochemicals.

Hydrocarbons Law

The new secondary legislation passed on August 11, 2014, including the Hydrocarbons Law, maintains the concept of state ownership of hydrocarbons while they are in the subsoil, but it allows the involvement of private companies in the hydrocarbon sector, subject to certain regulatory requirements.

The Hydrocarbons Law allows private companies, which have a permit issued by the CRE to perform activities such as storage, transportation, distribution, marketing and retail of natural gas, and to own and operate pipelines and liquefaction, regasification, compression and decompression stations and related equipment according to technical and other kinds of standards. In addition, private sector companies can import or export hydrocarbons, including natural gas, subject to a permit from the Energy Ministry. The terms and conditions of permits granted before the Hydrocarbon Law came into effect, such as the Company's, , shall remain in force for their original term and the rights of the holders of the permits are not affected by new the laws and regulations. However, some new permits, such as the marketing permits issued by the CRE or import and export permits issued by the Energy Ministry may be required in connection with the Company's operations.

The Hydrocarbons Law provides that there are two types of permits for storage and transportation of natural gas: open access permits and own-use permits. Open access permits are granted to companies with a storage or transportation systems, which they operate similarly to an entity providing a public service. These companies must permit open access to anyone who requests it, provided that the capacity of their systems allows, and it is economically viable, or an agreement is reached with the requesting party, under the terms and conditions laid out by the CRE. Companies with open access permits are strongly regulated and monitored by the CRE. On the other hand, own-usepermits are granted to end users or to end-user groups who are associated with a special purpose vehicle or with a company that has an object different to the provision of a public service. The Company's transportation systems and its LNG Terminal are open access. A pipeline supplying the Company's own uses provides the natural gas for its Termoeléctrica de Mexicali power plant. These pipelines and systems are covered by the Company's current permits and are supervised by the CRE. The Hydrocarbons Law is not expected to have a significant impact on the Company's LNG Terminal and pipelines except for open access obligations.

As opposed to the activities related to marketing and distribution to the public, the storage and transportation activities will be subject to maximum rates set by the CRE. Companies holding permits may grant discounts or reach specific agreements on tariffs regulated by the CRE. These agreements must be registered with the CRE, which will make them public.

Marketers must offer transportation, distribution and storage services to other permit holders, either directly or through third parties. Also, with certain exceptions provided in the law, transportation and storage permit holders subject to open access obligations cannot sell the natural gas that was stored on site or transported through their systems.

The Hydrocarbons Law establishes restrictions on cross-participation with respect to trading and transportation and storage permit holders subject to open access obligations. Notwithstanding this, cross-participation may be permitted by the CRE, which may request the opinion of the Federal Economic Competition Commission subject to this cross-participation not affecting free competition, market efficiency or effective open access. These requirements can be met by conducting operations independently or by establishing corporate and legal mechanisms to ensure non-interference in the operations and management between the parties. The new rules may further require: (1) a strict legal, functional, operational and accounting separation of the activities, (2) limitations on the participation of a company in the capital stock of another, (3) maximum limits to the participation of economic agents in the selling market, and (4) the reservation of capacity in storage and pipeline systems. Notwithstanding the above changes, the Hydrocarbon Law provides that permits granted prior to the entry into force of the Law, such as the Company's, will remain in force under their original terms. We do not anticipate that these new constraints will affect the Company's operations while its permits are up-to-date.

It is expected that the CRE, with rulings by the Federal Economic Competition Commission, will issue general administrative provisions that will apply to the transportation, storage, distribution, marketing and public retail of hydrocarbons, petroleum products and petrochemicals. It is likely that these new rules, to be issued in the coming months, will promote the development of competitive markets in the hydrocarbon sector.

General Terms and Conditions for Gas Storage

The General Terms and Conditions for the LNG or LPG storage services, that are part of the Company's LNG and LPG permits, apply to all the Company's service agreements for the reception and storage of LNG and LPG and the delivery of natural gas. The general terms and conditions are approved and registered by the CRE.

Below is a summary of the general terms and conditions set forth in the Company's gas storage permits:

<u>Services</u>. The Company is required to provide storage services for its customers by receiving LNG or LPG at its storage facilities, providing storage services (and with respect to LNG, regasification) and delivering the resulting product to its customers at any authorized point of delivery.

<u>Access to Available Storage Capacity.</u> The Company is required to provide customers with open and non-discriminatory access to the available storage capacity at its facilities that is not yet contracted under firm storage service agreements. Customers can access storage capacity by entering into a services agreement, provided that they have the necessary pipeline connection to the Company's facilities at the points of delivery specified in their services agreement. In addition, customers must provide the Company with a financial guarantee covering compliance with obligations under the service agreements and the general storage conditions of the Company's permits.

<u>Firm Storage Service.</u> Firm base storage services consist of storing LNG or LPG received at the reception point up to the customer's maximum storage quantity specified in the relevant services agreement and delivering natural gas at the point of delivery at any time in accordance with the provisions of the service agreement. The Company's firm storage services may not be subject to reductions or interruptions, except for the exceptions specified in the general storage terms and conditions for LNG and LPG and the relevant services agreement.

<u>Interruptible Storage Services.</u> Interruptible storage services consist of storing LNG or LPG up to the maximum storage quantity specified in the service agreement. Customers have the right to request this service while their service agreements are in effect. However, interruptible storage services are subject to any available capacity remaining after the firm storage services obligations have been fulfilled.

<u>Interruption of the Service.</u> Customers are not entitled to receive storage services if they are not in compliance with all of their storage services payment obligations to the Company, unless they provide a satisfactory guarantee to cover the overdue payment, subject to the Company's consent.

<u>Creditworthiness.</u> Customers must be solvent or provide evidence of creditworthiness within 30 days of the Company's request to be eligible to receive storage services. If sufficient evidence of creditworthiness as described above cannot be provided, customers must provide a financial guarantee securing their obligations under their agreements and the general storage terms and conditions for LNG and LPG.

<u>Suspension, Reduction or Modification of the Storage Service.</u> The Company may suspend the storage service if the customers breach their obligations under their agreements, and subject to a remedy period, may terminate the respective agreement. The services agreement will terminate automatically in the event of a customer's insolvency, and the Company will have the right to make a claim under any financial guarantee granted by such customer. If the

Company suspends the LNG or LPG storage service without due cause, it shall pay the user an amount equal to five times the amount of the LNG or LPG storage service charge that would have been at such customer's disposal if the suspension had not occurred. This amount shall be calculated in accordance with the provisions of the general storage terms and conditions for LNG.

Miscellaneous. Purchases and sales. The Company is not obliged to sign service agreements at a lower rate than the regulated rate.

Payments. If customers breach their payment obligations, the overdue amounts shall accrue interest at a daily rate calculated under the general terms and conditions of storage for LNG or LPG. Failure to pay within a period of time established in the general terms and conditions for LNG and LPG storage may result in the suspension of service by the Company.

Responsibility, Warranty and Assignments. The Company is deemed to be in control of and responsible for any stored LNG or LPG from the time of receipt until its delivery to the customer. Customers are deemed to be in control of and responsible for LNG or LPG until its receipt by the Company, and after its delivery.

Storage service agreements may be assigned or pledged by either party with the prior written consent of the other party. Customers are deemed to have unconditionally consented to the assignment of the Company's rights and obligations to lenders for purposes of securing financing and to any entity that acquires the LNG or LPG storage system, with the prior authorization of the CRE.

The Company's liability to customers is limited to damages suffered directly as a result of its failure to perform its obligations under a storage service agreement (i.e. in the case of suspension or interruption of delivery of LNG or LPG at the agreed point of delivery). Customers must ensure that their vessels are fully covered by insurance, including environmental insurance, and that they are manned and maintained in accordance with the applicable national and international standards.

Acts of God or *Force Majeure*. A *force majeure* event is any foreseeable or unforeseeable but unavoidable event that hinders or prevents the affected party from complying with its obligations under a storage service agreement. Upon receipt of a notification informing the other party of such conditions (except with respect to any prior payment obligation), the obligations of both parties shall be suspended for as long as the *force majeure* event continues. Under no circumstance shall financial and/or technical difficulties be considered a *force majeure* event. If a *force majeure* event affects the respective LNG or LPG storage system, the customers' obligation to make storage capacity payments under the service agreement shall be suspended or, if applicable, reduced proportionally to the level of storage services provided. The Company may also suspend, restrict or modify deliveries of LNG or LPG to customers if it is affected by *force majeure* or an Act of God.

In the event of a suspension or reduction of LNG or LPG storage services unrelated to the LNG or LPG terminal facilities, customers must continue paying any amounts owed by them at the time the *force majeure* event occurred.

Gas for the Operation of the LNG Terminal. The Company requires a certain amount of natural gas for the operation of its LNG Terminal and provision of storage services, and it is entitled to retain and use, at no cost or charge, its customers' available stored LNG for such purposes.

Dispute Resolution. All disputes that may arise will be resolved through arbitration.

Customer's Assignment of Capacity. Any customer may temporarily or permanently assign all or a portion of its maximum natural gas storage capacity to another customer with prior notice to the Company. Any such transfer of contractual rights must be approved by the Company and is subject to the creditworthiness requirements described above.

Connection Criteria. The Company has an obligation to allow other entities to connect to its systems, subject to the existence of available capacity to perform the required service, the availability of a technically feasible interconnection, and provided that the party seeking the connection bears all costs related to the interconnection.

Transportation General Terms and Conditions

The general terms and conditions for the provision of natural gas transportation services and the general terms and conditions for the provision of LPG transportation services are included in the Company's natural gas and LNG transportation permits, which regulate the transportation service agreements entered upon in connection with the pipelines and are direct application provisions that form part of these agreements. The general terms and conditions of transportation are approved and registered by the CRE with respect to each gas transportation permit that is granted.

Although the transportation general terms and conditions applicable to each of the Company's permits are substantially similar, there may be certain provisions that vary from one permit to another, and from one service agreement to another. Below is a summary of the main provisions that are common to the general terms and conditions for all of the Company's gas transportation permits and their respective agreements:

Term. The transportation general terms and conditions are in effect for the term of the corresponding permit granted by the CRE.

Increase of Capacity. In the event that requests for pipeline services exceed the Company's available capacity, the Company must build additional facilities to increase its capacity to be able to extend the capacity of the pipelines, and thus comply with these requests, as long as it is technically and economically viable.

Transportation Service Agreements. The Company only renders transportation services to customers that have executed a transportation services agreement based on forms prescribed by the general terms and conditions for transportation and once the customer fulfills all of the requirements provided in these general terms and conditions. The Company enters into transportation agreements after a thorough analysis of the service requests received from potential customers.

Orders. During the term of a transportation service agreement, customers prepare and file orders containing the information regarding the daily amount of gas to be transported, the reception and delivery points (which must have been previously approved) and the start and end dates of the respective order.

Creditworthiness. Under the general terms and conditions for transportation, the Company is not obliged to provide services to customers with outstanding balances or that have impaired creditworthiness. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee securing their obligations under the general terms and conditions for transportation.

Assignment. Customers may assign their capacity in the Company's systems with the Company's prior written consent, provided that the assignee complies with the general terms and conditions for transportation, including providing the required guarantees.

Payments. If customers breach their payment obligations, the overdue amounts shall accrue interest at the daily rate stipulated in the general terms and conditions for trasnportation. Failure to pay within the period established for this in the general terms and conditions for transportation, which may vary from ten to ninety days, may result in the suspension of services and the termination of the agreement.

Suspension of the Service. The general terms and conditions applicable to most of the Company's permits provide that the Company will not be not liable for interruptions, restrictions or modification of the transportation service as a result of a *force majeure* event, in the event of failure of a customer's facilities, in the event that the interruption is required for the maintenance and adjustment of the Company's facilities, or in case of breach of obligations by the customer. Under the general terms and conditions of transportation and under certain circumstances customers are required to continue paying the applicable capacity fee during the suspension period. A service suspension, other than as described above, requires the Company to provide a premium to the affected customer equivalent to five times the value of the service that would have been available if such suspension had not occurred.

In the event of an interruption attributable to a *force majeure* event that lasts more than five business days, the Company must file the corrective plan that will be applied to face the situation with the CRE, for its approval..

A *force majeure* event is any foreseeable or unforeseeable but unavoidable event that hinders or prevents the affected party from complying with its obligations under a transportation service agreement. After the term established in the general terms and conditions for transportation, the affected party may terminate the services agreement from the date of the *force majeure* event.

Compensation. Customers are obliged to compensate the Company and its officers, agents, employees and contractors for any damage or loss suffered as a result of a breach of the customer's contract obligations.

Dispute Resolution. All disputes that may arise will be resolved through arbitration. Disputes in which the customer is considered a consumer in terms of the Federal Consumer Protection Law, will be resolved in accordance with the provisions of this law.

Rates. The Company has the right to negotiate rates different to those established in the list of rates approved by the CRE. In any case, the rates for interruptible service must be lower than those for firm services. The Company must publish the applicable rates in the Mexican Federal Official Gazette annually and in the official journals of the states in which the Company provides transportation services.

General Terms and Conditions for the Natural Gas Distribution Service

The general terms and conditions for the natural gas distribution service included in the Company's natural gas distribution permits regulate the reception, delivery and marketing of natural gas. The general distribution terms and conditions are approved by the CRE with respect to each natural gas distribution permit granted by the CRE for given zones.

Although the transportation general terms and conditions applicable to each of the Company's permits are substantially similar, there may be certain provisions that vary from one permit to another. The main provisions that are common to the general terms and conditions for all of the distribution permits and their respective agreements are summarized below:

Services. The Company provides firm and interruptible distribution services by means of the reception of natural gas at one or several reception points in its distribution system. In the event that the Company must interrupt, restrict or modify the service, the firm services will have priority over the interruptible services. In the event of a suspension of the service without a justified cause, the Company will be obliged to compensate its customers for a sum equivalent to five times the value of the service that would have been available if such suspension had not occurred.

Interconnection. After the expiration of the exclusivity periods granted to the Company by the CRE for a given zone, the Company is obliged to allow other permit holders to connect to its pipeline system as long as sufficient capacity exists to provide the service requested and that the connection is economically viable. To date, the interconnection charge is agreed between the Company and the other permit holders, however, it is understood that the CRE will issue rules to determine the interconnection fees in the near future.

Rates. The Company is allowed to negotiate rates freely, apart from those established in the list of rates approved by the CRE. In any case, the rates for interruptible services must be lower than the rates for firm services. The Company is obliged to publish its rates annually in the Mexican Federal Official Gazette and in the official journals of the states in which it provides distribution services.

Capacity of the System. The maximum daily use of the Company's distribution system is estimated by applying the *Stoner Workstation* simulation model, which is the international standard in the industry to calculate various flows in pipeline systems. If the requested capacity exceeds the available capacity, the Company must give priority to maintaining first the residential and commercial services, consulting with each industrial customer regarding the possibility of reducing or suspending the latter's service.

Credit, Deposits and Guarantees. In order to establish their creditworthiness, customers must comply with at least one of the following requirements: (1) make a cash deposit in favor of the Company equivalent to three times the estimated monthly consumption of the customer; (2) provide an obligor, a letter of credit or a bond to guarantee payment of the invoices; or (3) to comply in a timely manner with the payment of all invoices during 12 consecutive months.

Safety Obligations. The Company must provide immediate notice to the CRE and to the appropriate local authorities of any event that may cause a risk to public health and safety. This notice must include the measures adopted and planned to address the situation. The Company is also obliged to use equipment, materials and systems that comply with the specifications provided in the Mexican Official Standard or, in the absence of such provisions, with the specifications adopted internationally in the industry. Likewise, the Company is obliged to train its personnel to prevent and remedy accidents, as well as to provide any assistance required by the government authorities in the case of emergencies or disasters. In addition, to cover any liabilities that may arise, the Company must acquire insurance and keep it up to date in line with the relevant permits.

Liabilities. The Company will be liable for the damages that may be caused while providing the services to the final user up to the delivery point, except in the case of willful misconduct or negligence of the injured party. After the delivery point, the customers will be liable for any damages they or third parties suffer.

Suspension of the Service. The Company may suspend the service without any liability in the following cases: (1) if it determines that the customer's system or equipment represents a significant danger or risk; or (2) because of a written order issued by a competent authority stating that the customer's system represents a danger or risk, or that it does not comply with the applicable legal provisions. The Company is also entitled to suspend service in the event that customers fail to pay two or more outstanding invoices.

In addition, the Company shall not incur a liability when the interruption of the distribution service is due to any of the following causes: (1) an Act of God or *force majeure*; (2) faults in the customer's systems due to operator error; (3) performance of works necessary for the maintenance, extension, or modification of the distribution system, as long the Company gives prior notice of such circumstances to customers; and (4) breach of contract obligations by customers.

Termination. Any customer may terminate a service agreement with the Company by providing it with at least two days' advance notice before the termination date.

Dispute Resolution. All disputes that may arise will be resolved through arbitration. Disputes in which the customer is considered to be a consumer in terms of the Federal Law Consumer Protection Law will be resolved in accordance with the provisions of this law.

Energy Regulatory Bodies Law

The CRE is and will continue to be the Company's main supervisory authority since the latter is a holder of various LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas distribution permits and power generating permits.

Regulations Applicable to Natural Gas

On October 31, 2014, two relevant regulations were published: (i) the regulations of the Hydrocarbons Law and (ii) the regulation of the activities referred to in the Chapter Three of the Hydrocarbons Law. Given the Company's objectives, it is primarily regulated by the regulations of the activities referred to in Chapter Three of the Hydrocarbons Law.

The Natural Gas Regulations will continue to govern the natural gas market of Mexico regarding own-use permits, as required for the operation of our Termoeléctrica de Mexicali power plant, as long as they do not contravene the new legal framework and until the CRE issues general administrative provisions.

The regulation of activities referred to in Chapter Three of the Hydrocarbons Law, set the following provisions with respect to the storage, transportation and distribution of natural gas:

- The requirements applicable to the operations of licensees, including the requirements for efficiency, continuity, security, reliability and consistency of service;
- The obligation to provide open access;
- The rules applicable to the term, duration and renewal of permits;
- The general rules applicable to amendment, transfer, cancellation and revocation of permits;
- The general requirements for obtaining permits;
- The procedure for obtaining permits;
- The rules relating to providing different services; and
- The legal basis for regulating rates and terms of certain services.

The distribution permits cover the supply of natural gas within a zone delimited by the CRE, with input from the Energy Ministry and other competent authorities, such as those with an urban development mandate. Typically, distribution permits are granted for a period of 30 years, which may be extended for a single period of 15 years. However, the permit holder may apply for a new permit one year before the expiry of their permit. The Company currently operates three distribution systems for natural gas in the areas of Mexicali, Chihuahua and La Laguna-Durango with their respective distribution permits for these zones. The period of exclusivity of these systems has expired, so the Company is obliged to allow any permit holder to interconnect, whenever it is technically and economically feasible. Permits to transport natural gas are granted by the CRE on a non-exclusive basis.

The regulation of activities referred to in Chapter Three of the Hydrocarbons Law states that permit holders subject to open access obligations that have permanent available capacity, must establish open periods to allocate this capacity, and those that have unused contracted capacity, must offer it on an interruptible basis as it becomes available. Furthermore, subject to technical and financial capacity, carriers, retailers and wholesalers subject to open access obligations should expand their systems at the request of any interested party.

National Center for Natural Gas Control

The National Center for Natural Gas Control (CENAGAS) is a new decentralized agency of the federal public administration whose role is to carry out the following activities:

- Management, administration and operation of the National Integrated Natural Gas Transportation and Storage System, which used to be run by PEMEX;
- Management of the transportation and storage infrastructure that was previously owned by PEMEX; the assets will be transferred to CENAGAS for this purpose; and
- Management and administration of capacity reservation contracts between PEMEX and the CFE.

As a result, the Company will be obliged to comply with any instructions that CENAGAS may issue regarding open access to the Company's infrastructure that is part of the National Integrated Natural Gas Transportation and Storage System. Under the Pemex Gas joint venture, the Company will allow CENAGAS to manage and administer open access issues for the transportation services agreements entered into with Pemex Gas, without affecting the Company's rights under these contracts.

Mexican Official Standards (NOM) and Guidelines Related to Natural Gas

In addition to the laws and regulations mentioned above, the legal framework that regulates natural gas activities also includes (1) the Mexican National Standards issued by the Energy Ministry relevant to the technical aspects of the Company, such as natural gas quality and the technical specifications related to the design, construction, safety, operation and maintenance of the Company's natural gas transportation, storage and distribution systems and facilities, and (2) the directives issued by the CRE for the regulation of financial issues applicable to these activities such as prices and rates, and accounting and insurance matters. In addition, it is expected that the National Agency for Industrial Safety and Environmental Protection (ANSIPA) will issue new Mexican official standards for the hydrocarbon sector in relation to environmental protection and industrial safety.

Laws Applicable to Liquefied Petroleum Gas

Hydrocarbons Law

Subject to obtaining the appropriate permits, the Hydrocarbons Law allows private sector companies to store, transport, distribute, retail and market petroleum products, including LPG, as well as to import and export products derived from petroleum. These permits are issued by the CRE and the Energy Ministry. Permits granted before the enactment of the Hydrocarbon Law, such as the Company's permit for the LPG terminal in Guadalajara and TDF LPG Pipeline, remain in full force for the original term.

Regulations Applicable to Liquefied Petroleum Gas Activities

The regulations to the Hydrocarbons Law and the regulation of the activities referred to in Chapter Three of the Hydrocarbons Law, also apply to LPG, including first-hand sales, as well as the transportation, storage and distribution of LPG, which are reserved exclusively by the state. These activities for the construction, operation and ownership of pipelines, facilities and equipment, can be undertaken by the public and private sectors subject to the stipulations in the aforementioned regulations.

Other Authorities

The Federal Economic Competition Commission (COFECE), is an autonomous body of the Mexican government with joint jurisdiction over the activities related to natural gas and LPG as regards the prevention and combating of monopolistic practices and economic concentrations. With the approval of COFECE, the CRE can issue new regulations for the development of competitive markets in the hydrocarbon sector, which may include grouping restrictions, limitations on shareholders and limits on the financial interest of operators in marketing activities.

There are other permits and/or licenses which may be required by the federal, state or municipal authorities for the development, construction and operation of natural gas and LPG systems. These include environmental permits, land use permits, construction permits, concessions and/or rights of way for crossing federal areas such as rivers, streams and maritime zones for dry docking.

Certain key environmental permits for the development of works or activities in the hydrocarbon sector, including environmental impact and risk, change in forest land use, atmospheric emissions and the remediation of contaminated sites will be issued by ANSIPA, a new decentralized agency of SEMARNAT with technical and managerial autonomy. This new agency has been granted powers to regulate, inspect and penalize matters related to industrial and operational safety and the environment in the hydrocarbon industry. The ANSIPA internal regulations, setting out its structure and powers were published on October 31, 2014. ANSIPA started operations March 2, 2015. Before that the agency began to operate SEMARNAT used to receive requests for environmental permits related to the hydrocarbon industry.

Other Applicable Provisions

The Company’s operations are subject to other standards that may affect its operation, including state and municipal laws and regulations related to land use, construction and civil protection.

Laws Applicable to Power Generation

Under the December 2013 amendment to the Mexican Constitution on energy and the publication of the Electricity Industry Law, which repealed and replaced the Public Electricity Service Law, the private sector can obtain permits for the generation and sale of electricity on the wholesale electricity market and participate in the construction and operation of power plants. The Mexican state will conduct the transmission and distribution of electrical power through the CFE or other state industrial enterprises, but it may enter into contracts with private sector companies related to those activities, including financing agreements, installation, maintenance, procurement, operation and expansion of the grid infrastructure. Planning and control of the grid are under the exclusive authority of the federal government and are delegated to the National Center for Energy Control (CENACE), a new public agency in charge of operational control of the national electricity system.

Private electricity producers may participate in a new wholesale market, which will be operated by CENACE. Within this market, producers, traders, suppliers and “qualified users” can buy and sell electricity and related products through market participation and electrical coverage contracts, and qualified users may purchase electricity either from the CFE or private generators.

Under the Electricity Industry Law, power plants with an installed capacity of 0.5 MW or more will require a permit for power generation, also including those represented by a generator in the wholesale market (regardless of installed capacity). Power plants with an installed capacity of less than 0.5MW will not require a permit but will require a provider acting on their behalf to sell energy and related products on the wholesale market.

Permits granted before the enactment of the Electricity Industry, such as the export permit granted to our Termoeléctrica de Mexicali power generating plant in 2001 and the export permit granted in 2012 to our wind power generation plant at Sierra Juárez continue in full force and the rights of permit holders will not be affected by the new laws and regulations.

As defined by the Electric Industry Law, market participants include suppliers, qualified users and end users who will be provided with power under the “isolated supply” modality and load centers included in legacy connection contracts whose electricity comes from fossil sources. These obligations will be accredited by Clean Energy Certificates (CELS), in order to reduce pollutant emissions in the industry. CELs will be required from 2018 as a percentage of the energy consumed as defined by SENER, and will increase annually. In 2018 it will be 5%. CELs may be traded through electricity coverage contracts on the wholesale electricity market.

CELs will be awarded to clean power plants such as wind and solar farms, geothermal plants, cogeneration plants and so forth, and generators will be entitled to receive a CEL per MW/hr of clean energy generated in their plants in compliance with instructions from the CENACE offices. CELs will be awarded to generators for each MW if fossil fuels are not used or per MW generated at a minimum level of efficiency determined according to fossil fuel consumption provided that certain levels of maximum pollutant emission are met.

Because they are connected to the network controlled by the California Independent System Operator (CAISO), the Company's Termoeléctrica de Mexicali and the Energía Sierra Juárez wind power project are subject to the power reliability standards established by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council under Section 215 of the Federal Power Act of the United States.

Extensive United States electric utility regulations apply to the sales of electricity from the Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind power project to the United States. Companies engaged in electricity wholesaling for subsequent resale through interstate trading are subject to regulation by the U.S. Federal Energy Regulatory Commission (FERC) under the U.S. Federal Power Act. The regulations issued by FERC under the Federal Power Act include regulations establishing the electricity wholesalers' rates, terms and conditions as well as other regulations regarding requirements to file quarterly electronic reports, periodic power market reports and, in the event that a generator or one of their subsidiary acquires ownership or control of additional energy assets, to notify FERC of these acquisitions, and to comply with applicable FERC requirements, including those affecting the issue of securities, transfers of FERC-regulated facilities, reliability standards, market behavior and manipulation, and accounting requirements.

The Company's Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind power project are subject to the U.S. Public Utility Holding Company Act (PUHCA). Under PUHCA, a "holding company" is any business entity, trust, or organized group of persons which directly or indirectly owns or controls 10% or more of the outstanding voting interests in a "public-utility company" or a company which is a "holding company" of a public-utility company. Unless it qualifies for an exemption or obtains a waiver from FERC, a holding company is subject to certain regulations granting FERC access to books and records relating to transactions with affiliated public utilities or "natural gas companies," as defined in PUHCA, and to FERC regulation of certain subsidiary transactions and the disclosure of information, accounts and cost-allocation matters. State utility regulatory commissions may also in some instances have access to books and records of holding companies or public-utility companies that are not exempt from PUHCA. FERC regulations exempt companies that are holding companies from the obligations described above only by virtue of their direct or indirect ownership of (1) "qualifying facilities" under the United States Public Utility Regulatory Policies Act of 1978; (2) "exempt wholesale generators" or EWGs as defined in PUHCA; and (3) "foreign utility companies," as defined in PUHCA. In addition, FERC regulations provide that an exempt wholesale generator is exempt from FERC regulation under PUHCA, except for the procedures for obtaining exempt wholesale generator status. In order to be recognized as an exempt wholesale generator, a project company must be exclusively engaged in owning or operating, or both owning and operating, an "eligible facility" and selling electricity by wholesale. An "eligible facility" is a generation facility used exclusively for the sale of electricity by wholesale.

Other Authorities

In terms of the electricity sector, SEMARNAT will continue to be the principal regulatory authority as regards environmental matters and the granting of permits.

Anti-Corruption Law

The Federal Anti-Corruption in Public Procurement Law (Anti-Corruption Law), which came into effect on June 12, 2012, establishes the responsibilities and penalties applicable to Mexican and foreign individuals or corporate entities that participate in federal public procurement as defined by this law, as well as to Mexican individuals or corporate entities for violations incurred while participating in international trade transactions with foreign public institutions, or in processes related to the granting of permits or concessions by such institutions. The Company is subject to the Mexican Federal Anti-Corruption Law with respect to any activities that require the granting of a permit or a concession by a federal governmental entity, through a public or private tender process, or that involve contracting with any of these federal government agencies or entities.

Under the Anti-Corruption Law, individuals and corporate entities are considered liable in federal procurement or procedures for the granting of permits or concessions by agencies or entities of the federal public administration whenever they promise, offer, or deliver money or any other gift directly or indirectly to a public servant or third party in exchange for having such public servant perform or refrain from undertaking an action relating to their functions or to those of another public servant for the purposes of obtaining or maintaining a benefit or advantage, regardless of the acceptance or receipt of the money or gift, or of the result obtained. The Federal Anti-Corruption

Law also applies to the use of similar practices in the performance of international commercial transactions with foreign public institutions.

The Federal Anti-Corruption Law provides for the investigation of possible violators and includes an administrative procedure to address claims. The Ministry of Public Administration is the authority in charge of investigating and penalizing infringements under the Federal Anti-Corruption Law.

Individuals are liable to a fine of up to 50,000 times the minimum daily wage in Mexico City while the fine for corporate entities is up to 2,000,000 times the minimum daily wage in Mexico City and can be increased up to 50% if the benefit obtained exceeds the maximum fine. Additionally, individuals may be punished with disqualification from participating in federal procurement for a period of up to eight years while corporate entities can be punished with disqualification from participating in federal procurement and the awarding of permits or concessions for a period of up to ten years. The Federal Anti-Corruption Law establishes a procedure for reducing penalty fines by which these can be reduced between 50% and 70% if the accused admits responsibility before the start of the administrative procedure and by 50% if an admission is received during the course of the procedure.

Data Protection Law

The Company, and in particular the Ecogas distribution system, is subject to the provisions of the Data Protection Law that came into effect on July 6, 2010. The Data Protection Law is applicable to private individuals or legal entities that process the personal data of Mexican citizens.

Under the Data Protection Law, the processing and transfer of personal data requires the prior consent of the data owner. Consent can be obtained by means of a “privacy notice”, which informs the data owner of the purpose for using the personal data, any intended transfers and the data owner’s options for limiting its use or disclosure and the means for rectifying, cancelling or opposing the processing of personal data. It is understood that a data owner grants consent for the use of their personal data if they do not declare their disagreement to the privacy notice. The privacy notice may be made available to the data owner through printed, digital, visual, electronic or audible means, or by any other format. According to the Data Protection Law, data owners are entitled to revoke their consent for the treatment of their data at any time. The Data Protection Law provides certain requirements and exceptions for the transfer of personal data to third parties.

Ports Law

As the holder of a concession for the use and occupation of a federal maritime area for the construction and operation of a maritime terminal for its LNG Terminal, including a dry dock and ancillary maritime infrastructure, the Company is subject to the Mexican Ports Law and its regulations, coming under the jurisdiction of the federal government through the Ministry of Communications and Transportation.

Under the Ports Law, the construction and operation of maritime infrastructure as well as dredging activities require specific authorizations from the Ministry of Communications and Transportation (SCT). Likewise, the use of federal maritime areas requires a concession that can only be granted to Mexican corporations.

Depending on the nature of the project and how much investment it involves, concessions may be granted for up to 50 years, with a requirement for renewal for a period equivalent to the original concession. A concession may be terminated by the SCT for certain reasons set forth in the Ports Law, including (1) termination of the purpose for which the concession was granted, (2) bankruptcy or liquidation of the permit holder, or (3) redemption. In addition, the Company’s concessions may be revoked under certain circumstances, including failure to comply with obligations under the permits, or if the Company suspended the operation of the system or facility partially or completely without a justified cause.

Constitutional Amendments on Class Actions

On July 29, 2010, Article 17 of the Mexican Constitution was amended in order to allow class actions to be brought in federal courts in connection with civil actions on matters related, amongst others, to consumer protection and environmental law. Consequently, on August 30, 2011, the Federal Code of Civil Procedures, the Federal Consumer Protection Law and the General Ecological Balance and Environmental Protection Law were amended to incorporate class actions. These amendments became effective on March 1, 2012, though to the Company’s knowledge as of the date of this report only one environmental class action has been brought before the federal courts.

Federal Environmental Liability Law

The Federal Environmental Liability Law published on July 7, 2013, governing environmental liability for environmental damage, including remediation and compensation. In the case of a willful and unlawful act or omission, the party responsible may be fined over forty million Mexican pesos. This liability regime is independent of administrative, civil or criminal liability.

Environmental liability can be attributed to an entity for the conduct of its representatives, managers, directors, employees or agents with operational control of its activities. The period of limitations for claiming environmental liability is twelve years from the environmental damage. The Law allows parties to resolve disputes through alternative dispute resolution mechanisms, provided that the public interest and third party rights are not affected.

Federal Labor Law

On November 30, 2012, the Federal Labor Law was amended to incorporate and regulate issues such as: (1) labor principles recognized by the International Labor Organization regarding non-discrimination towards women and disabled persons in the working environment, (2) the regulation of three new employment modes: the "initial training contract," the "on trial contract," and the "discontinuous contract for seasonal work", and (3) a new subcontracting regime providing a legal framework for hiring employees through third parties. While these amendments are not expected to have a significant impact on the Company, the potential effects on the Company of the application of these amendments cannot be accurately foreseen.

Permits

Natural Gas Permits

LNG Storage Permit

The Company's LNG facilities operate under a storage permit granted by the Energy Regulatory Commission (CRE) on August 7, 2003. This permit allows the Company to provide LNG storage and regasification services through 2033, and requires the Company to offer LNG storage and regasification capacity on a non-discriminatory basis and in accordance with the principles of open access. In addition, the permit requires that the operation and maintenance of the storage facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with the applicable legal provisions.

This permit may not be assigned or transferred independently from the LNG storage system. Any modification to the permit requires prior approval by the CRE. The permit is subject to termination in the event that the Company (1) interrupts the storage service without justified cause or without the authorization of the CRE; (2) engages in unduly discriminatory practices or infringes the rates authorized by the CRE; (3) assigns, transfers, encumbers or modifies the permit in violation of its terms; or (4) does not fulfill the obligations set forth in the permit.

In October, 2007, the CRE approved the extension of the terminal's maximum send-out capacity to 2,600 mcfd (27.0 mthd) and the incorporation of two additional LNG storage tanks. According to the LNG storage general terms and conditions, approved by the CRE as amended from time to time by the Company, in the event that the Company may wish to increase the terminal's capacity it must do so through an open tender process. Based on the current market conditions, the Company does not anticipate any short-term expansion of the terminal's capacity.

Power Generation Permit

The Company generates electrical power at its LNG Terminal under a self-use power generation permit granted by the CRE on February 2, 2005. This permit allows the Company to engage in power generation activities at the terminal for an indefinite term. The permit requires the operation and maintenance of the power generation facility be carried out by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable legal regulations.

The assignment and transfer of this permit is only permitted if the permit is transferred together with the power generation facility and with the prior approval of the CRE for the transfer. The permit is subject to revocation in the event that the Company (1) is sanctioned repeatedly by the CRE for selling, reselling, or in any other way transferring the electricity generated in violation of the permit, (2) generates electricity in violation of the conditions established in the permit, (3) assigns, transfers or modifies the permit without the authorization of the CRE, or (4) otherwise fails to comply with the terms and conditions of the permit.

Transportation Permits

Each of the Company's transportation systems operates under an individual transportation permit granted by the CRE. These permits each have a term of 30 years and their expiration dates range from 2028 to 2035.

These permits provide that the Company must allocate its pipeline capacity on a non-discriminatory basis in accordance with the principles of open access. In addition, these permits require that operation and maintenance of the transportation system be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations. The assignment or transfer of these permits requires the prior approval of the CRE. These permits cannot be assigned independently from the respective transportation systems.

A transportation system permit can be revoked in the event that the Company (1) interrupts the transportation service without a justified cause or the authorization of the CRE, (2) engages in unduly discriminatory practices or charges rates in excess of those authorized by the CRE, or (3) assigns, transfers, encumbers or modifies the permit in violation of its terms.

Distribution Permits

The Ecogas distribution system holds separate distribution permits for each of its three distribution zones, allowing it to carry out natural gas distribution in these zones. These permits each have a term of 30 years and their expiration dates range from 2027 to 2029. These permits require the Company to provide the natural gas distribution services efficiently and in accordance with principles of uniformity, homogeneity, regularity, safety and continuity. The permits require the Company to provide open and non-discriminatory access to its distribution capacity. The permits also have a requirement that the operation and maintenance of the transportation system be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable legal provisions. These permits cannot be transferred separately from the respective distribution systems.

Power Generation Permits

Termoeléctrica de Mexicali

The Company's Termoeléctrica de Mexicali power plant holds two power generation permits issued by the CRE. The first authorizes the Company to produce and export up to 679.7 MW of electricity to the United States until August 2031. In June 2001 the Company obtained a permit to import 12.0 MW of electricity from the United States to power the generation station for an indefinite term. The export permit requires that the operation and maintenance of the power generation facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable legal provisions.

The assignment, transfer or modification of either of these permits requires the previous approval of the CRE. Additionally, the Company's export permit may only be transferred if the power generation facility it covers is also transferred.

Both permits are subject to revocation in the event that the Company (1) has been sanctioned repeatedly by the CRE for selling, re-selling, trading or transmitting the capacity or electricity generated by any other means; (2) assigns, transfers or modifies the rights granted under the permit or if it generates electricity under conditions other than those set forth in the permit without the authorization of the CRE; or (3) commits severe, repeated or continuous breaches of any of the provisions of the applicable law, the Company's permit conditions, the Official Mexican Standards or the applicable technical and operational specifications.

Energía Sierra Juárez Permits

The wind farm will operate under two CRE permits granted in June 2012: (1) an electricity import permit with an indefinite term which will allow the import of electricity to Mexico from the United States exclusively to meet the needs of the wind farm; and (2) an electricity export permit which will enable the Company to produce electricity under an independent power producer scheme with an installed capacity of 155 MW for a 30-year term, subject to renewals when certain conditions are fulfilled. Under these permits, electricity will be imported and exported through a transmission line connected to de San Diego Gas & Electric Company's East County substation. The assignment or transfer of these permits requires the prior approval of the CRE. Further phases of the project will also require CRE permits for power generation and the sale of electricity.

Environmental Matters

Environmental Regulations

The Company's Mexican operations are subject to federal, state and local environmental authorities, laws, regulations, Mexican Official Standards and other technical guidelines. Jurisdiction over environmental matters is shared among governmental authorities at the federal, state and municipal levels, based on a "residual formula" established in the Mexican Constitution which provides that matters which are not expressly reserved by the Mexican federal government fall under the jurisdiction of the state governments. While energy projects mainly fall under the jurisdiction of the Mexican federal government, some specific environmental matters, such as the handling of non-hazardous waste and the opening of new access roads fall under state or municipal jurisdiction.

The primary federal environmental laws in Mexico applicable to our business are: Mexico's General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*); Mexico's General Law for Prevention and Comprehensive Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*); Mexico's National Waters Law (*Ley de Aguas Nacionales*); Mexico's General Law for Sustainable Forestry Development (*Ley General de Desarrollo Forestal Sustentable*); Mexico's Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*) and the General Law of National Assets (*Ley General de Bienes Nacionales*). The Company is also subject to a variety of rules and regulations related to these laws, concerning environmental impact and risk matters, noise emission, atmospheric emissions, water extraction, wastewater discharge, waste handling and so forth The Company may also be subject to other laws, regulations and technical requirements relating to the protection of the environment such as Mexico's General Health Law (*Ley General de Salud*) and Mexico's Federal Regulations on Workplace Safety, Hygiene and Environment (*Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo*).

Non-compliance with the applicable environmental laws, regulations and Mexican Official Standards may result in the imposition of administrative fines or sanctions; the revocation of authorizations, concessions, licenses, permits or registrations; administrative arrests; seizure of contaminating equipment; and in certain cases, the temporary or permanent closure of facilities, duties of remediation, reparation or compensation for civil and environmental matters, and even imprisonment, when the violations are classified as criminal offenses.

The Company's projects operate under licenses, permits, authorizations, concessions and registrations issued under these environmental laws. The Company believes that it has all the relevant permits, licenses, registrations, concessions and/or authorizations for the facilities and projects that it operates, and that the Company is in substantial compliance with the applicable environmental laws and the respective permits. There are currently no legal or administrative proceedings pending against the Company with respect to any environmental matters, except for the matters described in *"Company Activities—Legal, Administrative and Arbitration Proceedings——Matters Concerning the LNG Terminal"* and *"Company Activities—Legal, Administrative and Arbitration Proceedings — Matters Concerning Energía Sierra Juárez."* There are currently no significant legal or administrative proceedings against the Company concerning environmental issues.

We follow internal policies and procedures to ensure compliance with applicable laws, regulations and permits. From time to time the Company updates its permits, authorizations, licenses, concessions and registrations and makes periodic assessments of their validity, including the amendment, renewal, extension or termination of specific permits. In the event that as a result of such assessments any action is needed to renew, maintain, transfer or obtain any permit, authorization, license or approval, the Company undertakes the necessary actions to ensure their continued effectiveness.

Regulatory and Supervising Authorities

The Ministry for the Environment and Natural Resources (SEMARNAT) is the primary environmental agency responsible for environmental policies and management and it is empowered, among other things, to grant federal environmental impact and risk authorizations and federal air emission licenses and to issue Mexican Official Standards on environmental matters. The National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector (ANSIPA) has recently become the key environmental, as well industrial and operational safety regulator for the hydrocarbon sector.

ANSIPA is responsible for the implementation of certain aspects of environmental legislation under the guidance of SEMARNAT. The Federal Attorney's Office for Environmental Protection (PROFEPA) is

SEMARNAT's executive body and it has powers to investigate and inspect facilities, impose penalties and to resolve administrative appeals by people who have been sanctioned for not complying with the law. Powers have been granted to ANSIPA to conduct inspections and impose penalties related to the matters covered by the agency.

The Mexican National Water Commission (*Comisión Nacional del Agua*) is in charge of the management of national surface and ground waters, the prevention of pollution to water, as well as the use and protection of certain national assets related to rivers, dams and other bodies of water. The Mexican National Water Commission grants concessions for the use and exploitation of national waters and permits for wastewater discharges into receptor bodies. The Mexican National Water Commission has its own enforcement department, independent of PROFEPA.

Environmental Certifications, Policies and Programs

Clean Industry or Environmental Quality Certificates

The currently operational subsidiaries of the Company participate in voluntary environmental audit programs sponsored by PROFEPA, and all of these businesses currently hold renewed clean industry or environmental compliance certificates. The Company's goal for new projects starting operations is to sign them up for this program and for them to obtain the corresponding certificates.

As part of these voluntary environmental audit programs, companies agree to conduct environmental audits of their own operations through an authorized independent environmental consultant. Based on the audit findings, the consultant prepares and proposes to the company a preventive and/or remedial action plan, and, depending on the certification process, advises PROFEPA of the results of the audit and the appropriateness of the resulting action plan. Subject to its review and approval of the audit findings and recommendations, PROFEPA will enter into an agreement for the implementation of the action plan with the audited company.

A clean industry or an environmental quality certificate is the end product of this voluntary environmental audit program, which generally shows that the company or business has complied with the action plan and is in compliance with applicable federal environmental laws and regulations, and in some cases with international standards and good engineering and operational practices for the relevant industry. The certificate is valid for a two-year period and can be continuously renewed for similar periods so long as the company continues to prove that it has maintained or improved its environmental performance compared to the time when the certificate was first awarded.

Corporate Environmental Policy

The Company conducts its business in compliance with the corporate environmental policies of Sempra Energy which have been developed and implemented globally for the companies of the Sempra Energy group of companies. During 2014, the Company prepared its own Environmental Policy, which is available to employees and contractors and is applied to new projects and in the operation and maintenance of Company facilities and processes. The Company's Environmental Policy is as follows:

At IEnova we are committed to protecting, preserving and conserving the environment and its biodiversity, preventing environmental pollution of water, air, land and the pollution caused by waste, maintaining a dialogue and listening to IEnova's various stakeholders. This involves:

- Reduction and control of environmental impacts caused by the operations and services provided by our companies;
- Sustainable management of resources, improving and continuously monitoring operational processes and environmental management;
- Optimizing and reporting on the environmental performance of water, fuel and energy consumption, in accordance with environmental objectives and goals that are verified annually; and
- Compliance with all applicable environmental laws, regulations and standards and with industry best practices, with global corporate guidelines and with the specific environmental permit requirements granted to IEnova subsidiaries.

We often impose internal Company standards that go beyond Mexican regulatory requirements.

Environmental Programs

The Company has several ongoing environmental programs, such as a program for the revegetation and protection of marine species programs under the LNG Terminal's sponsorship. These programs involve the rescue and relocation of certain protected species such as the *ferocactus viridescens*, as well as reforestation and flora compensation and conservation. The marine species protection program aims to monitor marine mammals.

There are other similar rescue, reforestation and compensation programs involving protected species in the area surrounding new projects, such as Energía Sierra Juárez and the Aguaprieta-Sonora Pipeline.

The Company considers that in view of its clean industry certificates, its corporate environmental policies and ongoing legislation compliance monitoring programs, the environmental actions linked to its current projects will not generate considerable costs or liabilities. However, the Company cannot guarantee that future costs and liabilities associated with its projects will not have a material adverse effect on its activities, operating results, cash flows, prospects and/or the market price of its securities.

vi) Human Resources

Employees

As of December 31, 2012, 2013 and 2014, the Company had a total of 437, 496 and 581 employees, respectively. From the total number of employees, 8.0%, 6.5% and 6.3% were unionized. The following table shows the number of full-time employees by area of activity and business segment.

	2012	**2013**	**2014**
By type of activity			
Management	46	73	84
Operations	383	393	429
Engineering and construction	8	30	68
By business segment			
Gas(1)	371	374	425
Power(2)	42	46	62
Corporate	24	76	94
Total employees	437	496	581

(1) Excludes 78, 154 and 179 employees of the joint venture with Pemex Gas, for the years ended December 31, 2012, 2013 and 2014, respectively.

(2) Includes 17 employees of the joint venture with InterGen, for the year ended December 31, 2014.

Unions and Collective Labor Relations

The Company's collective labor contracts with various trade unions are negotiated independently at each plant. Salaries are reviewed annually and the other terms of collective labor contracts are reviewed every two years. The Company has not experienced any significant collective labor disputes. The Company believes that its labor relationships with the various unions are satisfactory.

vii) Environmental Performance

See *"Regulation, Permits and Environmental Matters"* in *v) Applicable Law and Taxation.*

INDUSTRY PROFILE

viii) Market Information

General

In Mexico, both the natural gas and power sectors are regulated and include a high level of involvement by the Mexican government. In the power sector, the Mexican government owns 100% of the Comisión Federal de Electricidad (CFE), which until the recent reforms was a decentralized agency of the federal government. Since the constitutional reform and the publication of the Federal Electricity Commission Law, the CFE has been a state industrial enterprise *(Empresa Productiva del Estado* or EPE) wholly owned by the federal government, with legal personality and its own assets, enjoying technical, operational and management autonomy. It aims to provide the public service of electricity transmission and distribution, for and on behalf of the Mexican State. In the natural gas sector, the government owns 100% of PEMEX and its subsidiaries, including Pemex Gas, which until recently was also a decentralized agency of the federal government. Since the constitutional reform and the publication of the Petroleos Mexicanos Law, PEMEX has also become a state industrial enterprise (EPE) wholly owned by the federal government, with legal personality and its own assets, enjoying technical, operational and management autonomy. \its purpose is to carry out the exploration and extraction of oil and solid, liquid or gas hydrocarbons, and their storage, marketing and retail. Legislative changes in Mexico in the 1990s in both the natural gas and power sectors created significant investment opportunities for the private sector. In December 2013, the Mexican Constitution was amended to permit private sector participation in various energy industry activities. This reform was succeeded in August 2014 by the enactment of new laws and amendments to existing laws, which created a new legal framework for the oil, gas and power industries in Mexico and opened the country's resources to private and foreign investment. Both PEMEX and the CFE will continue to play a key role in the natural gas and power sectors as state industrial enterprises, owned and controlled by the federal government, but with entrepreneurial, commercial and financial objectives.

The Mexican Natural Gas Sector

Prior to the recently passed energy reform, natural gas production was carried out exclusively by the Mexican government through PEMEX and its subsidiaries. The liberalization of the natural gas industry started in 1995, when changes to Mexican law allowed private sector participation in the midstream (transportation and storage) and downstream (distribution) natural gas sectors. Previously, only PEMEX was authorized to construct and operate pipelines and transport natural gas in Mexico. Natural gas distribution was also highly restricted at the time. As part of these changes in the regulatory framework, PEMEX was required to provide the private sector with open access to its transportation system for natural gas, ending its monopoly in gas marketing. In the years since 1995 there has been a significant increase of private sector investment in midstream and downstream natural gas assets, but the National Pipeline System previously controlled by Pemex Gas still holds a dominant position in the market through the newly created National Natural Gas Control Center (CENEGAS). The recently enacted energy reform, which includes the Hydrocarbons Law, will allow private sector entities to process, export, import, transport, store, compress, decompress, liquefy, regasify, trade and sell natural gas and other hydrocarbons direct to the public. As of March 2015, private sector investment in the natural gas sector has included:

- Private sector companies, including IEnova, operating 23 open access transportation systems;
- Private sector companies, including IEnova, operating 22 distribution permits; and
- Private sector companies, including IEnova have constructed three LNG import terminals.

As a consequence of the environmental and financial advantages of natural gas over other energy alternatives, for the past six years demand for natural gas in Mexico has increased significantly, mainly due to the increased usage of natural gas by the CFE for power generation. In addition, these advantages have led to an increase in consumption of natural gas in other industries, where it is a less expensive and more efficient alternative to other fuels. The Energy Ministry estimates that Mexico will require more than 4,000 miles (6,400 km) of natural gas transportation infrastructure by the end of 2018 and those new projects are estimated to require an investment of approximately USD$13.0 billion.

Natural Gas Transportation Projects

Project	Date of Tender	COD Commencement (operations date)	Investment (M USD$)	Length (miles)	Length (km)
Announced Natural Gas Transportation Pipelines:					
Ojinaga-El Encino	2014	Q1-2017	393	158	254
El Encino-La Laguna	2014	Q1-2017	639	263	423
Waha, Texas-San Elizario	2014	Q1-2017	550	180	290
Waha, Texas-Presidio Ojinaga	2014	Q1-2017	780	143	230
Ehrengerg-Algodones-San Luis-Río Colorado	2014	Q1-2017	246	99	160
Merida – Cancun	2014	Q3-2016	457	186	300
Gas Natural to Baja California Sur	2014	Q2-2017	589	NA	NA
Texas-Tuxpan	2014	Q1-2018	2,947	388	625
Tula-Villa de Reyes	2014	Q2-2017	413	173	279
Tuxpan- Tula	2014	Q1-2017	393	147	237
Samalayuca-Casabe	2014	Q2-2017	825	347	558
Colombia-Escobedo	2015	Q2-2017	368	158	254
Jaltipan-Salinas Cruz	2015	Q4-2017	635	153	247
Los Ramones-Cempoala	2015	Q4-2017	1,986	531	855
Villa de Reyes-Aguascalientes-Guadalajara	2015	Q4-2017	545	221	355
La Laguna-Centro	2015	Q4-2018	884	373	601
Lázaro Cárdenas-Tapachula	2015	2018	450	206	331
Salinas Cruz-Tapachula	2015	2018	436	273	440
Total			**$13,140**	**4,007**	**6,449**

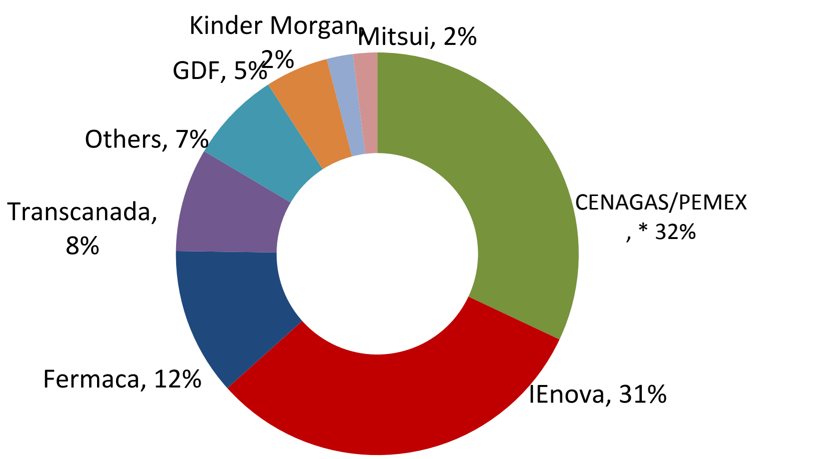
This expansion of the natural gas pipeline network is expected to provide extend the reach, increase the capacity and improve the flexibility of Mexico's natural gas infrastructure, which will be required to support increased natural gas consumption in Mexico and it presents an important opportunity for the energy companies that are well positioned to invest in this sector in Mexico.

Open Access Pipeline Transportation Projects

Mexico's current pipeline network will need to expand in order to meet the growing demand in the country. This is evidenced by the recent and planned tenders by the Comisión Federal de Electricidad (CFE) to increase the natural gas transportation capacity with the goal of having a solid and extensive pipeline network by 2018 that will meet demand levels by creating sufficient capacity between points of supply and end consumers. In 2015, it is estimated that the CFE will be tendering at least five natural gas pipelines in the northern region of Mexico.

By the end of 2013, Mexico's gas pipeline network was composed of 8,630 miles (13,889 km) of transport pipelines and 30,560 miles (49,181 km) of distribution pipelines. There are few companies involved in this business. The top four companies control nearly 90% of the market. Market share in the natural gas transportation sector is shown in the chart below.

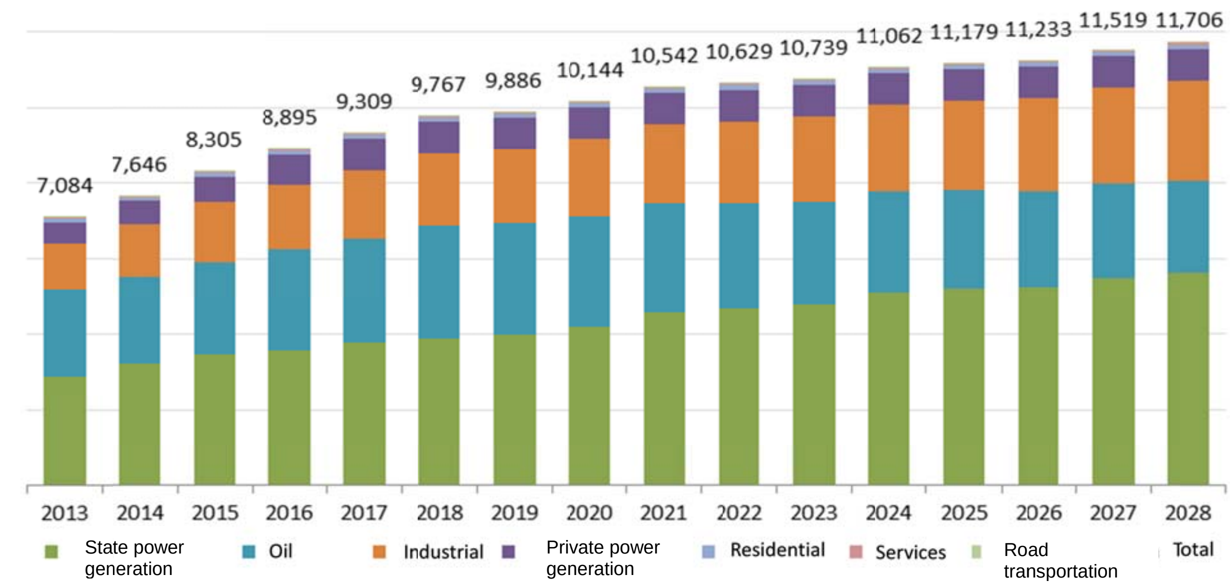
Market Share of Natural Gas Pipeline Transportation (mcfd) [(1)]



Source: *CRE*
* To be transferred to CENAGAS as a result of the recently enacted energy reforms.

Currently, these open access natural gas transportation projects serve the CFE, independent power producers, industrial customers, distribution zones and PEMEX. As noted above, natural gas demand is expected to increase substantially in Mexico as a result of the shift to natural gas-fired combined-cycle technology for power generation. The following graph illustrates the forecast growth in natural gas demand.

Natural Gas Demand in Mexico, 2013-2028
(mcfd)[(1)]



(1) mcfd = million cubic feet per day
Source: *Mexican Energy Ministry, "Prospectiva del Mercado de gas natural y gas LP, 2014-2028" (Natural Gas and LPG Market Outlook, 2014-28).*

LNG Storage and Regasification Plants

A substantial rise in demand for natural gas from the CFE and independent power producers has contributed to an increase in total natural gas demand of 4,373 mcfd (45.7 mthd) from 2000 to 2012. Demand has begun to outpace domestic production and natural gas imports have increased.

In addition to imports from cross-border pipelines, Mexican imports of LNG have helped satisfy the country's increasing natural gas demand. Three LNG import terminals have been granted the required permits since September 2003, when the CRE issued the first technical regulations pertaining to LNG storage and regasification plants.

LNG Import Terminals

Plant	Location	Status	Owners	Year Opened	Nominal capacity (mcfd)
Altamira LNG Terminal	Altamira, Tamaulipas	Operational	*Vopak and Enagás*	2006	500
Energía Costa Azul	Ensenada, Baja California	Operational	*IEnova*	2008	1,000
KMS LNG Terminal	Manzanillo, Colima	Operational	*KoGas, Mitsui and Samsung*	2012	500

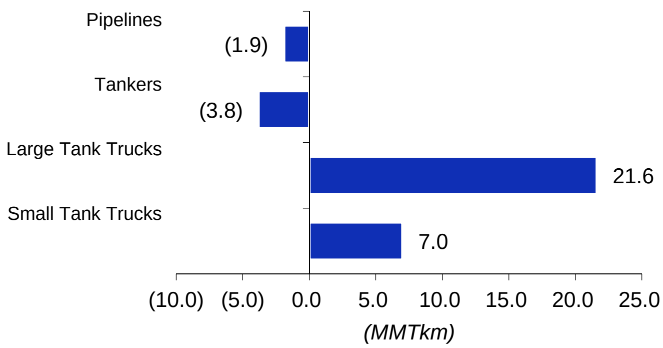
Source: *Wood Mackenzie.*

Transportation of Petroleum Products

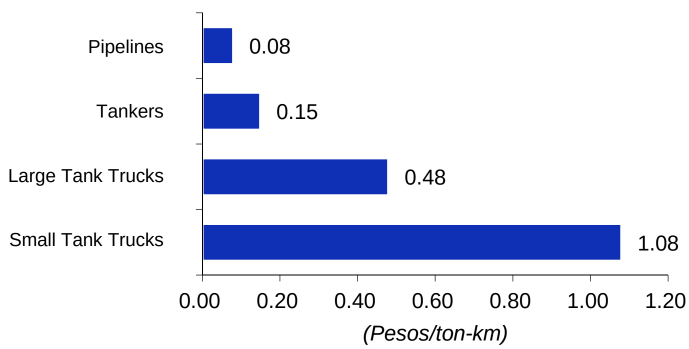
Mexico lacks efficient transportation, distribution and storage infrastructure for petroleum products, despite the growing demand for refined products throughout the country. Road transportation continues to provide a significant percentage of refined petroleum transportation, and there are increasing opportunities to provide more efficient means of transportation to reach the growing demand from consumption centers. According to the Prospectiva de Petróleo y Petrolíferos 2014-2018 (Natural Gas and LPG Market Outlook 2014-28), gasoline and diesel demand grew at by average annual rate of 2.7% in 2003 and by 3.4% in 2013. This scenario points to a potential investment opportunity in the development of petroleum based product transportation and storage infrastructure.

Energy reform will allow private sector participation in the construction and operation of petroleum product storage and transportation facilities. Transportation and storage of petroleum products will be regulated and the private sector will be able to participate, subject to obtaining a permit from the CRE.

Average Annual Growth Rate in Volume Transported, 2006-2011



Cost of Transportation Per Metric Ton per Kilometer, 2012 (MXN$)



Source: *Mexican National Energy Strategy, 2013*
Note:
1 metric ton = 1.102 short tons
1 kilometer = 0.621 miles

Natural Gas Storage

With the exception of storage associated with LNG import projects, Mexico has no storage capacity for natural gas. Natural gas terminal storage developers must apply for natural gas storage permits from the CRE. The CRE will set a ceiling price for storage tariffs but private sector entities are free to negotiate below the CRE's top price.

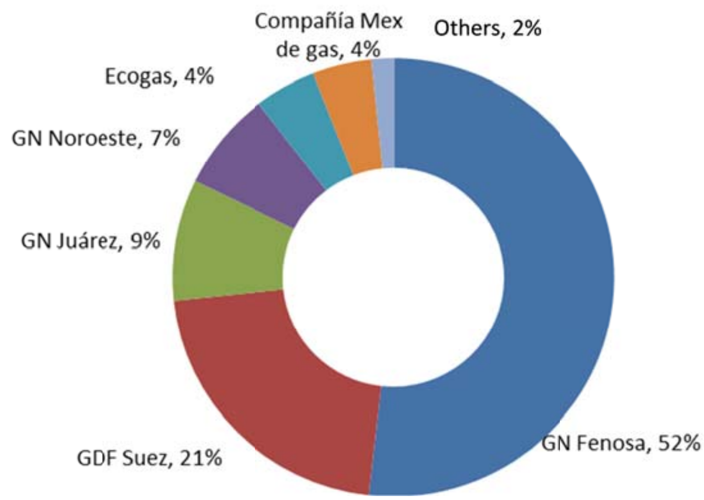
It is a challenge to decide on the type of storage plant to be built. The use of depleted fields has been problematic due to the existence of residual hydrocarbons that can mix with the stored natural gas, creating problems with quantification and the legality of the "extraction." Although fields of non-hydrocarbon resources could provide a simpler alternative, the lack of a real market for natural gas also limits the growth of this type of project.

Natural Gas Distribution

Since 1995, the CRE has granted 27 permits to expand the natural gas distribution infrastructure in Mexico. Since 2012 the permit holders have had a total length of approximately 30,560 miles (49,181 km) and in the year ended December 31, 2013 they invested more than USD$2.2 billion.

Market share for the natural gas distribution market is shown in the chart below, based on the number of customers served by each network. The top two companies control 73% of the total Mexican natural gas distribution market.

Natural Gas Distribution



Source: *CRE.*

The LPG Market

Current Mexican regulations allow private sector investment in LPG transportation, distribution and storage. The distribution market is dominated by a very small group of participants, with substantial barriers of entry. However, the transportation and storage sectors represent an important investment opportunity.

Overall, the Company believes that the LPG sector will likely require greater efficiency (or capacity at current efficiency levels) in order to supply the growing energy demand in Mexico. LPG transportation and storage infrastructure are two of the areas most in need of modernization given the inefficient extended road transportation system widely used today. Given the current state of LPG infrastructure and the prospects for the market environment, the Company believes that there is a need to develop a strategy to increase transport capacity and storage in the southeast of Mexico and the major consumption areas to ensure the supply of LPG and to increase flexibility of transportation. The investment program of Pemex Gas provides continuous and comprehensive maintenance and changes in the system of control supply terminals, while investments are made to reduce environmental impacts. For example, the completion of underground caverns in southern Veracruz 2016 will allow the storage of 1.8 million additional barrels of LPG, resulting in increased flexibility in operations and supply. Finally, for both the LPG and natural gas, the development of these projects and transportation investments are subject to the accuracy of supply and demand projections for the necessary funding to be viable, including through public and private investment.

Natural Gas Marketing

The CRE is working towards the implementation of a permanent first-hand natural gas sales (FHS) regime. The implementation of the permanent FHS regime would allow every player in the natural gas industry to purchase natural gas directly from the PEMEX processing plant or from an import point, ending a long temporary regime in which nearly all National Pipeline System users (with the exception of independent power producers) needed to acquire natural gas and transportation services from Pemex Gas on a bundled basis that includes gas, transportation, administrative fees and a profit margin on imports. Once implemented, the permanent FHS regime will allow gas marketers to have an increased role in the natural gas industry. Under the new Hydrocarbons Law, the CRE will issue natural gas marketing permits. Any natural gas sales or marketing activity will require prior authorization from the regulator.

The Mexican Power Generation Sector

As a result of the recent Mexican energy reform, the private sector in Mexico is allowed to participate in most of the electricity industry, subject to regulation. The private sector can participate in the construction and operation of power plants and compete with the CFE in the wholesale market. Although the transmission and distribution of electric power will be controlled by the Mexican state, the private sector can participate in those activities through service contracts. Electricity retail, as a public service or utility, will remain an exclusive activity of the CFE, while qualified users may purchase electricity from any power generator through a regulated wholesale electricity market.

After successfully awarding build-lease-transfer projects, principally Samalayuca in the mid-1990s, new legislation in 1997 allowed the CFE to start tendering for independent power production (IPP) plants. Prior to the 1992 reform, the CFE had been solely responsible for power generation in Mexico since the nationalization of the industry in 1960.

The 1992 reforms allowed IPPs to build, finance, operate and maintain electricity generation plants, provided that they met certain quality and technical standards. Electricity generated by IPPs must be sold exclusively to the CFE under long-term generation agreements and fixed prices.

The opening of the market to IPPs has brought more efficient technology to the country. This initiative greatly increased the use of natural gas-fired combined cycle technology in Mexico. Combined cycle technology generates electricity and steam, which is significantly more efficient than simple cycle turbines. It also has higher installed capacity factors. The increased focus on combined cycle technology has had a considerable impact on a market that had depended to a large degree on outdated power plants, many of which used fuel oil as a production input, as opposed to natural gas.

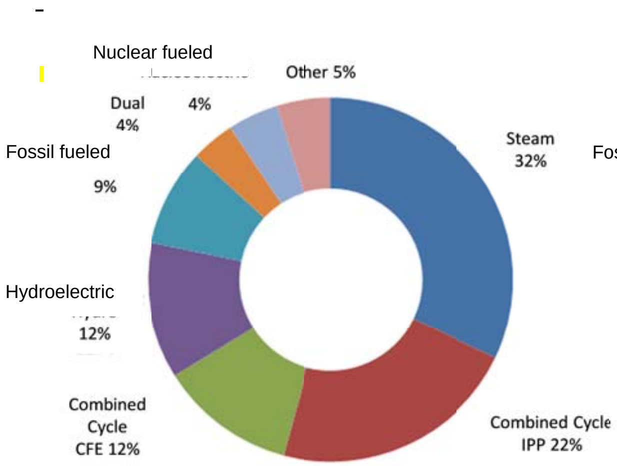
IPPs operate under build-own-operate contracts which generally allow for 25 years of operation. The majority of IPPs receive their natural gas supply from the CFE under a long-term contract that matches their operating term. A winning bidder is required to secure all permits, including a construction and operating permits, from the CRE.

In 2014, private sector companies operated 64% of Mexico’s combined cycle generation projects through IPP contracts. Together, these projects generate 28% of the country’s electric power. Growing power generation has spurred investment in transmission lines and transmission substations. From January 2004 to July 2014 transmission line length grew by 47.7% while substation capacity grew by 37.5%.

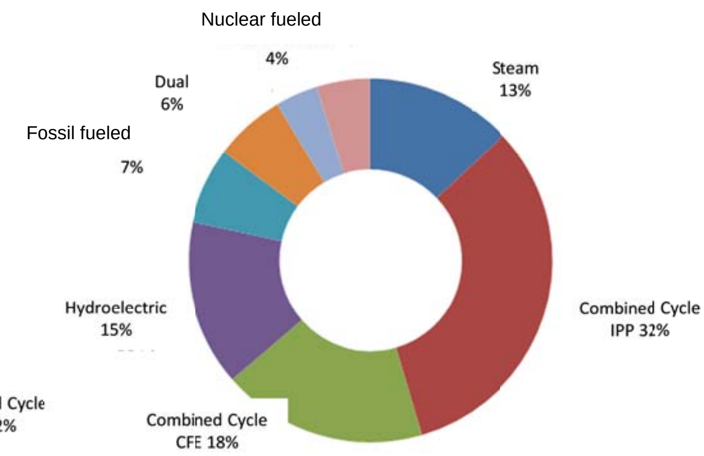
The shift to combined cycle technology has reduced the use of fuel oil in Mexico for power generation purposes. Between 2001 and 2013, Mexico's annual fuel oil consumption decreased by 56.5%, or by 5.7% per year.

The following charts illustrate the CFE's power generation by technology type in December 2003 and December 2013.

Power Generation by Source (December 2003)



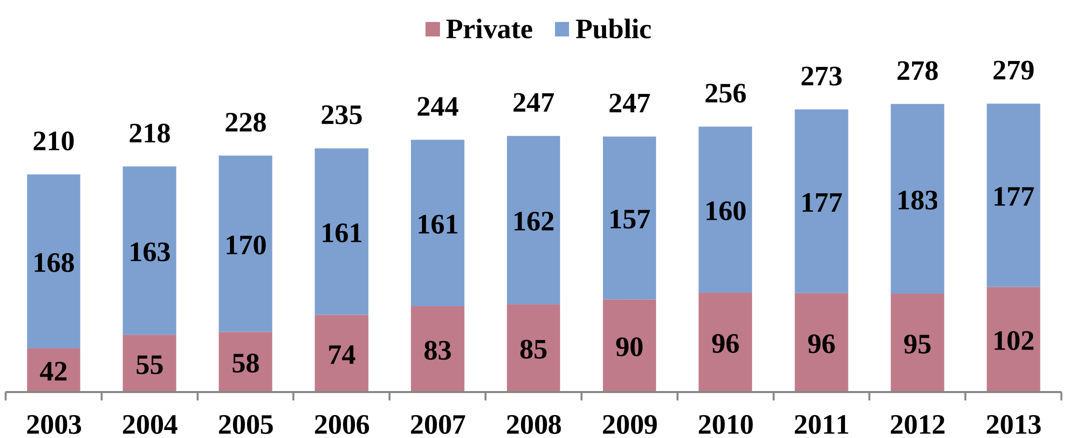
Power Generation by Source (December 2013)



Source: *Prospectivas del Sector Eléctrico Nacional, 2013-2027 (National Power Industry Outlook, 2013-27).*

The charts above indicate that fuel oil usage has decreased while natural gas has increased as the primary fuel source for power generation. The following graph illustrates the progress of IPP participation as part of Mexico's total power generation mix since 2002.

Annual Gross Power Generation by Producer in Mexico
(TWh)[(1)]



(1) TWh = 1 terawatt hour = 1,000 gigawatt hours = 1,000,000 megawatt hours.

Source: *Mexican Energy Information System.*

IPPs went from providing approximately 20% of the country's power in 2003 to providing approximately 37% in 2013. In relative terms the contribution of IPPs to the CFE's total power generation has tripled over this period.

Prior to the recently enacted energy reform, in addition to the IPP program, private sector participation was permitted in cogeneration, self-supply, imports, exports, and small production, i.e. power producers generating less than 30 MW could sell their electricity to the CFE or could export their electricity using small production permits. These activities have resulted in investments totaling USD$17 billion since 1995. All power generation projects must hold a CRE permit, provided that their power generation capacity equals or exceeds 0.5 MW. The following table shows total capacity, power generation and investment under currently operational permits awarded since 1992.

CRE Operational Power Generation Permits: Authorized Capacity, Generation and Investment

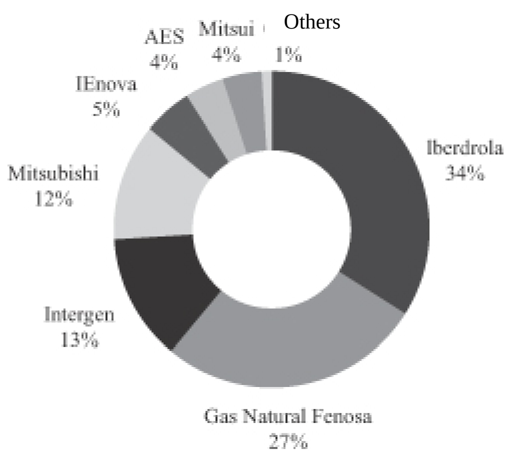
Permit	**Authorized capacity (MW)**	**Authorized Energy (GWh/year)**	**Investment (USD$ million)**
IPPs..................................	14,554	104,635	$ 15,359
Self-supply.......................	14,043	64,979	18,205
Cogeneration....................	4,518	24,804	4,147
Export	1,880	12,071	2,241
Import	321	709	18
Small Production	4,312	7,637	6,665
Own use………………....	503	1,412	560
Total	**40,131**	**216,247**	**$ 47,195**

Source: *CRE*

Note: The figures for IPP investment commitments and capacity are less than the actual investment and capacity figures shown in the table above due to the expansion of some of the permit holders' plants.

Current market share for private power generation plants is shown in the chart below. The top two companies control 61% of the total power generation market.

Power Generation



Source: *Mexican Energy Ministry, "Prospectiva del sector eléctrico 2010-2025" (Electric Industry Outlook 2010-2025).*

Note: This chart is based on designed capacity in MW rather than electricity sales in Mexico. It refers only to private power generation, excluding the CFE.

Renewable Energy Sources

In recent years Mexico has embarked on an effort to develop and promote non-fossil fuel consumption and to move towards more diverse sources of energy. The amendments to the energy regulatory framework approved by Congress in October 2008 included the Renewable Energy and Energy Transition Financing Law. This law is designed to promote and regulate the development of renewable energy in Mexico and it aims to provide a framework for renewable energy development and clean technologies for power generation. In the long run, renewable energy has the potential to help balance Mexico's energy portfolio and reduce its dependence on commodities with heavy price volatility. This may also signify an important potential for new investments, subject to the government's ability to put the necessary incentives and framework in place.

Mexico has an outstanding variety of renewable energy resources including wind, geothermal, solar, and hydroelectric. Mexico's wind and solar resources are particularly rich. The Mexican Wind Energy Association *(Asociación Mexicana de Energía Eólica, A.C.)* estimates that Mexico has 30 gigawatts, or GW, of wind power potential: 21 GW in areas with capacity factors above 30% and 16 GW in areas with capacity factors ranging from 35% to 45%. The most promising areas are located in Oaxaca, Northern and Central Mexico, and along the coasts of Yucatan and the Gulf of Mexico.

In 2014, renewable sources of energy accounted for over 25% of Mexico's installed power generating capacity. The renewable energy market has grown at a compound annual average growth rate of 2.5% from 2010 to 2012, reaching 4.0 TWh in 2012.

For the first time, the energy sector reform of 1992 allowed private sector participation in the renewable energy market. However the use of this type of energy has been at a standstill compared to fossil fuels. This is partially the result of a lack of an integrated structure capable of resolving the high number of obstacles, such as complicated land-use permits, insufficient transmission infrastructure and cost advantages that prevent the CFE from buying electricity at higher prices.

With the publication of the Law on the Use of Renewable Energies and Financing of the Energy Transition in 2008 and an amendment in June 2011, the government established a target that by 2025 at least 35% power generating capacity would be based on renewable sources.

Finally, in 2012 the Senate unanimously approved the General Law on Climate Change, which establishes a requirement that by 2024, 35% of the power generated in Mexico should come from sources other than fossil fuels. This law made Mexico only the second country in the world, after the United Kingdom, to adopt mandatory policies in the area of climate change. Private sector companies that are well positioned to capitalize on these trends, will be able to report significant levels of growth as the country's electricity needs continue to grow while it adopts clean technology standards.

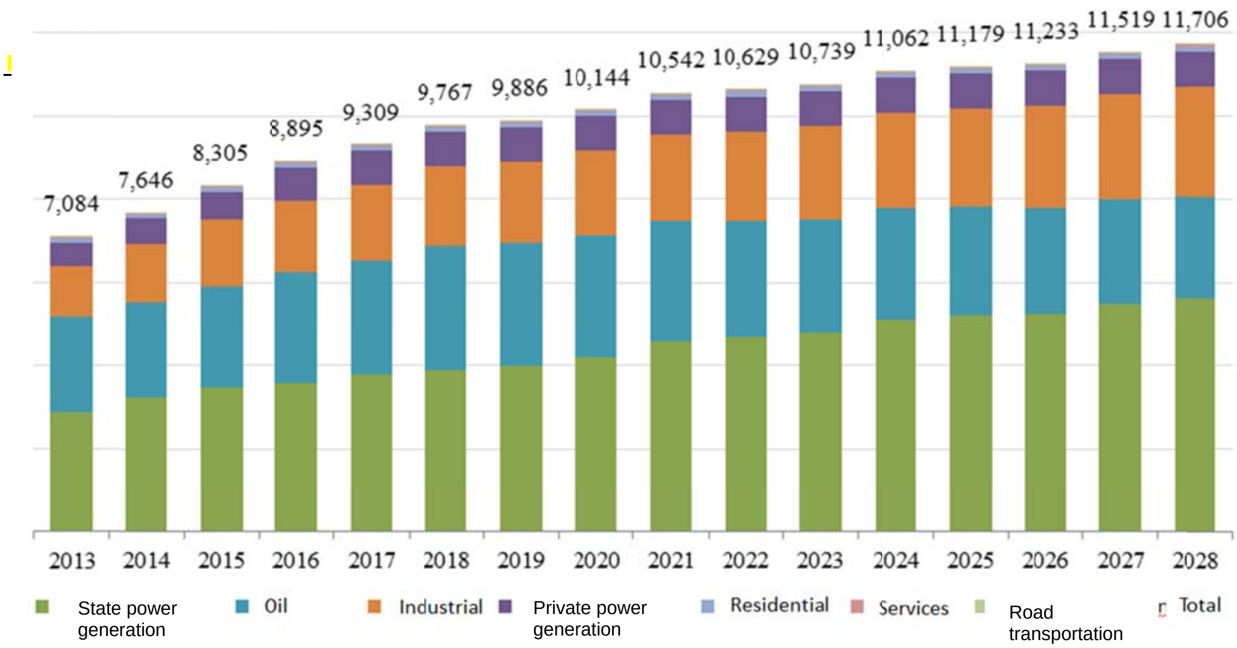
Under the recently enacted energy reform, certain obligations for the use of clean energy will apply to participants in the electricity market. Clean energy certificates (CELS) will be issued to the "generators of clean energy." Power generators will be entitled to a clean energy credit per MW/hr generated in clean energy plants that do not make use of fossil fuels and if they do use fossil fuels they would have to generate above a level of efficiency that has yet to be determined. The Energy Ministry reported that in 2018 CELS would be required to cover the equivalent to 5% of the total energy consumption during the year.

Growth of Natural Gas and Power in Mexico

The Mexican National Population Council estimates that from 2013 to 2025 the Mexican population will grow by 12%, or by nearly 14.2 million people.. Although the projected growth rate is approximately half that observed from 1995 to 2010, at which time Mexico experienced population growth of 23.2%, this projected population growth suggests that continued rising energy demand is likely for years to come. Moreover, the Company believes that the existing energy infrastructure remains insufficient to meet Mexico's future needs, particularly in Mexico's central region, which is experiencing rapid population growth and will likely require an expansion of both pipelines and power generation facilities.

The Energy Ministry expects that demand for both natural gas and power generation should continue to grow by an average annual growth rate of 3.5%. over the next 13 years. Based on these levels, by 2027 the country is expected to require 11,424 mcfd (118.8 mthd) of natural gas (a 43% increase) and 498 TWh of gross electricity generation (a 66% increase). The following two graphs display the forecast growth in both sectors. From 2013 to 2018 demand for natural gas is projected to grow at a compound annual rate of 4.4%... According to The Economist's Intelligence Unit, Mexico's real GDP is expected to grow by an average annual rate of 3.8% from 2015 to 2019.

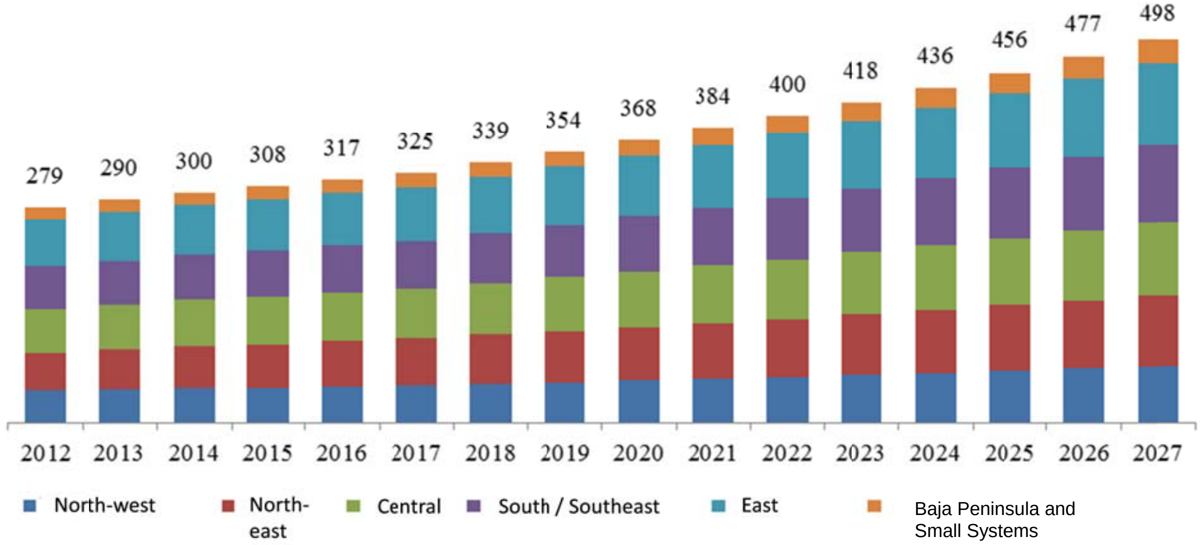
Natural Gas: Forecast Demand in Mexico, 2014-2028
(mcfd)



Source: *Energy Ministry, "Prospectiva del mercado del gas natural y gas L.P., 2014-2028" (Natural Gas and Liquefied Petroleum Gas Market Outlook, 2014-2028).*

On the other hand, Mexican power demand is projected to grow at a 3.2% from 2013 to 2022 rising to 3.8% from 2013 to 2028. Future power demand, especially in the latter period, is expected to be satisfied by a significantly larger share of renewable sources than current levels, in relative terms.

Estimated Gross Demand for Power in Mexico, 2012- 2027
(TWh)



Source: *Energy Ministry, "Prospectiva del sector eléctrico 2013-2027" (Power Industry Outlook, 2013-2027).*

Growing demand already represents a challenge to Mexico. The Company believes that new pipeline infrastructure and/or new natural gas import capabilities are imperative for Mexico's short and medium-term economic development, which should ultimately result in opportunities for companies within the industry. In addition, a newly created federal agency, CENAGAS, has been tasked with the operation of the National Pipeline System and compliance by permit-holders with their open access obligations. The potential implications of gas and power shortages have raised concern among a number of power industry officials. In 2011 and 2014, the CFE awarded contracts to private sector companies to construct the following pipelines:

- Morelos Pipeline (through the states of Tlaxcala, Puebla and Morelos), which will have a capacity of 320 mcfd (3.3 mthd);
- Chihuahua Pipeline (from the Mexico-U.S. border to El Encino, Chihuahua), which will have a capacity of 850 mcfd (8.7 mthd); and
- Tamazunchale Pipeline (from Tamazunchale, San Luis Potosí to El Sauz, Querétaro), which will have a capacity of 630 mcfd (6.5 mthd).

Additionally, with the aim of meeting the increasing demand for natural gas in the country and continuing in its role as a promoter of the development of the transportation industry, between 2012 and 2014, the CFE completed a tendering process and awarded six additional pipeline projects in northern Mexico, allowing natural gas to be imported from the United States. The six projects are:

- Sásabe-Puerto Libertad-Guaymas Pipeline (in the state of Sonora), which will have a capacity of 770 mcfd (8.0 mthd);
- Guaymas-El Oro Pipeline (through the states of Sonora and Sinaloa), which will have a capacity of 510 mcfd (5.3 mthd);
- El Oro-Mazatlán Pipeline (in the state of Sinaloa), which will have a capacity of 200 mcfd (2.1 mthd);
- Encino-Topolobampo Pipeline (through the states of Chihuahua and Sinaloa), which will have a capacity of 450 mcfd (4.7 mthd);

- Ojinaga-ElEncino Pipeline (in the state of Chuihuahua), which will have a capacity of 1,350 mcfd (14.0 mthd), and it will connect to the El Encino-Topolobampo and the El Encino-La Laguna pipelines; and
  - El Encino-Laguna Pipeline (in the states of Chihuahua and Durango), which will have a capacity of 1,500 mcfd (15.6 mthd) and it will connect to the Ojinaga-El Encino Pipeline

In October 2012 the CFE awarded the Company two long-term gas transportation service agreements in relation to the first two pipeline projects mentioned above: the Sásabe-Puerto Libertad-Guaymas Pipeline and the Guaymas-El Oro Pipeline. These projects will require the construction of two interconnected pipelines in the states of Sonora and Sinaloa. The Company has completed construction of the Sasabe-Puerto Libertad section of the first segment of the Sonora pipeline project and has begun generating revenues on this segment. Commercial operations began in December 2014. In this Report, the Company refers to these interconnected projects as the "Sonora Pipeline."

In December 2014, the CFE awarded the Company a natural gas transportation services agreement related to the Ojinaga-El Encino Pipeline. This pipeline will begin operations in March 2017, receiving gas from the Waha basin in the United States.

In December 2012, the Company's joint venture with Pemex Gas signed an ethane transportation services agreement with Pemex Gas to construct and operate a pipeline of approximately 226 km with a designed capacity of up to 151.9 mcfd (2.7 mthd) that will supply ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The first segment of this pipeline began operations in the first quarter of 2015.

In July 2013, the Company's joint venture with Pemex Gas entered into a 25-year natural gas firm transportation services agreement with Pemex Gas. This agreement covers the transportation capacity of the Los Ramones I pipeline, which will be comprised of a 48-inch pipeline with a length of 71 miles (114 km) and two compressor stations. The Company finished the construction of the Los Ramones I pipeline in December 2014, and it began commercial operation during the same month.

In October 2013, Pemex announced the development of the Los Ramones II pipeline in two segments: Los Ramones Norte and Los Ramones Sur. The Los Ramones Norte pipeline will be a natural gas transportation system comprised of a pipeline of approximately 273 miles (440 km), including two compressor stations. In March 2014, the Company's joint venture with Pemex Gas agreed to develop the Los Ramones Norte pipeline through the TAG Norte joint venture, in which the Company has a non-controlling interest. In addition, the TAG Norte joint venture agreed to a natural gas firm transportation services agreement with Pemex Gas for the entire capacity of the Los Ramones Norte pipeline system for a period of 25 years from the scheduled commercial operation date in the fourth quarter of 2015.

The company expects that the introduction of the natural gas infrastructure will foster new industrial growth and will present an opportunity for further pipeline expansion, including:

- A redundancy pipeline in central Mexico;
- A Baja California Sur pipeline;
- A Mexico-Central America pipeline;
- A Cancun pipeline;
- A new Pemex pipeline;
- An Aguascalientes-La Laguna-Monterrey-Sabinas pipeline; and
- A Guadalajara-Tepic-Mazatlán pipeline.

Separately and on the shortest possible timescale, the CRE is attempting to establish a natural gas sales regime for all National Pipeline System users. With the entry of the private sector into this market, users will no longer have to purchase bundled natural gas, transportation and marketing services from Pemex Gas. In the course of time the permanent regime should also pave the way for greater competition and efficiency. Under the regime, large users will be able to reserve capacity in the National Pipeline System, and a secondary market for reserved capacity is also expected to develop. The CRE also plans to establish a cost sharing system to incentivize pipeline construction. Under such plans, the cost of new infrastructure would be borne by all users in a given area designated by the CRE. In contrast, under current arrangements, only direct beneficiaries of new infrastructure bear the costs associated with its construction, even though the overall system frequently benefits from such projects. Although it is expected that the secondary market and the establishment of a cost sharing system will take time to be established, once the regime is implemented, the natural gas midstream and downstream markets are likely to get a significant new investment boost. As the need for natural gas and energy infrastructure increases, and as PEMEX continues to focus predominantly on oil exploration and production activities, private sector players in midstream and downstream natural gas segments are likely to be well-positioned to benefit.

Industry Overview

Mexico has abundant reserves of petroleum and natural gas, yet strong economic growth is causing energy demand to outpace the country's ability to generate additional supply. Historical under-investment in exploration and production has limited supply, and budgetary constraints with regards to major projects such as natural gas pipelines, transmission lines, and power plants have hindered the development of energy infrastructure.

The Company expects that current macroeconomic dynamics in Mexico will create significant opportunities for growth in the energy infrastructure sector over the next several years as demand for energy resources continues to grow. The administration of Enrique Peña Nieto, who was elected president of Mexico in July and took office on December 1, 2012, has publicly expressed a desire to increase private sector investment in Mexican energy infrastructure. In December 2013, a new and substantial legislative change occurred as a result of the amendment of the Mexican Constitution. This reform was succeeded in August 2014 by the enactment of new laws and amendments to existing laws, which created a new legal framework for the oil, gas and electric power industries in Mexico and opened the country's resources to private and foreign investment.

The Energy Ministry estimates that Mexico will require more than 4,000 miles (6,400 km) of natural gas transportation infrastructure by the end of 2018 and those new projects are estimated to require an investment of approximately US$13.0 billion.

Regulatory Dynamics

In Mexico, the natural gas and power sectors are regulated and include a high level of participation by the Mexican government. In the power sector, the Mexican government has 100% ownership of the CFE, which was a decentralized agency of the federal government whose purpose is to plan the national electricity grid as well as the generation, transmission, distribution and sale of electricity. As a result of the recent reforms, the CFE will cease to be a decentralized agency of the Mexican federal government and will become an independently managed state industrial enterprise (EPE). Under this new system, the planning and control of the expansion of the Mexican power grid and the electricity market will be carried out through the National Center for Energy Control (CENACE), a new government body that will act as an independent system operator for the wholesale electricity market.

In the natural gas sector, the government owns 100% of PEMEX and its subsidiaries, including Pemex Gas. The principal objective of the recent reform is to enable PEMEX to focus on profitable exploration and production activities while attracting foreign investment, and the reform of the energy sector will allow PEMEX to stimulate the whole energy industry from upstream to retail distribution: oil and gas as well as power and utilities.

The legislative changes that took place in Mexico in the 1990s created significant investment opportunities for the private sector from 1995, when regulatory reform allowed private sector participation in the natural gas sector's midstream (storage and transportation) and downstream (retail distribution).

From the nationalization of the Mexican power industry in 1960 to 1992, the CFE was solely responsible for power generation. The 1992 reforms and 1997 legislation allowed IPPs to build and operate power generation plants for their own consumption or to export the electricity generated or sell it to the CFE under long-term agreements at fixed prices. IPPs operate under build-own-operate contracts which generally allow for 25 years of operation. The majority of IPPs receive their natural gas supply from the CFE under long-term contracts that match their operating term. The recently enacted Electric Industry Law allows the private sector to generate and market electricity, subject to the receipt of a permit under a regulated open market. See *"Regulation, Permits and Environmental Matters."*

Demand Dynamics

Currently, private sector companies operate over 62.4% of the effective capacity of Mexico's combined-cycle generation projects through IPP contracts. Together, these projects generate 23.1% of the country's power. The opening of the market to IPPs greatly increased the uptake of natural gas-fired combined-cycle technology in Mexico. Among other factors, this shift in power generation away from fuel oil to more efficient natural gas-fired combined-cycle technology has substantially increased natural gas demand in Mexico, which has emerged as the primary source of fuel for power generation. From 1999 to 2012, natural gas demand in Mexico doubled, reaching a consumption level of 7,486 mcfd in 2013.

According to the Energy Ministry, demand for both natural gas and power generation is expected to continue growing during the next fourteen years by annual average growth rates of 2.8% and 4.0% respectively, implying a national demand of 11,425 mcfd of natural gas (a 43% increase) and 498 terawatt hours of gross power generation (a 66% increase) by 2027.

Supply Dynamics

Despite proven natural gas reserves of 17,075 billion cubic feet in 2014, according to the International Energy Agency, due to a lack of natural gas transportation infrastructure and relatively low extraction levels, Mexico is likely to struggle to meet its growing demand domestically and is therefore likely to become increasingly reliant on natural gas imports, which have helped to meet approximately 20% of the country's demand since 2008. As a result of increased natural gas demand, the National Pipeline System, which, prior to the recently enacted energy reform, was controlled by Pemex Gas, has in turn become capacity constrained, representing a significant risk of gas supply interruption to natural gas consumers.

Overview of the Competition

In general, the Mexican energy scene is highly concentrated, with a few key companies representing a significant portion of the market in each segment. In the natural gas pipeline market, the largest four companies control nearly 90% of the market. PEMEX controls the largest share by designed capacity, with 44% of the market, followed by the Company, with a market share of 26%. The natural gas distribution market is also highly concentrated, with Gas Natural Fenosa and GDF Suez together controlling nearly 80% of the total market by numbers of customers. The private power generation market is controlled by two companies, Iberdrola and Gas Natural Fenosa, with 61% of the total market by designed capacity.

Competitive Advantages

The Company believes the following competitive strengths distinguish it from its competitors and are critical to the continuing success of its strategy implementation:

- ***Proven development capability and extensive experience operating diverse energy assets.*** With over 19 years' experience operating in Mexico, the Company has developed the necessary skills and relationships to successfully build, own and operate critical energy infrastructure in Mexico. Over this time, the Company has established a proven track record of building greenfield and brownfield projects and the flexibility to acquire energy assets in existing and new lines of business. The Company made its first investment in Mexico in 1996, when it won the first private natural gas distribution permit awarded in Mexico. It has subsequently developed its Ecogas distribution system, which has evolved into a model for natural gas distribution. The Company's largest project to date is the LNG Terminal, which involved an investment of USD$1.2 billion. The Company completed the construction of the Sásabe-Puerto Libertad section of the first segment of the Sonora Pipeline project and is already generating revenue. Additionally, the joint venture with Pemex Gas started to operate the Los Ramones I Pipeline commercially in December 2014. Other notable projects include the investment of approximately USD$350 million to construct the natural gas-fired combined-cycle power plant in Mexicali, Baja California, the 2010 acquisition of USD$300 million of Mexican energy infrastructure assets from El Paso Corporation, which includes a joint venture with Pemex Gas, and a USD$200 million investment to expand the Rosarito and TGN pipelines.
- ***Well capitalized to explore new opportunities in the energy industry.*** As of December 31 2014, the Company had approximately USD$584 million in outstanding debt, and a debt to adjusted EBITDA ratio of 1.7, providing the flexibility to the Company to explore acquisitions, growth opportunities and project development opportunities in a competitive manner. Additionally, the Company has a proven ability to access capital

markets successfully, having raised USD$599 million in equity and USD$408 million in debt in February and March 2013, respectively.

- ***Cash flow stability and visibility through long-term agreements.*** The Company has contracted out a substantial portion of the capacity of its assets across its business segments under long-term agreements under which its customers are required to pay it regardless of whether they actually use their contracted capacity, which helps provide it with steady and predictable long-term cash flows. Substantially all of the counterparties to these agreements are stable and creditworthy, private sector companies or state-owned entities and the agreements are US dollar-denominated. In addition to enhancing the stability of cash flows, these firm capacity agreements also minimize the Company's direct exposure to commodity price risk. The current fee structure minimizes the Company's market risk in that rates are regulated by the CRE, and are adjusted regularly to account for inflation or fluctuations exchange rates.

- ***Broad footprint of energy assets covering a broad market opportunity set.*** The Company's assets are diversified across various segments of the energy infrastructure value chain which are open to private investment in Mexico, including pipelines, LNG, gas distribution and the power generation business. Given its scale, physical location and diverse asset base, the Company considers it is ideally positioned to continue to expand and build from its platform of energy infrastructure assets. Given its proven track record as a pioneer in private investment in Mexican infrastructure projects and its relationship with the most important players in the industry, the Company is well situated to enter new sectors of the industry as new investment opportunities are opened up to the private sector. In addition, as the majority of its energy infrastructure assets are located across northern Mexico, the Company is strategically positioned to be a key player in the growing demand for the import and export of hydrocarbons along the length of the Mexico-U.S. border.

- ***Pioneer in developing Mexico's private energy infrastructure.*** The Company is one of the few privately held companies in Mexico that owns and operates energy infrastructure, and it was one of the first privately held companies to become involved in the Mexican energy infrastructure market. Since the Mexican government opened the natural gas sector to private investment in 1995, the Company has invested approximately USD$3.0 billion in energy infrastructure in the country, successfully expanding into several sectors as changes to Mexican regulations have opened up new areas to private investment. This pioneering experience of owning and operating energy infrastructure in Mexico has helped it establish a leading position in the industry. Among private companies the Company currently ranks first in the Mexican LNG market with approximately 50% and second in in the Mexican pipeline market with approximately 30%, according to Energy Ministry figures. The Company is well positioned to act as a first-mover in new energy markets as additional opportunities arise, capitalizing on its extensive experience.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses.*** The Company has worked closely with the CRE and other Mexican energy regulatory bodies over the past 18 years and it has developed a deep understanding of the regulatory process and framework in the Mexican energy sector. The Company believes its cooperation and close coordination with the relevant regulatory bodies in Mexico are key business strengths, and it intends to continue nurturing and building these positive relationships. The Company also has long-term contractual relationships with government-controlled energy companies (PEMEX and the CFE), as well as the permits and authorizations to develop and operate its energy assets in Mexico.

- ***Highly experienced management team.*** The Company's management team has extensive experience in the energy infrastructure sector. The members of its senior management team have an average of over 18 years of experience operating and developing assets in the Mexican energy sector. They have the knowledge and skills necessary to successfully and safely manage all of the Company's assets and operations and the development expertise necessary to expand its existing footprint and enter into new energy sectors as opportunities arise. The Company believes its management team is one of its main competitive advantages over its industry peers.

- ***World-class parent company.*** The Company also benefits from the strong support of its controlling shareholder, Sempra Energy, which has a long history of building diversified energy services companies on a global scale. Sempra Energy, based in San Diego, California, is a Fortune 500 energy services company, with an income of approximately USD$11.0 billion in 2014. The 17,000 employees of Sempra Energy companies serve more than 32 million consumers worldwide. Through its relationship with Sempra Energy, the Company expects to continue to have access to a significant pool of strong commercial relationships throughout the energy industry and broad operational, commercial, technical, risk management and administrative infrastructure and support. The Company believes this access should, among other things, continue to maximize the operational and financial performance of its assets and enhance the efficiency of its current operations as well as its growth and expansion projects.

Segment Overviews
Gas Segment

The Company's gas segment includes (1) the pipelines business, which owns and operates systems for receiving, transporting, storing and delivering natural gas and liquefied petroleum gas (LPG) (and which includes our interest in the joint venture with Pemex Gas), (2) our liquefied natural gas (LNG) business, which owns and operates an LNG storage and regasification terminal, and also purchases LNG and sells natural gas to its customers, and (3) our natural gas distribution business, which distributes natural gas to approximately 106,000 residential, commercial and industrial customers in northern Mexico. A more detailed description of each of the businesses within our gas segment follows below.

Pipeline Business

General Overview

The Company's pipelines business owns and operates systems for receiving, transporting, storing and delivering natural gas and LPG, which includes more than 311 miles (500 km) of natural gas pipelines, 118 miles (190 km) of LPG pipelines, six natural gas compressor stations with an aggregate of over 155,000 horsepower, and a 80,000 bl (4.4 mth) LPG storage facility near Guadalajara, located throughout the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora and Tamaulipas. Our natural gas pipelines have an aggregate designed capacity of over 7,800 mcfd (81.1 mthd) (excluding Los Ramones Norte) and our LPG pipeline has a designed transportation capacity of 30,000 bld (1.6 mthd). The Company's pipeline assets include the Rosarito Pipeline, the TGN Pipeline, the Aguaprieta Pipeline and the Naco Compressor Station, as well assets held by our joint venture with Pemex Gas, in which we hold a 50% interest. This joint venture owns the San Fernando Pipeline, the Samalayuca Pipeline, the TDF LPG Pipeline system, the Gloria a Dios Compressor Station and the Guadalajara LPG storage facility, as well as the Ethane Pipeline project we are currently developing. Upon completion, our pipelines business will also include our Sonora Pipeline project, which will add assets of approximately 519 miles (835 km) of natural gas pipeline infrastructure and a designed natural gas transportation capacity of 770 mcfd (13.3 mthd) and the Los Ramones I and Los Ramones Norte pipelines, which will add approximately 345 miles (555 km) of natural gas pipeline infrastructure and a designed natural gas transportation capacity of 3,530 mcfd (36.7 mthd) and the Ojinaga-El Encino Pipeline with approximately 137 miles (220 km) of natural gas pipeline infrastructure and designed natural gas transportation capacity of 1,400 mcfd (14.6 mthd). When the Ethane Pipeline which we are currently developing is completed it will add approximately 140 miles (226 km) of pipeline infrastructure and a designed ethane transportation capacity of up to 151.9 mcfd (2.7 mthd) to our assets. The first segment of the ethane pipeline started operations during quarter one of 2015 and we are now working on segments II and III.

The majority of the Company's pipelines and compressor stations, and our LPG storage facility, have long-term fixed-capacity contracts with leading industry players, including Shell, Gazprom, InterGen, TransCanada, Pemex Gas and the CFE. Hence the Sonora Pipeline project currently in development has two 25-year fixed-capacity contracts with the CFE, while the currently under development ethane pipeline project has a 21-year fixed capacity contract with Pemex Gas, and the Los Ramones I and Los Ramones Norte pipeline projects currently under development have 25-year firm transportation services agreements with Pemex Gas.

The following table summarizes the operating assets of the pipelines business as of December 31, 2014, including those in which the Company has a 50% interest through the joint venture with Pemex Gas.

Assets	Ownership interest	Length of Pipelines miles (km)	Designed capacity (Mcfd)	% of Capacity under long-term agreement[1][2]	Compressor availability (Horsepower)	Commercial operation start date
Natural Gas Systems						
Rosarito Pipeline	100%	188 (302)[3]	3,858[3]	95%	30,000	Aug. 2002[4]
TGN Pipeline	100%	28 (45)	940	100%	8,000	Jun. 2000[5]
Aguaprieta Pipeline	100%	8 (13)	200	25%	N/A	Nov. 2002
Naco Compressor Station	100%	N/A	90	100%	14,340	Sep. 2001
Sonora Pipeline	100%	519 (835)	770	100%	15,400-32,475	Dec. 2014/Q3 2015/Q3 2016[6]
San Fernando Pipeline [7]	50%	71 (114)	1,000	100%	90,000	Nov. 2003
Samalayuca Pipeline [7]	50%	23 (37)	200	70%	N/A	Dec. 1997
Gloria a Dios Compressor Station [7]	50%	N/A	60	100%	14,300	Oct. 2001
Los Ramones I Pipeline[7]	50%	71 (114)	2,100	100%	212,916	Dec. 2014[8]
LPG System						
TDF LPG Pipeline [7]	50%	118 (190)	30,000 bld /40,000 bl[9]	100%	N/A	Dec. 2007
LPG Storage						
Guadalajara LPG Storage Terminal[7]	50%	N/A	80,000 bl[9]	100%	N/A	Dec. 2013

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

(2) Reflects the percentage of contracted capacity which, depending on the contract, may be expressed in volume or by a heating value (such as British thermal units). While we sometimes present capacity and contract data in this report by both volume and heating value for ease of comparison across our businesses, due to small differences that arise in converting these numbers some figures in this document may not match exactly the contracted out capacity percentages.

(3) The Rosarito Pipeline system includes three interconnected pipelines of different lengths, diameters and transportation capacity, as more fully explained below. The amounts presented here are the sum of the lengths of these three pipelines, and exclude additional capacity for compression.

(4) The Rosarito Pipeline system includes the Algodones Compressor Station, the Rosarito Mainline system and the LNG Spur and Yuma Lateral, which began commercial operations between 2002 and 2010.

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

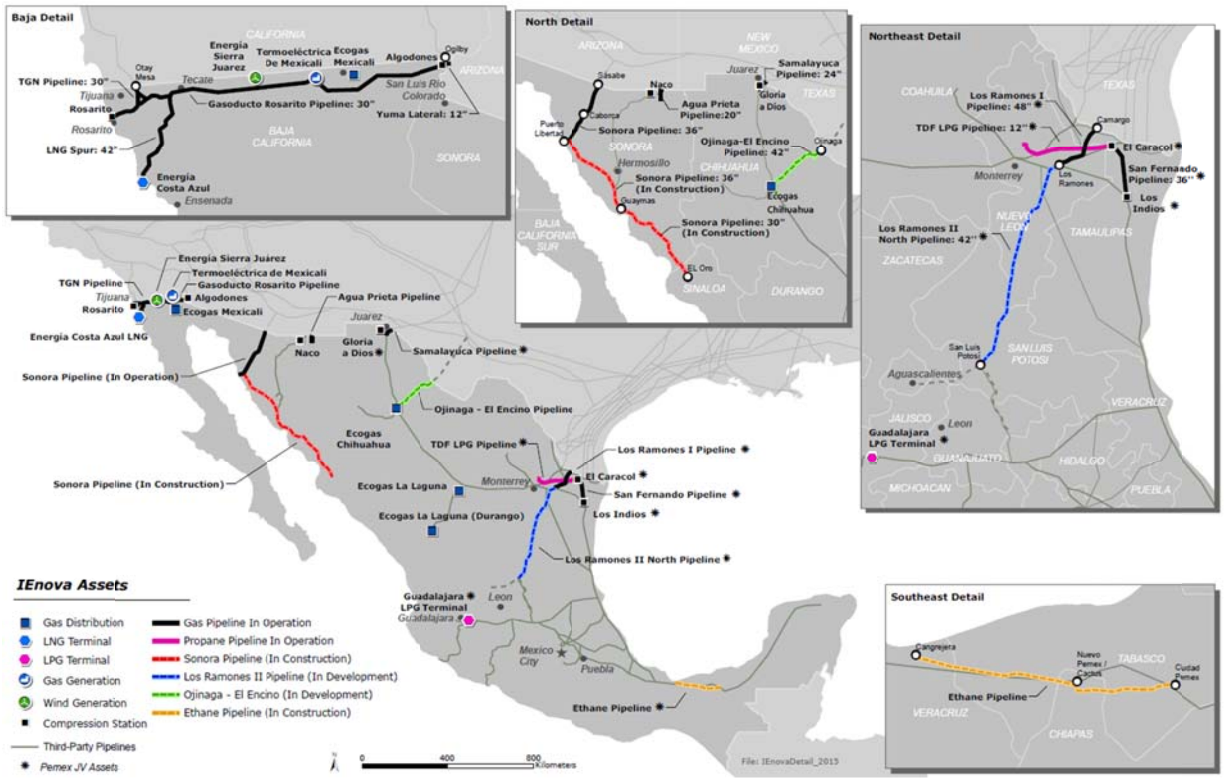
(6) The Company has completed construction of the Sásabe-Puerto Libertad section of the first segment of our Sonora pipeline project, beginning operations during the fourth quarter of 2014. The Puerto Libertad-Guaymas section is currently under construction and scheduled to commence operations in the third quarter of 2015, and the second segment (Guaymas-El Oro) is currently under construction and scheduled to commence operations in the third quarter of 2016.

(7) Assets owned under the 50% joint venture with Pemex Gas. This joint venture is not consolidated and instead earnings are recognized under the equity method.

(8) The Los Ramones I Pipeline commenced operations in December 2014.

(9) In barrels of LPG. The figures for the TDF LPG pipeline represent 30,000 bld of transportation capacity for the pipeline, and an additional 40,000 bl of capacity at the delivery terminal connected to the west end of the transportation system.

The following map shows the locations of the assets of the Company's pipeline business:



Pipeline Firm Transportation Service Agreements

The Company has entered into long-term firm transportation services agreements with various customers with respect to all of its systems, which are the key source of revenue for the pipelines business. These contracts entail an obligation to provide customers with natural gas transportation services up to certain maximum daily quantities of natural gas or LPG, as applicable, and the customer has a duty to pay the corresponding amounts. Each customer pays a monthly fee consisting of a fixed reservation component and a variable component based on the amount of natural gas delivered, plus reimbursement for expenses related to the transportation services we provide. The fixed reservation component of these fees accounts for the substantial majority of our revenue under these agreements, and must be paid by our customers whether or not they use their contracted capacity.

The majority of these agreements have U.S. dollar-denominated fixed rates that are lower than those authorized by the CRE for charging to the general public. The CRE establishes, and periodically adjusts, the maximum rates that the Company may charge to users in general. For agreements that reflect the maximum rate allowed by the CRE, the fee is adjusted annually to account for inflation and changes in the U.S. dollar-Mexican peso exchange rate in accordance with the Prices and Tariffs Directive (*Directiva de Precios y Tarifas*) established by the CRE.

Most of our firm transportation services agreements also include a financial guarantee or letter of credit to secure our customers' compliance with the terms of the agreement. Because our pipelines systems are open-access pipelines, any unused capacity in our pipeline systems can be sold to existing customers or to any third party under interruptible transportation agreements. While the Company has entered into interruptible transportation services agreements with some customers, such agreements have historically been immaterial to our business and our operational profits.

Operational Pipeline Assets

Rosarito Pipeline System

The Rosarito Pipeline system in Baja California is comprised of three pipelines of approximately 188 miles (302 km) in aggregate length, as well as a 30,000 horsepower compressor station. This fully bi-directional pipeline system starts at an interconnection point with the North Baja pipeline's system at the Mexico-U.S. border and ends at an interconnection point with our TGN Pipeline south of the city of Tijuana. This system's bi-directional capacity allows it to transport natural gas supplies from either the U.S. domestic natural gas market or from our LNG Terminal. The three pipelines comprising this system include the Rosarito Mainline, the LNG Spur and the Yuma Lateral.

- *Rosarito Mainline.* This system was completed in 2002 to supply natural gas from the United States to several power plants and industrial customers in Baja California, and is comprised of a 30-inch diameter pipeline with a length of approximately 140 miles (225 km) and a capacity of 534 mcfd (5.6 mthd).
- *LNG Spur.* This system was completed in 2008 and delivers regasified LNG from our LNG Terminal into the Rosarito Mainline for delivery to power plants and industrial customers in Mexico and the pipeline systems in the United States. This system is comprised of a 42-inch diameter pipeline with a length of approximately 45 miles (72 km) and a capacity of 2,600 mcfd (27.0 mthd).
- *Yuma Lateral.* This system was completed in 2010 to supply the power generation market in Arizona, and is comprised of a 12-inch diameter pipeline with a length of approximately three miles (five kilometers) and a capacity of 190 mcfd (2.0 mthd).

The Rosarito Pipeline system also includes the 30,000 horsepower Algodones Compressor Station installed on the Rosarito Mainline in Algodones, Baja California, which increases the system's capacity but does not directly generate revenue.

The Company has signed 15 firm transportation service agreements with the Rosarito Pipeline system's customers, which represent an aggregate daily maximum capacity of 3,633 mcfd (37.8 mthd), or 95% of the system's designed capacity, including compression, contracted on a fixed-capacity basis. The following table sets forth certain characteristics of firm transportation services agreements with some of the Rosarito Pipeline system's key customers.

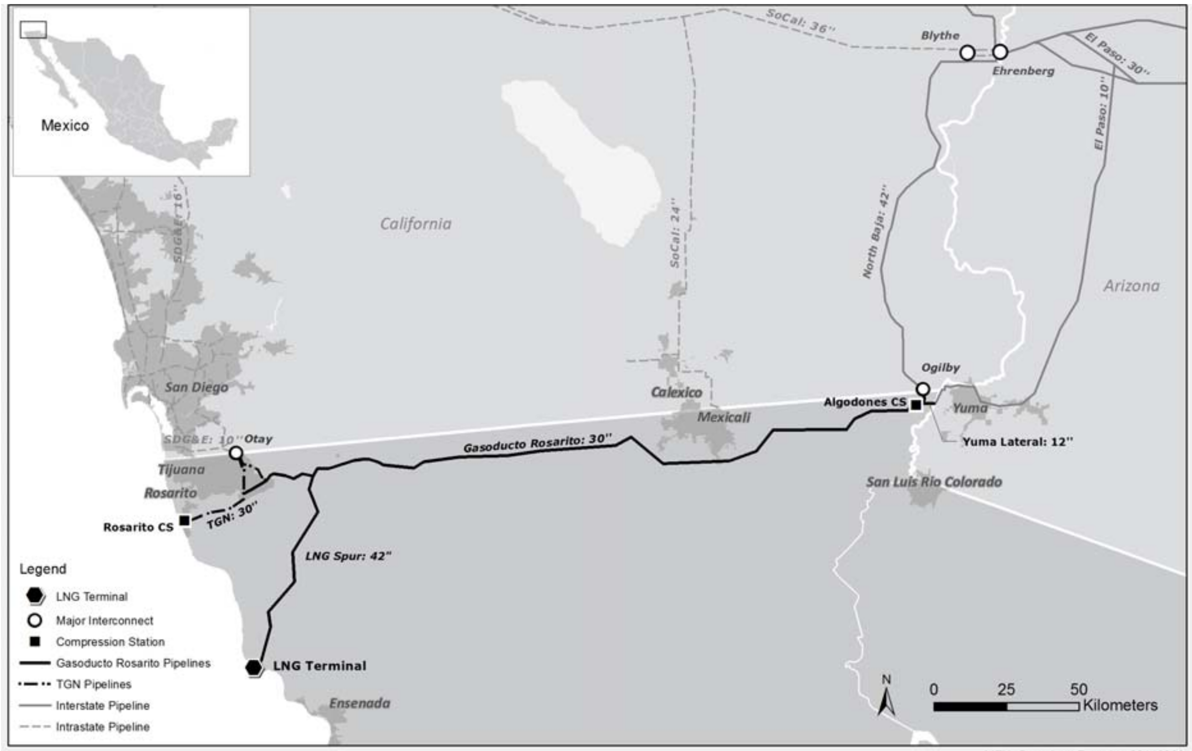
Customer	Purpose and characteristics	Signature date	Term	Contracted capacity[1]
Shell	Transportation of natural gas from our LNG Terminal to the interconnection point between the Rosarito Mainline and the North Baja pipeline on the U.S. border at Los Algodones, Baja California.	June 19, 2008	20 years	1,396 mcfd maximum daily quantity
IEnova LNG (a subsidiary of the Company) [2]	Transportation of natural gas from our LNG Terminal to the interconnection point of the LNG Spur and the Rosarito Mainline at Tecate, Baja California.	May 1, 2008	20 years	1,260 mcfd maximum daily quantity
Gazprom	Transportation of natural gas from the interconnection point of the LNG Spur and the Rosarito Mainline in Tecate, Baja California to the interconnection point of the Rosarito Mainline with the North Baja pipeline on the U.S. border at Los Algodones, Baja California.	April 14, 2009	20 years	204 mcfd maximum daily quantity
IEnova LNG (our subsidiary) [2]	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja Pipeline on the U.S. border at Los Algodones, Baja California to an interconnection point with theWest Baja Pipeline near Tijuana, Baja California.	April 1, 2014	8 years	385 mcfd maximum daily quantity
InterGen	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja Pipeline on the U.S. border at Los Algodones, Baja California to a point in the vicinity of Las Palmas, Mexicali, Baja California.	February 28, 2002	25 years	130 mcfd maximum daily quantity
Termoeléctrica de Mexicali (A subsidiary of the Company) [3]	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja pipeline on the U.S. border at Los Algodones, Baja California to an interconnection point at the Termoeléctrica de Mexicali power plant located near Mexicali, Baja California.	February 26, 2002	20 years	101 mcfd maximum daily quantity

(1) In certain cases, the contracted capacity presented in this table may exceed designed system capacity due to connection or other limitations.

(2) Sempra Energy, our indirect controlling shareholder, has provided credit support in respect of IEnova LNG's obligations under its contracts with our Rosarito Pipeline to the value of USD$125.8 million. IEnova LNG is currently utilizing its contracted capacity to transport natural gas that it supplies to its customers and the CFE's 1,300 MW Presidente Juárez power plant. See *"Segment Overview—Gas Segment—Liquefied Natural Gas Business."*

(3) Sempra Energy, our indirect controlling shareholder, has provided credit support in respect of Termoeléctrica de Mexicali's obligations under this contract to the value of US$29.4 million. Termoeléctrica de Mexicali currently utilizes its contracted capacity to transport gas to its own generators.

The following map shows the routes of each of this system's three pipelines, as well as the routes of the TGN Pipeline:



TGN Pipeline

The Company's TGN Pipeline transports natural gas to the Presidente Juárez power plant owned by the CFE, to industrial customers in the areas of Tijuana and Rosarito, Baja California and to our affiliate San Diego Gas & Electric Company in the San Diego, California area. This fully bi-directional system, which is comprised of approximately 28 miles (45 km) of 30-inch diameter pipeline and has a capacity of 940 mcfd (9.8 mthd), interconnects with our Rosarito Pipeline system in the Tijuana area and extends north to interconnect with our affiliate San Diego Gas & Electric Company's system on the Mexico-U.S. border at Otay Mesa and southwest to the CFE's 1,300 MW Presidente Juárez power plant in Rosarito, Baja California. The West Baja Pipeline includes an 8,000 horsepower Rosarito Compressor Station, which increases the system's delivery pressure. The location and routes of the TGN Pipeline can be seen in the map above.

The existing firm transportation services agreements with the TGN pipeline's customers have the full amount of the system's designed capacity contracted on a firm basis. The following table sets forth certain characteristics of the TGN pipeline's main firm transportation services agreements:

Customer	Purpose and characteristics	Signature date	Term	Contracted capacity
IEnova LNG (our subsidiary) [(1)]	Transportation of natural gas from an interconnection point on the Rosarito Mainline in Tijuana, Baja California to an interconnection point between the TGN Pipeline and San Diego Gas & Electric Company's pipeline system in Otay Mesa, California and to an interconnection point with the Presidente Juárez power plant in Rosarito, Baja California.	May 1, 2008	20 years	519 mcfd maximum daily quantity
Shell	Transportation of natural gas from an interconnection point on the Rosarito Mainline in Tijuana, Baja California to an interconnection point between the TGN Pipeline and San Diego Gas & Electric Company's pipeline system in Otay Mesa, California.	June 19, 2008	20 years	385 mcfd maximum daily quantity

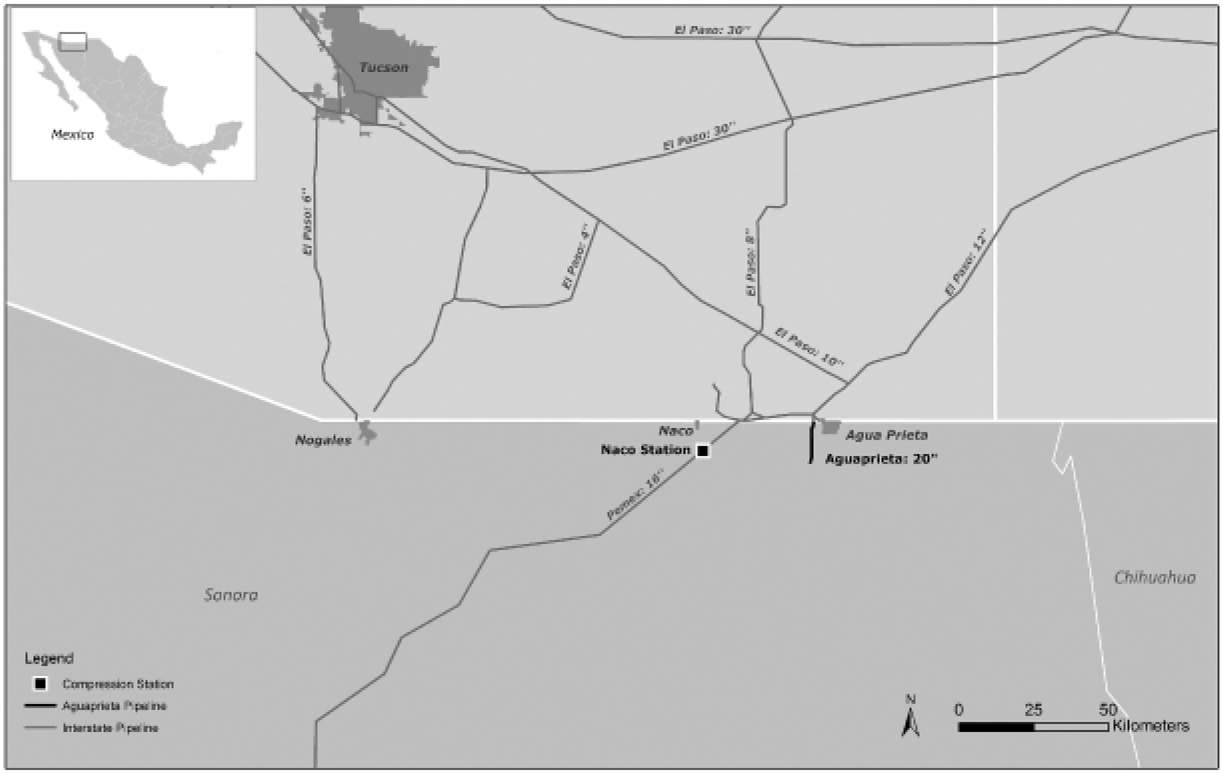
(1) The Company's indirect controlling shareholder Sempra Energy has provided credit support in respect of IEnova LNG's obligations under this contract to the value of USD$45.6 million. IEnova LNG currently utilizes its contracted capacity to transport natural gas it provides to its customers and the CFE's 1,300 MW Presidente Juárez power plant. In addition, under the contract with the CFE, IEnova LNG is reimbursed for the portion of the contracted capacity related to transportation to the Presidente Juárez power plant. See *"Segment Overview—Gas Segment—Liquefied Natural Gas Business."*

Aguaprieta Pipeline

The Company's Aguaprieta pipeline transports natural gas for its main customer, Kinder Morgan, from the interconnection of Kinder Morgan's Wilcox Lateral pipeline, located on the Mexico-U.S. border, to Fuerza y Energía Naco-Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the CFE. This system is comprised of approximately 8 mileas (13 km) of 20-inch diameter pipeline and has a designed capacity of 200 mcfd (2.1 mthd).

The main firm transportation services agreement for this pipeline is for 48 mcfd (0.5 mthd) of aggregate maximum daily quantity, or 25% of the system's designed capacity, contracted on a firm basis. This agreement includes a rate which will allow the Company to recover the entire cost of this pipeline. The 25-year term of this agreement commenced on November 20, 2002. The Company also entered into a firm transportation services agreement with the CFE in September 2013 for an additional 67 mcfd (0.7 mthd), which is renewed annually following an initial two-year term, and a six-year firm transportation services agreement with El Paso Marketing in October 2013 for an additional 2 mcfd (0.3 mthd). This system was built in anticipation of the potential constriction by CFE of two additional power plants in the area. One of these power plants, Agua Prieta II, is currently under construction and is expected to enter into commercial operation in the last quarter of 2015, representing a potential additional revenue opportunity for this system once it is completed.

The following map shows the route of the Aguaprieta Pipeline and the location of the Naco Compressor Station:



Naco Compressor Station

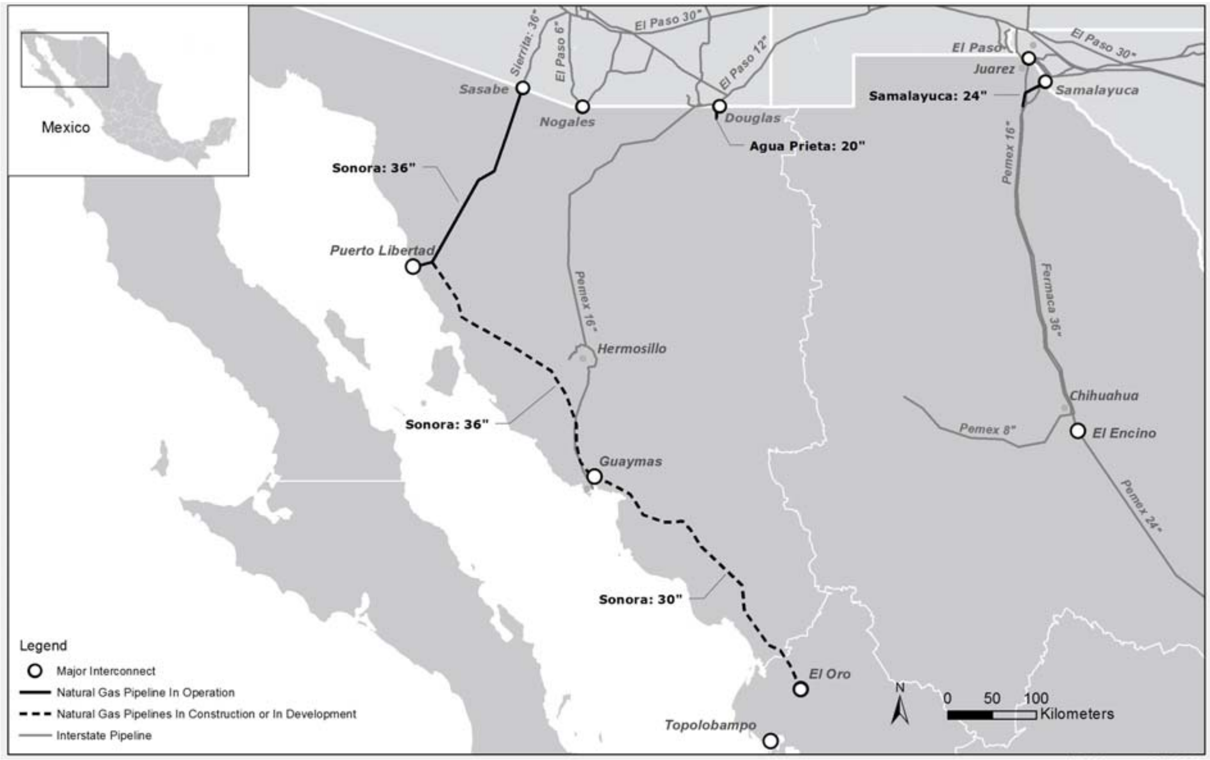
The Company's Naco Compressor Station consists of a 14,340 horsepower compressor installed on Pemex Gas's Naco-Hermosillo natural gas pipeline in Naco, Sonora. The existing compression services agreement with Pemex Gas has 90 mcfd (0.9 mthd) of firm compression services, or 100% of the system's designed capacity, contracted on a firm basis until 2021. Pemex Gas pays the Company a monthly fixed fee under this agreement, regardless of actual compression services provided, and the fee is adjusted annually for inflation. The initial term of the agreement expires in 2021, but it is extendable for a five-year period at Pemex Gas's discretion. If that agreement is terminated because of a *force majeure* event, Pemex Gas may purchase the compressor station at the greater of (1) book value plus an agreed markup or (2) fair market value, as determined by an independent appraiser.

The location of this compressor station can be seen on the map above.

Sonora Pipeline System

In October and November 2012, the Company entered into two natural gas transportation service agreements with the CFE. Under these agreements, the Company is constructing the Sonora Pipeline, located in the states of Sonora and Sinaloa, with a combined length of approximately 519 miles (835 km) and total combined capacity of 770 mcfd (8.0 mthd). The first segment of this project is a 36-inch diameter pipeline of approximately 314 miles (505 km) in length, with a transportation capacity of 770 mcfd (8.0 mthd), and the second segment is a 30-inch pipeline of approximately 205 miles (330 km) in length, with a transportation capacity of 510 mcfd (5.3 mthd). We have completed construction of the Sasabe-Puerto Libertad section of the first segment of the Sonora Pipeline project and have begun generating revenues on this segment. The Puerto Libertad-Guaymas section is currently under construction and scheduled to begin operation in the third quarter of 2015, and the second segment (Guaymas-El Oro) is currently under construction and scheduled to begin operation in the third quarter of 2016. The CFE will be the sole customer of these pipelines under 25-year U.S. dollar-denominated take-or-pay capacity agreements.

The following map shows the routes of the pipelines:



Joint Venture with Pemex Gas

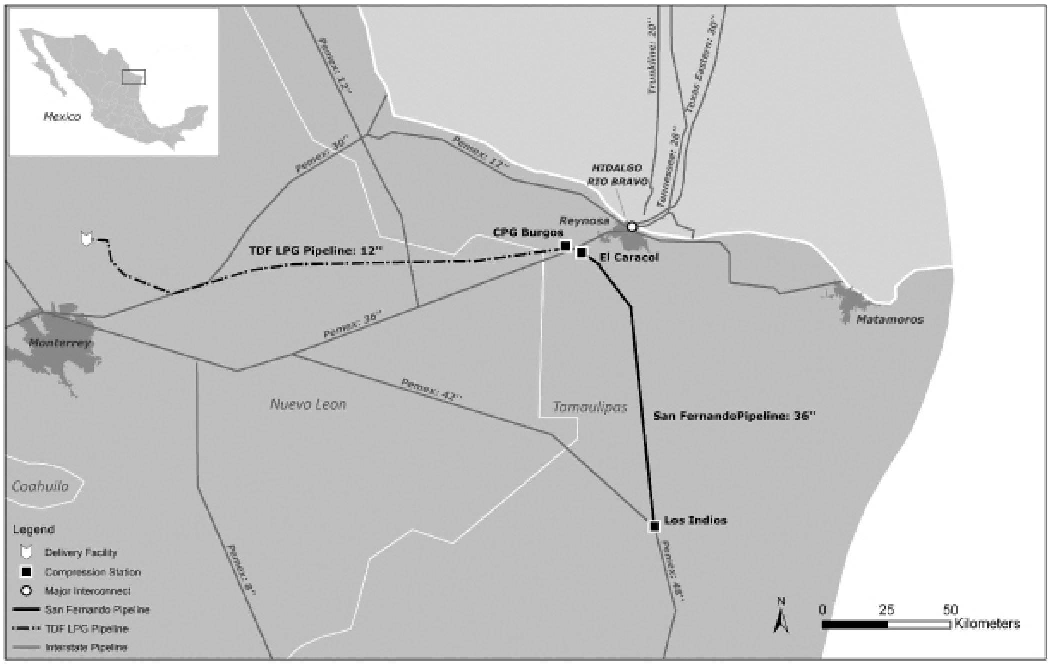
The Company has a 50% interest in the joint venture with Pemex Gas, which owns the San Fernando Pipeline, the Samalayuca Pipeline, the TDF LPG Pipeline system, and the Gloria a Dios Compressor Station. In addition, the joint venture owns the Guadalajara LPG Terminal storage facilities and is currently developing the Los Ramones I Pipeline, the Ethane Pipeline and, through the TAG Norte joint venture, the Los Ramones Norte Pipeline. The Company acquired its interest in this joint venture from El Paso Corporation in April 2010.

San Fernando Pipeline

The San Fernando pipeline is a 36-inch diameter pipeline of an approximate length of 71 miles (114 km) and has two compressor stations with an aggregate of 90,000 of horsepower. It has a transportation capacity of 1,000 mcfd (10.4 mthd) and a compression capacity of 1,460 mcfd (15.2 mthd). The pipeline runs from its El Caracol Compressor Station in Reynosa, Tamaulipas to its Los Indios Compressor Station at San Fernando, Tamaulipas. This bi-directional pipeline increases the capacity and improves the reliability of Pemex Gas's natural gas system. The San Fernando Pipeline system is operated by Pemex Gas under an operation and maintenance agreement with our joint venture.

The San Fernando Pipeline's sole customer, Pemex Gas, has 1,000 mcfd (10.4 mthd) of aggregate maximum daily quantity, or 100% of the system's designed capacity, contracted on a firm basis. Pemex Gas also uses the extra compression capacity on this pipeline under to an interruptible transportation services agreement. The firm transportation services agreement with Pemex Gas has a declining fee structure over the life of the contract. It has an initial term of 20 years beginning in 2003, but is extendable for a five-year period at the option of Pemex Gas.

The following map shows the routes of the San Fernando Pipeline and the TDF LPG Pipeline:



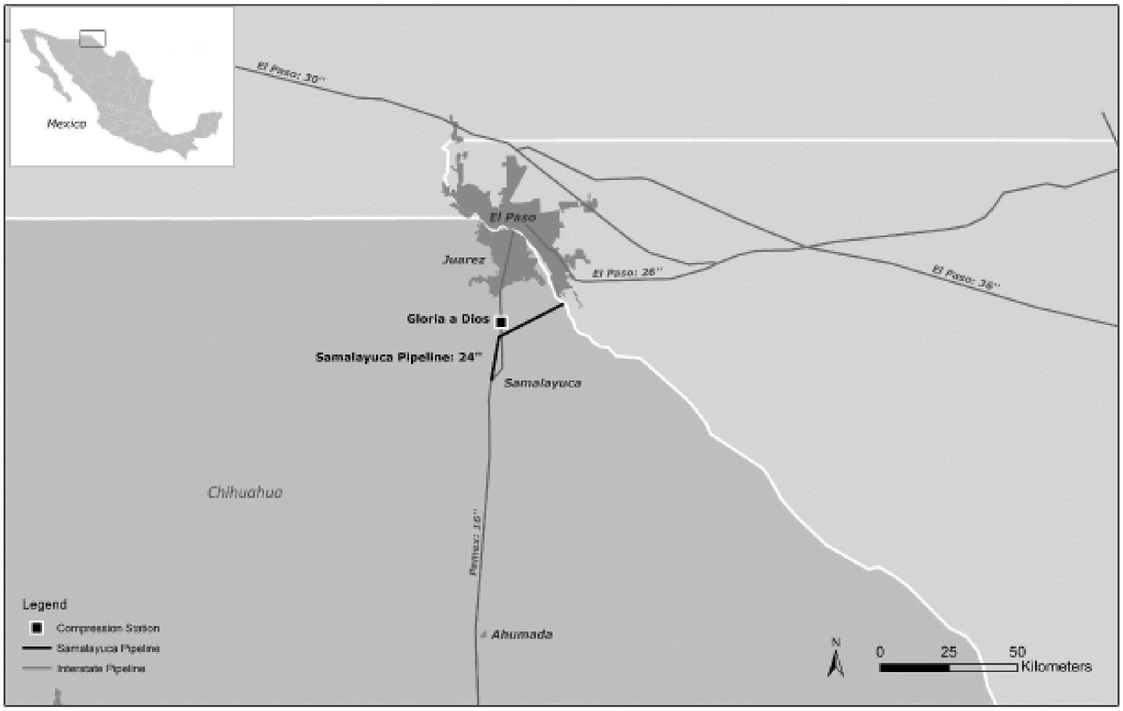
Samalayuca Pipeline

This system has a 24-inch diameter pipeline and is approximately 23 miles (37 km) in length with a capacity of 200 mcfd (2.1 mthd). The Samalayuca Pipeline, in operation since 1997, was the first privately-owned natural gas pipeline in Mexico. The pipeline runs from Ejido San Isidro to the CFE’s Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline owned by Pemex Gas, which runs from Ciudad Juárez to Chihuahua. The Samalayuca pipeline is operated by Pemex Gas under an operation and maintenance agreement between Pemex Gas and the joint venture.

The existing firm transportation services agreements with the Samalayuca Pipeline’s customers have 140 mcfd (1.5 mthd) contracted on a firm basis. The following table sets forth some of the characteristics of the Samalayuca pipeline’s firm transportation services agreements:

Customer	**Purpose and characteristics**	**Signature date**	**Term**	**Contracted capacity**
Pemex Gas	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with Pemex Gas’s pipeline system.	December 11, 2009	Annual	40 mcfd maximum daily quantity
CFE	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with the CFE’s Samalayuca I and II and Chihuahua III pipeline systems.	December 11, 2009	Annual	100 mcfd maximum daily quantity

The following map shows the route of the Samalayuca Pipeline and the location of the Gloria a Dios Compressor Station:



Gloria a Dios Compressor Station

The joint venture's Gloria a Dios Compressor Station consists of a 14,340 horsepower compressor installed at the interconnection point between the Samalayuca pipeline and Pemex Gas's Ciudad Juárez-Chihuahua natural gas pipeline at Gloria a Dios, Chihuahua. Under a compression and transportation services agreement with the CFE, the compressor station's sole customer, we have 60 mcfd (0.6 mthd) of compression services contracted on a firm basis. The CFE pays for these services based at a rate established by the CRE.

Under this agreement the Gloria a Dios Compressor Station provides compression services for the Chihuahua II power plant in the state of Chihuahua, and transports natural gas from an interconnection at the Mexico-U.S. border between Kinder Morgan's pipeline system and the Samalayuca Pipeline and delivers the compressed gas to the Gloria a Dios interconnection of the Samalayuca Pipeline and Pemex Gas's pipeline system. The agreement was signed in November 2011 and has a term of 20 years, with a five-year extension at the CFE's option.

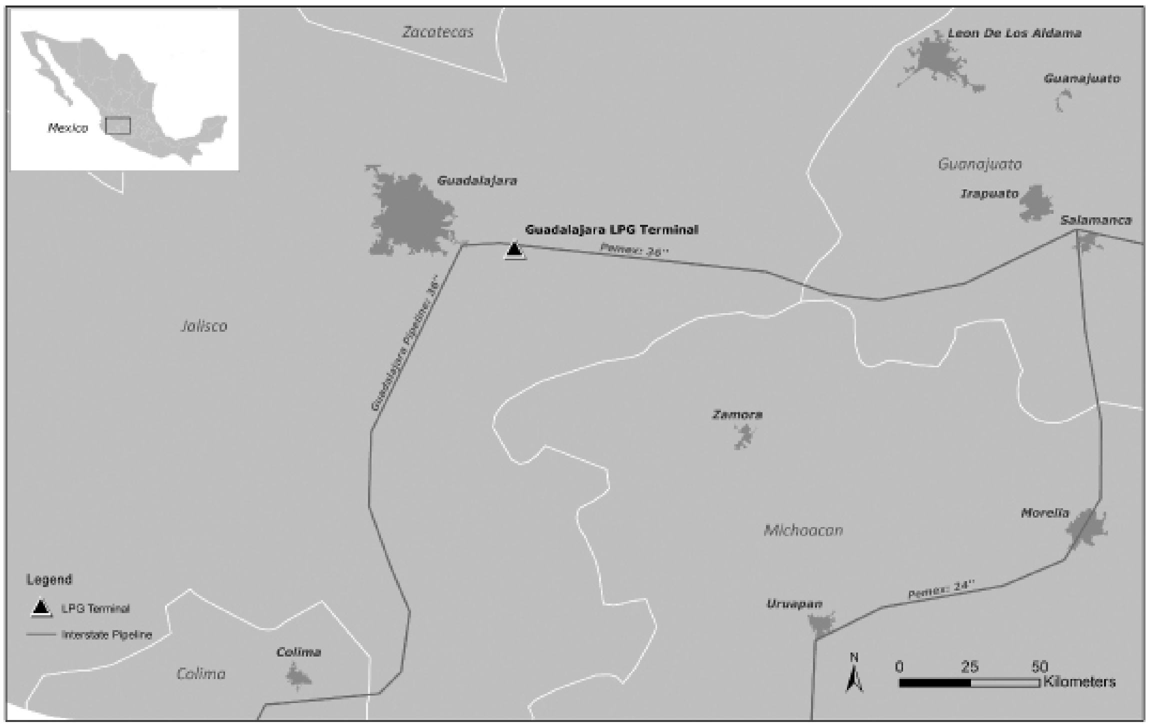
TDF LPG Pipeline

The TDF LPG Pipeline is a 12-inch diameter pipeline of an approximate length of 118 miles (190 km), with an average daily transportation capacity of 30,000 bld (1.6 mthd) of LPG, with a pumping station near the pipeline's point of reception and a delivery facility with two storage spheres, and a combined capacity of 40,000 bld (2.2 mthd). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex Gas's Burgos LPG production area in the state of Tamaulipas to a delivery facility near the city of Monterrey in the state of Nuevo León. This pipeline is operated by Pemex Gas under an operation and maintenance agreement with our joint venture with Pemex Gas. The existing transportation services agreement with the TDF Pipeline's sole customer, Pemex Gas, has 30,000 bld (1.6 mthd) of aggregate average daily capacity, which is equal to the system's designed capacity, and is contracted on a firm basis. The initial term of the agreement expires in 2027, but may be extended for a five-year period at Pemex Gas's option.

Guadalajara LPG Terminal

Through the joint venture with Pemex Gas, the Company has an LPG Storage Terminal in the outskirts of Guadalajara, Jalisco, with a capacity of 80,000 bl (4.4 mth). It consists of four storage spheres, each with a capacity of 20,000 bl (1.1 mth), with ten loading bays and an interconnection to Pemex Gas's separately-owned LPG pipeline system. The facility was competed in December 2013 and replaced an LPG storage facility owned by Pemex Gas that was located in the city of Guadalajara. The storage terminal is operated by Pemex Gas and serves the Jalisco market. The Company entered into an LPG storage services agreement with Pemex Gas, under which the joint venture provides storage services to Pemex Gas utilizing the full capacity of the terminal. In accordance with the terms of this agreement the joint venture receives LPG from Pemex Gas at the terminal and delivers Pemex Gas' LPG as directed by Pemex Gas, in exchange for a fee with a fixed component that Pemex Gas is required to pay regardless of the capacity it uses, and a variable fee based upon its actual monthly use of the services of the terminal. This agreement has a 15-year term and expires in 2028.

The following map shows the location of the LPG storage facility in the vicinity of Guadalajara:



Ethane Pipeline

In December 2012, the Company signed an ethane transportation services agreement with Pemex Gas through Gasoductos de Chihuahua S. de R.L. de C.V, to construct and operate a pipeline of approximately 140 miles (226 km) in length with a designed capacity of up to 151.9 mcfd (2.7 mthd) that will supply ethane from the PEMEX processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The first segment of the pipeline started operations in the first quarter of 2015. Pemex Gas will be the sole customer of this pipeline under a 21-year U.S. dollar-denominated take-or-pay capacity agreement, which will be indexed to inflation. The Etileno XXI plant is owned by Braskem IDESA.

Los Ramones I Pipeline

In July 2013, our joint venture with Pemex Gas entered into a natural gas firm transportation services agreement with Pemex Gas to construct and operate 48-inch diameter pipeline of approximately 71 miles (114 km) in length, with a designed capacity of 2,100 mcfd (21.8 mthd) and two compressor stations which will transport natural gas from the northern portion of the state of Tamaulipas bordering the United States to the interconnection points with the Los Ramones Norte Pipeline and the national gas pipeline system in Ramones in the State of Nuevo León. Pemex Gas will be the sole customer of this pipeline under a 25-year firm transportation services agreement.

The Company finished the construction of the Los Ramones I Pipeline in December 2014 and during the same month commercial operations began.

Los Ramones Norte Pipeline

In March 2014, our joint venture with Pemex Gas entered into an agreement with other PEMEX subsidiaries to establish the terms of an additional joint venture, which we refer to as the TAG Norte joint venture, for the construction and operation of the Los Ramones Norte Pipeline project. The Company's joint venture with Pemex Gas has a 50% stake in the TAG Norte joint venture. As of December 31, 2014, the Company has invested US$123.9 million in the project through four dollar-denominated credits, with a four-year term, generating interest at a 30 day Libor plus 450 bp (4.65% in December, 2014). In addition, each joint venture partner has a right of first refusal and a tag-along right in the event that the other partner desires to transfer its interest to a third party.

In March 2014, the Tag Norte joint venture entered into a 25-year natural gas firm transportation services agreement with Pemex Gas to construct and operate a 42-inch diameter pipeline with an approximate length of 273 miles (440 km), with a designed capacity of 1,430 mcfd (14.9 mthd) and two compressor stations, which will interconnect with the Los Ramones I Pipeline and the Los Ramones Sur Pipeline in San Luis Potosí. Pemex Gas will be the sole customer of this pipeline subject to the receipt of necessary permits. The Company expects to finish construction of the Los Ramones Norte Pipeline in the third quarter of 2015.

Corporate Governance of the Joint Venture with Pemex Gas

The relationship between the partners of the our joint venture with Pemex Gas is governed in accordance with: the bylaws of Gasoductos de Chihuahua, S. de R.L. de C.V., the special purpose company that was formed to hold the joint venture's assets, and the terms of the partnership agreement with Pemex Gas. The following is a summary of the principal terms of the bylaws and the partnership agreement.

Equity Quotas and Voting Rights. Quotas representing the contributed capital of the joint venture are divided into series "A" and series "B." Both series confer identical rights on the holder; Pemex Gas holds series "A" quotas and the Company holds an equal number of series "B" quotas. Partners are entitled to cast one vote for every US$1,000 of contributed capital, with Pemex Gas and the Company having an equal number of votes.

Management. The joint venture is managed by a board of managers composed of six members. Each partner has the right to appoint three members and their respective alternates. If at any time a partner holds more than 50% of the contributed capital of the joint venture, that partner will have the right to appoint one additional member and their respective alternate. The board of managers appoints a president, a vice president and a secretary of the board annually. The positions of president and vice president alternate between series "A" and series "B" members. If at any time one partner holds more than 50% of the contributed capital of the joint venture, then the vice president, president and secretary of the board would be elected by that partner. The board of managers has the right to appoint and remove the chief executive officer of the joint venture, as well as to create committees.

Generally, so long as the Company and Pemex Gas hold equal 50% interests in the joint venture, actions including additional capital contributions may only be taken with the agreement of both partners at the members' meetings, and the board meetings through their respective representatives. However, if at any time series "A" or series "B" represent more than 50% of the contributed capital of the joint venture, resolutions will be valid when taken by majority vote. If the action in question relates to an increase of capital, issuance of debt, change in corporate purpose, change of nationality of the joint venture, voluntary dissolution, a change in the legal type of company, a merger or any modification of the organizational documents, the affirmative vote of 75% of the capital will be required to approve the action.

Dispute Resolution Mechanism. In the event that a unanimous decision cannot be reached on any matter after reasonable efforts to do so, the dispute will be submitted to an arbitration procedure in New York City.

Transfers of Interests in the Joint Venture. Any sale, assignment, transfer or encumbrance of ownership interest in the joint venture by its partners requires the prior written consent of the other partner. For transfers of partnership interests, new partners must first agree in writing to become a party to the joint venture's partnership agreement. In addition, each partner has a right of first refusal in the event the other partner desires to transfer its stake to a third party.

Liquefied Natural Gas

General Overview

The LNG business consists of two related components. The first of these is the LNG storage and regasification terminal in Ensenada, Baja California, which stores LNG on behalf of customers, regasifies our customers' LNG and delivers the resulting natural gas to the Rosarito Pipeline system. Our LNG Terminal provides its customers with a secure delivery point for LNG with optional access to the Mexican and Southern Californian (U.S.) markets for natural gas.

The second component is IEnova LNG, the Company's subsidiary which has contracted 50% of the capacity of our LNG Terminal. Under the agreement signed with IEnova LNG, it purchases LNG, which it stores in the LNG Terminal until it is regasified and used to serve its customers, including the CFE's Presidente Juárez power plant, the Termoeléctrica de Mexicali power plant and other consumers.

LNG Terminal

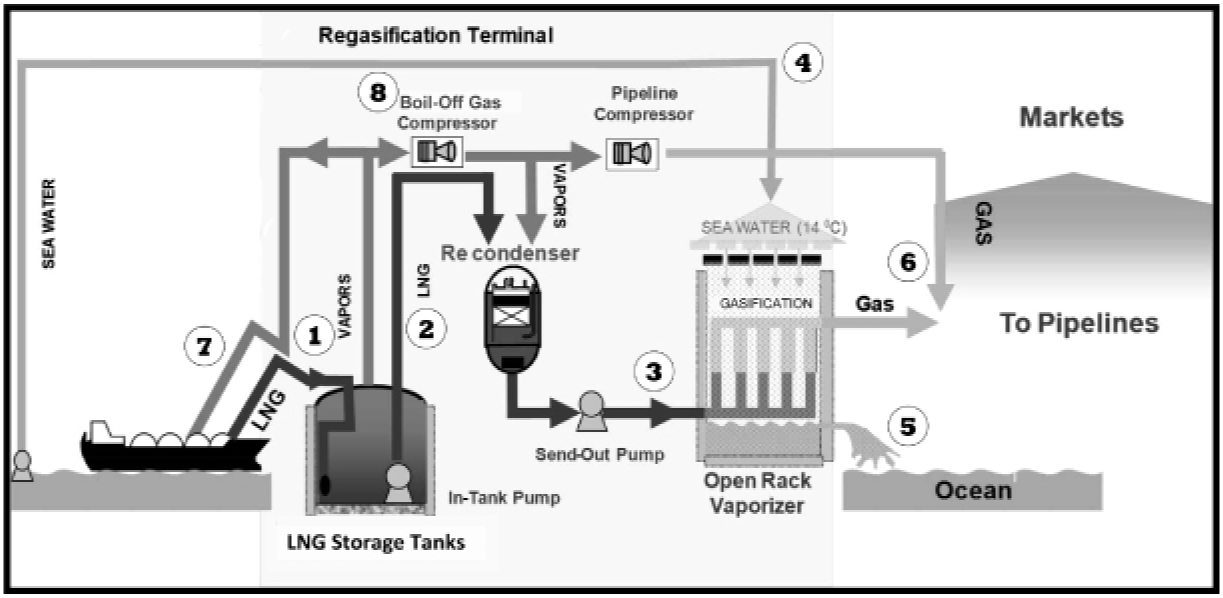
LNG is natural gas that has been cooled to approximately -160° Celsius in order to condense the gas into a liquid. Liquefaction of natural gas reduces its volume by a factor of 600, making it more feasible to transport by ship or truck.

The LNG Terminal consists of:

- One marine berth for the unloading of LNG cargoes by cryogenic LNG marine tankers;
- Two insulated full-containment LNG storage tanks with an aggregate capacity of 320,000 m^3 (73.3 mth); and
- A nitrogen generation facility that generates nitrogen from the surrounding air via membrane separation, which is then injected into the regasified LNG, when necessary, to lower its heating content to meet pipeline gas quality standards in Mexico and the United States.

The LNG Terminal is designed to operate at a maximum natural gas send-out capacity of 1,000 mcfd (10.4 mthd). The terminal is capable of supplying an equivalent of approximately one-eighth of Mexico's domestic natural gas needs, based on 2013 usage rates. The LNG Terminal can also be expanded to accommodate an additional marine berth and two additional LNG storage tanks in the future.

Operation. The diagram below illustrates the operation of the LNG Terminal. First, customers deliver LNG from cryogenic LNG tankers to the terminal for storage in the LNG tanks (stage 1), where they retain ownership of the LNG stored on their behalf. When customers request natural gas from the terminal, the LNG is moved from the storage tanks through a send-out pump (stage 2) to open rack vaporizers (stage 3), where the LNG is regasified using heat drawn from ambient-temperature seawater that is pumped through the vaporizers (stage 4). After flowing through the vaporizers, the sea water used to regasify the LNG is returned to the ocean (stage 5) at an average temperature only 2° Celsius lower than when it entered the system. When the LNG regasification process is complete, the Company delivers the customers' resulting natural gas to the Rosarito Pipeline system (see 6 below).



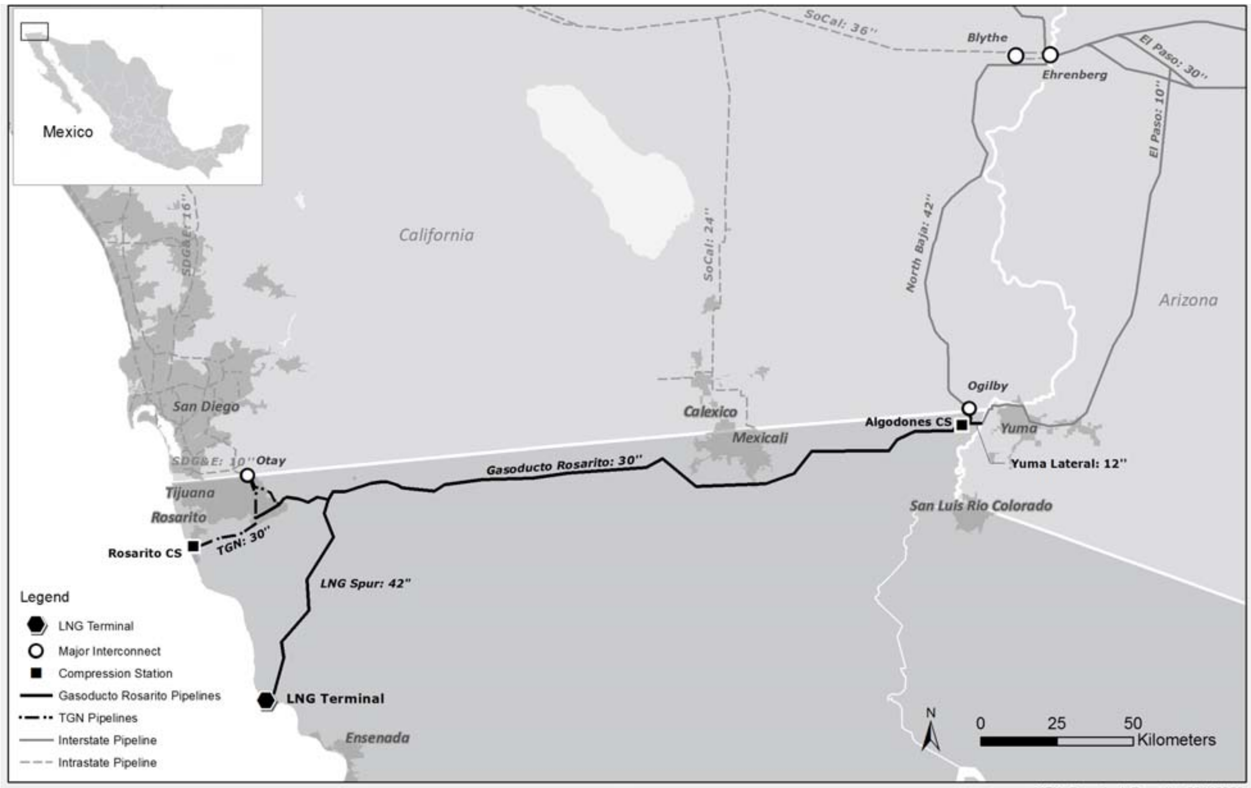
Because there is a large temperature difference between the LNG and ambient conditions, a very small portion of this LNG is continuously converting back to a gaseous state as the LNG warms. This gas is referred to as "boil-off gas." As indicated in the above diagram, the boil-off gas can either be returned to customers' cryogenic LNG marine tankers, if they are still in at the marine berth (stage 7), or it can be sent to a boil-off gas compressor (stage 8). Once the gas passes through the compressor, it can be delivered to the Rosarito Pipeline.

All electricity required for the operation of our LNG Terminal is generated on-site through five gas-fired combustion turbine generators, which are powered by a small amount of natural gas resulting from boil off and/or regasification, which all the customers provide at no charge whenever they store LNG at the terminal. The LNG Terminal has a redundant design with respect to most of its major components such as pumps, vaporizers and combustion turbine generators, which allows it to continue operating at its contracted send-out capacity while those components are being maintained or are experiencing an unplanned outage.

Internal Temperature of the LNG Storage Tanks

In order for the LNG Terminal to be operational, and to prevent equipment damage that could be caused by the thermal expansion of certain components during warming, the internal temperature of the LNG Terminal's storage tanks must be maintained at all times at a temperature no higher than approximately -160° Celsius. To keep the storage tanks at the required temperature, it is necessary to maintain a constant minimum volume of LNG in the terminal. Due to current natural gas market conditions, the delivery of LNG cargoes to the LNG Terminal by the capacity holders has been limited. Only one of the capacity holders, Company subsidiary IEnova LNG, has delivered LNG cargoes to the terminal, which it purchases from one of our U.S. affiliates, Sempra Natural Gas, under a long-term LNG purchase and sale agreement. Sempra Natural Gas has agreed to make a limited number of LNG cargoes available to IEnova LNG for purchase each year for the express purpose of maintaining a sufficient volume of LNG in the terminal such that it can remain continuously operational. IEnova LNG has agreed to make reasonable efforts to deliver minimum quantities of LNG to the LNG Terminal. The LNG Terminal's customers are not otherwise obligated under the terms of their firm storage services agreements to supply minimum quantities of LNG. If the Company is unable to obtain sufficient volumes of LNG from the capacity holders to maintain the minimum required internal temperature of the LNG Terminal, it will be necessary to secure these volumes on the open market. See *"Risk Factors—Risks Related to the Company's Activities and Industry— The Company may be exposed to high costs to acquire LNG in order to maintain its operations of its LNG Terminal."*

The following map shows the location of the LNG Terminal and the natural gas pipeline systems to which it is connected:



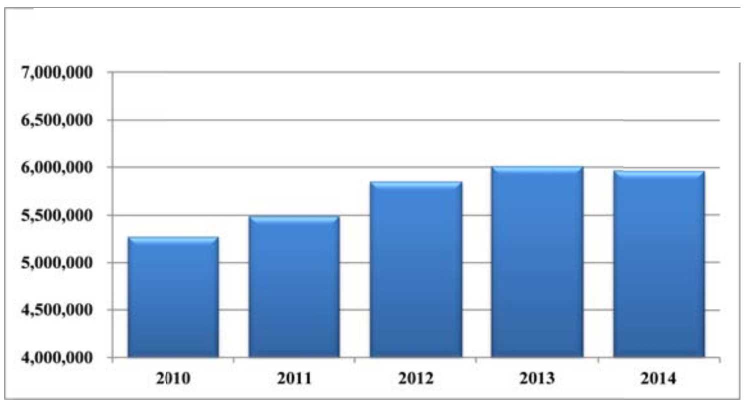
Natural Gas Distribution

General Overview

The Company's Ecogas subsidiary was awarded the first distribution permit given to a private company under the 1995 natural gas regulation to build and operate a natural gas distribution system in Mexico. Through its approximately 2,190 miles (3,524 km) of pipelines, the Ecogas distribution system currently serves approximately 106,000 residential, commercial and industrial customers in northern Mexico, with operations in the distribution zones 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.

In addition to receiving the first permit under the 1995 natural gas regulation, the Company became the first private distribution company to meet the requirements of the Mexican government in terms of the value of the investment and the number of customers. Since the Ecogas distribution system became operational, the Company has endeavored to market natural gas as a better alternative to LPG in the industrial, commercial and residential markets. The following chart shows the growth of the Ecogas system in terms of the volume of natural gas sold over the last five years.

Volume of LPG sold by Ecogas in gigacalories

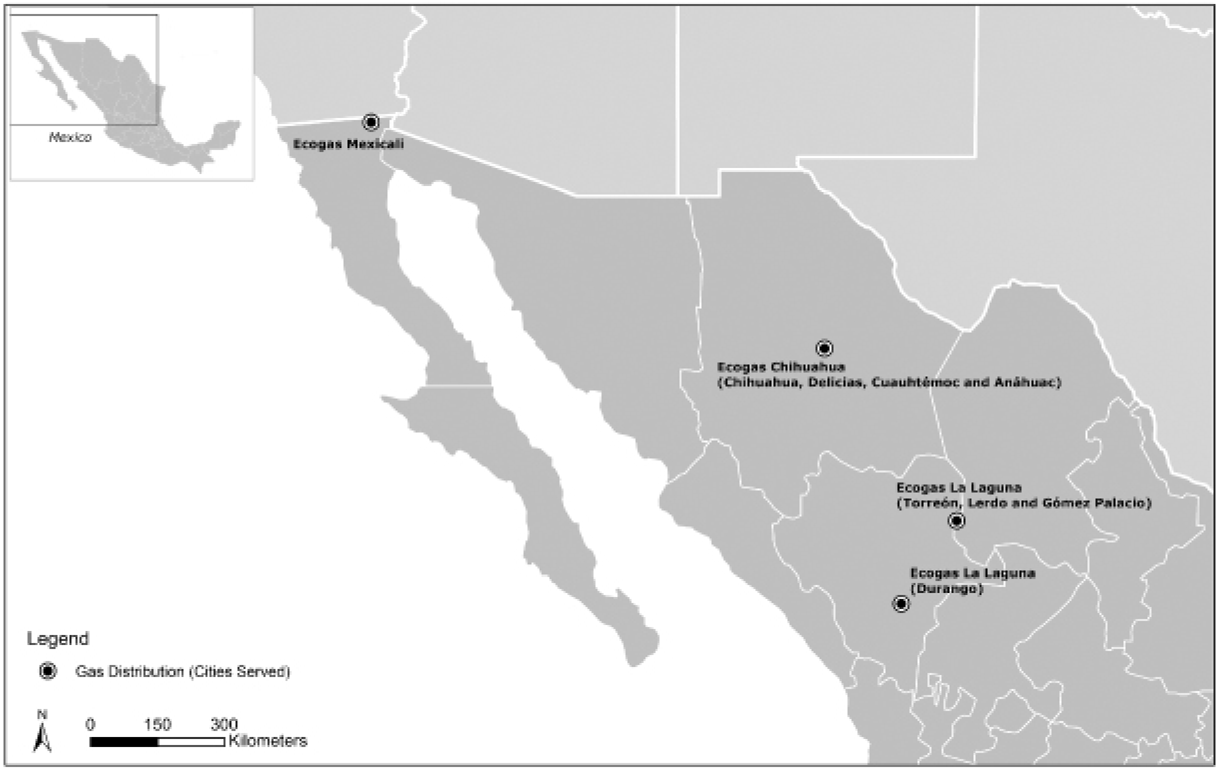


The Company's distribution business includes the following key activities:

- Purchasing natural gas from the suppliers;
- Receiving natural gas into the system and transporting it through the distribution network, including the maintenance of pipelines and other equipment;
- Connecting customers to the Ecogas system;
- Delivering natural gas into customers' homes and businesses;
- Metering, invoicing and collecting payment for gas delivered;
- Customer service activities for existing customers; and
- Marketing activities to increase the customer base.

The distribution business generates revenues derived from service and distribution fees charged to customers through monthly invoices. The price the Company pays to purchase natural gas, which is based on international price indexes, is passed directly to the customers. Even so, the Company undertakes certain hedging activities on these prices in order to reduce the potential volatility of the natural gas price that is ultimately paid by the customers. The service and distribution fees charged by our Ecogas business are regulated by the CRE, which performs a review of rates every five years and monitors prices charged to end-users. The review of the rates for our Mexicali, La Laguna- Durango and Chihuahua distribution zones is currently pending and under analysis by the CRE. The current natural gas fee structure minimizes our market risk in that rates are adjusted periodically to account for inflation or fluctuations in exchange rates, and inflation indexing includes separate U.S. and Mexican cost components so that U.S. costs can be included in the final rates.

The following map shows the service territory and the zones where the Ecogas distribution system operates: 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.



The following table summarizes the main characteristics of the Ecogas service areas, as of December 31, 2014:

	Mexicali	Chihuahua	La Laguna-Durango	Total
Distribution system length in miles (km)	325 (523)	1,278 (2,056)	587 (945)	2,190 (3,524)
Number of customers:				
Residential	13,468	62,525	27,640	103,633
Commercial/industrial	268	1,631	689	2,588
Volume (mcfd):				
Residential Sector	380.80	3,206.07	794.20	4,381.07
Commercial/industrial Sector	19,292.96	26,070.74	8,661.99	54,025.69

Opportunities in the Natural Gas Market

The Company considers that its customer service at each stage of the natural gas service cycle has led to high levels of customer satisfaction differentiating its business from traditional Mexican LPG distributors, which historically have held a strong position in the Mexican gas market, in particular with respect to the residential sector. The Company believes that its excellent customer service and quick response times are key competitive advantages that have helped establish a reputation for quality and have built customer loyalty.

Natural Gas Customer Agreements

As of December 31, 2014, residential customers comprised 98% of our customers in terms of number of accounts, and contributed 56% of the profit margin of the distribution business. The Company does not typically enter into long-term agreements with residential customers, and they pay the rates for distribution services established by the CRE. The Company invoices these customers on a monthly basis and the service can be terminated by them or us at any time.

As of December 31, 2014, commercial and industrial customers together comprised 2% of the Company's customers in terms of number of accounts, but they are responsible for 92% of the systems' aggregate throughput volume and 44% of the profit margin of the distribution business. The Company has entered into long-term supply agreements with certain of these customers. Although the CRE sets the maximum rate the Company can charge for distribution services, the Company may negotiate a rate at a discount from the maximum authorized rate, in exchange for a long-term obligation from these customers to purchase minimum contractual volumes. In certain cases customers are required to provide the Company with guarantees in the form of letters of credit or cash deposits.

Power Generation Segment

General Overview

The Company's power generation segment includes a natural gas-fired, combined-cycle power generation facility and a wind power generation project that is currently in development. A detailed description of the businesses within our power segment follows below.

Natural Gas Fired Power Generation

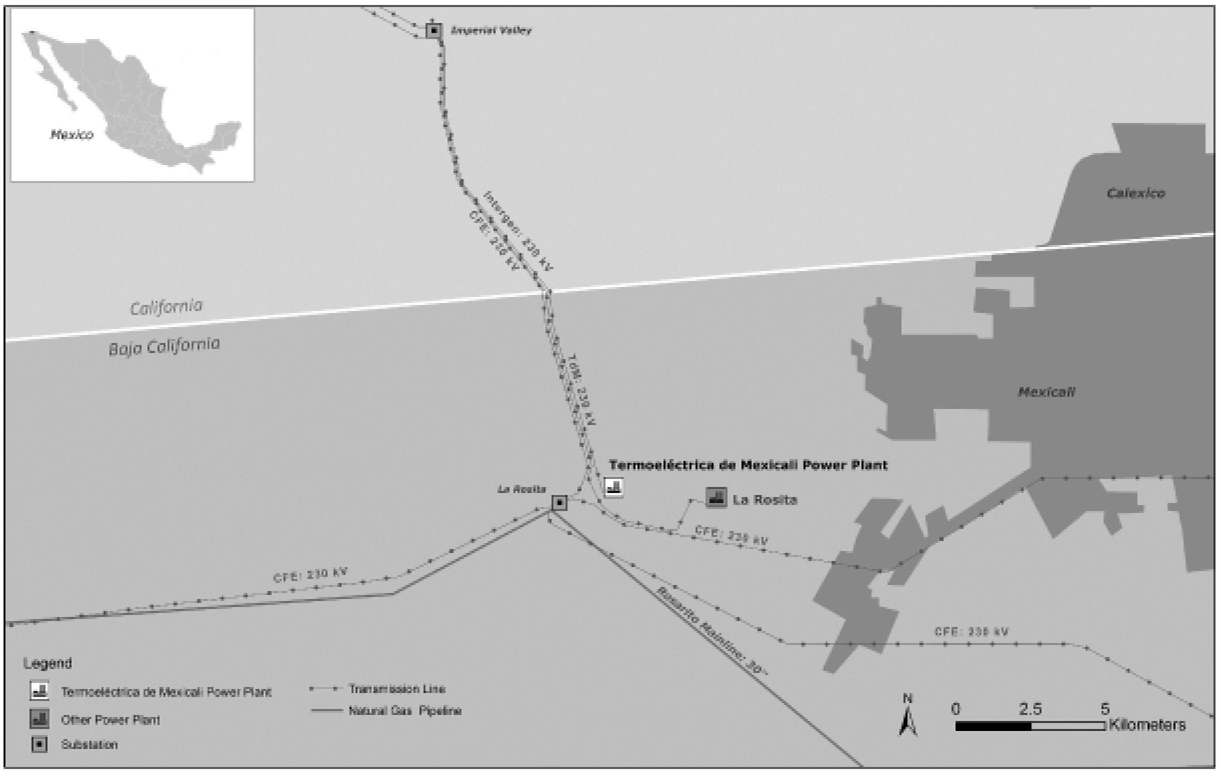
Termoeléctrica de Mexicali

The Company owns and operates the Termoeléctrica de Mexicali power plant in the vicinity of Mexicali, Baja California, adjacent to the Mexico-U.S. border. This 625 MW, natural gas-fired, combined-cycle power generation facility commenced commercial operation in June 2003 and is well-positioned to access both the United States and Mexican electricity grids. The power plant is connected to the Rosarito Pipeline which allows it to receive regasified LNG produced by the LNG Terminal as well as gas supplied from the United States on the North Baja pipeline. Termoeléctrica de Mexicali's customer base is currently comprised of Californian utilities, Californian counties, energy service providers and financial institutions.

Termoeléctrica de Mexicali is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the U.S. state of California, including General Electric MS7241FA gas turbines, inlet chilling and evaporative cooling. The design of the facility also contributes positively to the environmental quality of the local area by relying, for cooling, on untreated sewage water from the Zaragoza Lagoons in Mexicali, located 8 miles (13 km) from the site. The sewage water is received in the facility's water treatment plant and is treated in biological reactors. This process eliminates biological contaminants and significantly reduces other contaminants in the water such as nitrogen, phosphorus, heavy metals, and agricultural and industrial chemicals as well as salts. The treatment of this water improves water quality in the nearby Río Nuevo irrigation canal.

Termoeléctrica de Mexicali is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the power grid controlled by the California Independent System Operator (CAISO) at the Imperial Valley substation and is capable of providing energy to a wide range of potential U.S. customers in California. While the entire output of the plant is currently provided to the U.S. grid, the physical transmission could be modified so that a portion or all of the plant's output could be delivered to the CFE system in Mexico at the La Rosita substation, if a transmission line of approximately one mile (2 km) is built and the necessary permits are obtained, from the CRE amongst others.

The following map shows the location of the Termoeléctrica de Mexicali plant:



Key Agreements of Termoeléctrica de Mexicali

Power Purchase Agreements

The Company is a party to an energy management services agreement with our subsidiary, Sempra Generation, with respect to the electricity generated at the Termoeléctrica de Mexicali power plant. Under to this agreement, which was effective as of January 1, 2012, Sempra Generation acts as the Company's agent in terms of marketing and scheduling of electricity sales and performing other related administrative, hedging and U.S. regulatory support tasks on the Company's behalf. Under this agreement, the Company reimburses Sempra Generation's expenses in connection with these services and pays Sempra Generation an annual energy services fee based on the level of service provided to the Termoeléctrica de Mexicali power plant, depending on factors including the amount of energy scheduled and sold by Sempra Generation. The term of this agreement runs through 2017. This agreement replaced a prior agreement with Sempra Generation for the full capacity of the Termoeléctrica de Mexicali power plant. Whereas under the prior agreement Sempra Generation reimbursed the Company for the natural gas required for electricity generation at the power plant, under the current energy management services agreement the Company bears the cost of the natural gas used to fuel the power plant, and it sells the electricity generated by the power plant, which creates greater volatility in the revenues generated by this facility.

Natural Gas Purchase Agreement

The Company supplies between 67 mcfd (0.7 mthd) and 101 mcfd (1.1 mthd) of natural gas to the Termoeléctrica de Mexicali power generation facility with natural gas purchased directly from the IEnova LNG subsidiary. Because the previous agreement for the supply of natural gas from JPM Ventures Energy was at a below market price for the delivery of gas to the site, Company costs increased when the agreement expired in September 2014.

Wind Power Generation

Energía Sierra Juárez (ESJ)

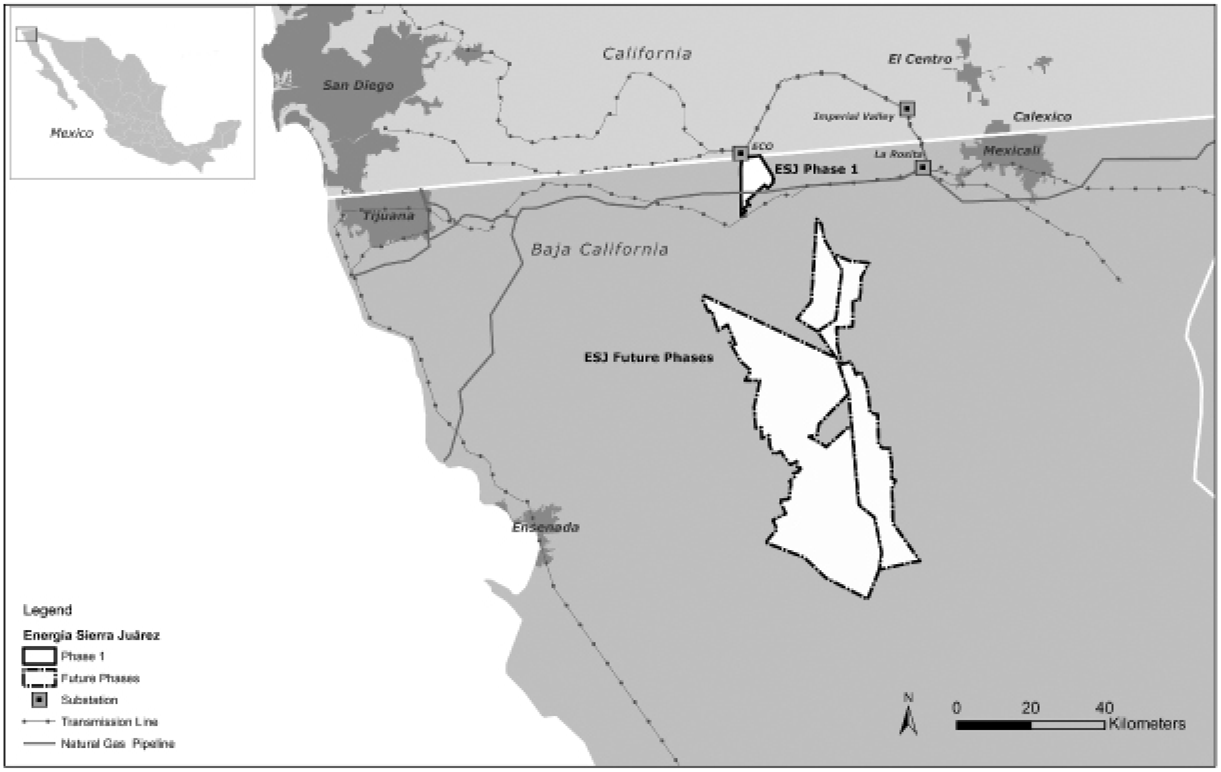
The Company has commenced the development of a wind power generation project, Energía Sierra Juárez, along mountain ridges in the Sierra de Juárez mountains in Baja California, Mexico. This region has one of the strongest wind resources on the west coast of North America. The initial phase of this project is located about 70 miles (112 km) east of San Diego and just south of the Mexico-U.S. border. The project will interconnect to the existing Southwest Powerlink at the San Diego Gas & Electric Company's East County Substation in eastern San Diego County via a new cross-border transmission line, and future phases could potentially also connect directly with the Mexican power grid.

Upon completion, the initial phase of ESJ is expected to generate up to 155 MW from up to 47 wind turbines, or enough power for approximately 65,000 average U.S. homes. Based on five years of meteorological data, we expect that these wind turbines will operate at a net capacity factor of between 34% and 36%. Net capacity factor is a measure of the percentage of peak power a facility generates on average over an extended period of time, reflecting wind resource availability and other factors. The Company expects that the electricity generated from the initial phase of this project will be sold entirely to San Diego Gas & Electric Company, under a 20-year power purchase agreement. This power purchase agreement has been approved by the California Public Utilities Commission and the U.S. Federal Energy Regulatory Commission, and the project has received a U.S. Presidential Permit required to construct the cross-border transmission line. It is hoped that the project will begin operating in the first half of 2015. The Company expects the initial phase of this project to require a total investment of approximately US$318 million. Future expansion of Energía Sierra Juárez will depend, among other factors, on the ability of the Company to obtain additional power purchase contracts. In July 2014, the Company sold 50% of the initial phase of the project to affiliates of InterGen.

The Company believes that utilities located throughout California are prime potential customers for the power generated by this project, and if we obtain additional permits there is the potential to also sell this power to the on the Mexican wholesale market. California is one of the most politically supportive regions in the United States for the development of renewable power generation, with a legislated target for renewable energy generation of 33% of sales by 2020. Mexico is also politically supportive of renewable energies, and wind farms in particular.

Under the recently enacted energy reform, certain obligations for the use of clean energy will apply to participants in the electricity market. Clean Energy Certificates (CELS), will be issued to "generators of clean energy." Power generators shall be entitled to a clean energy credit per MW/hr generated in clean energy plants if they do not make use of fossil fuels, and when they use fossil fuels for generation above a certain yet to be determined level of efficiency. The Energy Ministry reported that for the year 2018, Clean Energy Certificates equivalent to 5% of total annual consumption in Megawatts will be required.

The following map shows the approximate locations of the sites where the ESJ wind farm might be constructed:



Key Agreements of Energía Sierra Juárez

Power Purchase Agreement

All of the electricity generated by the initial phase of this project will be supplied to San Diego Gas & Electric Company, in accordance with a purchase agreement signed in April 2011. The power purchase agreement with San Diego Gas & Electric Company has a term of 20 years starting from the Company's first electricity delivery date, and it provides for a fixed payment per megawatt-hour, with adjustments for "time-of-day" factors.

Equity Purchase and Sale Agreement

In April 2014, the Company signed an equity sale agreement with InterGen under which the Company sold a 50% interest in the first phase of the ESJ project to InterGen, thereby creating a 50/50 joint venture between the companies. This joint venture will be accounted for under the equity method. As a condition to the sale of this equity interest the Company and InterGen entered into the joint venture agreements described below. Additionally, the joint venture assumed the Company's outstanding obligations, namely a loan agreement between former related parties for the Energía Sierra Juárez project, which had an unpaid principal balance as of December 31, 2014, of USD$22.7 million generating interest at a variable rate on 30-day Libor plus 637.5 basis points (6.55% at December 31, 2014).

Project Financing

On June 12, 2014, ESJ, entered into a project financing agreement for USD$239.8 million with a group of five banks: Mizuho, as coordinating lead arranger, NADB as technical and modeling bank, and NAFINSA, Nord LB and SMBC as lenders. ESJ will use the credit financing to pay or reimburse the project costs. Funds from the long-term loans will be utilized to settle any of the unpaid loans for construction and other accumulated debts up to the substantial termination date of the project.

The loan is secured by the project and will convert to an 18-year term loan upon completion of the first phase of the project. According to the contractual terms, the repayment period of the loan starts December 30, 2015 and ends June 30, 2033, with six-monthly payments every on June 30 and December 30.Lines of credit for construction and long-term loans bear interest at the chosen rate, which is either the six months Libor or the prime rate, plus the following margins:

Years	Prime 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%

ESJ had used a total of USD$192.1 million of the line of credit as of December 31, 2014. The loan agreement also included a letter of credit for USD$31.7 million. In addition to the above, ESJ provided a USD$5.7 million letter of credit and has generated interest expenses of USD$3.9 million. Therefore the unused portion of the credit is USD$38.8 million.

Joint Venture Agreements

In July 2014, the Company and InterGen entered into two joint venture agreements. These agreements provide the framework for the corporate governance of the joint venture (as described below) and the financial allocations between the joint venture partners. These agreements also detail the agreed budget for the initial phase of the project's development and the framework for approving future development budgets.

The following is a summary of the key terms of the joint venture agreements between the Company and InterGen as they relate to the corporate governance of the joint venture.

Management. The joint venture is managed by a board of managers composed of four representatives (two appointed by each member). The board of managers may appoint officers to manage the affairs of the joint venture. Certain decisions may only be approved with the affirmative vote of either 55% or 75% of the members' equity by value.

Dispute Resolution Mechanism. If a deadlock between the members cannot be resolved following senior management negotiations and mediation, either member may be authorized by the joint venture agreements to offer to sell all of its equity interest or to purchase all of the other member's equity interest. Disputes not relating to matters requiring a 55% or 75% vote, which cannot be resolved through reasonable negotiations between the senior management of the parties, are resolved through binding arbitration.

Distributions. The joint venture agreements provide that any cash not required to service debt or otherwise pay the costs of the joint venture will be distributed to the members on a monthly basis.

Transfers of Interests in the Joint Venture. The members may transfer their equity interests and their share of debt entered into by the members to the joint venture, provided that the member in question transfers its entire interest to a single party when effecting any transfer, and provided that the transferee must become a party to the joint venture agreement. In addition, each member has a right of first refusal in the event the other member desires to transfer its interest to a third party.

Competition

Gas Segment

Pipeline Business

While the substantial majority of the Company's natural gas pipeline capacity is contracted under long-term, firm capacity transportation services agreements, in the event that the Company bids for new natural gas pipeline projects, it may face competition to attract customers from other large, well-capitalized providers of energy infrastructure services, such as TransCanada, Kinder Morgan, Elecnor, GDF Suez, Carso Energy, Fermaca and Enegás. In addition, we may also face competition from state-owned or controlled entities.

The market for the supply of LPG is highly competitive, and new pipelines are currently being built to serve the demand for LPG in each of the markets served by our pipelines. Our pipelines compete primarily with other pipelines owned by large companies that transport, store and distribute natural gas and LPG. Some of these competitors may expand or construct systems that would create additional competition for the services the Company provides to our customers.

Liquefied Natural Gas Business

The LNG Terminal does not currently experience competition because it is fully subscribed with long-term contracts that generate revenue from customers whether or not cargoes are delivered to the terminal. In the event that the Company did have un-contracted storage capacity at the LNG Terminal, we would compete for customers seeking to supply natural gas in northern Mexico and the United States. Currently, the only other existing regasification terminals on the Pacific coast of North and South America are Manzanillo LNG in Colima, Mexico, (owned by KoGas, Mitsui and Samsung), LNG Mejillones in Chile (owned by GDF Suez and Codelco) and LNG Quintero also in Chile (owned by BG Group, ENAP, Endesa Chile and Metrogas), and these terminals serve markets in which the Company does not compete.

Natural Gas Distribution Business

The main competitors of the Company's natural gas distribution business are distributors of LPG that deliver it directly to customers, usually in trucks, to be stored on the customers' property. The price of the natural gas the Company sells to the customers of our distribution business is based upon the price of natural gas on the international market, whereas the price of the LPG against which we compete is based on prices that are subsidized by the Mexican government. The Company's distribution business will be at a competitive disadvantage to the extent that we are not successful in obtaining natural gas that is priced competitively against the subsidized price of the LPG of our competitors. The Company's natural gas distribution business competes against LPG not only in terms of price, but also in terms of safety, convenience and environmental impact. Unlike LPG, natural gas is lighter than air and thus can be dispersed more easily, which reduces the risk of explosion. Also, as our natural gas product is delivered to our distribution customers on an uninterruptible, as needed, basis, and, unlike LPG, it does not need to be stored by our customers for use, the Company believes that our product is viewed by customers as offering greater convenience than LPG. Lastly, as natural gas burns more cleanly than LPG and without the emission of sulfur oxides or particulate matter, the Company believes that our product is also viewed by consumers as a more environmentally sound alternative to LPG. Despite these advantages, many potential customers continue to use LPG due to the costs required to equip their homes or businesses to use natural gas, and due to the fact that LPG generally has a cost similar to natural gas due to LPG subsidies from the Mexican government.

The Company may also face competition from other distributors of natural gas in its distribution zones, as the 12-year exclusivity period that applied to its distribution zones expired in 2011. As a result of the expiration of the Company's exclusivity period, other distributors of natural gas are now legally permitted to build natural gas distribution systems within the Company's distribution zones and to compete with us within our distribution zones for customers, though clear rules regarding this potential competition have not been established by the CRE. To the extent that other distributors of natural gas overcome existing structural barriers to entry to expand or construct distribution systems in the Company's distribution zones, that would create additional competition against the natural gas we provide to our customers. Mexico's regulatory framework also allows groups of industrial customers to establish "self-supply associations" which would be permitted to build and operate their own natural gas supply systems to satisfy their needs. If any self-supply associations were to be developed within the Company's distribution zones, we would also compete against them to supply their members.

The Company's ability to compete in the natural gas distribution market is also subject to limitations based on the regulatory environment in which it operates. For example, in order to obtain a favorable opinion from the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia*) in connection with a permit we required for the operation of our Rosarito Pipeline, the Company was required to agree to divest itself of the Mexicali components of the Ecogas natural gas distribution system. The Company has been subject to this obligation since 2000 and has made efforts in good faith to comply with the obligation to divest itself of the Mexicali gas distribution system, but has not yet located a purchaser for these assets. See *"Risk Factors— Risks Related to the Company's Activities and Industry— The Company operates in a highly regulated industry, and its profitability depends on its capacity to comply with various laws and regulations in a timely and efficient manner."*

Power Segment

In Mexico, power generation by private sector companies was limited by applicable laws and regulations to certain types of generation facilities, namely, independent power producers, exporters, small scale, and own use/self-suppliers. However, with Mexico's recently enacted energy reforms, which became law in August 2014, power generation by private sector companies is no longer limited and sale to the wholesale market is permitted. See *"Regulation, Permits and Environmental Matters—Laws Applicable to Power Generation."* The Termoeléctrica de Mexicali power plant was originally conceived as a U.S.-export-only facility. To the extent that the Company seeks to provide electricity to the CFE in the future, it would face competition from other developers, including Gas Natural Fenosa, InterGen and Iberdrola, which have made significant investments in Mexico in the past and are likely to compete with the Company in the future. With respect to the Energía Sierra Juárez wind power generation project, the Company expects that all of the electricity to be generated by the initial phase of this project will be contracted to the Company's U.S. subsidiary under a long-term supply contract. See *"Wind Power Generation—Energía Sierra Juárez—Key Agreements of Energía Sierra Juárez—Power Purchase Agreement."* For US-based clients, the Company mainly faces competition from other generation facilities and the spot market in general. In terms of sales to US-based clients, our electric power sales and marketing through our subsidiaries compete directly with other generators and marketers serving the region. Competitors can include government-owned power generation companies, local distribution companies with self-generation capability and other privately-owned power generation and marketing companies. Since the Company's indirect controlling shareholder Sempra Energy, , also participates in the electricity generation sector through our U.S. subsidiaries, we may face competition from the subsidiaries. The principal elements of competition are price and availability, terms of service, flexibility and reliability. General economic activity, conservation measures, legislation, governmental regulations, weather, additional generation capacities and other factors affect the supply and demand for electricity.

Property and Land Use Rights

Gas Segment

Pipeline Business

The property of the pipeline business falls mainly into three categories: (1) easements (*servidumbres de paso*) contracted with private and communal landowners (*ejidos* or *comunidades*); (2) permits acquired from federal, state and municipal government entities for road crossings, rail road crossings, water body crossings and use of any other state-owned land and/or infrastructure; and (3) leases, rentals, usufructs and/or owned properties, used mainly to install above ground facilities, such as main line valves, metering stations and compressor stations. The Company believes that it has satisfactory title to the portions of the land it owns. The Company has leased its leased properties for many years without any material challenge known to us relating to the title to the land upon which these assets are located, and the Company believes that it has satisfactory leasehold rights to the land. The Company has no knowledge of any significant challenge to the underlying title to any material lease, easement, right-of-way, permit or usufruct held by us, and it believes that the title to all of the material leases, rights-of-way, permits and usufructs is satisfactory.

Liquefied Natural Gas Business

Our LNG Terminal is located on 4,700 acres of land that we own in a relatively remote, previously undeveloped area of the Baja California coast. The Terminal's marine facilities include a single jetty and berth with a provision to install a second jetty and berth. The berth is protected from the open ocean by a 710 yards long breakwater, which is 125 feet wide and extends 15 feet above the mean low water level, and consists of 12 caissons. The water depth is 82 feet and the marine facilities have been approved by the CRE to accept LNG tankers that have a capacity of 70,000 m^3 to 217,000 m^3 (16.0 mth to 49.7 mth). A portion of this land has been leveled and graded for the potential expansion of the facility to include two additional LNG storage tanks. The Company also holds a 30-year concession for the occupation and use of federal coastal zone adjacent to our property, which is subject to periodic renewal. This concession covers the construction of a jetty and other infrastructure ancillary to the LNG Terminal. The Company is currently involved in litigation related to the property on which the LNG Terminal is located. See *"Legal, Administrative and Arbitration Proceedings—Matters Concerning the LNG Terminal"*

Natural Gas Distribution Business

The property of the Company's natural gas distribution business principally consists of easements, rights-of-way, permits, licenses and leases from governmental authorities or private property owners. The Company's natural gas distribution system pipelines typically run along public roads and in such instances we pay the local municipality for the right to maintain and operate our distribution system alongside the roads. Where the Company's distribution system pipelines enter the property of our customers, we have easements allowing us to access their property, as well as to maintain and operate the distribution system. In the case of the La Laguna-Durango and Chihuahua distribution zones, the Company also leases some rights-of-way from PEMEX. Approximately 95% of the total length of the Company's pipeline network is underneath public roads. The Company has no knowledge of any challenge to (1) any significant easement, right-of-way, permit, license or lease held by us, or (2) our title to any significant easement, right-of-way, permit, license or lease, and we believe that we have satisfactory title to all of our material easements, rights-of-way, permits, licenses and leases. In addition, the Company leases an total of approximately 190,000 square feet of office and commercial space in Chihuahua, Torreón and Mexicali, for approximately USD$0.3 million per year.

Power Segment

The Termoeléctrica de Mexicali power plant owns approximately 75.6 acres of property located approximately nine miles (15 km) west of Mexicali, Mexico and three miles (5 km) south of the Mexico-U.S. border. The plant and ancillary assets, including the sewage-water treatment plant, are located on owned property. The Company also has rights-of-way with the U.S. Bureau of Land Management with respect to the property upon which our generation tie-line runs into the United States to connect the power plant to the Imperial Valley substation. The Company also hold title to various permits and agreements relating to certain rights-of-way for the aqueduct that services the power generation plant, including those for the occupation and crossing of public lands.

With respect to the Energía Sierra Juárez wind power generation project we are developing, the Company has entered into three lease agreements with various landowners, for approximately 548,000 acres for the construction and operation of wind power generation facilities. We entered into the first of these leases in November 2006 with the Jácume Ejido, a group of approximately 74 individual landowners, for the lease of approximately 12,350 acres, and it is on this land that we are constructing the initial phase of this project. The Company entered into the second of these leases in June 2007 with the Cordillera Molina Ejido, a group of approximately 56 individual landowners, for the lease of up to approximately 348,400 acres. The Company entered into the last of the leases in August 2009 with the Sierra de Juárez Ejido, a group of approximately 67 individual landowners, for the lease of approximately 180,390 acres. Under each of these leases all structures and fixtures remain Company property and can be removed when the lease is terminated, and if the lessors decide to sell the land, the Company holds a right of first refusal to purchase it. All of these leases have an initial term of 30 years and each provides for extensions of up to 30 years.

Under the Jácume Ejido lease, until commercial operations begin, the Company will pay monthly rent equal to USD$2,000 and thereafter will pay rent equal to 4.0% of gross revenues from the operations on the land.

The Company made an initial payment under the Cordillera Molina Ejido lease of approximately USD$0.8 million and is obligated to make quarterly rental payments of USD$30,000 for the first 10 years of the lease or until operations begin, whichever comes first. The Company will make an additional payment of USD$1.5 million when ground is first broken for the facilities for the development of up to 250 MW of capacity, and must pay USD$0.3 million when ground is broken for each additional 100 MW of capacity. Once commercial operations begin, the Company will pay rent equal to 3% of gross revenues from the operations on the land during the first 20 years. From year 21, the rent will be 4% of gross revenues from the operations on the land. If the Company does not designate land under the lease for the construction of wind power generation facilities, undesignated portions of the land and communal lands revert to the Cordillera Molina Ejido each year between years six and ten and would no longer be a part of the lease. If the Company has not begun construction of the facilities in the first ten years of the lease then the lease will automatically terminate. The Company may terminate the lease at any time during the first ten years of its term.

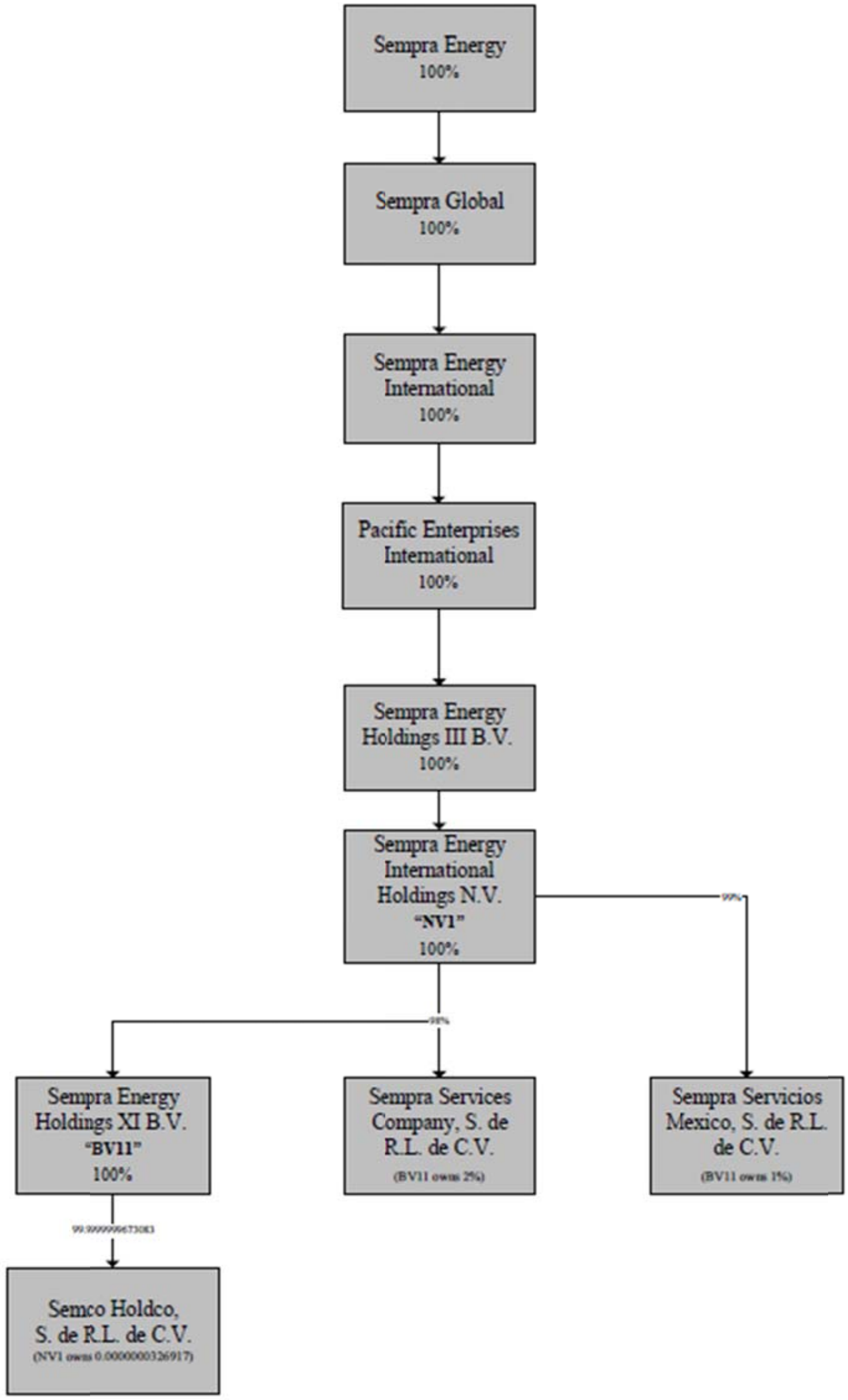
Under the Sierra de Juárez Ejido lease the Company made initial payments of approximately USD$0.3 million and it is obligated to make quarterly rent payments of USD$74,000 for the first 10 years of the lease or until operations begin, whichever comes first. The Company will make an additional payment of USD$6,000 per affected landowner when ground is broken for the facilities and USD$1,450 per affected landowner for additional construction milestones. Once commercial operations begin the Company will pay rent equal to the higher of (1) USD$75,000 per affected landowner per month or (2) 3.5% of gross revenues from the operations on the land. If the Company has not begun construction of the facilities in the first ten years of the lease then the lease automatically terminates.

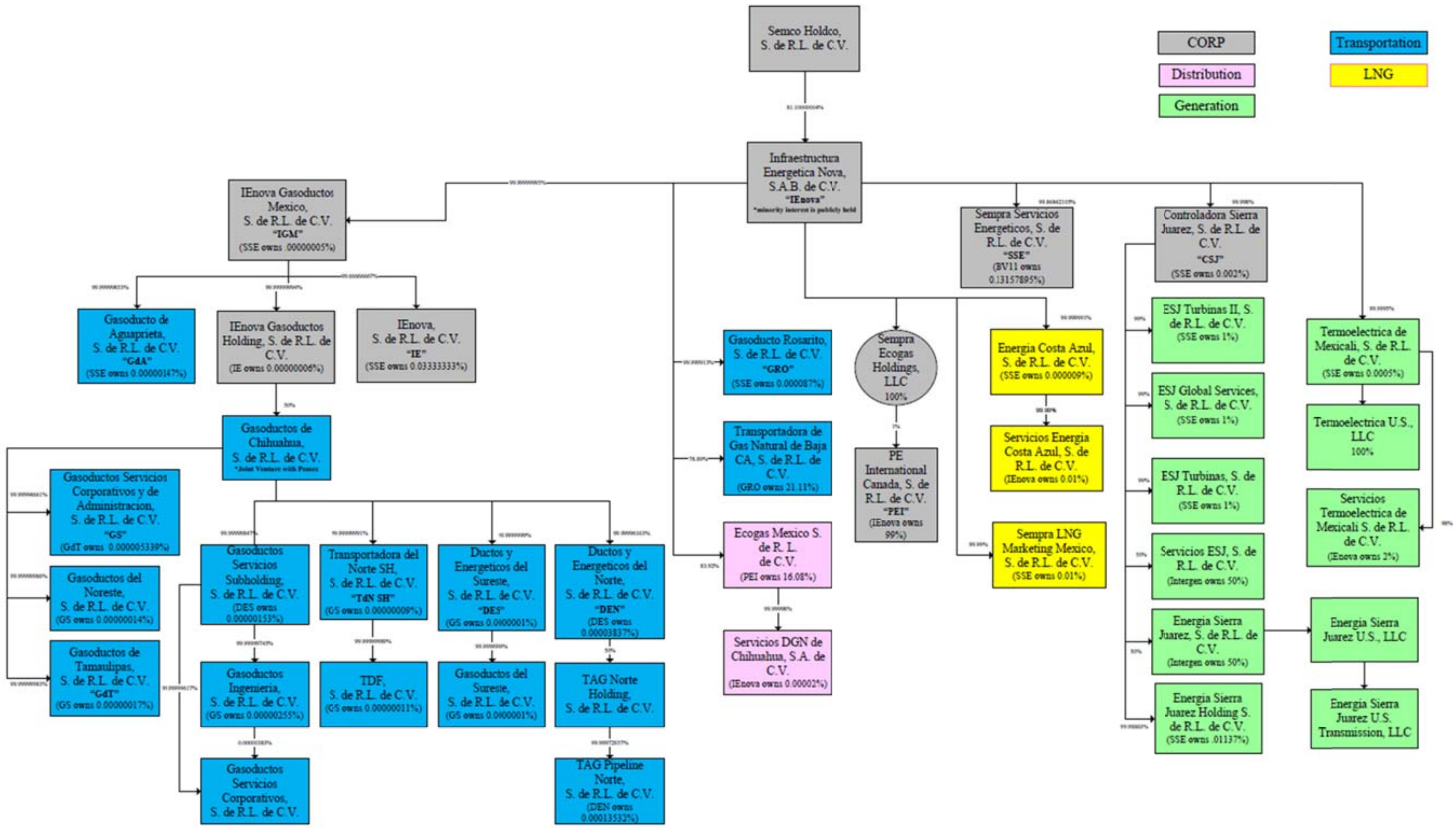
Insurance

The operations and assets of the Company are covered by insurance which we believe is consistent with that contracted by other companies engaged in similar commercial operations with similar types of assets. This insurance includes: (1) commercial general liability insurance covering liabilities to third parties for bodily injury, property damage and pollution arising out of our operations, (2) automobile liability insurance covering liability to third parties for bodily injury and property damage arising out of the operation of all owned, hired and non-owned vehicles by our employees on company business, (3) property insurance covering the replacement cost of all owned real and personal property, including coverage for losses due to equipment breakdown, earthquake, fire, explosions, flood and consequent business interruption/extra expenses, and (4) corporate liability insurance including coverage for directors and officers and employment practices liabilities. In addition, the Company maintains excess liability insurance providing limits in excess of the established primary limits for commercial general liability and automobile liability insurance.

All coverage is subject to industry accepted policy terms, conditions, limits, exclusions and deductibles comparable to those obtained by other energy companies with similar operations. The Company's insurance includes coverage both through our own insurance policies, and through certain global insurance policies of the indirect controlling shareholder which extend coverage to the Company's assets and operations.

ix) **Corporate Structure**





Semco Holdco, S. de R.L. de C.V.
CORP
Transportation
Distribution
LNG
Generation
Infraestructura Energetica Nova, S.A.B. de C.V. "IEnova" *minority interest is publicly held
IEnova Gasoductos Mexico, S. de R.L. de C.V. "IGM" (SSE owns .00000005%)
Sempra Servicios Energeticos, S. de R.L. de C.V. "SSE" (BV11 owns 0.13157895%)
Controladora Sierra Juarez, S. de R.L. de C.V. "CSJ" (SSE owns 0.002%)
Gasoducto de Aguaprieta, S. de R.L. de C.V. "GdA" (SSE owns 0.00000147%)
IEnova Gasoductos Holding, S. de R.L. de C.V. (IE owns 0.00000006%)
IEnova, S. de R.L. de C.V. "IE" (SSE owns 0.03333333%)
Gasoducto Rosarito, S. de R.L. de C.V. "GRO" (SSE owns 0.000087%)
Sempra Ecogas Holdings, LLC 100%
Energia Costa Azul, S. de R.L. de C.V. (SSE owns 0.000009%)
ESJ Turbinas II, S. de R.L. de C.V. (SSE owns 1%)
Termoelectrica de Mexicali, S. de R.L. de C.V. (SSE owns 0.0005%)
ESJ Global Services, S. de R.L. de C.V. (SSE owns 1%)
Termoelectrica U.S., LLC 100%
Gasoductos de Chihuahua, S. de R.L. de C.V. *Joint Venture with Pemex
Transportadora de Gas Natural de Baja CA, S. de R.L. de C.V. (GRO owns 21.11%)
PE International Canada, S. de R.L. de C.V. "PEI" (IEnova owns 99%)
Servicios Energia Costa Azul, S. de R.L. de C.V. (IEnova owns 0.01%)
ESJ Turbinas, S. de R.L. de C.V. (SSE owns 1%)
Servicios Termoelectrica de Mexicali S. de R.L. de C.V. (IEnova owns 2%)
Gasoductos Servicios Corporativos y de Administracion, S. de R.L. de C.V. "GS" (GdT owns 0.000005339%)
Ecogas Mexico S. de R. L. de C.V. (PEI owns 16.08%)
Sempra LNG Marketing Mexico, S. de R.L. de C.V. (SSE owns 0.01%)
Servicios ESJ, S. de R.L. de C.V. (Intergen owns 50%)
Gasoductos Servicios Subholding, S. de R.L. de C.V. (DES owns 0.00001153%)
Transportadora del Norte SH, S. de R.L. de C.V. "TdN SH" (GS owns 0.00000009%)
Ductos y Energeticos del Sureste, S. de R.L. de C.V. "DES" (GS owns 0.0000001%)
Ductos y Energeticos del Norte, S. de R.L. de C.V. "DEN" (DES owns 0.00003837%)
Gasoductos del Noreste, S. de R.L. de C.V. (GS owns 0.00000014%)
Servicios DGN de Chihuahua, S.A. de C.V. (IEnova owns 0.00002%)
Energia Sierra Juarez, S. de R.L. de C.V. (Intergen owns 50%)
Energia Sierra Juarez U.S., LLC
Gasoductos de Tamaulipas, S. de R.L. de C.V. "GdT" (GS owns 0.00000017%)
Gasoductos Ingenieria, S. de R.L. de C.V. (GS owns 0.00000255%)
TDF, S. de R.L. de C.V. (GS owns 0.00000011%)
Gasoductos del Sureste, S. de R.L. de C.V. (GS owns 0.0000001%)
TAG Norte Holding, S. de R.L. de C.V.
Energia Sierra Juarez Holding S. de R.L. de C.V. (SSE owns .01137%)
Energia Sierra Juarez U.S. Transmission, LLC
Gasoductos Servicios Corporativos, S. de R.L. de C.V.
TAG Pipeline Norte, S. de R.L. de C.V. (DEN owns 0.00013532%)

x) Description of Principal Assets

See *"Segment Overviews" "Gas Segment"* and *"Power Segment."*

xi) Legal, Administrative and Arbitration Proceedings

The Company may become involved in litigation and administrative proceedings relating to claims arising from 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 significant governmental, legal or arbitration proceedings against the Company which may have a significant adverse effect on its business, financial position or operating results:

Matters Concerning Energía Costa Azul (ECA)

a. Castro, Valdez, and Palafox appeals of the LNG Terminal's environmental impact statement. In May 2003, Hiram Castro Cruz and Roberto Valdez Castañeda (Castro and Valdez) jointtly in one proceeding, and Mónica Fabiola Palafox ("Palafox") in another, filed administrative appeals with SEMARNAT challenging the issuance of the environmental impact statement for the LNG Terminal granted to ECA in April 2003, alleging claims similar to those alleged by Inmuebles Vista Golf described below. SEMARNAT dismissed the appeals. The claimants appealed the dismissals, and in January 2006 and May 2010, the Federal Court of Justice for Tax and Administrative Matters (TFJFA) in Mexico 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 admitted the appeal, and in January 2012 it issued a new resolution confirming the validity of the environmental impact statement. In March 2012, Valdez appealed SEMARNAT's resolution to the TFJFA in Mexico City and ECA filed an appeal in the Federal District court in Mexico City challenging the TFJFA's admission of Valdez's appeal. In the Palafox case, SEMARNAT has not yet issued its new resolution concerning the environmental impact statement. The Company's management believes that the Castro, Valdez, and Palafox claims are without merit.

b. Inmuebles Vista Golf S.A. de C.V.'s (IVG) challenge to ECA's port concession. In January 2005, IVG filed an action with the Ministry of Communications and Transportation (SCT) for the annulment of ECA's port concession, 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 ECA's port concession, that the activities of the LNG Terminal are not within the competence of the SCT, and furthermore that ECA did not conduct an environmental risk assessment and that SEMARNAT modified the environmental impact statement without duly notifying the SCT. In March 2005, the SCT dismissed the appeal and IVG brought an action to annul the respective agreement before the TFJFA in Mexico City. In March 2010, the TFJFA's judgment declared void the agreement by which the SCT dismissed the appeal and ordered the latter to admit the appeal. 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 its previous arguments and claiming further that the SCT is not empowered to issue the agreement. ECA appealed the agreement by which the TFJFA admitted the second appeal for annulment, based on the fact that the claims by IVG had been resolved during the preliminary appeal. In June 2012, the TFJFA concurred with this argument and dismissed the second appeal filed by IVG. IVG then filed a petition with the federal courts, against the latest TFJFA agreement. The response to this claim was made by the Company on August 27, 2012. The SCT and LNG Terminal answered the response. The final hearing has not yet been held. During 2013, IVG filed a petition with the federal courts against the dismissal of the appeal before the TFJFA, which was granted, lifting the dismissal of the action for annulment. The annulment is pending and the SCT and LNG Terminal have already answered the application. The management of the Company believes that IVG's claims are unfounded.

c. Inmuebles Baja Pacífico, S.A. de C.V. (IBP). Challenge to the LNG Terminal's environmental impact statement. In May 2006, IBP filed a complaint against the Mexican Federal Attorney for

Environmental Protection (*Procuraduría Federal de Protección al Ambiente* or PROFEPA) alleging that the conditions and mitigation measures set forth in the environmental protection assessment were inadequate and that ECA's operations were causing damage to the environment, and seeking an order modifying or nullifying the environmental impact statement. PROFEPA inspected the LNG Terminal and notified IBP by official communication dated May 18, 2010, that ECA's operations were compliant with the mitigation measures set forth in the environmental impact statement and were not causing damage to the environment. IBP appealed this decision at the TFJFA in Mexico City, and it is still pending. During 2013, the TFJFA resolved the judgment declaring the nullity of the contested act to the effect that PROFEPA would evaluate the evidence offered and rule on the arguments of IBP. The Company and IBP presented *amparo* (a specialized suit seeking redress for actions of governmental authorities alleged to have violated constitutional rights) claims against TFJFA's resolution, which were admitted and are pending resolution. The Company's management considers that IBP's claims are without merit.

d. Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie") lodged an *amparo* in June 2010 in the district court in Baja California, Mexico, challenging 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. Sánchez Ritchie requested the payment of damages and demanded that the court order the applicable government agencies to revoke the LNG Terminal permits. On June 17, 2010 the district court issued a provisional order calling for the various authorities to suspend the ECA permits, but that provisional order was reversed by the 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 their respective permits and authorizations. The hearing on the merits of Sánchez Ritchie's *amparo* has been delayed by the very numerous procedural motions and appeals. In May 2012 the case was transferred to the district court in Tijuana. A date has still not been set for the issue of the interlocutory order on the merits of the *amparo* claim. 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 Office for Urban Control (DCU) of the Municipality of Ensenada in Baja California, Mexico 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 immediately. 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 the district court in Ensenada. In March 2011, the district court issued injunctions precluding enforcement of the closure order pending resolution of ECA's *amparo*. Sánchez Ritchie and the Municipality appealed the injunctions, and their appeals are pending before the circuit court in Mexicali. The resolution on the merits of ECA's *amparo* was stayed by the district court in Ensenada pending the resolution of procedural appeals filed by Sánchez Ritchie. The resolution of the administrative proceeding was stayed until a decision on ECA's *amparo.* The Company's management believes that Sánchez Ritchie's statements are unfounded. On May 15, 2014, in connection with the claim by Sánchez Ritchie, dated February 2011, with the Office for Urban Control off the Municipality of Ensenada, Baja California, Mexico 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 the records to be filed as the matter has been completed fully and properly. Sánchez Ritchie may still appeal the authority's decision.

f. Agricultural court action. In February 2006, Saloman Arya Furst and Abraham Hanono Raffoul filed a complaint with the agricultural 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 LNG Terminal is situated, as well as the 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 September 2011, a final hearing was held in the case; in which the plaintiffs offered certain evidence to extend their claim. The judge did not admit the evidence and before a decision could be issued, the plaintiffs filed an *amparo* challenging the court's refusal to admit certain evidence in the case. The judge's action is suspended by the *amparo* and 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 claim is without merit.

During 2013, the *amparo* was dismissed by the district judge. However the plaintiffs in the agricultural judgement decided to bring an appeal which is pending review by the district court.

g. Criminal investigation. In May 2009, Sánchez Ritchie filed with the state District Attorney in Ensenada a complaint alleging that "Sempra subsidiaries," several employees of the LNG Terminal, and former members of the District Attorney's office committed the crime of procedural fraud in connection with a criminal prosecution initiated by ECA, which is the owner of the LNG Terminal, 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. ECA had complained to the District Attorney's office in September 2006 that Sánchez Ritchie 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* with the district court in Ensenada challenging the court's ruling. The hearing to analyze the merits of the *amparo* claim was held on in March 2012 and in July 2012 the judge granted the *amparo* with respect to the criminal judge's omission from the hearing of certain evidence and arguments presented by Sánchez Ritchie. The district judge ordered the criminal judge to pronounce a new judgment incorporating these issues. The LNG Terminal appealed the resolution of the district court and this is still pending resolution. ECA brought an appeal which was resolved in October 2013 by the district court. This court ordered the *amparo* procedure to be started anew since the interested parties had not been correctly notified. The Company considers that the claims of Sánchez Ritchie are unfounded.

Matters concerning Energía Sierra Juárez

a. In November 2011, an environmental organization called Terra Peninsular, A. C. (TP), filed an administrative appeal with the TFJFA in Mexico City challenging SEMARNAT's issuance of an environmental impact statement to ESJ for the construction and operation of the wind power generation project. TP alleges that it was not notified of the resolution granting the environmental impact statement and that it was not evaluated in compliance with applicable law, and it further alleges that had SEMARNAT done so, it would have denied the environmental impact statement. 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 for the protection of the environment. TFJFA 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 was too late and that the environmental impact assessment was validly issued. The judge decided to admit the experts appointed by the parties, and the experts for both ESJ and SEMARNAT have submitted their reports. Once TP submits its expert's report the judge will issue a judgment in 15 days. TP's request for a final suspension is also pending. The Company's management believes that TP's challenges are without merit.

Matters Concerning the LNG Terminal

In May 2003, Inmuebles Vista Golf S.A. de C.V. filed an administrative appeal with SEMARNAT challenging the issuance of the environmental authorization for the LNG Terminal in April 2003. IVG claimed that SEMARNAT had failed to give proper notice or follow the applicable procedures in issuing the environmental authorization; that the Company's LNG Terminal's activities were industrial and therefore do not comply with the Regional Program for Urban, Touristic and Ecological Development for the Tijuana-Ensenada-Rosarito Coastal Corridor; and that the conditions and mitigation measures imposed under the environmental authorization were inadequate. SEMARNAT denied the appeal, and in October 2006, Inmuebles Vista Golf submitted an annulment claim before the Mexican Federal Tax and Administrative Court in Mexico City seeking to annul SEMARNAT's resolution. In December 2010, the Mexican Federal Tax and Administrative Court confirmed the validity and lawfulness of SEMARNAT's action denying the administrative appeal. In April 2012, IVG obtained a ruling from the federal circuit court in Mexico City in an *amparo* 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. IVG filed an appeal alleging that the resolution failed to comply with the *amparo* ruling. In October 2012, the federal circuit court in Mexico 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 the *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 of the LNG Terminal, Termoeléctrica de Mexicali's power plant and Energía Sierra Juarez's wind power 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, if any of the proceedings were to find against the Company on any of these claims, there could be a material adverse effect on the operations of the LNG Terminal and/or the Termoeléctrica de Mexicali power plant, and in turn, on Company's business, financial position, operating results or cash flows.

Except as related in 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.

2014 contingencies

On May 15, 2014, in relation to the complaint filed by Ramon Eugenio Sánchez Ritchie in February 2011, before the Office for Urban Control of the municipality of Ensenada, Baja California, Mexico, alleging the invalidity of land use permits and construction awarded to the liquefied natural gas terminal in 2003 and 2004, as of April 28, 2014, the municipality of Ensenada was declared incompetent to serve, process, continue processing and eventually to resolve the procedure initiated in 2011 by Mr. 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 the case is completed and duly closed. The aforementioned official document may still be appealed by Mr. Sánchez Ritchie.

CAPITAL

xii) Shares Representing the Capital Stock

	For the years ended December 31, 2014 and 2013 (Mexican pesos)				
Shareholder's name	**Number of shares**	**Fixed capital stock**	**Variable capital stock**	**Total**	**Total capital stock (thousands USD$)**
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 December 31, 2012 (Mexican pesos)				
Shareholder's name	**Number of shares**	**Fixed capital stock**	**Variable capital stock**	**Total**	**Total capital stock (thousands USD$)**
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 this transaction, BV11 is IEnova's new parent company.

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

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

By a resolution of the general ordinary members' meeting of February 15, 2013, a members' equity increase of $1.00 Mexican peso was approved, which was subscribed and paid by BV11, increasing the value of its interest; also, the 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. As a result of this resolution, the interest in the Company was converted to shares and as of February 15, 2013 the distribution of these shares was as follows:

Shareholder's name	Shares 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

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

On March 6, 2013, BV11 subscribed a capital increase in Semco Holdco, S. de R. L. de C. V. ("Semco", a subsidiary of Sempra Energy), agreeing to pay the capital increase through a contribution in IEnova shares to a value 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). On the effective date of the Global Offering and the RNV registration, Semco acquired 100% of the Shares of BV11 under the terms described above; therefore, Semco became IEnova's new controlling company from this date.

On March 21, 2013, the Company placed a Global Offering of shares. Through the Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Mexican pesos per share. The offering included an over-allotment option of up to 28,449,196 shares. The value of this Global Offering was USD$520,707 ($6.4484 billion Mexican pesos).

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

DIVIDENDS AND DIVIDEND POLICY

xiii) Dividends

The declaration of dividends, their value and payment are subject to approval by a majority vote of the shareholders of the Company at a general meeting. Usually, the declaration of dividends is based on a recommendation by the Board of Directors, although the law does not require this. By law, the Company may only pay dividends (1) charged to retained earnings reflected in the financial statements approved by the shareholders at a general meeting; (2) once previous years' losses have been paid off, if applicable; and (3) upon separation of 5% of net profits for the year to a legal reserve until the amount of the reserve equals 20% of the capital stock.

Although the Company currently has no formal dividends policy and there are no plans to adopt such a policy, the Company does intend to declare dividends on an annual basis, and to pay dividends in one or more installments during the year. The payment of dividends, and any future formal dividends policy, is subject to the requirements of law and depends on various factors, including the operating results, the financial position, cash requirements, future projects, tax obligations and the current or future contractual commitments of the Company and the ability of its subsidiaries to pay dividends to Company and other factors that the board of directors of the Company and shareholders consider relevant. The Company can give no assurance that dividends will be paid in the future.

The indirect controlling shareholder of the Company has the power to determine the outcome of the vote with respect to payment of dividends. See: *"Risk Factors–Risks Related to the Company's Shares–The Company cannot guarantee that it will pay or maintain a cash dividends policy."*

For the years ended December 31, 2012, 2013 and 2014, the company declared and paid dividends on five occasions:

- March 29, 2012; USD$15.1 million;
- December 5, 2012; to the value of USD$125.0 million;
- March 1, 2013; to the value of USD$ 39.0 million;
- October 7, 2013; to the value of USD$117.0 million; and
- July 22, 2014; to the value of USD$ 164.0 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Financial Information

a) Selected Financial Information

The following tables present our selected consolidated financial and other data as of and for the periods indicated. These tables should be read in conjunction with the Company's financial statements and the notes to the statements which are included elsewhere in this annual report and are qualified in their entirety by the information they contained. Please refer to the section *"Presentation of Information"*.

On September 10, 2012, the Company's indirect controlling shareholder, Sempra Energy, contributed IEnova Gasoductos to the Company. IEnova Gasoductos' assets include the Aguaprieta Pipeline system, the Naco Compressor Station, and a 50% interest in the joint venture with Pemex Gas. During the period from April 30, 2010, when Sempra Energy acquired IEnova Gasoductos, through September 10, 2012, the Company and IEnova Gasoductos were under the common ownership and control of our indirect controlling shareholder, Sempra Energy. Therefore, the financial statements included here as of December 31, 2012 are presented on a combined basis, combining the Company's accounts with the accounts of IEnova Gasoductos from the date of acquisition through September 10, 2012. As of September 10, 2012, the Company assumed ownership and control of IEnova Gasoductos and therefore, as of that date, the Company's financial information is prepared on a consolidated instead of combined basis. The contribution of IEnova Gasoductos did not otherwise have any effect on our operating results. See "*Presentation of Information*."

The information relating to the consolidated statements of income for the years ended December 31, 2012, 2013 and 2014, and the information on the consolidated statements of financial position at December 31, 2012, 2013 and 2014, are taken from the Company's audited financial statements included in this annual report. Investors should read this information together with the Company's audited financial statements and their accompanying notes included in this report, as well as the information included in the section entitled *"Management's Discussion and Analysis of the Results of Operations and the Financial Position."*

Consolidated Profit and Loss Statements

(in thousands of USD$)	**Years Ended December 31,**		
	2012	**2013**	**2014**
Revenues	$607,607	$677,836	$822,796
Cost of revenues	(253,299)	(328,817)	(443,298)
Operating, administrative and other expenses	(76,423)	(99,685)	(98,384)
Depreciation and amortization	(61,349)	(61,164)	(61,943)
Interest income	1,027	1,372	3,299
Profits (costs) on financing	(11,346)	(5,035)	1,143
Other (losses) and gains	(8,845)	6,986	1,258
Profit before income tax and share of profits from joint ventures	**197,372**	**191,493**	**224,871**
Tax on profits	(40,801)	(83,792)	(111,283)
Share of profits from joint ventures, net of income tax	37,444	34,689	23,346
Profit for the year	**$194,015**	**$142,390**	**$136,934**

Condensed Consolidated Statements of Financial Position

(in thousands of USD$)	As of December 31,		
	2012	**2013**	**2014**
Assets			
Current assets			
Cash and cash equivalents	$ 85,073	$ 103,880	$ 83,637
Short-term investments in securities	-	207,027	30,020
Other current assets(1)	151,883	187,221	211,962
Total current assets	**236,956**	**498,128**	**325,619**
Non-current assets			
Investment in joint ventures	331,599	366,288	401,538
Property, plant and equipment, net	1,884,739	2,213,837	2,377,739
Other non-current assets(2)	47,424	163,655	275,322
Total non-current assets	**2,263,762**	**2,743,780**	**3,054,599**
Total assets	**$ 2,500,718**	**$ 3,241,908**	**$ 3,380,218**
Equity and liabilities			
Short-term debt	$ -	$ -	$ 195,089
Other current liabilities**(3)**	160,207	193,089	172,461
Current liabilities	**$ 160,207**	**$ 193,089**	**$ 367,550**
Non-current liabilities			
Long-term debt(4)	-	394,656	350,638
Related party payments due	331,803	38,893	38,460
Other non-current liabilities(5)	245,590	298,858	374,282
Total non-current liabilities	**577,393**	**732,407**	**763,380**
Total liabilities	**737,600**	**925,496**	**1,130,930**
Total shareholders' equity	**1,763,118**	**2,316,412**	**2,249,288**
Total liabilities and shareholders' equity	**$ 2,500,718**	**$ 3,241,908**	**$ 3,380,218**

(1) Other current assets include net trade accounts and other receivables, recoverable value added tax, carbon allowances, amounts due from related parties, natural gas inventories, derivative financial instruments and other less-significant current assets.

(2) Other non-current assets include accounts receivable from related parties, deferred income tax assets, trade credit, financial leases receivables, carbon allowances and other less-significant non-current assets.

(3) Other current liabilities include trade accounts and other payables, carbon allowances; other current liabilities (salaries and benefits), current tax liabilities, accounts payable to related parties, derivative financial instruments, provisions and other less-significant current liabilities.

(4) Long-term indebtedness related to CEBURES.

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

Other Financial and Operating Data

(in thousands of USD$)	Year Ended December 31,		
	2012	2013	2014
Payments for property, plant and equipment	$ 50,278	$ 369,672	$ 325,484
EBITDA[(1)]	**277,885**	**249,334**	**281,114**
Adjusted EBITDA[(1)]	**330,075**	**303,085**	**336,890**
Adjusted EBITDA by segment:			
Gas	310,862	289,592	300,558
Power	20,799	14,604	36,009
Corporate	(1,586)	(1,111)	323

(1) See *"Presentation of Financial and Other Information –Adjusted EBITDA"* for an explanation of how and why we calculate EBITDA and adjusted EBITDA, including a reconciliation of EBITDA and adjusted EBITDA to profit in accordance with IFRS.

b) Financial Information by Business Segment

Segment Information

A summary of information by business segment from the audited financial statements is provided below.

Products and Services from which Reportable Segments Derive their Revenues

The information reported to the Company's 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: the gas segment and the power segment. The Company's assets are divided between these two business segments, i.e. (1) the gas segment, which includes the pipeline business, the LNG business, which includes the storage and regasification of LNG business, as well as the sale and purchase of natural gas to the Company's customers and the natural gas distribution business, and (2) the power segment, which includes power generation in the natural gas-powered combined cycle plant at the Termoeléctrica de Mexicali plant and the Energía Sierra Juárez wind farm project currently under construction in Baja California to supply customers in the United States. In addition, the Company reports corporate revenue and costs not directly attributable to a specific business segment, which are identified in the corporate line item. These corporate revenues and expenses are primarily administrative and typically represent company-wide functions not allocated to any particular operating business segment.

Results by Segment in the Audited Financial Statements

Revenue by Segment

The following table presents an analysis by on-going operations by segment reportable by the Company.

	Years Ended December 31,		
(in thousands of USD$)	**2012**	**2013**	**2014**
Gas			
Sales to customers	$ 478,273	$ 507,814	$ 598,183
Intersegment sales	169,595	252,117	301,870
Power			
Sales to customers	127,656	168,340	222,471
Intersegment sales	5,890	52,950	66,085
Corporate			
Sales to customers	1,678	1,682	2,142
Intersegment sales	3,117	35,854	27,468
	786,209	1,018,757	1,218,219
Inter-segment adjustments and eliminations	(178,602)	(340,921)	(395,423)
Total revenues by segment	**$ 607,607**	**$ 677,836**	**$ 822,796**

Profit by Segment

	Years Ended December 31,		
(in thousands of USD$)	**2012**	**2013**	**2014**
Gas	$ 222,568	$ 180,296	$ 161,120
Power	6,868	8,567	28,611
Corporate	(35,421)	(46,473)	(52,797)
Total profit	**$ 194,015**	**$ 142,390**	**$ 136,934**

Assets and Liabilities by Segment

(in thousands of USD$)	Years Ended December 31, 2012	2013	2014
Assets by segment:			
Gas	$ 2,101,378	$ 2,413,965	$ 2,684,488
Power	360,494	433,894	417,601
Corporate	38,846	394,049	278,129
Total consolidated assets	**$ 2,500,718**	**$ 3,241,908**	**$ 3,380,218**
Liabilities by segment:			
Gas	$ 243,904	$ 272,298	$ 334,572
Power	59,084	64,794	76,076
Corporate	434,612	588,404	720,282
Total consolidated liabilities	**$ 737,600**	**$ 925,496**	**$ 1,130,930**

Other Segment Information

(thousands of USD$)	Property, plant and equipment Years ended December 31, 2012	2013	2014	Accumulated depreciation Years ended December 31, 2012	2013	2014
Gas	$ 1,813,044	$ 2,138,129	$ 2,414,223	$ (243,429)	$ (287,407)	$ (326,875)
Power	442,518	504,595	447,038	(135,421)	(150,791)	(165,795)
Corporate	11,067	13,156	14,164	(3,040)	(3,845)	(5,016)
	$ 2,266,629	**$ 2,655,880**	**$ 2,875,425**	**$ (381,890)**	**$ (442,043)**	**$ (497,686)**

(thousands of USD$)	Depreciation and amortization Years ended December 31, 2012	2013	2014	Additions to property, plant and equipment Years ended December 31, 2012	2013	2014
Gas	$ 42,830	$ 44,605	$ 45,403	$ 40,371	$ 337,545	$ 291,424
Power	17,755	15,420	15,234	5,960	63,345	70,611
Corporate	764	1,139	1,306	966	5,246	1,008
	$ 61,349	**$ 61,164**	**$ 61,943**	**$ 47,297**	**$ 406,136**	**$ 363,043**

(thousands of USD$)	Interest income Years ended December 31, 2012	2013	2014	Financing cost Years ended December 31, 2012	2013	2014
Gas	$ 999	$ 1,140	$ 529	$ (1,355)	$ 12,046	$ 30,322
Power	3	5	817	364	683	1,182
Corporate	25	227	1,953	(10,355)	(17,764)	(30,361)
	$ 1,027	**$ 1,372**	**$ 3,299**	**$ (11,346)**	**$ (5,035)**	**$ 1,143**

(thousands of USD$)	Share of profits from joint ventures Years ended December 31, 2012	2013	2014	Benefit (cost) from income tax Years ended December 31, 2012	2013	2014
Gas	$ 37,444	$ 34,689	$ 24,770	$ (29,559)	$ (57,165)	$ (87,581)
Power	-	-	(1,424)	2,479	9,158	(8,932)
Corporate	-	-	-	(13,721)	(35,785)	(14,770)
	$ 37,444	$ 34,689	$ 23,346	$ (40,801)	$ (83,792)	$ (111,283)

Revenues by Type of Products or Services

The following table contains a breakdown of Company revenues by main types of products and services

	Years Ended December 31,		
(thousands of USD$)	**2012**	**2013**	**2014**
Power generation	$ 127,656	$ 168,340	$ 222,471
Sale of natural gas	144,483	169,832	230,003
Storage and regasification	94,174	93,785	93,744
Distribution of natural gas	78,128	99,235	109,330
Transportation of natural gas	52,298	44,335	56,915
Other operating revenues	110,868	102,309	110,333
	$ 607,607	**$ 677,836**	**$ 822,796**

Other Operating Revenues

In November 2009, IEnova LNG México entered into an agreement with LNG International LLC (LNG International), a related party, whereby LNG International agreed to deliver and sell LNG cargoes to IEnova LNG from the commencement date of operations of the LNG Terminal. Accordingly, IEnova LNG entered into transportation and storage service agreements to market the LNG.

Due to a lack of LNG cargoes, IEnova LNG received payments from LNG International related to the losses and debts incurred for total sums of USD$107.7 million, $90.9 million and $90.8 million for the years ended December 31, 2012, 2013 and 2014, respectively; which are presented within the revenues line item in the accompanying condensed interim consolidated profit and loss statements.

c) Report on Relevant Credits

Current account credit contract with Santander. On June 19, 2014, IEnova entered into an agreement for a USD$200 million corporate revolving credit facility generating interest at three months Libor plus 105 basis points, payable quarterly, with a three-year term. The purpose of the line of credit is to finance working capital and for general corporate purposes. The lender is Santander. As of December 31, 2014, IEnova had USD$145.0 million of outstanding borrowings supported by the facility, and available unused credit on the line was USD$55 million.

Current account credit contract with SMBC. On August 25, 2014, the Company entered into an agreement for a USD$100 million corporate revolving credit facility, generating interest at three months Libor plus 105 basis points, payable quarterly, with a three-year term The purpose of the credit is to finance working capital and for general corporate purposes. The lender is SMBC. As of December 31, 2014, IEnova had USD$51.0 million of outstanding borrowings supported by the facility, presented as a short-term debt since management intends to pay this debt in the short-term, and available unused credit on the line was USD$49 million.

CEBURES Offering. On February 14, 2013 the Company issued two series of bond certificates (CEBURES) for an aggregate principal amount of MXN$5.200 billion (equivalent to USD$408 million at the exchange rate of MXN$12.7364 to USD$1.00, as reported by Banco de México on February 12, 2013, the date on which the interest rate swap agreements described below were signed).

The total value of the first offering was MXN$3.900 billion (equivalent to USD$306 million) with a 10-year term and a fixed interest rate of 6.30% and the amount of the second offering was MXN$1.300 billion (equivalent to USD$102 million) at an interest rate equal to the TIIE, plus 30 basis points.

The Company applied the net proceeds of both debt offerings, equivalent to approximately USD$405 million, to repay approximately USD$356 million in debt owed to subsidiaries, as well as to fund its expansion plans for new pipeline development and working capital.

Regarding the public offerings of CEBURES, on February 15, 2013 the Company signed cross-currency and interest rate swap contracts to hedge its exposure to the payment of its liabilities in pesos:

(a) For the debt maturing in 2023, the Company swapped a 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 a 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 USD$408.3 million ($5.2 billion pesos).

These contracts have been designated as cash flow hedges.

See: *"Liquidity and Sources of Financing—Outstanding Debt."*

d) Management's Discussion and Analysis of the Results of Operations and the Financial Position

Investors should read the information below together with the Company's audited financial statements for the years ended December 31, 2012, 2013 and 2014, as well as the other financial information included in this Annual report. The Company's audited financial statements were prepared in accordance with IFRS as issued by the IASB.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in such forward-looking statements as a result of various factors, including, without limitation, those discussed under "Risk Factors" *and other matters set forth in this report.*

Business Segments

Company assets are divided between two operating segments:

- The gas segment, which includes natural gas and LPG transportation through our pipelines, the LPG Terminal, the LNG storage and regasification business, which also purchases LNG and sells natural gas to its customers and the natural gas distribution business; and
- The power segment, which includes a natural gas-fired, combined-cycle power generation facility and a wind power generation project currently under construction.

In addition, certain revenue and costs that are not directly attributable to either of the Company's operating segments are reported as corporate revenue and expenses, which we refer to as "corporate." These corporate revenues and expenses are primarily administrative and typically represent company-wide functions not allocated to any particular operating business segment.

Within the gas segment, the Company's pipeline business owns and operates systems for receiving, transporting, compressing, storing and delivering natural gas and LPG. Excluding Los Ramones Norte, these systems account for more than 870 miles (1,400 km) of natural gas pipelines (including 510 miles or 820 km under construction), six natural gas compressor stations, more than 118 miles (190 km) of LPG pipelines and an LPG storage terminal. Certain of these pipeline business assets are owned through a joint venture with Pemex Gas in which we have a 50% interest. The Company's gas segment also includes the Company's LNG business, which owns a 320,000 m^3 LNG storage and regasification terminal, as well as a natural gas marketing business that purchases LNG for storage and regasification in the LNG Terminal and sells natural gas to third-party customers and affiliated companies. Our natural gas distribution utility, Ecogas, is the third main business within our gas segment; this utility distributes natural gas to approximately 106,000 industrial, commercial and residential customers in three distribution zones in northern Mexico. The Company's pipeline business and LNG business have long-term contracts, primarily on a firm basis, with creditworthy, recognized industry leaders, including Shell, Gazprom, the CFE, InterGen, TransCanada and Pemex Gas.

Within the power segment, the Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural gas-fired, combined-cycle power generation facility. Prior to 2012, this power plant generated revenues by selling electricity to our U.S. affiliate Sempra Generation. Under a new agreement effective January 1, 2012, the Company sells this electricity to consumers in California's Independent System Operator (CAISO) power grid, and Sempra Generation acts as marketing and scheduling agent for these sales. Additionally, through our joint venture with InterGen, the Company is developing a wind power generation project, Energía Sierra Juárez, in Baja California. The Company expects the 155 MW first phase of the project to be fully operational in the first half of 2015.

Mexican Economic Environment

Substantially all of the Company's operations are conducted in Mexico. As a result, the Company's business, financial position and operating results depend on and may be affected by the general conditions of the Mexican economy, over which the Company has no control.

After being significantly impacted by the global economic crisis that began in 2008, Mexico's GDP fell by 6.1% in 2009, the sharpest GDP decline since 1932, according to the World Bank. Conversely, Mexico's GDP grew by 4.0%, 1.1% and 2.1% in 2012, 2013 and 2014, respectively.

The Company expects that current macroeconomic dynamics in Mexico will create opportunities for growth in the energy infrastructure sector over the next several years as demand for energy resources continues to grow. With respect to the energy sector in which the Company operates, natural gas prices have been low in recent years in Mexico due to the rapid rise in U.S. production of shale gas. The cost of natural gas in North America affects the demand for imported LNG, which is driven by the cost of natural gas elsewhere in the world relative to this region. Although the revenue we generate under firm services agreements is generally stable, natural gas prices impact the demand for natural gas and hence the Company's marketing of LNG and the natural gas distribution business. See below "*Factors Affecting Our Results of Operations—Revenue"* and *"Risk Factors."*

Factors Affecting Our Results of Operations

The following are some key factors that affect, or have recently affected, our operating results. These should be read in conjunction with the risks and uncertainties discussed under *"Risk Factors."*

Revenue

Revenue generated by each of the Company's business segments is affected by the following factors:

- The Company's businesses are subject to regulation and the permit requirements of federal, state and local governmental entities. Although certain rates the Company charges customers for certain services are not regulated, many prices, fees and rates we charge customers in our gas and power segments require approval from the CRE. Accordingly, the Company cannot unilaterally modify these prices, fees and rates, which restricts our operational flexibility. The CRE adjusts regulated rates periodically in accordance with applicable regulations, and we have no control over these adjustments. Although the established prices, fees and rates are generally based on costs, the Company's profit could decrease if we are unable to raise prices or rates to keep up with costs.
- The Company depends on a limited number of customers with which we have entered into long-term agreements. These agreements are, in general, subject to:
  - Early termination provisions for the failure of a party to perform its obligations under the agreement or in the event of insolvency;
  - Suspension or termination provisions because of *force majeure* events beyond the control of the parties; and
  - Substantial limitations of remedies for other failures to perform by any of the parties, including limitations on damages to amounts that could be substantially less than those necessary to provide full recovery of costs for breach of the agreements.

  If the Company is unable to collect payments from customers under these agreements, for any of these reasons or otherwise, the Company's revenue could decrease.
- The LNG Terminal's primary revenue stream is generated through long-term firm storage service agreements with Shell and Gazprom, as well as with the Company's subsidiary, IEnova LNG, which purchases LNG for storage and regasification at our terminal. Each of our customers must pay for its full contracted LNG storage capacity and natural gas send-out capacity regardless of whether it actually delivers LNG to our terminal. IEnova LNG generates revenues by purchasing LNG for storage and regasification in our LNG Terminal, and selling natural gas that is consumed by the CFE at its Presidente Juárez power plant, by our Termoeléctrica de Mexicali power plant and by other consumers under natural gas supply agreements covering 100% of its LNG Terminal natural gas send-out capacity. IEnova LNG also generates revenues from payments it receives to the extent its LNG supplier, our U.S. affiliate Sempra Natural Gas, does not deliver LNG to IEnova LNG under a long-term LNG supply contract. Relatively high prices for LNG in Asian markets, together with low natural gas prices in Mexico and the United States, have reduced the number of expected shipments of LNG cargoes to IEnova LNG by Sempra Natural Gas. Accordingly, the Company also depends on revenue derived from these payments. Under a long-term supply contract with Sempra Natural Gas, the payments made by Sempra Natural Gas to IEnova LNG have been sufficient to compensate IEnova LNG for the storage and transportation costs incurred by IEnova LNG resulting from Sempra Natural Gas' failure to deliver sufficient LNG cargoes. See *"Selected Relationships and Related*

Party Transactions" and note 26.5 to our audited financial statements included elsewhere in this report.

- The price of natural gas is subject to market conditions beyond our control. See *"—Cost of Natural Gas."* The CRE requires natural gas distributors to pass the cost of natural gas through to their customers without obtaining a margin from the sale of natural gas. As a result, the cost of natural gas effectively offsets the revenue from natural gas sales. However, the profit margin obtained by natural gas distributors, including the Company's natural gas business, is derived from natural gas distribution fees and other related services. Accordingly, total revenue for the Company's natural gas distribution business is impacted by market swings in natural gas prices and customers' preference for natural gas relative to other energy sources, such as LPG, which is subsidized by the Mexican government, and the profit derived from distribution fees and other related services can decrease in response to decreases in overall demand for natural gas.
- Revenue from the Company's sales of natural gas depend on several factors beyond our control. Currently, LPG prices are subsidized by the Mexican government, which puts the Company's Ecogas distribution system's unsubsidized natural gas product at a competitive disadvantage. If the LPG price subsidy policy of the Mexican government continues and the Company is not able to obtain competitively priced natural gas relative to the LPG that is available to our customers and potential customers through our competitors, the Company's natural gas distribution business could experience lower revenue and profits.
- Customer demand in our gas and power segments is also impacted by seasonality in the United States market and, with respect to natural gas distribution, general economic conditions in Mexico. See the section on *"Mexican Economic Environment."* Lower customer demand due to seasonality or unfavorable economic conditions could lower the Company's revenue and profits.
- The markets and pipelines to which we deliver natural gas and LPG typically establish minimum quality specifications for the natural gas and LPG we deliver. These specifications can vary by pipeline or markets. If the quality of natural gas or LPG that the Company delivers fails to meet the applicable product quality specifications, the pipeline or market may refuse to accept all or a part of the delivery or may invoice us for the costs to handle the non-conforming products. In those circumstances, the Company may be required to find alternative markets for the delivery or stop accepting non-conforming product into our pipelines, which could reduce our through-put volumes or revenue.
- The Company may use forward contracts, physical purchase and sales contracts, futures, financial swaps and options in the ordinary course of our business. We use these instruments for hedging purposes. However, they are not reflected as hedges in our financial statements because they do not qualify for hedge accounting due to certain technical requirements. The Company does not hedge the entire exposure to market price volatility or our contract positions, and our hedging strategies may vary over time. Unanticipated changes in market prices for energy-related commodities can result from multiple factors, including weather conditions, seasonality, changes in supply and demand, transmission or transportation constraints or inefficiencies, availability of competitively priced alternative energy sources and commodity production levels. If the Company does not hedge our exposure to market price volatility or our contract positions correctly, we could incur losses.
- The Company's Ecogas natural gas distribution business benefitted from a 12-year period of exclusivity with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. Accordingly, the Company could face competition from other distributors of natural gas in all of our distribution zones.

Cost of Natural Gas

The cost of natural gas primarily consists of the cost of supply, costs of services, minor materials used in the power generation process, labor costs and transportation costs. The principal factors that affect these costs include the following:

- The Company's results are affected by energy prices, including market prices for natural gas, LNG, electricity, LPG and petroleum. If the Company's customers or suppliers fail to fulfill their obligations under their contracts with us, we may be required to enter into alternative arrangements to honor underlying commitments by making purchases from other suppliers at then-current market prices.

- The Company's LNG business is also impacted by worldwide LNG market prices. High LNG prices in markets outside the market in which our LNG Terminal operates have resulted, and could continue to result, in lower than expected deliveries of LNG cargoes to our LNG Terminal, which could increase our costs if we do not receive expected LNG cargo deliveries from third parties under existing supply agreements and are instead required to obtain LNG in the open market at prevailing prices. Any inability to obtain expected LNG cargoes could also impact the Company's ability to maintain the minimum level of LNG required to keep the LNG Terminal in operation. LNG market prices also affect the marketing operations of this commodity, through which we must purchase natural gas in the international market to meet our contractual obligations to deliver natural gas to our customers, which could have an effect on our profit. See *"—Revenue."*
- Currently, the Company's Ecogas natural gas distribution business relies on two third parties, PEMEX and British Petroleum, for the supply of natural gas that we distribute to our customers. If either of these key suppliers fails to perform and we are unable to obtain supplies of natural gas from alternate sources, we could lose customers and sales volume and, in some cases, we could be exposed to commodity price risk and volatility.

Effects of Currency Exchange Rates on Income Tax

Exchange rate fluctuations and Mexican inflation can result in significant fluctuations in the amount of income tax the Company pays. The Company has U.S. dollar-denominated receivables and payables that are subject to Mexican currency exchange rate movements for Mexican tax purposes. The Company also has deferred income tax assets and liabilities that are denominated in Mexican pesos, which are converted to U.S. dollars for financial reporting purposes. In addition, the Company adjusts its monetary assets and liabilities for Mexican inflation for the purposes of determining Mexican income tax. See note 22.7 to the audited financial statements, included elsewhere in this report.

Under IFRS, the Company is required to reappraise property, plant and equipment at each reporting period using the period-end Mexican peso exchange rate and changes in the rate of inflation for the Company's U.S. dollar functional currency subsidiaries. The impact from this period-end conversion for property, plant and equipment can result in significant fluctuations in the amount of income tax the Company pays and the deferred income tax balances. See note 23.1 to the audited financial statements, included elsewhere in this report.

Mexican Income Tax Reform

On September 8, 2013, the President of Mexico announced a tax reform initiative. On December 11, 2013, the tax reform was published in the Mexican Federal Official Gazette whereby several tax regulations related to income tax and the flat rate business tax (IETU) were amended, supplemented, and repealed with effect from January 1, 2014. The main effects of this tax reform on our consolidated financial statements are:

- *Income Tax Rate.* The former Mexican Income Tax Law contemplated a reduction in the tax rate to 28% for 2014 and future years. The rate under the new Mexican Income Tax Law is 30% for 2014 and future years. The change in rates resulted in an increase in deferred tax expenses of approximately USD$15 million for 2013, and it is estimated that the change in rates will increase our income tax expense by approximately USD$27 million from 2014 to 2018.

- *Tax consolidation regime*. The tax consolidation regime was replaced by a new regime in which the benefits 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, the Company is obligated to make an advance payment of approximately USD$87 million in 2014, which is included in income tax short-term liabilities in the consolidated financial position statements. Additionally, our subsidiaries' consolidated financial position statements reflect the separate presentation of payable and recoverable taxes as of December 31, 2013, as the Company is no longer eligible for compensation for tax balances.

- *Income tax on dividends*. Also, effective from January 1, 2014, a new income tax on dividends was created to charge 10% on dividends received by foreign residents. However, such dividends may be exempt from this tax if they correspond to profits that were taxed at the corporate level prior to January 1, 2014.

Acquisition of IEnova Gasoductos

On April 30, 2010, the Company's indirect controlling shareholder, Sempra Energy, acquired IEnova Gasoductos, whose assets include our joint venture with Pemex Gas. The joint venture with Pemex Gas owns and operates natural gas and LPG transportation, storage and compression systems in northern and central Mexico. On September 10, 2012, the Company's indirect controlling shareholder Sempra Energy contributed IEnova Gasoductos to the Company. The purpose of this reorganization was to consolidate all of Sempra Energy's Mexican assets and operations under IEnova to facilitate our initial public offering. The Company's results include the results of IEnova Gasoductos on a consolidated basis from 2012, including the Company's share of the profits of the joint venture with Pemex Gas, which is accounted for using the equity method.

Results of Operations – Years ended December 31, 2012, 2013 and 2014

The following table summarizes the Company's Results of Operations for the years ended December 31, 2012, 2013 and 2014, including the corresponding variances in the results from one year to the next. Profits by segment are shown after eliminating the effects of inter-company transactions between the various subsidiaries.

(thousands of USD$, except percentages)	Years ended December 31,			Variance		Variance	
	2012	2013	2014	2013 vs 2012		2014 vs 2013	
Revenue	$607,607	$677,836	$822,796	$ 70,229	11.6%	$ 144,960	21.4%
Cost of revenues	(253,299)	(328,817)	(443,298)	$(75,518)	(29.8)%	$(114,481)	(34.80)%
Administrative and other expenses	(76,423)	(99,685)	(98,384)	$(23,262)	(30.4)%	$ 1,301	1.3%
Depreciation and amortization	(61,349)	(61,164)	(61,943)	$ 185	0.3%	$ (779)	(1.3)%
Interest income	1,027	1,372	3,299	$ 345	33.6%	$ 1,927	n.s.%
Financing costs	(11,346)	(5,035)	1,143	$ 6,311	55.6%	$ 6,178	n.s.%
Other gains (losses)	(8,845)	6,986	1,258	$ 15,831	n.s.%	$ (5,728)	82.0%
Profit before income tax and share of profits of joint ventures	197,372	191,493	224,871	$ (5,879)	(3.0)%	$ 33,378	17.4%
Tax on profits	(40,801)	(83,792)	(111,283)	$(42,991)	n.s.%	$ (27,491)	(32.8)%
Share of profits of joint ventures, net of income tax	37,444	34,689	23,346	$ (2,755)	(7.4)%	$(11,343)	(32.7)%
Profit for the year	**$194,015**	**$142,390**	**$136,934**	**$(51,625)**	**(26.6)%**	**$ (5,456)**	**(3.8)%**

Profit for the year

The following table summarizes the Company's profit for the years ended December 31, 2012, 2013 and 2014, including the corresponding variances between those years. Segment profit is presented after eliminating the effects of inter-company transactions.

(thousands of USD$, except percentages)	Years Ended December 31,			Variance			
	2012	2013	2014	2011 vs 2012		2012 vs 2013	
Profit for the year							
Gas segment	$222,568	$180,296	$161,120	$(42,272)	(19.0)%	$(19,176)	(10.6)%
Power segment	6,868	8,567	28,611	1,699	24.7%	20,044	n.s.%
Corporate	(35,421)	(46,473)	(52,797)	(11,052)	(31.2)%	(6,324)	13.6%
Total profit for the year	**$194,015**	**$142,390**	**$136,934**	**$(51,625)**	**(26.6)%**	**$(5,456)**	**(3.8)%**

Unless otherwise indicated, all the variances in the profit from one year to the next are presented net of income taxes.

Gas Segment

In 2014, gas segment profit for the year decreased by USD$19.1 million, or 10.6%, compared to 2013, primarily due to the capitalization of interest expenses, and the start of operations of the Sásabe-Puerto Libertad segment of the Sonora Pipeline.

In 2013, gas segment profit for the year decreased by USD$42.3 million, or 19.0%, compared to 2012. This decrease was primarily due to an increase of USD$27.6 million in income tax expenses as a result of an increase in the income tax rate from 28% to an equivalent of 30% and increased administration costs of USD$16.7 million for expenses related to the Company's new corporate structure. See *"—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax."*

Power Segment

In 2014, power segment profit for the year increased by USD$20.0 million, compared to 2013, primarily due to improved results, lower scheduled maintenance expenses at the power plant and a gain on the sale of our 50% equity interest in the first phase of the Energía Sierra Juarez, wind power generation project.

In 2013, power segment profit for the year increased by USD$1.7 million, or 24.7%, compared to 2012, primarily due to an income tax credit of USD$6.7 million related to the cancellation of a deferred flat rate business tax (IETU), the effect of recognizing tax losses not recognized as an asset in 2012 and changes in inflation.

Corporate

In 2014, corporate loss before tax for the year increased by USD$6.3 million compared to 2013, principally due to mark-to-market losses in 2014 compared to mark-to-market gains in 2013 on the valuation of an interest rate swap.

In 2013, corporate loss for the year increased by USD$11.1 million compared to 2012, principally due to the increase of USD$17.0 million in the mark-to-market adjustment of the interest rate swap partially offset by the exchange rate loss during 2013.

Revenues

The following table summarizes the Company's revenues for the years ended December 31, 2012, 2013 and 2014, and the respective year-on-year variances. Segment revenue is presented after eliminating the effects of inter-company transactions.

(thousands of USD$, except percentages)	Years ended December 31,			Variance			
	2012	**2013**	**2014**	**2012 vs 2013**		**2013 vs 2014**	
Revenues:							
Gas segment	$478,273	$507,814	$598,183	$29,541	6.2%	$90,369	17.8%
Power segment	127,656	168,340	222,471	40,684	31.9%	54,131	32.2%
Corporate	1,678	1,682	2,142	4	0.2%	460	27.3%
Total Revenue	**$607,607**	**$677,836**	**$822,796**	**70,229**	**11.6%**	**144,960**	**21.4%**

Gas Segment

In 2014, gas segment revenue increased by USD$90.4 million, equivalent to 17.8% compared to 2013, primarily due to higher sales prices and volumes of USD$74.5 million and the start of operations of the Sásabe-Puerto Libertad segment of the Sonora Pipeline project.

In 2013, gas segment revenue increased by USD$29.5 million, equivalent to 6.2%, compared to 2012, primarily as a result of the increase of USD$45.8 million in natural gas sales due mainly to higher sale prices and partially offset by a decrease of USD$17.0 million due to changes to commercial arrangements.

Power Segment

In 2014, power segment revenue increased by USD$54.1 million, equivalent to 32.2% compared to 2013, due to higher power demand and the impact of scheduled maintenance in 2013.

In 2013, power segment revenue increased by USD$40.7 million, equivalent to 31.9% compared to 2012, due to higher electricity prices.

Corporate

Corporate revenues remained relatively stable in 2014, compared to 2013 and 2012.

Cost of Revenues

The following table sets forth our cost of revenues and the corresponding variances for the years ended December 31, 2012, 2013 and 2014. Cost of revenues per segment is presented after the elimination of intercompany transactions.

(thousands of USD$, except percentages)	**Years ended December 31,**			**Variance**			
	2012	**2013**	**2014**	**2012 vs 2013**		**2013 vs 2014**	
Cost of revenues:							
Gas segment	$163,396	$199,053	$277,341	$35,657	21.8%	$78,288	39.3%
Power segment	89,903	129,764	165,957	39,861	44.3%	36,193	27.9%
Total cost of revenues	**$253,299**	**$328,817**	**$443,298**	**$75,518**	**29.8%**	**$114,481**	**34.8%**

Gas Segment

In 2014, natural gas cost of revenues increased by USD$78.3 million, equivalent to 39.3%compared to 2013, primarily due to an increase in natural gas prices and volumes.

In 2013, gas segment cost of revenues increased by USD$35.7 million, equivalent to 21.8% compared to 2012, primarily due to an increase of USD$36.4 million from higher natural gas prices.

Power Segment

In 2014, power segment cost of revenues increased by USD$36.2 million, equivalent to 27.9% compared to 2013, primarily due to higher demand for electricity and the impact of scheduled maintenance in 2013.

In 2013, power segment cost of revenues increased by USD$39.9 million, equivalent to 44.3%, compared to 2012, primarily due to USD$17.2 million in expenses related to the “Cap-and-Trade” program established in 2013 by the California Air Resources Board and an increase of USD$19.5 million in natural gas prices.

Operating, Administrative and Other Expenses

In 2014, total operating, administrative and other expenses were relatively stable compared to 2013, primarily due to lower scheduled maintenance expenses at the power plant, partially offset by higher administrative expenses.

In 2013, total administrative and other expenses increased by USD$23.3 million, equivalent to 30.4% compared to 2012, primarily in the gas segment, which reflected higher service costs, salaries and employment benefits related to the new public company structure put in place in 2013.

Depreciation and Amortization

Depreciation and amortization remained relatively stable in 2014 compared to 2013 and 2012.

Financing Costs

In 2014, financing costs decreased by USD$6.2 million, compared to 2013, primarily due to higher capitalization of interest for the construction of the Sonora Pipeline.

In 2013, financing costs decreased by USD$6.3 million, equivalent to 55.6% compared to 2012, primarily due to the capitalization of interest to the value of USD$11.8 million for the construction of the Sonora Pipeline and a reduction of USD$7.6 million in interest paid to related parties partially offset by the payment of USD$13.6 million in interest on the CEBURES long-term debt issued in 2013.

Other Losses and Gains

In 2014, other gains decreased by USD$5.7 million, equivalent to 82.0% compared to 2013, primarily due to a 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 the gain on the sale of our 50% equity interest in the first phase of the Energía Sierra Juarez wind power generation project.

In 2013, other gains increased by USD$15.8 million compared to other losses of USD$8.8 million in 2012, primarily due to a USD$17.0 million increase in the mark-to-market value of an interest rate swap in the corporate segment, which compared to 2012, was partially offset by the exchange rate loss reported during the year.

Income Tax

In 2014, income tax amounted to USD$111.3 million. The increase was due to changes in the Company's deferred tax balance resulting from the fluctuation in the tax basis of property, plant and equipment that are valued in pesos for the purposes of taxation and depend on the exchange rate, which were partially offset by the effects of the 2013 Tax Reform.

In 2013, income tax was USD$83.8 million. Income tax increased in 2013 compared to 2012 due to a change in the income tax rate from 28% to 30% and changes in the inflation rate and foreign currency exchange rates, partially offset by the recognition of a deferred tax asset related to tax losses. The Company estimates that changes in the income tax rates will increase income tax by approximately USD$27 million from 2014 to 2018.

Share of Profits of Joint Venture, Net of Income Tax

In 2014, the Company's share of profits from joint ventures, net of income tax, which we account for using the equity method, was USD$23.3 million; a decrease of USD$11.3 million compared to 2013, mainly due to higher income tax costs, interest and foreign exchange losses on peso-denominated balances.

In 2013, the Company's share of profits from the joint venture, net of income tax, which we account for using the equity method, was USD$34.7 million; a slight decrease compared to USD$37.4 million net of income tax, in 2012.

Adjusted EBITDA

The following table sets forth the Company's adjusted EBITDA and the corresponding variances for the years ended December 31, 2012, 2013 and 2014, including the variations from year to year. Segment adjusted EBITDA is presented after the elimination of intercompany transactions.

(thousands of USD$, except percentages)	**Years Ended December 31,**			**Variance**			
	2012	**2013**	**2014**	**2012 vs 2013**		**2013 vs 2014**	
Adjusted EBITDA							
Gas segment......................	$310,862	$289,592	$300,558	(21,270)	(6.8)%	10,966	3.8%
Power segment..................	20,799	14,604	36,009	(6,195)	(29.8)%	21,405	146.6%
Corporate	(1,586)	(1,111)	323	475	(29.9)%	1,434	129.1%
Total Adjusted EBITDA	**$330,075**	**$303,085**	**$336,890**	**(26,990)**	**(8.2)%**	**(26,990)**	**11.2%**

The following table sets forth a reconciliation of profit for the year to consolidated adjusted EBITDA for 2012, 2013 and 2014.

(*thousands of USD$**)***	**Year ended December 31,**		
	2012	**2013**	**2014**
Profit for the year..	$ 194,015	$ 142,390	$ 136,934
Depreciation and amortization	61,349	61,164	61,943
Interest income	(1,027)	(1,372)	(3,299)
Financing costs	11,346	5,035	(1,143)
Other gains and (losses)..	8,845	(6,986)	(1,258)
Income tax	40,801	83,792	111,283
Share of depreciation, amortization, interest income and financing costs and income tax payments by joint ventures..	14,746	19,062	32,430
Adjusted EBITDA	**$ 330,075**	**$ 303,085**	**$ 336,890**

For our definition of adjusted EBITDA, an explanation of why the Company presents it and a discussion of its limitations, see *"Presentation of Financial and Other Information—Adjusted EBITDA."*

Liquidity and Sources of Capital

General Overview

Historically, the Company's operations have generated and are expected to continue to generate positive cash flows from operations. The Company's principal capital needs are for working capital in order to invest in maintenance, expansions and acquisitions, as well as debt servicing. The Company's ability to fund its working capital needs depends on its ongoing ability to generate cash from operations, the terms of our financing arrangements and our access to the capital markets. The Company believes that in the future, the cash generated from operations, together with access to debt financing and the equity capital markets, will provide adequate resources to fund our operating activities, capital expenditures, acquisitions and new business development activities.

A substantial portion of the production capacity of the Company's assets across our business segments is committed under long-term agreements with customers, which provides us with a generally steady and predictable cash flow. The Company's counterparties with respect to the substantial majority of these agreements are stable, creditworthy, private or state-owned entities.

The cash flows generated by the Company's operations are divided into inward flows that are represented by revenues, and outward flows, which consist of the cost of revenues and the increases in working capital necessary due to business growth. The cash flows used in the Company's investment activities represents investments in property, plant and equipment required for our growth, expansion and maintenance, as well as our acquisition activities. The cash flows generated by the Company's financing activities are primarily related to changes in credit levels with subsidiaries to finance the growth of our business, repayment of debt with cash from operations or refinancing transactions and the payment of dividends.

The Company expects that its cash flows from operations, added to its capacity for future borrowing, will be sufficient to finance liquidity requirements for the foreseeable future. The Company is also subject to certain capitalization requirements imposed by governmental agencies on our regulated pipelines and natural gas distribution businesses.

Liquidity

We are a holding company. As a result, our ability to meet our obligations depends primarily on the earnings and cash flows of our subsidiaries and their co-investments or joint ventures and the ability of those subsidiaries or joint ventures to pay dividends or other amounts back to the Company.

Sources and allocation of funds

	Years Ended December 31,		
(in thousands of USD$)	**2012**	**2013**	**2014**
Net cash generated by operating activities	173,432	162,760	163,217
Net cash generated (expended) in investment activities	(49,275)	(576,699)	(267,964)
Net cash generated (expended) in financing activities	(69,207)	436,244	83,939
Cash and cash equivalents at period end	$ 85,073	$ 103,880	$ 83,637

Operating Activities

Net cash provided by operating activities was USD$163.2 million in 2014, consistent with the USD$162.8 million in 2013.

Net cash provided by operating activities was USD$162.8 million in 2013 compared to USD$173.4 million in 2012, primarily due to an increase in tax costs of USD$39.2 million and a decrease of USD$25.3 million of cash from operations, partially offset by an increase in our operating cash flows related to the increase of a net liability in our working capital of USD$53.7 million.

Investment Activities

The Company maintains financial resources sufficient to meet our financial commitments related to capital expenditures and other investment activities and those of our subsidiaries.

Net cash used in investment activities in 2014 was USD$268.0 million, primarily due to acquisitions of property, plant and equipment to the value of USD$325.5 million and USD$162.8 million of loans granted to unconsolidated subsidiaries, partially offset by proceeds from a reduction of short-term investments of USD$177.0 million and a net cash inflow of USD$24.4 million from the sale of our 50%equity interest in the first phase of the Energía Sierra Juárez wind power generation project and USD$19.9 million of loans repayments to related parties..

Net cash used in investment activities in 2013 was USD$576.8 million, primarily due to acquisitions of property, plant and equipment to the value of USD$369.7 million and USD$207.0 million in short-term investments.

Net cash used in investment activities in 2012 was USD$49.3 million, primarily due to USD$50.3 million in acquisitions of property, plant and equipment offset by USD$1.0 million of interest income.

Financing Activities

Net cash raised from financing activities in 2014 amounted to USD$83.9 million due to significant sources and uses of bank loans of USD$278.4 million, dividend payment of $164.0 million and interest payments of $18.9 million.

Net cash raised from financing activities in 2013 amounted to USD$436.1 million. Significant sources included proceeds of USD$598.8 million from the issuance of shares of common stock in an initial public offering and proceeds of USD$408.8 million through the issuance of CEBURES long-term debt. Significant uses included the payment of USD$388.0 million in loan repayments to affiliates and dividend payments of USD$156.0 million.

Net cash used in financing activities in 2012 was USD$69.2 million. Significant sources and uses included USD$128.7 million in loan repayments to subsidiaries, proceeds of USD$209.0 million in new loans from subsidiaries and dividend payments of USD$140.1 million to the Company’s indirect controlling shareholder.

Outstanding Debt

Historical terms

(thousands of USD$)	As of December 31, 2012	2013	2014
Short term debt	—	—	$ 195,089
Non-current debt due to related parties	$ 331,803	$ 38,893	$ 38,460
Non-current CEBURES debt	—	$ 394,656	$ 350,638

On February 14, 2013, the Company issued two series of CEBURES in a public offering in Mexico for an aggregate principal amount of MXN$5.2 billion (equivalent to USD$408 million using the exchange rate of MXN$12.7364 to USD$1.00, as reported by Banco de México on February 12, 2013, the date on which we entered into the exchange rate swap agreements described below). The aggregate amount of the first issue was MXN$3.900 billion with a term of 10 years at a fixed interest rate of 6.30% and the aggregate amount of the second issue was MXN$1.300 billion at an interest rate equivalent to the Mexican Interbank Equivalent Rate (TIIE) plus 30 basis points. The Company applied a portion of the net proceeds of both debt issues, which were equivalent to approximately USD$405 million, to repay approximately USD$356 million in subsidiary debt, and the remaining proceeds were applied to the partial financing of the acquisition of property, plant and equipment.

On June 19, 2014, the Company entered into an agreement with Santander for up to USD$200 million. The sums borrowed under the three-year corporate revolving credit facility will be applied to finance working capital and for general corporate purposes, generating interest at three months Libor plus 105 basis points. As of December 31, 2014, the Company had $145.0 million of available unused credit.

On August 25, 2014, the Company entered into an agreement with SMBC for a USD$100 million three-year corporate revolving credit facility to finance working capital and for general corporate purposes, generating interest at three months Libor plus 105 basis points. As of December 31, 2014, the Company had USD$49.0 million of available unused credit.

All debt to related parties at December 31, 2014 was due to the indirect shareholder exercising control over the Company or its subsidiaries. The Company paid interest on this debt of: USD$10.4 in 2012, USD$2.8 million in 2013 and USD1.6 million in 2014 and capital payments of USD$128.7 million in 2012, USD$ 388.0 million in 2013 and USD$0.6 million in 2014. Credits with subsidiaries to December 31, 2014 had maturities from May 2017 to December 2027 and bore interest at annual rates of 2.7% to 3.3%. See note 6.3 to the audited financial statements of the Company included in this report.

Capital Expenditures

The Company expects to continue implementing various investment diversification strategies in the energy infrastructure sector that are capable of generating stable cash flows as well as expanding into other related businesses to increase revenues and profitability. The Company intends to achieve this goal by pursuing a disciplined, targeted growth strategy, which includes:

- Long-term investments in energy infrastructure assets in Mexico;
- The on-going expansion of our network of energy assets in Mexico;
- The constant focus on assets that produce stable cash flows;
- Maximizing the efficiency and profitability of our current energy assets.

In 2012, 2013 and 2014, the Company made capital expenditures of USD$50.3 million, USD$369.7 million and USD$325.5 million, respectively. These capital expenditures mainly include expenditure related to acquisitions of property, plant and equipment, for the development of the Sonora Pipeline and the Energía Sierra Juarez wind power project.

The Company estimates that its capital expenditures for 2015, excluding expenditures made in connection with any business acquisitions, will amount to approximately USD$600 million, and will be allocated primarily to expenditure on property, plant and equipment, and capitalized investment and interest, as summarized in the table below.

The following table shows the capital expenditures currently budgeted for 2015, 2016 and 2017 (excluding capital expenditure on the joint venture with Pemex Gas).

(millions of $USD)	**Gas segment**	**Power segment**
	2015	
Property, plant and equipment	$ 279	$ 15
	2016	
Property, plant and equipment	$ 320	$ 5
	2017	
Property, plant and equipment	$ 26	$ 1

Contractual Obligations

In Historical Terms

The following table is a summary of the Company's contractual obligations as of December 31, 2014, considering undiscounted cash flows related to financial liabilities based on the earliest date on which the Company will be required to pay and including both interest and principal cash flows.

(thousands of USD$)	**Less than 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
Indebtedness with related parties	$ 77,996	$ 2,558	$ 34,721	$ -	$ 115,275
CEBURES	20,819	41,638	41,638	352,083	456,178
Bank loans	198,944	-	-	-	198,944
Derivative obligations and instruments	393	16,085	1,707	85,066	103,251

(thousands of USD$)	**Less than 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
Total.............................	**$ 298,152**	**$ 60,281**	**$ 78,066**	**$ 437,149**	**$ 873,648**

In the ordinary course of business, the Company also enters into long-term supply contracts with subsidiaries that are not reflected in the above table. In addition, the obligations related to the derivative financial instruments contracted by the Company, are described in the *"Quantitative and Qualitative Information on Market Risk—Derivative Financial Instruments."*

Off-Balance Sheet Agreements

As of December 31, 2014, the Company did not have any off-balance sheet agreements.

Internal Controls

The Company's management is responsible for maintaining an internal control system over financial reporting. This system provides the Company's shareholders with a reasonable assurance that our transactions are performed and recorded in accordance with our management's guidelines and that its financial records are a reliable basis for preparing the financial statements.

The internal financial reporting control system is supported by ongoing audits, the results of which are reported to management throughout the year. The Company also maintains reliable databases and has modern and efficient systems designed to generate key financial information in real time. These systems also facilitate the efficient preparation of our financial reports.

To fulfill its responsibilities regarding the integrity of financial reporting, the Company's management maintains and relies on the internal financial reporting control system. This system is based on a functional segregation chart that assures the selection of competent personnel and contains policies that are provided to all the applicable employees.

The Company's internal financial reporting control system has the following primary goals:

- To issue reliable, timely and meaningful financial information;
- To delegate authority and assign responsibilities for achieving the system's goals and objectives;
- To establish proper business practices within the organization; and
- To establish the correct administrative control methods to help oversee and monitor compliance with the Company's policies and procedures.

The Company has manuals that establish its policies and procedures regarding the implementation and promotion of its businesses, the control and monitoring of transactions involving the acquisition, promotion, distribution or sale of subsidiaries, and controls in the areas of human resources, finance, accounting, legal, tax and data processing, among others.

Quantitative and Qualitative Information on Market Risks

Derivative Financial Instruments

The Company enters into derivative financial instruments to reduce its exposure to risk. 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 risk through risk management. Please refer to note 22 to the audited financial statements, included in this report.

The Company recognizes all assets or liabilities that arise from derivative financial instrument transactions at a fair value in the consolidated financial position statements, regardless of the purpose for which it holds them.

Derivatives are initially recognized at a fair value on the date the derivative contracts are entered into and are subsequently reappraised at a 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 for derivatives that are economic hedges.

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 fair value through profit or loss.

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 exemption, ordinary physical supply arrangements are excluded from accounting treatment as derivative instruments.

Financial Risk Management Objectives

The Company's activities 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 exposure to financial risks inherent in assets and liabilities on the consolidated financial position statements 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 interest rate swap agreements. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

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 exchange rates.

The Company has policies governing its market risk management and trading activities. The controlling company'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 procures 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 their 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, Ecogas 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 who are consumers. 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.

For a description of the interest rate swap contracts entered into by the Company in relation to the issue of CEBURES, see the section *"—Interest Rate Risk Management."*

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 a 95% probability that the daily loss will not exceed the reported VaR.

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

Historical VaR (one day at 95%) by risk type	**For the years ended December 31,**		
(thousands of USD$)	**2012**	**2013**	**2014**
Interest rate swap	$ 1,059	$ 4,061	$ 4,606
Natural gas purchase and sale	61	31	-
Total VaR exposure	**$ 1,064**	**$ 3,887**	**$ 4,376**

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. For details of sensitivity analysis for foreign currency risk, please refer to note 22.7 to the audited financial statements, included in this report.

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.

Exchange Rate 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.

	At December 31,		
(thousands of $USD)	**2012**	**2013**	**2014**
Financial assets			
US Dollar functional currency subsidiaries	$ 27,259	$ 194,573	$ 174,435
Mexican peso functional currency subsidiaries	39,473	34,920	26,011
Financial liabilities			
US Dollar functional currency subsidiaries	$ 13,103	$ 695,450	$ 593,099
Mexican peso functional currency subsidiaries	4,059	38,188	37,531

For the Company's U.S. dollar functional currency subsidiaries their Mexican peso balances include: bank accounts and share investments, VAT, income tax and flat rate business tax (IETU) receivables or payables, prepaid expenses, guarantee deposits, long-term debt, trade accounts payable and other tax withholdings.

The U.S. dollar balances of the Company's Mexican peso functional currency subsidiaries 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.

	12/31/2012	12/31/2013	12/31/2014	04/17/15
One dollar	$ 13.0101	$ 13.0765	$ 14.7180	$ 15.3891

Foreign Currency Sensitivity Analysis

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 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. Therefore 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.

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

(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. dollar functional currency subsidiaries' sensitivity to foreign currency has increased during the years ended December 31, 2012, 2013 and 2014 mainly due to income tax payments.

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

Interest Rate Risk Management

In 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecast borrowings of USD$450 million from third parties of ECA, which were designated as cash flow hedges. Due to a change in the Company's external borrowing needs in 2007 the original hedged items were not required. Accordingly, a hedge cash flow gain of USD$30 million was reclassified from OCI under members' equity to current earnings, and changes in the fair value of these instruments were recognized prospectively in current earnings as a line item under other gains and losses. As of December 31, 2012, 2013 and 2014, there is one remaining interest rate swap agreement with respective notional values of USD$166,948 USD$159,287 and USD$151,232, 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 as a line item under other losses and gains within the consolidated profit and loss statements.

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.

At Ecogas various criteria are applied for the determination of creditworthiness, depending on the type of service requested by the customer, 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 rented properties;
- Personal references, which are confirmed, and
- Federal tax registration for commercial customers with minor consumption

Major customers (customers for industrial and commercial consumption):

- Power of attorney;
- Legal representative's official identification;
- Articles of incorporation;
- Proof of address; and
- Depending on consumption volume, a guarantee may be required, which could include a letter of credit, cash deposit, or promissory notes among other items.

Oversight includes a monthly review of all balances of major customers by the credit and collection department, to make sure that payments are made in 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 counterparties' non-performance.

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 non-performance.

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

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the parent company'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, 2012, all funding for major capital projects was received from the controlling company and, as of December 31, 2013, projects were funded through the resources obtained from the CEBURES and initial public offerings. Please refer to notes 1.2.2 and 1.2.3 to the financial statements.

Critical Accounting Estimates, Provisions and Reserves

Critical Judgments Applicable in Accounting Policies

In order to apply the accounting policies of the Company, which are set forth in note 3, management must make judgments, estimates and assumptions about the book values of assets and liabilities in the financial statements. The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may 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.

The following are the critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Financial Lease of Natural Gas Compressor Station

The Company has a long-term natural gas compression arrangement with Pemex Gas (PGPB). The contract provides PGPB with the right to use 100% of the compressor 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 financial lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially the full fair value of the compressor station as of that date. For details of the financial lease asset, please refer to the note 9 to the audited financial statements included in this report.

Accounting for Regulation

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

As of December 31, 2012, 2013 and 2014 there was 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 but there is no equivalent guidance under IFRS.

The IFRS Interpretations Committee (IFRIC) has previously commented that the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with the IFRS or the IASB. IFRS 14 on Regulatory Deferral Accounts was issued on January 30, 2014 as a part of its project on this matter, however, the standard is not applicable to the Company as it is not a first-time adopter of IFRS. 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.

Contingencies

The Company accrues losses for the estimated impacts of various matters, situations or circumstances when it is likely that their impact will occur and there are reasonable criteria for their quantification. If there are no reasonable criteria, they are disclosed qualitatively in the notes to the financial statements. The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

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 the Company's 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 by 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 settlement of similar contracts or of taking delivery and selling the item within a short period, or if the commodity is readily convertible to cash, would lead to net settlement. Management analyzes each of its physical delivery contracts of non-financial items for determining if they are within the own use exemption from derivative accounting treatment.

Key Sources for Estimating Uncertainty

The following are the key assumptions concerning the future, and other key sources for estimating 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 financial position statements.

Estimated Useful Life of Property, Plant and Equipment

The Company reviews the estimated useful life of property, plant and equipment at the end of each reporting period.

During the period covered by the financial statements the Company does not report any significant change in the useful life of its property, plant or equipment.

For the useful life of property, plant or equipment please refer to the note 13.1 to the audited financial statements, included in this report.

Impairment of Long-Lived Assets (Fixed Assets and Trade Credit)

Determining whether trade credit is impaired requires an estimation of the use value of the cash-generating units to which the trade credit has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of these flows. Impairment tests are performed on an annual basis.

Asset Decommissioning Obligation

The estimated cost of decommissioning at the end of the useful life of the Company's long-lived assets is reviewed periodically and is based on estimates at the date of the consolidated financial position statements 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 lifespan of 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 obligation to decommission assets, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by company financial analysis firms.

Valuation of Financial Instruments (Fair Value Measurement)

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. Please refer to note 22 to the audited financial statements, included in this report for detailed information about the key assumptions used to determine 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.

Purchase Price Allocation in the Acquisition of IEnova Gasoductos by Sempra Energy

The adjustment of purchase price allocation requires most identifiable assets acquired and liabilities assumed or incurred to be measured at a 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 in the Company's investment in IEnova Gasoductos.

Estimation of Doubtful Accounts

Please refer to the note 5 to the audited financial statements, included in this report for the methodology for estimating doubtful trade accounts and other receivables. The calculations and assumptions used to determine the estimates are reviewed periodically. Although the provisions recognized are considered appropriate, changes in economic conditions could lead to changes in the reserves and may therefore impact as a profit or loss.

Seniority and Other Employee Benefits

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

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

MANAGEMENT

a) External Auditors

The Company’s independent auditors are Galaz, Yamazaki, Ruíz Urquiza, S.C., members of Deloitte Touche Tohmatsu Limited, whose offices are in Mexico City. The Company’s independent auditors were appointed by the audit committee, taking into consideration their expertise, service standards and quality.

Galaz, Yamazaki, Ruiz Urquiza, S.C., has served as the Company’s external auditor since 1996. In the past three years, it has not issued a qualified opinion or a negative opinion, nor have they refrained from giving an opinion on the Company’s financial statements.

The Company’s audited financial statements included in this annual report were audited by Galaz, Yamazaki, Ruíz Urquiza, S.C., who charged approximately USD$1.4 million for the audit services corresponding to the 2014 financial year. In addition to audit services, Galaz, Yamazaki, Ruíz Urquiza, S.C., provided other services to the Company that do not affect its independence as external auditors and for which it charged approximately USD$145,000.

Registered Address of the Relevant Directors and Officers

The registered address for the members of the Board of Directors and executive officers of the Company is: Infraestructura Energética Nova, S.A.B. de C.V., Torre New York Life, Paseo de la Reforma No. 342, 24th Floor, Col. Juarez, 06600, Federal District of Mexico City.

Family Relationships

None of the directors or executive officers of the Company have any family relationship with other directors or executives or with the directors or executive officers of the controlling shareholder of the Company.

Legal Proceedings Involving Board Members and Senior Managers

At the date of this report none of the board members or senior managers of the Company were involved in any administrative or judicial proceedings.

SELECTED RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

b) Transactions with Related Parties and Conflicts of Interests

The following is a description of transactions since January 1, 2012 to which the Company has been a party, in which the amount involved exceed USD$120,000 and in which one or more of the Company's directors, members of its senior management or its indirect controlling shareholder, or a subsidiary or immediate family member of these persons, had, has or will have a direct or indirect significant material interest. The Company believes the terms obtained or consideration paid or received, as applicable, in connection with the transactions described below were comparable to the terms it would have been able to obtain or the amounts it would have paid or received from independent third parties.

In the ordinary course of its business the Company engages in a number of transactions with its indirect controlling shareholder and with companies that are owned or controlled, directly or indirectly, by its indirect controlling shareholder or by one of its subsidiaries.

Intercompany Loan Contracts

Outstanding Credit from Related Parties (Outstanding as of December 31, 2014)

The Company has revolving credit facilities in place with several subsidiaries of its indirect controlling shareholder as lenders. The Company has the right to settle in advance the total or any part of the unpaid balance of each of these contracts, without having to pay any conventional penalty whatsoever. The following table shows a summary of the main terms of contracts of this type that are in effect as of December 31, 2014.

Creditor	Credit limit		Unpaid main balance		Interest rate	Maturity date
Sempra Oil Trading	USD$	100 million	USD$	38.5 million	3.28% (federal rate for mid-term notes issued by the United States Treasury + 200 basis points)	March 18, 2017
Sempra Generation	USD$	12.0 million	USD$	0.0 million	2.7% (fixed rate)	December 31, 2027

From January 1, 2012 to December 31, 2014, the highest outstanding balance (including principal and interest) owed by the Company under the credit agreements entered into with Sempra Oil Trading and Sempra Generation amounted to USD$91.6 million and $0.4 million respectively. During this period, the Company made principal payments for USD$53.2 million and interest for USD$5.5 million to Sempra Oil Trading and USD$1.0 million principal Sempra Generation. During 2014, the principal and interest owed to Sempra Generation were paid in full. See the section *"Recent Developments—USD$120 million Credit."*

Credit Granted by Related Entities Repaid in Full as of December 31, 2014

From January 1, 2012 the Company obtained the following credit from subsidiaries of its parent company, all of which have been repaid:

- On December 31, 2012, the company received a long-term loan from Sempra Chile for USD$215 million, which accrued interest of USD$0.9 million. The Company repaid this loan and interest in full during 2013. The loan accrued variable interest based on the 6-month LIBOR rate plus 250 basis points.

- The Company received loans from Sempra Global for USD$122.0 million during 2012. During 2013, the Company made principal and interest payments to repay the loan in full. During 2012, it made principal and interest payments for USD$125.0 million and USD$0.4 million, respectively. The loans generated interests at a variable interest based on the federal rate for medium-term certificates issued by the United States Treasury.

Credit Granted to Related Parties

From January 1, 2012 the Company has granted the following credit to subsidiaries of its controlling corporation:

- During 2012, the Company granted a line of credit to Sempra Servicios México for USD$0.4 million, with accrued interest at a variable interest rate based on the TIIE in Mexico, plus 178 basis points which was paid at maturity on January 31, 2013.

- During 2014, the Company made ordinary investment contributions to capitalize TAG Norte Holding, S. de R.L. de C.V., for USD$123.9 million. These contributions are three-year loans that generate interest at a variable rate based on the one-month Libor rate plus 450 basis points.

Guarantees and Letters of Credit

Sempra Energy, the Company's indirect controlling shareholder, has granted guarantees (including loan guarantees and letters of credit issued by third parties charged to Sempra Energy's accounts) with respect to certain contract obligations of the latter's subsidiaries, including the following:

Debtor	Beneficiary of the guarantee/ letter of credit	Contract guaranteed	Maximum amount guarantee / letter of credit
Termoeléctrica de Mexicali	Rosarito Pipeline	Firm base transportation contract, dated February 26 2002	Guarantee for USD$29.4 million
IEnova LNG	Rosarito Pipeline	Firm base transportation contract, dated December 18, 2009	Guarantee for USD$3.9 million
IEnova LNG	Rosarito Pipeline	Firm base transportation contract, dated May 1, 2008	Guarantee for USD$59.6 million
IEnova LNG	Rosarito Pipeline	Firm base transportation contract, dated February 15, 2002	Guarantee for USD$62.3 million
IEnova LNG	Transportadora de Gas Natural de Baja California	Firm base transportation contract, dated May 1, 2008	Guarantee for USD$45.6 million
IEnova LNG	Energía Costa Azul	Firm base storage service contract, dated November 29, 2004	Guarantee for USD$282.0 million
Energía Costa Azul	Shell	Firm base storage service contract, dated April 17, 2009	Unlimited guarantee
Energía Costa Azul	Gazprom	Firm base storage service contract, dated April 17, 2009	Unlimited guarantee
IEnova	Royal Bank of Scotland plc	Interest rate swap contract, dated September 16, 2005	Unlimited guarantee
Energía Sierra Juárez	Ejido Cordillera Molina	Lease contract, dated June 10, 2007	Guarantee for USD$5.0 million
IEnova	CFE	Letter of credit issued by Santander in favor of the CFE, dated October 31, 2012	Guarantee for USD$85.0 million
Rosarito Pipeline	Energía Azteca X, S. de R.L. de C.V.	Firm base storage service contract, dated February 8, 2002	Guarantee for USD$5.0 million
N/A	Travelers Casualty and Surety Co. of America	Performance bond issued by Travelers Casualty and Surety Co. of America, in favor of the Government of Mexico, in relation to the construction of the LNG Terminal.	Letter of credit for USD$3.9 million
IEnova LNG	CFE	Power supply contract, date January 21, 2005	Letter of credit USD$85.0 million
Aguaprieta Pipeline	Stupp Corporation	Pipe supply contract, dated November 20, 2012	Guarantee for USD$155.3 million
Aguaprieta Pipeline	Procarsa	Supply contract, dated February 1, 2013	Guarantee for USD$28.6 million

Electricity Purchase Agreements

In January 2013, the Company signed an electricity management services contract with Sempra Generation. Under this contract, in effect since January 1, 2012, Sempra Generation acts as the Company's agent for marketing and scheduling electric power sales for the latter, and additionally, it provides it support in certain administrative, operational and coverage functions and regulatory matters in the United States. Under the new electricity management services contract with Sempra Generation, the Company pays Sempra Generation an annual commission that will depend on the service levels provided to the Termoeléctrica de Mexicali power plant (including volumes of energy scheduled or marketed by Sempra Generation), and it is bound to reimburse Sempra Generation for the expenses incurred by it in relation to these services. The agreement expires in 2017. For the years ended December 31, 2012, 2013 and 2014, the Company paid Sempra Generation USD$16.9 million, USD$6.5 million and USD$6.6 million, respectively under this new contract. For the years ended December 31, 2012, 2013 and 2014, Sempra Generation paid Termoelectrica de Mexicali the sums of USD$127.7 million, USD$168.3 million and USD$222.5 million, respectively, for the sale of electricity.

Natural Gas Purchase Agreements

In January 2013, the Company entered into a management agreement with Sempra Generation, effective from September 2014. Under this contract, Sempra Generation provides scheduling and coordination services related to the delivery of natural gas to its customers, including the CFE and Termoeléctrica de Mexicali. These programming and coordination services replaced similarly priced services provided under a contract with JPM Ventures Energy which expired in September 2014. The Company paid Sempra Generation USD$0.5 million for planning and coordination services under this agreement for the year ended 31 December 2014. The agreement with Sempra Generation will expire in December 2022.

Contracts for the Provision of Transport Services and Pipeline Improvements

The Company has entered into a firm basis agreement, at the expense of the distribution business, with Southern California Gas Company, a subsidiary of the Company's indirect controlling shareholder, under which the latter provides a natural gas transportation service from the United States to a point on the border crossing with Mexico close to Mexicali. For this service the company pays rates registered with the Californian Public Services Commission of California. During years ended December 31, 2012, 2013 and 2014 the Company paid approximately USD$1.1 million, USD$1.4 million and USD$1.1million respectively as compensation for the transportation services provided by the Southern California Gas Company under this agreement.

The Company has entered into several agreements to provide natural gas transport services on an interruptible basis via the Rosarito Pipeline and the Baja Pipeline West to the Southern California Gas Company. These agreements are renewed monthly and can be terminated by either party with 30 days' notice to the other party. Income received by the Company in connection with this contract in 2014 amounted to less than USD$120,000. During the years ended December 31, 2012 and 2013 the Company received approximately USD$0.2 million and USD$0.1 million respectively as compensation for the transport services provided to Southern California Gas Company under these contracts.

Natural Gas Sale and Purchase Contract with Sempra Natural Gas

The Company's subsidiary IEnova LNG has purchased LNG from Sempra Natural Gas under a purchase agreement that expired in January 2013. Under to the terms of this agreement Sempra Natural Gas agreed to sell IEnova LNG up to 8.2 million cubic meters (1,880 mth) of LNG a year. In the case that Sempra Natural Gas were to deliver to IEnova LNG less than this amount, except for reasons of *force majeure*, it was obliged to compensate the latter for the costs related to the fixed capacity contracted by IEnova LNG with the LNG Terminal and the pipeline business.

In January 2013, the Company terminated the agreement under which it purchased LNG from Sempra Natural Gas and replaced it with a new long-term LNG purchase agreement with Sempra Natural Gas. While the key terms of the new agreement are substantially similar to those of the previous contract, it does differ in two significant respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG shipments available to the Company for purchase with the express purpose of maintaining a sufficient volume of LNG such that the terminal LNG can remain in operation continuously. Second, the new agreement corrected certain non-intentional economic consequences for the Company that resulted in excessively high payments to the Company by Sempra Natural Gas because the number of shipments delivered under the previous agreement was substantially lower than what had been expected before the signing of the previous agreement. This new LNG purchase agreement with Sempra Natural Gas expires in August, 2029. As the new agreement was signed in January 2012, the adjusted EBITDA for 2012 would not have been significantly different.

For the years ended December 31, 2012, 2013 and 2014, under the agreement, Sempra Natural Gas paid approximately USD$195.6 million, USD$224.2 million and USD$335.0 million respectively, as consideration for the purchase of LNG and Sempra Natural Gas made payments to IEnova LNG for approximately USD$107.8million, USD$ 90.8 million and USD$90.8 million respectively.

In January 2013, the Company entered into an agreement with Sempra Natural Gas which came into force on September 1, 2014 and replaced the former purchase agreement t with Sempra Natural Gas Natural Gas. This new contract, which will expire on December 31, 2022, states that the rate at which the Company will pay for natural gas will be equal to the market rate prevailing at any given time plus 1%.

Amended and Restated LNG Purchase Contract with Tangguh

Sempra Natural Gas, purchases LNG from various suppliers, including via a long-term agreement with the Tangguh Project partners (a consortium of companies that produces LNG in Indonesia), which have agreed to sell up to 8.2 million m^3 (1,880 Mth) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG shipments annually to other purchasers. Having non-divertible shipments available under the agreement between Sempra Natural Gas and the Tangguh Project partners increases the likelihood that the LNG Terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that it will be able to satisfy at least some portion of its natural gas customer commitments by selling regasified natural gas to its customers. The agreement between Sempra Natural Gas and the Tangguh Project partners expires in 2029. The Company is a party to this agreement only with regard to the scheduling of the deliveries of the LNG shipments and coordinating the use of its marine terminal by the other parties.

Service Agreements

In the course of its normal operations, the Company enters into several service agreements with several affiliates of its indirect controlling stockholder, including financial, marketing, sales, regulatory, engineering, and technical and information system services. In general terms, these agreements stipulate payment of a consideration equivalent to the expenses incurred by the respective service provider, plus a 5% to 7.5% markup. Any of the parties to an agreement may terminate upon a 30-day notice to the other party. The following is a summary of these transactions:

- Sempra Servicios México provides services to the Company’s gas and power segments, including administrative and operational services, and it covers other services related to the operation of the Company’s corporate offices in Mexico. During 2012, 2013 and 2014, the Company paid Sempra Servicios México approximately USD$0.0 million, USD$0.7 million and USD$0.5 million, respectively, for these services.

- Sempra Services Company provides various administrative services to the Company’s gas and power segments, including management services. During 2012, 2013 and 2014, the Company paid Sempra Services Company approximately USD$0.0 million, USD$1.7 million, and USD$0.9 million, respectively, for these services.

- Sempra Global provides general administrative services to the Company's corporate segment. During 2012, 2013 and 2014, the Company paid Sempra Global approximately USD$0.4 million, USD$0.1 million and USD$0.0 million, respectively, for these services.

- Sempra US Gas & Power provides services to the corporate segment of the Company, including certain software and information technology services. For each of the years 2012, 2013 and 2014, the Company paid approximately USD$7.1 million for these services.

Gas Control and Monitoring Agreements

The Company has entered into several gas send-outs and transportation services agreements with Sempra Midstream, an affiliate of the Company's indirect controlling stockholder. Under these agreements, Sempra Midstream provides the Company gas control and monitoring services, using electronic monitoring and control systems owned by the Company, in order to optimize its pipeline capacities and operations and to enable it to respond in a timely manner to operational events or emergencies affecting the Rosarito Pipeline, the TGN Pipeline, the Aguaprieta Pipeline and the Naco Compressor Station. These agreements were entered into on January 1, 2011 and have a term of 10 years. Sempra Midstream may terminate these agreements if the Company and Sempra Midstream cease to be under the common control of their indirect controlling shareholder. During the years ended December 31, 2012, 2013 and 2014 the Company paid Sempra Midstream for a total of approximately USD$0.5 million, USD$0.5 million and USD$0.4 million, respectively, as consideration for the gas control services rendered by Sempra Midstream. The amounts that the Company pays Sempra Midstream for these services will be adjusted for inflation in future years.

Other Related Party Transactions

The Company's indirect controlling shareholder and its affiliates pay the Company fees for certain administrative services and for the use of its facilities. During 2012, 2013 and 2014, the Company had revenues for a total of approximately USD$1.7 million, USD$1.7 million and USD$1.7 million, respectively, as a result of these transactions.

Sempra International provides the Company with professional services under various agreements with its subsidiaries. During the years ended on December 31, 2012, 2013 and 2014 the Company paid Sempra Generation for these services approximately USD$6.0 million, USD$6.7 million and USD$7.3 million, respectively.

BOARD OF DIRECTORS

c) Management and Shareholders

In accordance with the provisions of the bylaws of the Company, it is administered by a Board of Directors. The Company is subject to various provisions on corporate governance contained in its bylaws and in the Securities Market Law (LMV), as described in this section. This description is not exhaustive and is subject to the full text of the bylaws, the applicable provisions of the LMV, the general provisions issued by the Mexican National Banking and Securities Commission (CNBV) and the rules issued by the Mexican Stock Exchange (BMV).

Board of Directors

The Company's board of directors currently consists of 9 owner members and is responsible for the management of its business. Each director is appointed for a term of one year, but may be re-elected and in any case must remain in office until a successor has been appointed and has assumed office. Further, these members may be reelected and removed from office at any time by a decision of the shareholders at a general shareholders' meeting. The members of the Board of Directors are elected by the shareholders. The Board of Directors meets at least once quarterly, and can hold extraordinarily meetings if it deems it necessary.

At least 25% of the members of the Board of Directors must be independent, as defined in the Securities Market Law. The Company's bylaws provide for an alternate to serve in place of an elected director if the director is unable to attend a meeting of the board.

The current members of the Company's board of directors were elected or reelected, as applicable, by unanimous shareholders' resolutions on April 30, 2014.

The following table sets forth a summary of information regarding the current members of the Company's senior management as of December 31, 2014.

Name	Age	Title	Initial appointment date
Carlos Ruiz Sacristán	65	Chairman	July 2012
George Sam Liparidis	56	Board Member	June 2012
Mark Alan Snell	58	Board Member	June 2012
Joseph A. Householder	59	Board Member	March 2013
Arturo Infanzón Favela	43	Board Member	December 2012
Luis Eduardo Pawluszek	52	Board Member	December 2012
James H. Lambright	44	Alternate Board Member	March 2013
Jeffrey S. Davidow	71	Board Member*	March 2013
Aarón Dychter Poltolarek	62	Board Member*	March 2013
Andrés Conesa Labastida	45	Board Member*	March 2013
Randall Lee Clark	45	Secretary, not a Board Member	November 2010
René Buentello Carbonell	46	Deputy Secretary, not a Board Member	June 2012
Rodrigo Cortina Cortina	46	Deputy Secretary, not a Board Member	June 2012

* *Independent directors as defined by the Securities Market Law.*

The following is a summary of the experience and main business interests of the current members of the Company's Board of Directors.

Carlos Ruiz Sacristán. Carlos Ruiz is the Company's Chief Executive Officer and Chairman of the Board of Directors. Prior to 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, Mr. Sacristán has been in charge of handling all the transactions of Sempra Energy in Mexico. He is a partner of Proyectos Estratégicos Integrales, S.C., the consulting firm that provides advice on infrastructure matters and investment banking. Mr. Ruiz currently serves on the board of directors of the following companies: Southern Copper Corp., OHL México, S.A. de C.V, the banco Ve por Más, S.A. de C.V., Grupo Creatica, S.A. de C.V., Grupo de Autopistas Nacionales, S.A. (GANA), Administradora Mexiquense del Aeropuerto Internacional de Toluca, S.A. de C.V., and on the development board of Anahuac University. 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 México) from 1974 to 1988, the Ministry of Finance and Public Credit from 1988 to 1992, and at Petróleos Mexicanos in 1994. Mr. Ruiz holds a Bachelor's Degree in Business Administration from Anahuac University and a Master's Degree in Business Administration from Northwestern University in Chicago.

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. Sempra International also operates LNG receiving facilities in the United States and Mexico. Sempra International is a subsidiary of Sempra Energy. Prior to his appointment to his current position with Sempra International, 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. Prior to that he worked as director of Financial Analysis and Planning for Energy America, an independent power producer. Mr. Liparidis 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 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.

Mark A. Snell. Mark A. Snell is a Member of the Board of Directors of the Company and Executive President of Sempra Energy. In that position, Mr. Snell oversees the Company's non-California utilities, infrastructure and international businesses. From 2005 to 2011, Mark Snell served as Executive Vice-President and Chief Financial Officer of Sempra Energy, and prior to that, he was the President and Chairman of the Board of Directors of Sempra Global. In that position, Mr. Snell oversaw all aspects of Sempra Global in competitive energy markets, including energy trading, power generation, liquefied natural gas, pipelines and storage facilities, international utilities and retail energy marketing. Prior to serving as Group President, Mr. Snell was Chief Financial Officer of Sempra Global, and before that, he served as Vice-President of Planning and Development for Sempra Energy. Before joining Sempra Energy in 2001, Mr. Snell served as Executive Vice-President and Chief Financial Officer for Earth Tech, a Long Beach, California-based water management, engineering and environmental services firm. Prior to that, Mr. Snell was Executive Vice-President and Chief Financial Officer at Dames and Moore, an NYSE-listed engineering and construction firm headquartered in Los Angeles. Mr. Snell also served as Chief Financial and Administrative Officer for Latham & Watkins, a law firm with more than 2,000 partners and employees worldwide. He also served as Executive Vice-President and Chief Financial Officer of World Oil Corp., a privately held oil company. As a senior manager at the Los Angeles office of KPMG Peat Marwick, Mr. Snell supervised activities that supported acquisitions by client companies. He holds a Bachelor's Degree in Accounting from San Diego State University and is a Certified Public Accountant.

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.

Luis 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.

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.

Jeffrey 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.

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.

Functions of the Board of Directors

The Board of Directors is the Company's legal representative and is authorized to take any action, as a collegiate body, in connection with the Company's operations not expressly reserved to its shareholders.

The Board of Directors has the power, among other matters to:

- Approve the Company's general strategy;

- Authorize, with the prior opinion of the audit and corporate practices committees: (1) any transaction with related parties, subject to very limited exceptions, (2) the appointment and removal of the Chief Executive Officer and other relevant senior managers, as well as to determine their functions and remuneration; (3) the Company's internal control and internal audit guidelines and those of its subsidiaries; (4) the Company's financial statements and those of its subsidiaries, (5) unusual or non-recurring transactions and any transactions or series of related transactions during any calendar year that involve (a) the acquisition or sale of assets with a value equal to or exceeding 5% of the Company's consolidated assets or (b) the granting of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of the Company's consolidated assets, and (6) the appointment of external auditors;

- Call shareholders' meetings and acting on their resolutions;

- Create special committees and granting them powers and authority, with the exception of those that, by law, or under the Company's bylaws are expressly reserved to the shareholders or the Company's Board of Directors;

- Submit the Chief Executive Officer's annual report to the general shareholders' meeting (which includes the Company's audited annual financial statements) and a report about the accounting policies and criteria used for the preparation of the Company's financial statements;

- Issue an opinion on the price of Company share placements my means of Global Offerings;

- Approve the policies related to disclosure of information;

- Determine the measures to be adopted in the event that irregularities are detected; and

- Exercise the Company's general powers in order to comply with its corporate purpose.

The meetings of the Board of Directors will be validly convened and held if a majority of its members are present; and its resolutions will be valid if approved by a majority of the members present, unless the Company's bylaws require a higher number of votes. The Chairman of the Board of Directors has a tie-breaking vote. Notwithstanding the above, at any time the shareholders may override a decision made by the Board.

Meetings of the Board of Directors may be called by (1) 25% of the board members, (2) the Chairman of the Board of Directors, (3) the Chairman of the Audit Committee or the Corporate Practices Committee, or (4) the Secretary to the Board of Directors.

The Securities Market Law imposes a duty of diligence and loyalty on the directors. The members of the board and, if applicable, the Secretary to the Board of Directors during meetings must abstain from participating and voting on matters in which they might have a conflict of interest with the Company, without this affecting the necessary quorum for that particular meeting.

The members of the Board of Directors and the Secretary to the Board of Directors, would breach their duty of loyalty and be liable for damages to the Company and, if applicable, its subsidiaries if they have a conflict of interest and they vote or make a decision with respect to the Company's or its subsidiary's assets or if they fail to disclose any conflict of interest they may have unless confidentiality duties prevent them from disclosing such conflict.

Committees of the Board of Directors

The Board of Directors has established an audit committee and a corporate practices committee to provide particular focus on the oversight of important aspects of the Company's transactions.

Audit Committee

The Securities Market Law requires issuers to have an audit committee, which must be comprised of at least three independent members appointed by the Board of Directors.

The current audit committee members are Aaron Dychter, Andrés Conesa and Jeffrey Davidow, who were ratified by an ordinary general meeting of Company shareholders on April 30, 2014. The Company considers that all members of its audit committee are independent and are experts in the terms of the Securities Market Law.

The audit committee has the power, among other matters to:

- Submit recommendations to the Board of Directors with respect to the appointment or removal of external auditors;

- Supervise the external auditors' work and to analyze their reports;

- Analyze and supervise the preparation of the Company's financial statements;
- Submit to the Board of Directors a report about the Company's internal controls and their suitability;
- Request information from the relevant officers of the company when it deems it necessary;
- Assist the Board of Directors in the preparation of a report on the operations and activities in which the Board of Directors has participated, in accordance with the Securities Market Law;
- Report any irregularities it may detect to the Board of Directors;
- Receive and analyze proposals and observations made by shareholders, advisors, relevant senior managers, external auditors or third parties, and adopt the necessary measures based on these recommendations or observations;
- Call shareholders' meetings;
- Ensure that transactions with related parties comply with applicable laws;
- Oversee the implementation by the Chief Executive Officer of resolutions taken by the shareholders meetings or the Board of Directors in accordance with the instructions issued by each of these bodies; and
- Provide an annual report of its activities to the Board of Directors.

The chairman of the audit committee has the responsibility of preparing an annual report about the activities of the committee for submission to the Board of Directors. This report must include at least: (1) the status of the Company's internal control and internal audit systems, and where relevant, any deviations and deficiencies they may present, as well as aspects that should be improved, considering the external auditors' and independent experts' reports; (2) the results of any preventive and corrective measures taken based on results of investigations of non-compliance with operating or financial policies, (3) the evaluation of the external auditors, (4) the main results from the review of the Company's financial statements and those of its subsidiaries, (5) the description and effects of changes to accounting policies, (6) the measures adopted as a result of observations made by shareholders, directors, relevant members of the senior management and third parties related to accounting, internal controls, and internal or external audits, (7) follow-up of the implementation of resolutions taken at shareholders' and the Board of Directors' meetings; (8) observations with respect to the performance of relevant directors and officers; and (9) the remuneration paid to relevant directors and senior managers.

Corporate Practices Committee

The current members of the Corporate Practices Committee are Jeffrey Davidow, Aaron Dychter, Andrés Conesa and Arturo Infanzón, whose appointments were ratified by the ordinary general meeting of shareholders on April 30, 2014. In accordance with the provisions of the Securities Market Law, the majority of the members of the Corporate Practices Committee are independent because the Company's indirect controlling shareholder owns at least 50% of the Company's equity. Jeffrey Davidow, Aaron Dychter and Andrés Conesaare the independent members. The Company believes that all members of its Corporate Practices Committee are independent in terms of the Securities Market Law.

The Corporate Practices Committee has powers including:

- To provide opinions and make recommendations to the Board of Directors;
- To provide assistance to the Board of Directors in the preparation of reports on the main accounting and information guidelines used in the preparation of financial information;
- To advise the Board of Directors on the appointment of the Chief Executive Officer and other relevant senior managers, as well as to determine their responsibilities and remuneration;

- To advise the Board of Directors on the preparation of reports for the annual shareholders' meeting;
- To request and obtain opinions and recommendations from independent experts;
- To provide opinions on transactions with related parties; and
- To call shareholders' meetings.

The Chairman of the Corporate Practices Committee is responsible for preparing an annual report to the Board of Directors with respect to: (1) observations regarding the performance of relevant senior managers; (2) transactions with related parties, describing the main characteristics of significant transactions, (3) the remuneration paid to relevant advisors and members of senior management; and (4) granting permission to advisors or members of the senior management to take advantage of business opportunities.

Senior Management

The following table contains a summary of information on the current members of the Company's senior management:

Name	Age	Position
Carlos Ruiz Sacristán	65	Chief Executive Officer and Chairman of the Board of Directors
Arturo Infanzón Favela	43	Executive Vice President of Operations and Finances
Gerardo De Santiago Tona	43	Executive Vice President of Operations and Construction
Tania Ortiz Mena López Negrete	44	Vice-President of Development
Carlos Barajas Sandoval	46	Vice-President of Operations
René Buentello Carbonell	46	Vice-President and General Counsel
Jesus Córdoba Dominguez	54	Vice-President of Engineering and Construction
Manuela Molina Peralta	43	Vice-President of Finance
Juan Rodríguez Castañeda	50	Vice-President of Corporate Affairs and Human Resources
Roberto Rubio Macías	42	Comptroller

A summary of the experience and principal responsibilities of the relevant senior management members is given below.

Carlos Ruiz Sacristán. See the *"Management and Shareholders–Board of Directors."*

Arturo Infanzón Favela. See *"Management and Shareholders–Board of Directors."*

Gerardo De Santiago Tona. Gerardo De Santiago has been the Company's Executive Vice-President of Operations and Construction since May 2010. Mr. De Santiago was previously Manager of Sempra Pipelines & Storage México from 2008 to 2010, which became part of Sempra International in January, 2012. He was the Chief Executive Officer of Ecogas, S. de R.L. de C.V. from 2001 to 2008. Before joining Sempra Energy in 2001, Mr. De Santiago worked for Sistema Municipal de Aguas de 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.

Carlos Barajas Sandoval. Carlos Barajas has been the Company's Vice-President of Operations since February 2014. Previously, from June 2013, Mr. Barajas was the Company's Vice-President for Gas. Before joining the Company, he was the 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 México 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 in 1992, a master's degree in Engineering from the University of British Columbia in 2000, and a master's degree in Economics from Universidad Anáhuac in 2007.

René Buentello Carbonell. René Buentello has been the Company's Deputy Secretary and General Counsel since 2010, and Vice-President and General Counsel since 2014. Previously, Mr. Buentello served as Business Development Director at El Paso Corporation in Mexico from 2008 to 2010. Mr. Buentello began his career in corporate law at the industrial division of Grupo Carso, where he served as Legal Manager for Grupo Nacobre and Grupo Aluminio and Deputy Secretary and Secretary, respectively, to the Board of Directors of those companies from 1990 to 2002. He then joined PEMEX, where he served in various positions in the transportation and logistical departments, developing infrastructure projects and promoting public-private partnerships in the areas permitted by the legal framework from 2002 to 2008. Mr. Buentello holds a law degree from Universidad Panamericana with specialized studies at the same university in Economic and Corporate Law, Commercial Law and International Finance Law.

Jesus Córdoba Dominguez. Jesus Córdoba has been the Company's Vice-President of Engineering and Construction since 2012. From 2010 to 2012 he acted as Director of Transportation Operations. From 2001 to 2010 Mr. Córdoba was Project Manager for subsidiaries of the El Paso Corporation in Mexico and from 1998 to 2001 he was Superintendent at TransCanada Pipelines in Mexico. Mr. Córdoba is a graduate of Civil Engineering from the Universidad La Salle A.C.

Tania Ortiz Mena López Negrete. Tania Ortiz Mena has been the Company's Executive Vice-President for Development since July 2014. 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. Ortiz Mena worked at PMI Comercio Internacional, a subsidiary of PEMEX, in the role of Assistant Commercial Manager of Refined Products from 1994 to 1999. Ms. Ortiz 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 Ortiz Mena is currently President of the Mexican Natural Gas Association (*Asociación Mexicana de Gas Natural, A.C.)* and a board member of the Mexican chapter of the World Energy Council.

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. From 1997 to 2001 Ms. Molina was General Manager of Kinder Morgan (Mexico), the first distributor of natural gas in Hermosillo, Sonora. Nelly Molina holds a Bachelor's Degree in Accounting from the Universidad de Sonora in 1995 and a Master's Degree in Finance from the Instituto Tecnológico de Estudios Superiores de Monterrey. Currently Ms. Molina serves as National President of the Mexican Institute of Finance Executives *(Instituto Mexicano de Ejecutivos de Finanzas)* and she is also a board member and founder of NatGas Querétaro, S.A.P.I. de C.V.

Juan Rodríguez Castañeda. Juan Rodríguez Castañeda has been the Company's Vice-President of Corporate Affairs 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 posts 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 Internal Auditing Manager 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, IENova's Accounts Manager in Tijuana from 2003 to 2005 and Comptroller of Ecogas, S. de R.L. de C.V. in Chihuahua from 2001 to 2003. Before joining Sempra Energy in 2001, Mr. Rubio worked as Administrative Manager at Denimtex, a textile products manufacturer with more than 800 employees, from 1998 to 2001, he was Regional Administrative Supervisor at British American Tobacco from 1996 to 1998 and was Senior Auditor at Deloitte, Chihuahua (Galaz, Yamazaki, Ruiz Urquiza, S.C.) from 1993 to 1996. Mr. Rubio holds a bachelor's degree in Accounting from the Universidad Autónoma de Chihuahua, 1995, and a Master's in Business Administration from the Universidad Autónoma de Chihuahua in 2001 and from that date he has been registered as a Certified Public Accountant with the Mexican Institute of Public Accountants.

Activities of Key Officers

The role of the Chief Executive Officer and the other members of senior management is to focus their activities on increasing the value of the Company. The Chief Executive Officer and senior management may be held liable for damages to the Company, or to its subsidiaries if applicable, if : (1) they knowingly favor a certain shareholder or group of shareholders, (2) they approve transactions between the Company or its subsidiaries, with related persons without complying with the applicable legal disclosure requirements, (3) they take personal advantage from the use or enjoyment of the Company's or its subsidiaries' assets against company policy (or authorize third parties to do so); (4) they make inappropriate use of the Company's, or its subsidiaries,' non-public information, or (5) they knowingly disclose or reveal false or misleading information.

The Chief Executive Officer and the members of the senior management are required, under the Securities Market Law, to act for the Company's benefit and not that of a particular shareholder or group of shareholders. The main functions of the Chief Executive Officer include: (1) implementing the resolutions approved during shareholders' meetings and by the Board of Directors, (2) submitting the main strategies of the business to the Board of Directors for approval, (3) submitting proposals for internal control systems to the audit and corporate practices committees, (4) disclosing relevant information to the public, and (5) maintaining adequate accounting and internal control systems and mechanisms. The Chief Executive Officer and the members of the senior management are also subject to the same type of obligations as the directors.

As of the date of this report, none of the directors or executive officers of the Company is a holder of Company shares.

Internal Controls

The Company has internal control policies and procedures that are designed to provide reasonable assurance that the operations and other related aspects of its activities are recorded and accounted for in accordance with the administrative guidelines, applying the IFRS in line with the available interpretations. Furthermore the operational procedures are audited periodically and the internal control systems are reviewed annually by the external auditors as part of the process of auditing the financial statements, rather than to issue an opinion on the effectiveness of these systems in terms of the preparation of financial reports.

Remuneration of Directors and Senior Managers

During the year ended December 31, 2014, remuneration paid by the Company to its executive officers, amounted to a total of USD$6.5 million. The Company continually reviews the salaries, bonuses and other remuneration plans, to provide competitive remuneration to its executive officers.

Each of the independent members of the Board of Directors of the Company receives an annual sum in the region of USD$25,000 for their services as independent directors, plus an attendance fee of approximately

USD$4,000 for each meeting of the Board of Directors and approximately US$2,500 for each meeting of the audit committee or the corporate practices. The other board members receive no pay for participating on the Board of Directors or its committees.

Additionally, each of the independent members of the Board of Directors of the Company, receives an additional sum whose value is indexed to the performance of the Company shares. This additional remuneration will be payable once a year on the anniversary of the first payment, so long as the independent director continues in their role until date of payment. The task of establishing the terms and definitive conditions of this consideration, has been given to special delegates who are not independent members of the Board of Directors.

DESCRIPTION OF THE COMPANY'S CAPITAL AND BYLAWS

d) Bylaws and Other Agreements

A description of the Company's share capital and a brief summary of the significant provisions of our bylaws and Mexican law are given below. The description does not purport to be complete and is qualified in its entirety by reference to the Company's bylaws and the relevant provisions of Mexican law.

Overview

The Company was incorporated on April 2, 1996 under the name "Enova de México, S.A. de C.V." and subsequently on April 25, 2008 it became a limited liability company (*sociedad de responsabilidad limitada*) and the name was changed to "Sempra Energy México, S. de R.L. de C.V." On December 3, 2008 the Company name changed again, to "Sempra México, S. de R.L. de C.V." On February 15, 2013, the Company became a variable capital corporation (*sociedad anónima de capital variable*), with the change becoming effective on February 20, 2013. On March 1, 2013, the Company changed its name to "Infraestructura Energética Nova, S.A. de C.V." Then, through a unanimous resolution on March 6, 2013, the shareholders approved the amendment and restating of Company bylaws to bring them into line with the provisions of the Securities Market Law as they affect public companies, to adopt the form of a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) and to change the name to "Infraestructura Energética Nova, S.A.B. de C.V." A copy of the Company's amended and restated bylaws has been filed with the CNBV and the BMV and is available for review at www.bmv.com.mx.

The duration of the Company is indefinite. It is a holding company that conducts all of its operations through its subsidiaries.

Capital Stock

As it is a variable capital corporation, the Company's capital stock must have a fixed portion and it may have a variable portion. As of the date of this report, the issued and outstanding capital stock consists of 1,154,023,813 shares of common stock, without stated par value, of which the fixed capital is represented by 5,000 Class I shares of common stock, while the variable capital is represented by 1,1540,018,813 Class II shares of common stock.

Share Capital Variations Over the Past Three Years

During the years ended December 31, 2012, 2013 and 2014 the capital stock has been increased on the following three occasions: (i) at the ordinary shareholders' meeting on September 10, 2012, an increase in the variable portion of the Company's capital stock of MXN$5.862 billion was approved, which was fully subscribed and paid for by Sempra Energy Holdings XI, B.V.; (ii) at the shareholder's meeting on February 15, 2013, approval was given to an increase in the share capital to the value of MXN$1.00, which was subscribed and paid for by Sempra Energy Holdings XI, B.V. and for the conversion into a variable capital stock corporation (*sociedad anónima de capital variable*); and (iii) through a unanimous resolution on March 6, 2013, the shareholders approved a capital increase of MXN$2.339 billion and the issuance of up to 233,978,328 shares. In connection to the Company's initial public offering, we placed 218,110,501 shares at an initial price of MXN$34.00 per share for an aggregate amount of MXN$7.4 billion.

Voting Rights and Shareholders' Meetings

All the Company's shares confer full voting rights. Each share entitles the holder to one vote at all shareholders' meetings.

In accordance with the Company's corporate bylaws, shareholders' meetings can be ordinary or extraordinary. Ordinary shareholders' meetings are those called to handle any issue not reserved for extraordinary stockholders' meetings. The Company must hold an ordinary shareholders' meeting at least once a year within the first four months following the end of each financial year. Said meeting shall discuss and approve, among other things, the financial statements, the Board of Directors' report on the financial statements, the appointment of the members of the Board of Directors, as well as their remuneration.

Extraordinary shareholders' meetings are those called to handle any of the following matters:

- The extension of the Company's duration;
- Voluntary dissolution of the Company;
- Increases or decreases in capital stock;
- Changes in corporate purpose or nationality;
- The conversion, merger or spin-off of the Company;
- Share buybacks or the issuance of preference shares;
- Share buybacks charged to distributable profits;
- The issuance of bonds, debentures, obligations, debt or capital securities or similar instruments;
- The cancellation of the registration of the Company's shares in the RNV or in any stock exchange on which the Company trades;
- The amendment of the corporate bylaws; and
- Any other matter that requires an extraordinary general meeting in accordance with the applicable law or the Company's corporate bylaws.

Shareholders' meetings are required to be held at the Company's domicile, which is the Federal District of Mexico City. Shareholders' meetings may be called by the Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Corporate Practices Committee, the Company Secretary or by a court with due jurisdiction. In addition, any shareholder or group of shareholders representing at least 10% of the outstanding share capital may request the Board of Directors, the Statutory Auditor or the Corporate Practices Committee to call a shareholders' meeting to handle the matters indicated in the respective request.

Shareholders' meeting notices must be published in one of the most widely circulated newspapers in Mexico City at least 15 calendar days prior to the date of the meeting. Each notice must state the venue, time and agenda for the meeting and it must be signed by the persons who call the meeting. The Company must make the information related to the agenda available to shareholders, from the date on which a notice is published until the date of the respective meeting.

To be admitted to any meeting, shareholders must provide evidence that they hold the share certificates deposited in a financial institution, brokerage house or deposit institution at least one day before the respective shareholders' meeting. The Company will then issue the admission passes to the meeting against the provision of the aforementioned certificates. Shareholders may appoint one or more attorneys-in-fact to represent them at meetings. The attorneys shall hold general or special powers or may be appointed using a form provided by the Company 15 days prior to the meeting.

Quorum

In order for ordinary meetings to be considered legally installed at the first call, at least half plus one of the outstanding voting shares must be represented and their resolutions shall be deemed valid if adopted by the affirmative vote of a majority of the shares represented at the meeting. Ordinary meetings held at the second call shall be considered legally installed regardless of the number of shares represented; and the resolutions shall be deemed valid if adopted by the affirmative vote of a majority of the shares.

In order for extraordinary meetings to be considered legally installed at the first call, at least 75% of the outstanding shares must be represented and their resolutions shall be deemed valid if adopted by the affirmative vote of at least half plus one of the outstanding voting shares. In order for extraordinary meetings to be considered legally installed at the second or subsequent calls, at least half plus one of the outstanding shares must be represented and their resolutions shall be deemed valid if adopted by the affirmative vote of at least 50% of the outstanding voting shares.

The approval of shares representing 95% of the share capital with or without voting rights shall be required to order the CNBV to request the cancellation of the registration of the shares in the RNV, in accordance with the provisions of the LMV and other applicable laws.

Dividends and Distributions

Generally, the Board of Directors presents the Company's audited financial statements for the previous financial year for the approval of the shareholders at the annual ordinary shareholders' meeting. Once the financial statements are approved, the shareholders determine the allocation of the Company's net profits from the preceding fiscal year. Prior to any distribution of dividends, the Company is required, in accordance with the law, to allocate at least 5% of its net profits to a statutory legal reserve until the amount of the reserve equals 20% of the paid-up share capital. Additional amounts may be allocated to other reserves as the shareholders may determine, including amounts allocated to a share buyback reserve. The remainder, if any, may be distributed in the form of dividends, provided that the losses from previous years, if any, have been covered.

All shares outstanding at the date on which a dividend or other distribution is declared are entitled to participate in the dividend payment or distribution. Dividends in cash relating to shares deposited with Indeval are distributed through this institution. Dividends in cash corresponding to shares covered by physical certificates are paid against the delivery of the corresponding coupon. Please refer to section *"Dividends."*

Increases and Decreases in the Share Capital

The fixed portion of the Company's share capital may be increased or decreased by a resolution adopted by the shareholders at an extraordinary shareholders' meeting, with the consequent amendment of the bylaws. The variable portion of the Company's share capital may be increased or decreased by the shareholders at an ordinary shareholders' meeting without the need to amend the bylaws.

Increases or decreases in the fixed or variable portion of the Company's capital stock must be recorded in our register of capital variations, which the Company is required to maintain under the General Corporation and Partnership Law. The minutes of any shareholders' meeting where the fixed capital of the Company is increased or decreased must be notarized and registered before the corresponding Public Registry of Commerce. New shares cannot be issued unless the issued and outstanding shares at the time of their issuance have been paid in full, except in certain exceptional circumstances.

Share Buybacks

The Company may acquire its own shares subject to compliance with the following terms and conditions:

- All acquisitions must be carried out through the BMV;

- The acquisition must be carried out at market price, unless a public tender offer or auction has been authorized by the CNBV;

- The shares acquired are charged to shareholders' equity without the need to reduce the share capital of the Company; and the shares acquired will be held as treasury stock. Share buybacks by the Company do not require the consent of the shareholders;

- The Company must disclose publicly the number of shares and price paid in all buybacks;
- The annual ordinary general shareholders' meeting must determine the maximum amount to be spent on share buybacks for the fiscal year;
- The Company must be up to date on payments due on any outstanding debt instruments it issues and registers with the RNV;
- All share buybacks must be in accordance with the requirements of Article 54 of the Securities Market Law; and
- The Company must maintain a sufficient number of outstanding shares to meet the minimum trading volumes required by the stock markets on which the shares are traded.

If the shares acquired in accordance with the above belong to the Company, it may not exercise the corresponding share ownership or voting rights and these shares are not outstanding for the purposes of determining a quorum or counting the votes cast in the shareholders' meetings that are held during this period.

Ownership of Share by the Subsidiaries

The Company's subsidiaries may not, directly or indirectly, acquire Company shares, except under employee stock option plans and in accordance with the provisions of the Securities Market Law.

Amortization

Subject to the approval of the extraordinary general shareholders' meeting, the Company may amortize its shares by (1) reducing its capital, or (2) by applying retained earnings. Amortization through the decrease of share capital is performed on a proportional basis among all the shareholders. Amortization through retained earnings shall be conducted (a) by a public offer on the BMV at prevailing market prices, (b) pro-rata among the shareholders, or (c) by picking lots, if the amortization is not conducted at the market price.

Dissolution or Liquidation

In the event of dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up the Company's business and affairs. All fully paid and outstanding shares of capital stock will be entitled to participate proportionally in any distribution made as a result of liquidation.

Share Registration and Transfer

In compliance with the provisions of the Securities Market Law and regulations issued by the CNBV, the Company's shares have been registered with the RNV. The Company's shares are evidenced by certificates deposited with Indeval. Shareholders may only hold their shares as book entries in the records held for such purpose by the entities that participate in Indeval. Indeval is the official holder of all the Company's shares. The entities authorized to hold accounts with Indeval include brokerage houses, banks and other Mexican and foreign financial institutions authorized by the CNBV. In accordance with the legal provisions, the Company will only recognize as shareholders the parties registered as such in its register of shareholders who are bearers of Indeval's proof of deposit. Only recognized shareholders will be allowed to exercise the rights pertaining to their shares. All share transfers must be registered with Indeval.

Rights of First Refusal

In accordance with the law and the Company's bylaws, except in the cases mentioned in the following paragraph, shareholders have the right of first refusal to subscribe new shares or for share capital increases. Generally, in the event that the Company issues additional shares, the shareholders will be entitled to subscribe the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their right of first refusal within the time limit established for this purpose by the meeting approving the issuance of the respective shares, which cannot be less than 15 days from the publication date of the notice of the increase in the Mexican Federal Official Gazette and one of the most widely circulating newspapers in Mexico City.

In accordance with the law, shareholders cannot waive their right of first refusal in advance and that right may not be represented by a negotiable instrument that is separate from the respective shares. The right of first refusal will not apply to (1) shares issued in connection with mergers, (2) shares issued in connection with the conversion of convertible securities on resolutions adopted by Company shareholders, (3) shares issued in connection with the capitalization of accounts specified in balance sheet line items, (4) the placement of treasury shares previously acquired by the Company on the Mexican Stock Exchange, and (5) shares issued to be placed in public offerings under the provisions of Article 53 of the Securities Market Law, which already-registered issuers to make subsequent public offers without the need to offer their shareholders the right of first refusal, if the issue of the shares was approved by a shareholders' meeting.

Rights of Minority Shareholders

In compliance with the Securities Market Law and the General Corporation and Partnership Law, the Company's bylaws include a number of provisions for the protection of minority shareholders. These provisions stipulate that shareholders that represent at least 10% of voting shares (including limited or restricted votes) are entitled:

- To request that a shareholders' meeting be called;
- To request that the votes on matters on which they were not sufficiently informed be postponed; and
- To appoint and remove one board member and their respective substitute.

In addition, shareholders representing at least 20% of the capital stock may oppose any resolution adopted by the shareholders' meeting and obtain the suspension of the implementation of the resolution through the courts, provided that (1) they submit their request within the 15 days following the adjournment of the meeting in question, (2) the resolution being challenged breaches the law or the Company's bylaws, (3) the shareholders did not attend the meeting, or if they did, they voted against the resolution, and (4) they grant a bond to guarantee the payment of any losses or damages caused to the Company as a result of the suspension of the resolution in question, on the assumption that a final judgment will be passed contradicting the petition filed by the shareholders in question. However, it must be mentioned these provisions have been enforced on only rare occasions and therefore, there is no certainty over what steps the court hearing the petition would take.

Also, shareholders representing at least 5% of the capital stock may make a claim over the liability of any of the board members of the Company and the payment of losses or damages incurred by the Company as a result of a breach of due diligence or a duty of loyalty. Any such actions have a limitation of five years.

Anti-Takeover Protection Provisions

The Company's corporate bylaws include anti-takeover protection provisions. Generally, these provisions establish thresholds to conduct compulsory purchase public offerings under those described in *"Public Offerings"* under *"Stock Market Information."*

Definition of Terms

For the purposes of these provisions only, the following terms shall have the following meanings:

"Shares" includes the shares of the Company's capital stock, regardless of class or series, as well as any certificate, security or instrument using these shares as underlying assets, which confer a right, or that is convertible into shares, including financial derivative instruments.

"Control," "Controlling" or "Controlled" mean: (i) direct or indirect ownership, together with any related party, of a majority of the voting shares of the common stock of a corporation, or of any certificates or other instruments representing such shares; (ii) the power to appoint a majority of the members of the board of directors or the administrator a company, investment company, trust or similar, vehicle, entity or other economic or commercial association, either directly or indirectly through the exercise of the voting rights of shares or of a party's interest, or any pact in the sense that the voting rights that correspond to the shares or interests of any third party may be exercised in the same direction as that in which the party mentioned exercises their vote or in any other manner; or (iii) the power to determine, directly or indirectly, the policies and/or decisions of management or the operations of a corporation, trust or similar, vehicle, entity, business or other economic or commercial association.

"20% shareholding" means the individual or joint, direct or indirect ownership, through any corporation, trust or equivalent, vehicle, entity, business or other economic or commercial association, of 20% or more of the Company's common voting shares.

"40% shareholding" means the individual or joint, direct or indirect ownership, through any corporation, trust or equivalent, vehicle, entity, business or other economic or commercial association, of 40% or more of the Company's common voting shares.

"Related party" means any individual or entity, corporation, investment company, trust or other vehicle, company or other economic or commercial association, or the spouse, companion or any relative by blood, marriage or adoption within the fourth degree, or any subsidiary or affiliate of any of the above that (a) belongs to the same economic group as any party intending to acquire shares or is a subsidiary or affiliate of such party, (b) is acting or has the power to act in concert with the party intending to acquire shares, or (c) has the power to influence the investment decisions of this party.

Overview

The Company's bylaws stipulate that, subject to certain exceptions, any party who, individually or as a group, with one or more related parties, intends to acquire shares or rights on shares, either directly or indirectly, by any title, either in one or a series of acts without a time limit between them and notwithstanding the percentage of shares held by one party, either individually or in conjunction with one or more related parties prior to the acquisition, the consequence of which is that their individual or joint ownership structure with the party or related parties represents a shareholding equal to or greater than 10% of the total shares, must (i) obtain the prior written consent of the Company's Board of Directors before carrying out the transaction in question, and (ii) in cases where the acquisition results in a shareholding of 20%, 40% or a change in control of the Company, the additional requirements below must be met.

Any shares acquired without approval or in breach of the Company's anti-takeover provisions, including any acquisitions by parties who already hold Company shares will not be recorded in the Company's share register. Consequently, parties deemed to have acquired shares in breach of the anti-takeover provisions in the Company's bylaws may not exercise the corporate rights associated with these shares, specifically including voting rights. In addition, parties who acquire shares in breach of the provisions of the bylaws shall be required to sell the shares so acquired through one or several transactions on the BMV within a period not exceeding 90 days from their acquisition date. The foregoing shall be without prejudice to the ownership rights of the purchaser as long as the shares acquired have not been sold.

Board of Directors' Authorization

Potential purchasers must obtain the prior approval of the Board of Directors before undertaking any of the transactions described above. To obtain such approval, potential purchasers must provide the Board with a written request that contains certain details about the transaction, the purchaser and the source of the funds. If the Board of Directors does not approve or decline the request in the manner and the time periods provided in the bylaws, the request will be deemed to be denied.

Mandatory Tender Offers in the Case of Certain Acquisitions

If the Board of Directors authorizes a share acquisition that results in a stockholding of 20% but less than 40%, regardless of the authorization, the party making the purchase must make a public offer at a cash price not less than the greater of (i) the percentage of shares to be purchased, or (ii) 10% of the Company's shares, provided that such acquisition would not result in a 40% shareholding or a change of control. In the event that the Board of Directors approves an acquisition with the consequence of obtaining a 40% shareholding or a change in control, notwithstanding such authorization, the purchaser must make a public offer for 100% of the outstanding shares in circulation for a cash price not less than the greater of (i) the book value of the share according to the most recent quarterly income statement approved by the Board of Directors, (ii) the highest closing price on the Stock Market during the 365 days prior to the date of the authorization of the acquisition, or (iii) the highest purchase price per share paid at any time by the purchaser. Furthermore, all shareholders must pay the same price for shares traded during the offer. The provisions contained in the Company's bylaws in terms of the obligation to conduct the public offer for the purchase as described above are stricter than the obligations stipulated by the Securities Market Law and in some cases differ from the latter. The Company considers that the provisions of its corporate bylaws, which prevail over the Securities Market Law, grant greater protection to minority shareholders.

Exceptions

Certain transactions are exempt from the anti-takeover provisions of the Company's bylaws, including, among others, direct or indirect share acquisitions or transfers by succession, by parties that control the Company (including transfers resulting from a change of control of the party or parties that control the Company), acquisitions or transfers conducted by the Company, its subsidiaries, subsidiaries or any trust created by the Company or any of its subsidiaries, or acquisitions or transfers authorized by the Board of Directors or by a shareholders' meeting.

Registration of Amendments to Anti-Takeover Provisions

Any amendments to the anti-takeover provisions contained in the Company's bylaws must be registered with the Public Register of Commerce for the Company's domicile.

Cancellation of Share Registration with the National Securities Registry (Registro Nacional de Valores, RNV)

Should the Company opt to cancel the registration of its shares in the RNV, or if the registration is canceled by the CNBV, the Company's controlling shareholder will be required to conduct a public offer for all the shares held by the remaining shareholders. In accordance with the law and the Company's bylaws, a "controlling" shareholder refers to the holders of the majority of the shares or who have the power or ability to determine the outcome of the matters requiring shareholders' vote at meeting, to appoint and remove the majority of the members of the Board of Directors, managers or other equivalent officials or to determine, directly or indirectly, the course of the Company's management, strategies or principal policies.

According to the Company's bylaws, if the controlling shareholder does not purchase all the shares through the aforementioned public offering, said shareholder will be required to establish a trust and contribute thereto, over a period of at least six months, the amount necessary to purchase all the shares that remain publicly held following the offering, at the same purchase price as the price paid for the shares purchased through the offering.

The purchase price shall be the higher of (1) the weighted average trading price of the Company's shares on the BMV during the 30-day period immediately preceding the date of the public offering or (2) the book value of the shares in question as stated in the most recent quarterly balance sheet filed with the CNBV and the BMV. The cancellation of the registration of the shares at the Company's request is subject to approval by (a) the CNBV and (b) the holders of at least 95% of our outstanding shares, at an extraordinary meeting of shareholders.

Other Provisions

Variable Capital

The Company is permitted to issue shares representing both its fixed and variable capital. Unlike the issuance of fixed capital shares, the issuance of variable capital shares does not require an amendment of the Company's bylaws, although it does require a majority vote of the shareholders. Any holder of variable capital shares that wishes to exercise the right of withdrawal of such shares is required to notify the Company in writing to that effect. The withdrawal shall take effect at the end of the current financial year, if the Company receives notice within the first three quarters of the financial year; or at the end of the next year, if the notice is received during the fourth quarter.

Forfeiture of Shares

As required by law, the Company's bylaws stipulate that foreign shareholders will be deemed to be Mexican citizens with respect to their shares and assets, concessions, holdings or partnership interests held by the Company or those derived from any agreements signed by the Company with the Mexican government. Foreign shareholders shall be deemed as bound not to seek the protection of their governments; otherwise under penalty, they shall forfeit their shares to the benefit of the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies, unless the company's bylaws prohibit the ownership of shares by foreigners.

Conflicts of Interest

In compliance with the General Corporation and Partnership Law no shareholder may participate in any business transaction that represents a conflict of interest with the Company's interests. All indirect shareholders who breach this provision shall be liable for any damage caused to the Company as if the transaction in question would not have been adopted without their vote.

Right of Separation

In accordance with the provisions of the General Corporation and Partnership Law, in the event that the shareholders' meeting approves a change of corporate purpose or the nationality of the Company, or its conversion to another type of corporation, any shareholder with the right to vote on these matters who votes against the resolution shall be entitled to separate from the Company and to obtain the reimbursement of their shares at their book value in accordance with the most recent financial statements approved by the shareholders, and providing that this right is exercised within the 15 days following the adjournment of the meeting that adopted this resolution.

e) Other Corporate Governance Practices

Code of Ethics

IEnova's values guide our interaction with government bodies and regulators, customers, the community, companies and our co-workers. Therefore, all Company employees are encouraged to understand and adhere to the standards contained in the Code of Ethics.

Our Code of Ethics is a clear, useful and practical guide for ethical and legal compliance in our workplace. It is a decision-making tool that describes our policies and procedures in detail.

Ethics and Compliance Help Line 01 800 062 2107

The Ethics and Compliance Help Line is available 24 hours a day, seven days a week, to report inappropriate conduct that breaches our code of Ethics and affects our employees and the Company. The help line is anonymous, confidential and independent of the company's management.

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 policy
12. Fair competition
13. Government relations
14. Acquisition of goods and services
15. Regulatory compliance
16. Business gifts and gratuities
17. Share trading
18. Conflicts of interest
19. Intellectual property
20. Internal business controls
21. Financial information
22. Payments and undue collections
23. Foreign Corrupt Practices Law (FCPA)

Sustainability

At IEnova our sustainability strategy aims to create value for our company, shareholders, employees, customers and the communities to which we belong. It is based on three fundamental pillars: (1) financial sustainability, (2) social and environmental sustainability, and (3) sustainable ethics and corporate governance.

IEnova has been characterized by the ethical commitment of its operations which are in strict compliance with regulations and the standards applicable to our business. These behaviors have enabled us to gain and maintain the trust of our various stakeholders.

The company's progress in sustainability is demonstrated by our achievements. In 2014 we published our first sustainability report and as a result of an evaluation in February 2015, we are included in the Sustainability Index of the Mexican Stock Exchange. Additionally, we obtained the Great Place to Work certification; the Mexican Center for Philanthropy gave us a Socially Responsible Company award for the first time. We have strengthened our environmental management systems and health and safety; also we consolidated our organizational structure in the area of sustainability, amongst other activities.

For more information on the sustainability actions at the Company, please refer to our 2014 Sustainability Report, available from May 30, 2015 at: www.ienova.com.mx

CAPITAL MARKET

a) Shareholding Structure

Not applicable.

SHARE PERFORMANCE IN THE MARKET

b) Share Performance in the Stock Market

Shares of the Company have been listed on the Mexican Stock Exchange since March 27, 2013 under the "IENOVA" ticker symbol. Prior to that date, the shares of the Company were not listed on any stock exchange.

As of March 31, 2015, the reported closing price of the shares of the Company was MXN$83.24 per share. The following table shows the prices for high and low closing values of Company shares reported by the BMV for the indicated periods. These quotations represent prices between intermediaries and do not reflect any commission and so do not necessarily represent actual trading. IEnova shares have been part of the BMV Price Index since September 2, 2013.

IEnova* Price per share, last five years (applicable since 2013):

Year	maximum	minimum	Last price	Average Annual volume
2013	56.02	38.66	52.17	1,886,829
2014	85.90	51.50	73.80	1,034,837

Source: the authors, based on Bloomberg data. * Price per share in pesos.

IEnova* Price per share, per quarter, last two years:

Year	Quarter	Maximum	Minimum	Last Price	Average Annual volume
2013	First	39.62	34.00	39.34	19,098,449
	Second	51.08	39.02	46.67	1,295,487
	Third	55.37	47.90	50.53	2,078,472
	Fourth	56.02	47.40	52.17	1,197,030
2014	First	69.60	51.50	67.56	1,255,064
	Second	74.02	64.51	71.98	1,087,503
	Third	84.63	72.05	81.96	895,638
	Fourth	85.90	69.01	73.80	1,090,119
2015	First	84.34	69.84	83.24	1,137,804

Source: the authors, based on Bloomberg data. * Price per share in pesos.

IEnova* Price per share, per month, last six months:

Year	Month	maximum	minimum	Last Price	Average Annual volume
2014	November	85.90	78.22	77.08	973,082
	December	82.90	69.01	73.80	1,007,449
2015	January	74.27	69.84	71.18	1,061,764
	February	79.37	71.14	78.36	1,251,600
	March	84.34	77.69	83.24	1,110,887
	April	92.12	82.07	89.28	1,219,205

Source: the authors, based on Bloomberg data. * Price per share in pesos.

As of December 31, 2014, there were 3,697 registered shareholders, excluding shareholders who hold their shares through intermediaries. The current number of shareholders in the Company exceeds the number of registered shareholders, and includes beneficiary shareholders whose shares are held through intermediaries. The number of registered shareholders also excludes shareholders who hold their shares through trusts.

c) Market Maker

On June 7, 2013, the Company announced the signing of a Market Making Services Contract with Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México).

UNDERLYING ASSETS

Not applicable

INDIVIDUALS RESPONSIBLE

April 30, 2015

We, Carlos Ruiz Sacristan, Arturo Infanzon Favela and René Buentello Carbonell, in our capacities of Chief Executive Officer, Executive Vice President of Operations and Finance (COO and CFO) and Vice President General Counsel (Legal Director) of Infraestructura Energética Nova, S.A.B. de C.V, respectively, and in accordance with the provisions of Article 33, section I, paragraph (b) of the General Provisions Applicable to the Securities Issuers and Other Participants in the Securities Market, issued by the National Banking and Securities Commission, hereby declare the following:

The undersigned declare under oath that within the scope of our respective duties, we have prepared the information relating to Infraestructura Energética Nova, S.A.B. de C.V, contained in this Annual Report for the year ended December 31 2014, which, to the best of our knowledge and understanding, reasonably reflects the situation of the Company. We also declare that to the best of our knowledge, no information contained in this Annual Report has been omitted of falsified or may be misleading to investors.

Carlos Ruiz Sacristán
Chief Executive Officer

Arturo Infanzón Favela.
Executive Vice President of Operations and Finance
(COO and CFO)

Rene Buentello Carbonell
Vice President General Counsel
(Legal Director)

ANNEXES

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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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.

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:				
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	2013	2012
			Years ended December 31,	
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) 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

		Year ended	
	12/31/14	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		**12/31/14**		**Year ended 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:

	Year ended 12/31/14	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

	Year ended 12/31/14	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:

Company stockholder's	Number of social parts	For the year ended at December 31, 2014 and 2013 (Mexican Pesos) Fixed social parts	Variable social parts	Total	Total Social parts (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

Company / Member's name	Number of social parts	For the year ended at December 31, 2012 (Mexican pesos) Fixed social parts	Variable social parts	Total	Total partnership interest (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:

ECA's matters

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

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juárez, C.P. 06600
  México, D. F.

- Carretera Escénica Tijuana – Ensenada Km. 81.2
  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
  Chihuahua, Chih.

- Boulevard Francisco Eusebio Kino No. 309
  Piso 10, Col. Country Club
  Hermosillo, Son.

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24 de febrero de 2015

Al Consejo de Administración de Infraestructura Energética Nova, S.A.B. de C.V.

Estimados señores:

Con fundamento en lo dispuesto en el artículo 43 de la Ley del Mercado de Valores ("**LMV**") y el artículo IV.1 del Estatuto del Comité de Auditoria de Infraestructura Energética Nova, S.A.B. de C.V. (la "**Sociedad**"), en mi carácter de Presidente del Comité de Auditoria de la Sociedad (el "**Comité**"), después de escuchar las opiniones de los directivos que estimé pertinentes, me permito rendir, en representación del Comité, el informe anual sobre las operaciones y actividades del Comité, durante el ejercicio social concluido el 31 de diciembre de 2014.

Durante el ejercicio social de referencia, el Comité sesionó en cuatro ocasiones, el 25 de febrero de 2014, 25 de abril de 2014, el 22 de julio de 2014 y el 21 de octubre de 2014. Se tuvieron reuniones previas con los auditores externos y el auditor interno de Sempra y de IEnova, para comentar mejoras y tendencias internacionales de la industria así como contables. Las principales resoluciones adoptadas por el Comité en las sesiones celebradas en el ejercicio de 2014 fueron:

(i) Se implementó un marco de administración de riesgos por recomendación del Comité,
(ii) Ratificar al C.P. Gerardo Higareda Rivero como auditor interno
(iii) Conocer y aprobar el nombramiento de la firma Deloitte /Galaz Yamazaki Ruiz Urquiza S.C. como auditor externo y al Sr. Omar Esquivel como el socio responsable de la auditoria, así

February 24, 2015

To the Board of Directors of Infraestructura Energética Nova, S.A.B. de C.V.

Dear sirs:

Pursuant to Article 43 of the Mexican Stock Market Law ("**LMV**") and Article IV.1 of the Statute of the Audit Committee of Infraestructura Energética Nova, S.A.B. de C.V. (the "**Company**"), in my capacity as Chairman of the Audit Committee (the "**Committee**"), after hearing the opinion from the officers I deemed convenient, on behalf of the Committee, I hereby render the annual report on the operations and activities developed by the Committee during the fiscal year ended on December 31, 2014.

During the fiscal year in question, the Committee met 4 times, on February 25, 2014 April 25, 2014, on July 22, 2014 and on October 21, 2014. There were previous meetings with the external and internal auditors (Sempra and IEnova) to discuss improvements and international industry and accounting trends. The main resolutions adopted by the Committee in the meetings held in the year 2014 were:

(i) A risk management framework was implemented per recommendation of the Committee,
(ii) Ratify Mr. Gerardo Higareda Rivero as internal auditor
(iii) To meet with and approve the appointment of "Deloitte" / Galaz, Yamazaki, Ruiz Urquiza, S.C., as external auditor and Mr. Omar Esquivel as the partner in charge, as well as the general terms of the

como los honorarios profesionales por sus servicios.

(iv) Aprobar los estados financieros y reportes de prensa correspondientes al año terminado el 31 de Diciembre de 2013, y primero segundo y tercer trimestre de 2014, presentados al Consejo de Administración,

(v) Aprobar los planes de auditoria para los años 2014 y 2015,

(vi) Aprobar el plan de trabajo y calendario del Comité para 2014,

(vii) Aprobar los reportes presentados por el auditor interno y externo,

(viii) El sistema de control interno y auditoría interna de la sociedad y personas morales que ésta controla operan de manera adecuada,

(ix) Se implementaron las recomendaciones hechas por el área de Auditoría Interna,

(x) Se determinó que tanto la firma de auditores externos y el socio que la representa llevaron a cabo sus funciones de manera adecuada,

(xi) Durante el ejercicio no hubo modificaciones a políticas contables relevantes

(xii) Con respecto a las denuncias recibidas del Comité de Ética, no hubo ninguna relevante que requiera de atención especial, aunque todos los casos son presentados en este Comité

compensation to be paid for their services.

(iv) To approve the financial statements and press releases for the year ended December 31, 2013 and the 1st, 2nd and 3rd quarters of 2014, presented to the Board of Directors,

(v) To approve the audit plans for the years 2014 and 2015,

(vi) To approve the committee´s work plan and calendar for 2014,

(vii) To approve the reports presented by the internal and external auditors,

(viii) The internal control system and internal audit department of the entity and its subsidiaries, operate adequately,

(ix) The recommendations made by internal audit where implemented,

(x) It was concluded that both the external audit firm and its partner complied with their duties adequately,

(xi) There were no relevant accounting policies modified during the year,

(xii) There were no relevant denounces received from the Ethics Committee that required special attention however all cases are presented to this Committee

Se les informa que durante el ejercicio de 2014 no existieron observaciones respecto del desempeño de los directivos relevantes de la Sociedad, ni se otorgaron dispensas por el Consejo de Administración en términos de lo establecido en el artículo 28, fracción III, inciso f) de la LMV.

It is hereby informed that, during the year 2014 there were no observations regarding the performance of the senior management of the Company, and no waivers were granted by the Board of Directors in terms of the provisions of Article 28, paragraph III, subparagraph f) of the LMV.

En mi carácter de Presidente del Comité, en representación de dicho órgano, reitero a ustedes nuestro compromiso para llevar a cabo nuestras funciones en materia de auditoria en beneficio de una operación transparente y sustentable en términos de las disposiciones legales aplicables.

In my capacity as Chairman of the Committee, on behalf of such Committee, I hereby reiterate our commitment to carry out our audit duties for the benefit of a transparent and sustainable operation in terms of the applicable laws.

Este informe ha sido aprobado por unanimidad de los miembros del Comité.

This report has been unanimously approved by the members of the Committee.

Atentamente, / Sincerely,

Aaron Dycther Poltolarek

Presidente del Comité de Auditoria
Infraestructura Energética Nova, S.A.B. de C.V

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report Dated February 27, 2015

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2014 and 2013

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Deloitte.

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Independent Auditors' Report to the Board of Directors and Members of Gasoductos de Chihuahua, S. de R. L. de C. V.

We have audited the accompanying consolidated financial statements of Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income and other comprehensive income, changes in members' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 Mexican Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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.

Deloitte.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gasoductos de Chihuahua, S. de R. L. de C. V. and subsidiaries as of December 31, 2014 and 2013, and and the results of their operations and their cash flows for the years then ended in accordance with Mexican Financial Reporting Standards.

Other Matters

The Entity changed its cash flows statement presentation from the direct method to the indirect method in 2014. The effects of this change were presented retrospectively in accordance with NIF B-1, *Accounting Changes and Error Corrections.*

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. Juan Carlos Reynoso Degollado

February 27, 2015

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2014 and 2013
(In Mexican pesos)

Assets

	2014	2013
Current assets:		
Cash and cash equivalents	$ 1,962,141,885	$ 1,460,307,218
Account receivable	18,554,496	59,099,892
Due from PEMEX-Gas y Petroquímica Básica - related party	233,917,511	222,621,208
Recoverable taxes, mainly value added tax	1,217,544,671	350,469,115
Other accounts receivable and advance payments	36,916,540	27,887,047
Total current assets	3,469,075,103	2,120,384,480
Pipeline, land right-of-way, equipment and construction in progress - Net	15,033,740,065	6,919,804,812
Investment in joint-venture	2,118,133,680	-
Other assets	2,964,346	3,235,329
Tag Norte Holding, S. de R. L. de C. V. – associated entity	1,285,174,551	-
Total	$ 21,909,087,745	$ 9,043,424,621

Liabilities and members' equity

	2014	2013
Current liabilities:		
Current portion of long-term debt	$ 475,178,739	$ -
Account payable	423,242,917	232,909,448
Direct benefits to employees	15,611,628	12,750,079
Taxes payable and other accounts payable	8,522,367	5,202,368
Total current liabilities	922,555,651	250,861,895
Long term liabilities:		
Long-term debt	6,574,421,494	-
Derivative financial instruments	247,921,136	-
Loan from related parties	3,649,916,735	-
Asset retirement obligations	36,675,558	30,418,667
Deferred income taxes	946,996,396	650,750,498
Employee benefits	12,993,453	8,028,981
Total liabilities	12,391,480,423	940,060,041
Members' equity:		
Social parts	1,123,312,887	1,123,312,887
Retained earnings	6,948,264,576	6,499,867,366
Valuation of derivative financial instruments	(291,199,595)	-
Cumulative translation adjustment	1,737,229,454	480,184,327
Total members' equity	9,517,607,322	8,103,364,580
Total	$ 21,909,087,745	$ 9,043,424,621

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2014 and 2013
(In Mexican pesos)

	2014	2013
Revenues from transportation service	$ 1,915,595,003	$ 1,814,922,995
Revenues from storage service	211,703,494	14,940,687
Revenues from administrative services	-	42,627,039
Other income	43,910,121	85,276,121
Cost of transportation service	569,125,649	554,746,421
Cost of storage service	104,608,181	3,568,290
Cost of administrative services	-	40,841,777
Other costs	21,953,945	15,222,684
Gross profit	1,475,520,843	1,343,387,670
Administrative expenses	211,284,170	151,246,679
Operating income	1,264,236,673	1,192,140,991
Comprehensive financing loss:		
Interest expense, net	(192,398,405)	(5,369,763)
Allowance for funds used during construction	257,120,160	182,267,342
Foreign exchange loss, net	(194,845,708)	(7,034,175)
	(130,123,953)	169,863,404
Equity in loss in joint-venture	(76,936,825)	-
Income before income taxes	1,057,175,895	1,362,004,395
Income taxes	608,778,685	410,119,709
Consolidated net income	$ 448,397,210	$ 951,884,686
Other comprehensive income:		
Valuation of financial instruments	$ (291,199,595)	$ 2,581,314
Cumulative translation adjustment	1,257,045,127	87,633,674
Consolidated comprehensive income	$ 1,414,242,742	$ 1,042,099,674

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Changes in Members' Equity

For the years ended December 31, 2014 and 2013
(In Mexican pesos)

	Social parts		Retained earnings	Valuation of financial instrument	Cumulative translation adjustment	Total members' History
	History	Restatement				
Balance, January 1, 2013	$ 786,098,642	$ 337,214,245	$ 5,547,982,680	$ (2,581,314)	$ 392,550,653	$ 7,061,264,906
Consolidated net comprehensive income:						
Valuation of financial instruments	-	-	-	2,581,314	-	2,581,314
Consolidated net income	-	-	951,884,686	-	-	951,884,686
Currency translation adjustment	-	-	-	-	87,633,674	87,633,674
Consolidated net comprehensive income	-	-	951,884,686	2,581,314	87,633,674	1,042,099,674
Balance, December 31, 2013	786,098,642	337,214,245	6,499,867,366	-	480,184,327	8,103,364,580
Consolidated net comprehensive income:						
Valuation of financial instruments	-	-	-	(291,199,595)	-	(291,199,595)
Consolidated net income	-	-	448,397,210	-	-	448,397,210
Currency translation adjustment	-	-	-	-	1,257,045,127	1,257,045,127
Consolidated net comprehensive income	-	-	448,397,210	(291,199,595)	1,257,045,127	1,414,242,742
Balance, December 31, 2014	$ 786,098,642	$ 337,214,245	$ 6,948,264,576	$ (291,199,595)	$ 1,737,229,454	$ 9,517,607,322

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013
(In Mexican pesos)

	2014	2013
Cash flow from operating activities:		
Income before taxes	$ 1,057,175,895	$ 1,362,004,395
Effects from changes in the value of cash and cash equivalents due to adjustments to their fair values		
Items related to investing activities:		
Depreciation	269,559,314	213,336,910
Allowance for funds used during construction	(257,120,160)	(182,267,342)
Financial contracting cost amortization	13,776,129	-
Interest income	(1,885,917)	(1,717,172)
Equity income in joint-venture	76,936,825	-
Asset retirement obligations	2,163,706	1,943,323
Items related to financing activities:		
Interest expense	185,450,370	6,327,460
Net cash flows provided by operating activities	1,346,056,162	1,399,627,574
(Increase) decrease in:		
Accounts receivable	43,322,480	(43,399,769)
PEMEX-Gas y Petroquímica Básica - related party	15,272,360	(2,479,940)
TAG Pipelines - related party	-	13,504,514
Recoverable taxes, mainly value added tax	(741,846,035)	(208,907,034)
Taxes payable and other accounts payable	(16,648,192)	7,818,754
Other assets	10,054,320	(10,123,377)
Increase (decrease) in:		
Account payable	145,006,280	124,425,117
Direct benefits to employees	6,533,286	(1,759,393)
Labor obligation	3,558,739	831,729
Income taxes	(278,905,886)	(290,126,739)
Net cash flows provided by operating activities	532,403,514	989,411,436
Investing activities:		
Additions to pipeline, land right-of-way, equipment and construction in progress	(6,608,436,737)	(2,277,278,892)
Purchase of pipeline, land right-of-way and equipment	59,205,371	33,527,185
Capital contribution in joint-venture	(2,056,272,465)	-
Loans to join-venture	(1,276,305,955)	-
Net cash used in investing activities	(9,881,809,786)	(2,243,751,707)
Excess cash to be applied to financing activities	(9,349,406,272)	(1,254,340,271)
Financing activities:		
Loan received	7,022,156,803	-
Loan paid	(493,932,190)	(250,401,802)
Loan received from related parties	3,332,073,420	-
Interest paid	(123,571,782)	(3,936,236)
Financial contracting cost	(203,105,555)	-
Cash flow hedge	(133,571,886)	(1,185,820)
Net cash provided by (used in) financing activities	9,400,048,810	(255,523,858)
Net increase (decrease) in cash and cash equivalents	50,642,538	(1,509,864,129)
Effects from changes in value of cash	451,192,129	26,081,689
Cash and cash equivalents at beginning of the year	1,460,307,218	2,944,089,658
Cash and cash equivalents at end of the year	$ 1,962,141,885	$ 1,460,307,218

See accompanying notes to consolidated financial statements.

1. **Activities and significant events**

Gasoductos de Chihuahua, S. de R. L. de C. V. ("Gasoductos de Chihuahua") is a corporation established under the laws in Mexico and is a 50% investee of PEMEX-Gas y Petroquímica Básica ("PGPB"), a decentralized public agency which, in turn, is a subsidiary of Petróleos Mexicanos. The remaining 50% of the equity is own by Sempra Gasoductos Holding, S. de R.L. de C.V., a wholly-owned subsidiary of Sempra Gasoductos México, S. de R.L. de C.V. (both incorporated Mexican societies).

Gasoductos de Chihuahua and its subsidiaries (the Entity) receives approximately 92% of its income with its related party PEMEX-Gas y Petroquímica Básica (PGPB) for the years ended December 31, 2014 and 2013; consequently, the accompanying consolidated financial statements are not necessarily indicative of the conditions that would have prevailed or the results of their operations and cash flows the Entity might have had without such affiliation.

The Entity is a limited liability entity, which combines the aspects of a partnership and a corporation. Members are liable only to the extent of their capital contributions, but participatory interests are represented by social parts that are not freely negotiable.

Gasoductos de Chihuahua and its subsidiary, Gasoductos de Tamaulipas, S. de R. L. de C.V. ("Gasoductos de Tamaulipas") are engaged in providing natural gas transport services. Gasoductos de Chihuahua is also engaged in the transport of liquid petroleum gas through its subsidiary, TDF, S. de R.L. de C.V. ("TDF"). Transportadora del Norte SH, S. de R. L. de C. V. ("TDN") is the holding company of TDF and its activities are operating a storage plant in Zapotlanejo, Guadalajara for the supply of Liquid Petroleum Gas. These activities are regulated by the Comisión Reguladora de Energía (CRE).

The Entity through its subsidiary Gasoductos del Sureste, S. de R.L. de C.V. will engage in the ethane gas transportation service.

The Entity has the following permissions granted by the CRE, which contain among other things, general conditions for the provision of service, fee schedules, the maximum incomes and the path of the pipeline proposed by the entities who must develop as the program works and investments established in the above-mentioned permits. Accordance with the resolutions of the CRE, there will be a five-year review of the maximum income, considering the investment made by the Entity and, if necessary, adjustments to the level of the new income and rates.

On July 15, 1997, the CRE issued ruling SE/1005/97 granting Gasoductos de Chihuahua permission to transport natural gas under permit number G/016/TRA/97 for a period of 30 years. The permit may be renewed for additional periods of 15 years; also, the ruling authorized Gasoductos de Chihuahua to construct the "Samalayuca Pipeline", which has been operating since 1997. In addition, on October 15, 2001, the CRE issued ruling RES/185/2001, authorizing Gasoductos de Chihuahua to construct the compression station "Gloria a Dios", which was completed and commenced operations during 2001.

On September 12, 2002, the CRE issued ruling RES/177/2002, granting Gasoductos de Tamaulipas permission to transport natural gas under permit number G/128/TRA/2002, for a 30-year period. The permit may be renewed for additional periods of 15 years; also, the ruling authorized Gasoductos de Tamaulipas to construct the "San Fernando Pipeline", which commenced operations during 2003.

On October 6, 2006, the CRE issued ruling RES/280/2006, granting TDF, the operating subsidiary of TDN, permission to transport liquid petroleum gas under permit number G/173/LTP/2005, for a 30-year period. The permit may be renewed for additional periods of 15 years; also, the ruling authorized TDF to construct the "Burgos-Monterrey Pipeline", which commenced operations on December 24, 2007.

On February 13, 2012, the CRE issued ruling RES/068/2012, granting TDN, permission to store liquid petroleum gas through a Liquid Petroleum Gas Supply Plant under permit number G/276/LPA/2012, for a 30 year period. The permit may be renewed for additional periods of 15 years.

On April 18, 2013, the CRE issued ruling G/308/TRA/2013, granting TAG Pipelines, S. de R.L. de C.V. (TAG), permission to transport natural gas, on May 23, 2013, under permit number RES/194/2013 transfer from TAG to Gasoductos del Noreste, S. de R.L. de C.V. (GDN), the ruling for a 30 years period beginning on the commercial operation date.

During 2013, TDF recovered insurance claims related to the incident mentioned above for an amount of $48,597,567 Mexican pesos, derived from an explosion and fire occurred in September 18, 2012 at the Centro Receptor de Gas y Condesados property of Pemex Exploración y Producción, which caused damages to a pumping station, which is part of the LPG 12" Burgos – Monterrey transportation pipeline (property of TDF,). The operation part was recorded in "other income" line in the interim condensed consolidated statements of income and other comprehensive income.

Gasoductos del Sureste is currently in the construction development of pipeline transport system of ethane gas which will be composed of the following segments: Segment I Nuevo Pemex - Cactus, Cactus- Segment II Cactus – Complejo Etileno XXI and Segment III Complejo Etileno XXI- Anillo Etano in Coatzacoalcos area

Significant events - On February 26, 2013, Gasoductos del Noreste, S. de R. L. de C. V. (Gasoductos del Noreste) was established as a 99.99% subsidiary of Gasoductos de Chihuahua, this entity is currently engaged in the construction of a new transport system of natural gas, which will be integrated by two phases. Upon completion of the 1st phase, the system will have a capacity of 1,000 MMcd. During the 2nd phase, two turbocompressors will be added thereby increasing capacity to 2,100 MMcd.

On December 1, 2014, Gasoductos del Noreste commenced operations in its first phase. Its current activities are focused in the natural gas transportation, maintenance and acquiring the operating assets needed to the transportation service.

On December 4, 2013, TDN commenced operations, which are comprised mainly of the operation and maintenance of a storage terminal in Zapotlanejo Guadalajara for the supply of Liquid Petroleum GAS (LPG) including the acquisition of operating assets necessary to carry out the LP gas storage services.

On December 2, 2013, Gasoductos Servicios Sub-Holding, S, de R.L. de C.V., was incorporated and it is a 99.99% subsidiary of Gasoductos de Chihuahua.

On December 2, 2013, Gasoductos Ingeniería, S. de R.L. de C.V. was incorporated; additionally on May 28, 2014, Gasoductos Corporativos, S. de R.L. de C.V. was incorporated. Both are 99.99% subsidiaries of Gasoductos Servicios Sub-Holding, S. de R.L. de C.V.

On October 27, 2013, Petroleos Mexicanos (PEMEX) informed to the public the award of the project Los Ramones Fase II ("Ramones Fase II") which will divide such system into two parts (north and south). The north part, which includes 60% of the project, will be constructed and operated by the affiliated party Tag Pipelines in association with Gasoductos de Chihuahua.

On March 12, 2014, Ductos y Energéticos del Norte, S. de R.L. de C.V. was incorporated in order to be part of the joint-venture contract Los Ramones II, owning 50% of shares of the entity Tag Norte Holding, S. de R.L. de C.V.. This Entity is in charge of the natural pipelines gas construction; it consists in 448 km gas pipeline and two compressor stations between the municipality of Ramones, in the state of Nuevo León and San Luis Potosí. The estimated investment will amount 1,421,000 U.S. dollars. In addition the pipeline will provide natural gas transportation service in all the system capacity. The license has a term of 25 years from the date of commercial operation, scheduled for the last quarter of 2015.

Energy reforms. On December 20, 2013, the President of the Mexican Republic signed the constitutional decree in energy reform; approved by the Congress and most of the legislature states. With that decree Articles 25, 27 and 28 of the Constitution of the Mexican United States were modified and now allows private investment in the sectors of exploration and production of hydrocarbons, petrochemicals, refining, transportation, storage and distribution petroleum products, electricity transmission and distribution.

2. Basis of presentation

a. *Explanation for translation into English* - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Mexican Financial Reporting Standards ("MFRS"), which are comprised of accounting standards that are individually referred to as *Normas de Información Financiera*, or "NIFs"). Certain accounting practices applied by the Entity that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

b. *Monetary unit of the financial statements* - The consolidated financial statements and notes as of December 31, 2014 and 2013 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

c. *Consolidation of financial statements* - The consolidated financial statements include the financial statements of Gasoductos de Chihuahua and those of its subsidiaries over which it exercises control as of December 31, 2014 and 2013 and for the years then ended, shareholding percentage in their capital stock is shown below:

Entity	Ownership Percentage 2014	Ownership Percentage 2013	Activity
Gasoductos de Tamaulipas, S. de R. L. de C. V. (GDT)	99.99%	99.99%	Transportation of natural gas.
Gasoductos Servicios Corporativos y de Administración, S. de R. L. de C. V. (GSCA)	99.99%	99.99%	Provides financial and administrative services to related parties.
Gasoductos Servicios Subholding, S. de R. L. de C. V. and subsidiaries (1) (GSH)	99.99%	99.99%	Provides financial and administrative services to related parties.
Transportadora del Norte SH, S. de R. L. de C. V. and subsidiary (2) (TDN)	99.99%	99.99%	Liquid petroleum Gas storage and holding Entity of TDF engaged in the transportation of liquid gas Burgos-Monterrey.

Entity	Ownership Percentage 2014	Ownership Percentage 2013	Activity
Ductos y Energéticos del Sureste, S. de R. L. de C. V. and subsidiary (3) (DES)	99.99%	99.99%	Holding Entity of Gasoductos del Sureste, preoperative stage for the transportation of ethane gas Gas Processing Complex Cangrejera (CPG).
Gasoductos del Noreste, S. de R. L. de C. V. (GDN)	99.99%	99.99%	Natural pipeline gas transportation project.
Ductos y Energéticos del Norte, S. de R. L. de C. V. and joint-venture (4) (DEN)	99.99%	-	Holding Entity of TAG Norte, preoperative stage for the transportation of natural gas Los Ramones II.

Subsidiaries of sub-holding and joint venture indicated in the above table are as follows:

(1) Gasoductos Ingeniería, S. de R.L. de C.V. and Gasoductos Servicios Corporativos, S. de R.L. de C.V.
(2) TDF, S. de R.L. de C.V.
(3) Gasoductos del Sureste, S. de R.L. de C.V.
(4) TAG Norte Holding, S. de R.L. de C.V.

Significant intercompany balances and transactions have been eliminated. Investment in associates and joint venture is accounted under the equity method.

d. ***Translation of financial statements of foreign subsidiaries*** - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entities are converted to MFRS using the currency in which transactions are recorded. The financial statements are subsequently translated to Mexican pesos using the following methodologies:

Foreign operations with a functional currency different from the local currency and the reporting currency translate their financial statements from the currency in which transactions are recorded to the functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Translation effects are recorded under comprehensive financing (cost) income within results. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income (loss) within members' equity.

e. ***Comprehensive income*** - Comprehensive income represents changes in stockholders' equity during the year, for concepts other than capital contributions, reductions and distributions, and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting results. Other comprehensive income (loss) is represented by the effects of cumulative translation adjustments of foreign operations. Upon realization of assets and settlement of liabilities giving rise to other comprehensive income items, the latter are recognized within results.

f. *Classification of costs and expenses* - Costs and expenses are classified according to their function.

g. *Income from operations* - Is the result of subtracting cost of transportation service and general expenses from revenues from transportation service. While NIF B-3, *Statement of Income*, does not require inclusion of this line item within results, it has been included for a better understanding of the Entity's economic and financial performance.

3. **Summary of significant accounting policies**

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Entity's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Entity are as follows:

a. *Accounting changes:*

As of January 1, 2014, the Entity adopted the following new NIFs:

NIF B-12 Offsetting of Financial Assets and Financial Liabilities
NIF C-11, Stockholders' Equity
Improvements to Financial Reporting Standards 2014

Some of the principal changes established in these standards are:

NIF B-12, Offsetting of Financial Assets and Financial Liabilities- Establishes that the offsetting of financial assets and liabilities in the statement of financial position is appropriate when: a) there is a legal right and obligation to collect or pay an offset amount, and b) the amount resulting from offsetting the financial assets of the financial liability reflects the expected cash flows of the Entity when it liquidates two or more financial instruments.

NIF C-11, Stockholders' Equity- Establishes the standards for presentation and disclosure and indicates that advances for future capital increases are presented in stockholders' equity, only when: i) there is resolution issued by a meeting of partners or owners, where they stipulated that the amounts paid will be applied to capital increases in the future; ii) a fix number of shares set to be issued by such advances, iii) the price per share to be issued for such advances is fixed and iv) it amounts cannot be reimbursed before they are capitalized.

NIF C-14, Transfer and Cancellation of Financial Assets- Establishes the standards related to the accounting recognition of transfers and cancellations of financial assets different from cash and cash equivalents, such as receivables or negotiable financial instruments, as well as the presentation in the financial statements of such transfers and the related disclosures. In order for a transfer to also qualify as a cancellation, there should be a full assignment of the risks and benefits inherent to the financial asset.

The transferor of the financial asset will eliminate it from its statement of financial position at the time that it no longer has rights or is exposed to the future profit or loss, respectively, therefrom. Conversely, the recipient will assume the risks inherent to such financial asset acquired and will have an additional return if the cash flows originated thereby exceed those originally estimated, or a loss if the cash flows received were lower.

Improvements to NIF 2014 –The following improvements that result in accounting changes were issued:

NIF C-5, Prepaid Expenses– Establishes that amounts paid in foreign currency should be recognized at the exchange rate in effect on the transaction date, and should not be modified for subsequent changes in exchange rates.

NIF C-5, Prepaid Expenses and NIF C-15, Impairment in the Value of Long-lived Assets and their Disposal– Establish that losses from impairment, as well as their reversals, should be presented as part of net income or loss for the period in the heading considered suitable according to professional judgment. Under no circumstances shall losses from impairment be presented as part of the costs that are capitalized in the value of an asset.

NIF C-15, Impairment in the Value of Long-lived Assets and their Disposal– Establishes that, in the case of long-lived assets held for sale, an extension of the period to complete the sale beyond one year does not preclude held for sale classification. Furthermore, the assets and liabilities associated with a discontinued operation should generally be presented on the balance sheet grouped into single headings of current assets and liabilities. The balance sheets of previous periods shall not be restated due to this reclassification.

NIF B-3, Statement of Comprehensive Income, NIF B-16, Financial Statements of Nonprofit Entities, NIF C-6, Property, Plant and Equipment, NIF C-8, Intangible Assets, Bulletin C-9, Liabilities, Provisions, Contingent Assets and Liabilities and Commitments, and NIF D-3, Employee Benefits– Establish that the presentation of the headings other income and other expense is not required in the statement of comprehensive income, for which reason the references to such headings are eliminated in these NIFs.

At the date of issuance of these consolidated financial statements, the adoption of these improvements did not have a material effect on the Entity's financial information.

b. ***Reclassifications*** - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2013 have been reclassified to conform to the presentation of the 2014 consolidated financial statements.

c. ***Recognition of the effects of inflation*** – Cumulative inflation rates over the three-year periods ended December 31, 2014 and 2013 were 12.08% and 11.80%, in each period. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2014 and 2013 were 4.08% and 3.97%, respectively.

   Beginning on January 1, 2008, the Entity discontinued recognition of the effects of inflation in their consolidated financial statements. However, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

d. ***Cash and cash equivalents*** – Cash and cash equivalents consist mainly of bank deposits in checking accounts and daily investments easily convertible into cash, Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing (cost) income of the period. Cash equivalents are represented mainly for cash in investment funds.

e. ***Investment in shares of joint-venture*** - Equity investments in the entity in which the Entity has significant influence, are initially recognized at cost and subsequently valued using the equity method.

f. *Operation regulated* - As mentioned in Note 1, the activity of the Entity and its subsidiaries, GDT, TDF, TDN and GDN is regulated by the CRE. Consequently, and in accordance with the provisions of NIF A-8, "Supplementary nature", the Entity decided to apply residually Codification ASC 980 "Regulated Operations" (formerly FAS 71) ("ASC 980") of the Financial Accounting Standard Board ("FASB") accounting principles generally accepted in the United States, whereby assets and liabilities resulting from the process of determining regulated rates, which would not be recorded under financial reporting standards applicable to operations are recorded unregulated. In determining rates for CRE, considering the investment budget presented each of the Entities to the controller. The Entity periodically evaluates the applicability of ASC 980 and considers factors such as changes in regulations and the impact of competition. If the cost-based regulation ends or competition increases, the Entity could punish their recorded based on this standard assets.

g. *Allowance for funds used during construction (AFUDC)* - Based on ASC 980 above described. The AFUDC represents the estimated proceeds of debt and equity needed to finance cost construction authorized by the CRE assets. This cost is capitalized as part of the construction cost of the pipeline equipment credited to the income statement. Once construction is completed, the Entity may recover these costs, including performance, when considered on the basis of calculation of rates and the depreciation of the pipeline.

Resolutions issued by the CRE, as discussed in Note 1, shown in one of the considerations that took into account the particular characteristics of the project under the resolutions and that was applied to each project. A weighted average cost of capital ("WACC" for short) or an Internal Rate of Return ("IRR") for determining the tariffs which were adopted in these decisions. The WACC and IRR above consider some financial structure of each project and the cost of both debt and equity. Based on the foregoing, the Company believes that resolutions will provide reasonable assurance regarding the existence of an asset by the financial cost of funds used have been capitalized during construction.

During December 31, 2014 and 2013, GDN capitalized $257,120,160 and $168,237,345, respectively, and TDN capitalized $14,029,997 during 2013 for this concept.

Additionally, the Entity capitalizes borrowing costs on financial assets under construction in which resources are used; the capitalized cost as of December 31, 2014 amounted to $121,534,528.

h. *Construction in progress* - Construction in progress is recorded at acquisition cost. The Entity capitalized until the date of entry into operation all direct construction costs, and indirect costs, authorized in the resolution and that was considered in determining rates as explained in Note 1, as are the costs of engineering and cost of funds used during construction.

i. *Pipeline, land right-of-way and equipment* - Pipeline, land right-of-way and equipment are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date. In case of fixed assets of foreign origin acquisitions, cost was updated until that date with inflation in the country of origin and considering the fluctuation of the Mexican peso relative to the currency of that country.

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

	Percentage of depreciation and amortization
Pipeline and land right-of-way	3.3 to 5.0
Structures, compression and pumping station	3.3 to 5.0
Allowance for funds used during construction	3.3 to 5.0
Measuring and control equipment	6.7
Computer equipment	25.0 to 30.0
Office furniture and equipment	10.0
Transportation equipment	25.0
Leasehold improvements	11.0

In accordance with NIF B-15, non-monetary assets reflect the amount of historical pesos at the exchange rate as of December 31, 2014 and 2013, respectively.

j. ***Impairment of long-lived assets in use*** - The Entity reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than those of previous years, obsolescence, reduction in the demand for the products manufactured, competition and other legal and economic factors. The impairment loss on the value of long-lived assets in use, as well as its reversal, are classified in the same cost and expense line items where the related depreciation or amortization associated with those assets are recognized. During 2014 and 2013, the Entity did not record impairment effects.

k. ***Financial risk management policy*** - The activities of the entity expose it to a variety of financial risks, including market risk (including currency risk and interest rates) credit risk and liquidity risk. The Entity seeks to minimize potential adverse effects of these risks on its financial performance through a comprehensive risk management program. The Entity uses derivative and non-derivative financial instruments to hedge certain exposures to financial risks embedded in the balance sheet. The financial risk management and the use of derivative and non-derivative financial instruments are governed by the policies of the Entity approved by the Board of Managers and are carried through a treasury department.

The Entity manages its credit risk related to its portfolio of derivatives transactions. Celebrating only with recognized, creditworthy counterparties. As of December 31, 2014, the Entity has no credit risk for derivative financial instruments because valuation of mark to market (MTM) derivative financial instruments is a loss for the Entity.

l. ***Derivative financial instruments*** - The Entity obtains financing under different conditions. When they are at variable rates, in order to reduce their exposure to risks of volatility in interest rates. Financial derivatives contracts denominated interest rate swaps convert the interest payment profile from variable to a fixed rate. The Derivative trading is done only with institutions of recognized solvency and limits have been established for each institution. The policy of the Entity is to not trade for speculative purposes with derivatives.

The Entity recognizes all assets or liabilities that arise from transactions with derivative financial instruments in the balance sheet at fair value regardless of the purpose for holding. Fair value is determined based on recognized market prices as no quoted market prices are determined based on valuation techniques accepted in the financial field.

When derivatives are entered into to hedge risks, and meet all hedging requirements, their designation at the beginning of the hedge is documented, describing the objective, characteristics, accounting treatment and as conducted measurement effectiveness, applicable to that operation.

Derivatives designated as hedging recognize changes in valuation according to the type of coverage involved. The Entity has instruments that cover is cash flow, so that the effective portion is temporarily recognized in comprehensive income and recycled to the income when the hedged item affects; the ineffective portion is recognized immediately in income.

The Entity discontinues hedge accounting when the derivative instrument matures, has been sold, canceled or exercised, when it has not reached highly effective in offsetting changes in fair value or cash flows of the hedged item, or when the company decides to cancel the hedge designation.

On discontinuation of hedge accounting, the amounts have been recorded in equity as an integral part of the profit (or loss), remain in equity until such time that the effects of the forecasted transaction or firm commitment affect the results.

The Entity has fulfilled contracts with embedded derivatives, however, not because the conditions described in the guidelines of Bulletin C-10, Derivative financial instruments and hedging operations, they were not separated.

m. ***Provisions*** - Provisions are recognized when there is a present obligation as a result of a past event, which will probably result in an outflow of economic resources, and can be reasonably estimated.

For the years ended December 31, 2014, and 2013, the value of the provision for removal of pipelines and other equipment amounting $36,675,558 and $30,418,667, respectively.

CSE Provision: Specific Services Contract fond (SSC) is the authorized under the contract maximum operating and maintenance provision. Those contracts with Specific Services were held in connection with the purchase of consumables, spare parts and provision of any service to maintenance subsystem.

n. ***Employee benefits*** - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned as follows:

i. ***Direct employee benefits*** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums, and incentives.

ii. ***Employee benefits from termination, retirement and other*** - The liability for seniority premium, pensions, and severance for termination of the employment relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

iii. ***Statutory employee profit sharing*** - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As a result of the *2014 Tax Reform*, as of December 31, 2013, PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law.

o. ***Income taxes*** - Income tax ("ISR") and business flat tax (IETU) are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, the Entity determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding 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 recorded only when there is a high probability of recovery.

As a result of the *2014 Tax Reform*, as of December 31, 2013, deferred IETU is no longer recognized.

p. ***Foreign currency transactions*** - Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost (income) in the consolidated statements of income (loss) statements.

q. ***Revenue recognition*** - Revenue is recognized in the month in which the gas transportation and storage service is provided.

Revenues from administrative services are recognized in the period in which the risks and benefits are transferred to the customers, usually it occurs when the services required in compliance with the request.

r. ***Cost of transportation and storage services recognition*** - These are recognized in the month in which the transportation and storage service is received.

The costs of administrative services are recognized in the month in which the service is provided.

4. Cash and cash equivalents

	2014	2013
Cash	$ 1,104,095,204	$ 1,292,864,771
Cash equivalents– Investment funds	858,046,681	167,442,447
Total	$ 1,962,141,885	$ 1,460,307,218

As part of the contract term loan mentioned in note 7, the Entity is required to retain 28,655,726 U.S. dollars equivalent $422,236,391 in Mexican pesos, as restricted cash to guarantee the payments of the loan.

5. Pipeline, land right-of-way, equipment and construction in progress

	December 31, 2014	December 31, 2013	Balances at the beginning of 2013
a) Investment:			
Structures and compression station	$ 3,708,687,473	$ 3,255,511,725	$ 3,236,985,788
Pipeline and land right-of-way	6,773,528,333	1,841,386,348	1,527,775,280
Storage terminal	920,591,394	778,558,595	-
Allowance for funds used during construction	1,166,981,837	783,290,064	597,529,473
Asset retirement provision	29,938,212	26,568,870	26,433,959
Measurement and regulation equipment	9,234,534	8,195,251	9,570,971
Transportation equipment	15,792,485	10,762,822	6,722,715
Office furniture and equipment	16,803,837	16,653,784	11,345,822
Computer equipment	10,877,620	7,600,155	6,370,890
Communication equipment	2,652,529	2,339,538	1,796,980
Leasehold improvements	11,539,405	12,442,368	8,376,312
	12,666,627,659	6,743,309,520	5,432,908,190

	December 31, 2014	December 31, 2013	Balances at the beginning of 2013
b) Accumulated depreciation and amortization:			
Structures and compression station	1,359,898,466	1,083,414,760	959,053,975
Pipeline and land right-of-way	685,218,876	521,805,035	457,467,433
Storage terminal	39,074,197	-	-
Allowance for funds used during construction	214,514,047	163,105,224	140,871,295
Asset retirement provision	5,069,408	2,999,265	1,515,045
Measurement and regulation equipment	5,957,329	4,868,956	4,400,042
Transportation equipment	5,711,885	4,368,009	2,845,569
Office furniture and equipment	5,512,669	3,988,764	2,666,225
Computer equipment	7,561,550	4,564,274	4,390,166
Communication equipment	798,866	472,990	257,535
Leasehold improvements	2,946,261	3,152,535	1,976,748
	2,332,263,554	1,792,739,812	1,575,444,033
Construcciones en proceso	4,440,183,949	1,765,399,322	640,203,232
Terrenos instalación de entrega	79,926,151	63,696,971	35,954,062
Inventario de gas en línea	103,697,054	69,738,308	63,228,425
Refacciones	75,568,806	70,400,503	65,351,373
	4,699,375,960	1,969,235,104	804,737,092
Total	$ 15,033,740,065	$ 6,919,804,812	$ 4,662,201,249

Depreciation in 2014 and 2013 that was recognized in results was $322,697,774 and $228,142,418, respectively.

6. Investment in joint-venture

As of December 31, 2014 the investment in joint-venture are as follow:

2014	Stockholders' equity	Carrying amount of participation	% Ownership Percentage	Net loss	Share in results
Tag Norte Holding, S. de R. L. de C. V.	$4,236,267,360	$2,118,133,680	50	(153,873,650)	(76,936,825)*

* The investment in associate is assessed according to the equity method in the accompanying consolidated financial statements.

In accordance with the shareholder agreement, the Entity owns 50% of voting rights at shareholders' meetings of Tag Norte Holding, S. de R. L. de C. V.

The participation amounts to $199,399,890, net of the effect of $122,463,065 in the comprehensive loss effects.

7. Long term debt and derivative financial instruments

a. As of December 31, 2014, the amount of the long term debt is as follow:

	2014
Current portion of long-term debt with BBVA Bancomer, S.A. (1)	$ 472,087,982
Current portion of long-term debt with Banco Nacional de Comercio Exterior, S.N.C. (2)	3,090,757
Current portion of long-term debt	$ 475,178,739
Long term-debt BBVA Bancomer, S.A.(1)	$ 5,808,834,040
Long-term debt with Banco Nacional de Comercio Exterior, S.N.C. (2)	765,587,454
Long term-debt	$ 6,574,421,494

(1) **Loan with Bancomer, S.A.**

As of December 31, 2014, the credit amounts to 439,412,130 U.S. dollars equivalent to $6,474,649,854 in Mexican pesos, net of financial cost expenses of 13,147,639 U.S. dollars, equivalent to $193,727,832, in Mexican pesos.

On December 5, 2013 Gasoductos de Chihuahua, S. de R.L. de C.V., the holding entity, signed a credit contract with BBVA Bancomer, S.A. as principal agent and Deutsche Bank Mexico, Fiduciary Division, as Fiduciary. The amount of the loan is 475,395,000 US dollars, the proceeds will be used to develop the projects that have in process. The four participating credit institutions are BBVA Bancomer with a 50% contribution, The Bank of Tokyo Mitsubishi with 20%, Mitzuho Bank with 15% and Norddeutsche Landesbank with 15%. The cash disbursements from the credit will occur in three different dispositions: January 15, 2014 for 192,000,000 US dollars, February 14, 2014 for 48,000,000 US dollars and March 10, 2014 for 235,395,000 US dollars. The debt issuance costs of this debt are shown net of the same and amounted to 15,013,537 US dollars.

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

The loan bears an interest at the London Interbank Rate ("LIBOR") plus 2.00% per year until the fifth anniversary, LIBOR plus 2.25% from the fifth to the eight anniversary, LIBOR plus 2.5% from the eighth to twelfth anniversary and LIBOR plus 2.75% from the thirteenth anniversary until its maturity.

In such credit, the Entity was defined as debtor, TDF together with GDT were assigned as guarantors and collaterals through the cession of the collection rights from their portfolio of projects integrated by GDC, TDF and GDT as a source of payment for the credit.

Covenants arising from the credit require the following:

1) Maintain a minimum members' equity during the term of the loan, in the amounts indicated:

	(U.S. Dollars)
Gasoductos de Chihuahua, S. de R.L. de C.V.	450,000,000
Gasoductos de Tamaulipas, S. de R.L. de C.V.	130,000,000
TDF, S. de R.L. de C.V.	90,000,000

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

At the date of the consolidated financial statements, the Entity complied with these obligations.

Additionally, on January 22, 2014, the Entity was contracted a financial derivative instruments (swaps) with BBVA Bancomer, S.A, The Bank of Tokio Mitsubishi, Mitzuho Bank and Norddeutsche Landesbank. Its to cover the interest rate risk on its debt total amount. The financial instruments change USD LIBOR for a rate of 2.63%.

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

The effectiveness of these hedges is assessed quarterly. The results of these tests confirm as of December 31, 2014 hedging relationships are highly effective, since the changes in fair value and cash flows of the hedged item are offset by 100%. The method of measuring the effectiveness is the hypothetical derivative. Which compare the changes in the fair value of the hedging instrument, with the changes in the fair value of the hypothetical derivative that would result in a perfect hedge of the hedged item.

On the date indicated below, the notional amount and the interest rates paid and received by the swap on the line of credit from commercial banks, are described as follow.

Institution	Date of hire	Notional Value U.S. Dollar	Interest rate Receive	Pay	MTM As Of December 31, 2014 U.S. Dollar
BBVA Bancomer	January 22, 2014	237,697,500	US- LIBOR	2.63%	8,438,851
Bank of Tokio Mitsubishi	January 22, 2014	95,079,000	US- LIBOR	2.63%	3,385,071
Mizuho Bank	January 22, 2014	71,309,250	US- LIBOR	2.63%	2,542,597
Norddeutsche	January 22, 2014	71,309,250	US- LIBOR	2.63%	2,459,032

Notional value as of December 31, 2014 was $6,468,208,668 Mexican pesos equivalent to 438,974,989 U.S. dollars, it covers the total debt of the credit from commercial banks, and the due date coincides with the covering liabilities.

The fair value of financial instruments is determined based on the market values prevailing at the reporting date. As of December 31, 2014, the fair value of the financial instrument was $247,921,136 Mexican pesos equivalent $16,825,551 U.S. dollars. This was recorded as a liability under the supplementary account in stockholders' equity, through the effect of the period through the utility integral. The effect as of December 31, 2014 was $168,736,530 Mexican pesos equivalent $11,451,566 U.S. dollars.

The fair value of interest rate swaps is calculated by adding the present value of the corresponding periodic cash flows.

(2) **Loan with Banco Nacional del Comercio Exterior, S.N.C.**

As of December 31 2014, the credit amount $53,323,580 U.S. dollars equivalent $785,712,281 Mexican pesos net of financial cost expenses of $1,253,439, equivalent $17,034,070 in Mexican pesos.

The long term debt with Banco Nacional del Comercio Exterior, S.N.C. has been acquired by the Entity in its subsidiaries Gasoductos del Noreste and Gasoductos del Sureste for the equivalent in Mexican pesos of $76,000,000 and $46,200,000 dollars, respectively. Simple loan with Banco Nacional de Comercio Exterior, S.N.C. with a maturity on November 13, 2019 at a rate of TIIE plus 1.6%.

The value added tax in favor amounts are committed to the total amount of the credit line disposed as of December 31, 2014, excluding the amount of interest which is paid quarterly.

b. As of December 31, 2014, the long term debt maturity is as shown below:

2016	$ 518,949,306
2017	567,507,677
2018	594,831,542
2019	559,867,065
Later years	4,333,265,904
	$ 6,574,421,494

8. Employee benefits

Net period cost for obligations resulting from the pension plan and seniority premiums was $6,474,473 and $3,586,693 in 2014 and 2013, respectively.

The Entity maintains a defined benefit pension plan for all employees, which pays benefits to employees who reach 65 years of age.

This plan also provides seniority premium benefits, which consist of a lump sum payment of 12 days' wage for each year worked, calculated using the most recent salary, not to exceed twice the minimum wage established by law. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

a. Present value of these obligations and the rates used for the calculations are:

	2014	2013
Vested benefit obligation	$ 1,116,977	$ 6,466,524
Nonvested benefit obligation	13,332,249	1,022,844
Defined benefit obligation	14,449,226	7,489,368
Funded status – (underfunded)	197,645	540,812
Unrecognized items:		
Actuarial gains and losses	(1,653,418)	(1,199)
Net projected liability	$ 12,993,453	$ 8,028,981

b. Nominal rates used in actuarial calculations are as follows:

	2014	2013
Discount of the projected benefit obligation at present value	7.25%	6.50%
Salary increase	4.50%	4.50%

Unrecognized items are charged to results based on the average remaining service lives of employees, which is 16.84 years.

c. Net cost for the period includes the following items:

	2014	2013
Service cost	$ 2,310,370	$ 4,095,002
Interest cost	431,155	447,901
Actuarial gains and losses	-	40,209
Income (cost) for immediate recognition	-	(655,358)
Effect of personnel reduction or early termination	3,732,948	(340,791)
Net cost for the period	$ 6,474,473	$ 3,586,963

9. Asset retirement obligation

The obligations associated with the retirement of assets are recognized when a contractual or legal obligation exists, and a reasonable estimate of the measurement can be realized. The activities to be performed for removal of the specialized machinery includes: disconnection from the power supply and purge of gas, clogged pipe, keep track of disconnected pipes, etc. As of December 31, 2014 and 2013, Gasoductos de Chihuahua recorded the provisions for asset retirement obligations based on the Mexican Official Standard NOM-117, as shown below:

	2014	2013
Ducto Samalayuca	$ 4,299,141	$ 3,565,703
Estación de compresión Gloria a Dios ("GAD")	5,107,374	4,236,051
Sistema San Fernando	19,971,889	16,564,664
Gas LP Burgos Monterrey	7,297,154	6,052,249
Total	$ 36,675,558	$ 30,418,667

The estimated costs of these obligations have been recorded at present value of future cash flows based on the effective interest method using an appropriate discount rate, a risk-free rate of credit institution. This rate corresponds to 7% for Grupo Gasoductos. The estimated remaining life of the projects are as follows: Pipeline Samalayuca 16 years; compressor station GAD 11 years, San Fernando System 22 years and LP gas Burgos Monterrey 17 years.

10. Members' equity

a. The Entity's capital is represented by 2 social parts, which represents the number of members of the Entity. Such social parts are composed of Series "A" which must represent the fixed portion at all times and Series "B" which must represent the variable portion at all times.

As of December 31, 2014 and 2013, subscribed and paid fixed social parts were 59,771,617 ($41,824,856 at nominal value) and subscribed and paid variable social parts were $1,063,541,270 ($744,273,786 at nominal value).

	Fixed social parts	Variable social parts	Total
PGPB	$ 20,912,428	$ 372,136,893	$ 393,049,321
Sempra Gasoductos Holding, S. de R. L. de C. V.	20,912,428	372,136,893	393,049,321
	$ 41,824,856	$ 744,273,786	$ 786,098,642

b. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of social parts at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2014 and December 31, 2013, the legal reserve amounts to $157,219,728.

c. Members' equity, except for restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon the distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

d. The balances of the members' equity tax accounts as of December 31, 2014, and 2013 are:

	2014	2013
Contributed capital account	$ 1,484,414,978	$ 1,426,224,998
Net tax income account (CUFIN)	4,841,249,129	4,580,981,622
Total	$ 6,325,664,107	$ 6,007,206,620

11. Foreign currency balances and transactions

a. As of December 31, 2014, and 2013, the foreign currency monetary position is as follows:

	2014	2013
U.S. dollars:		
Monetary assets	184,477,556	109,519,421
Monetary liabilities	(742,527,935)	(1,984,638)
Net monetary (liability) asset position	(558,050,379)	107,534,783
Equivalent in Mexican pesos	$ (8,222,760,736)	$ 1,406,178,590

b. Transactions denominated in foreign currency were as follows:

	(In U.S. dollars)	
	2014	2013
Transportation revenues	128,005,618	130,604,173
Services rendered	16,501,760	18,486,471
Interest expenses	14,587,632	588,316
Allowance for funds used during construction	19,298,438	13,972,467
Interest income	124,139	4,077
Other income	2,449,642	1,914,163

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of issuance of these consolidated financial statements were as follows:

	December 31, 2014	December 31, 2013	February 27, 2015
U.S. dollar	14.7348	13.0765	14.9624

12. Transactions with related parties

a. Transactions with related parties performed in the normal course of business were as follows:

	2014	2013
Revenues from natural gas transportation (PGPB)	$ 1,772,678,907	1,674,762,545
Revenues from storage service (PGPB)	211,703,494	14,940,687
Revenue administrative service (TAG Pipelines)	-	42,627,039
Income from recovery of expenses (PGPB)	4,215,145	3,912,570
Services received from operation and maintenance	196,740,613	146,671,635
Interest payable Infraestructura Energética Nova (2)	25,278,701	-
Interest payable Tag Pipelines (3)	20,844,403	-
Interest payable Mex Gas Supply (4)	4,434,298	-
Interest gain Tag Norte Holding (1)	8,868,596	-

b. On November 27, 1998, the Entity signed a contract with PGPB whereby receives operation and maintenance services for the system to transport natural gas. This contract stipulated a completion date of April 1, 2009 and could be renewed annually. This contract has been renewed every year with the same conditions.

c. On December 19, 2001, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it provides natural gas transportation services. This agreement expires in 20 years commencing on November 12, 2003 (commercial operational date).

d. On May 2, 2002, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it receives operation and maintenance ("O&M") services. This agreement expires in 20 years from the commercial operational date.

e. On December 15, 2005, TDF entered into an agreement with PGPB, in which it provides liquid petroleum gas transportation services. This agreement expires in 20 years from the commercial operational date.

f. On December 15, 2005, TDF entered into an agreement with PGPB, in which it receives O&M services. This agreement expires in 20 years from the commercial operational date.

g. On September 23, 2011, Gasoductos Servicios Corporativos y de Administración, S. de R.L. de C.V. (GSCA) celebrated service agreement betwen MGI Supply, Ltd (MGI). Profit margin on costs of services billed will be 5%. This contract is valid for one year from the signing of the agreement; MGI has the option to extend for a period equal by giving written notice sixty days prior to GSCA.

h. On April 18, 2012, GSCA celebrated a modification agreement. MGI agreed to transfer all rights and obligations under the service contract to TAG Pipelines, S. de R.L. de C.V.

i. On August 6, 2013, the Entity held a termination agreement of services between TAG Pipelines, S. de R.L. de C.V. and Gasoductos Corporativos y de Administración, S. de R.L. de C.V. leaving extinct all rights and obligations between them, taking effect on July 31, 2013.

j. On February 21, 2012, TDN entered into an agreement with PGPB, in which it receives O&M services. This agreement expires in 20 years from the commercial operational date.

k. On December 13, 2012, GDS entered into an agreement with PGPB, in which it provides ethane gas transportation services. This agreement expires in 21 years from the commercial operational date of the first segment.

l. On February 17, 2013, TDN entered into an agreement with PGPB, in which it provides LPG storage services. This agreement expires in 15 years commencing on the beginning of the commercial operational date.

m. On July 19, 2013, GDN entered into an agreement with PGPB, in which it provides natural gas transportation services. This agreement expires in 25 years from the pipeline commercial operational date.

n. On December 19, 2013, Gasoductos de Chihuahua modified the contract entered into on December 11, 2009 to provide natural gas transportation under the TF-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 40 mmcfd. This agreement has a term of one year with automatic annual renews.

o. On December 19, 2013, Gasoductos de Chihuahua modified the contract entered into on December 11, 2009 to provide natural gas transportation under the TI-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 80 mmcfd. The modification includes a regulated rate and has a term of one year with automatic annual renews.

p. On December 19, 2013, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TI-2 firm transport service scheme to PGPB for a firm baser. The modification includes a regulated rate and has term of one year with automatic annual renews.

As of December 31, 2014, the loans balance are as follow:

a. Loans to affiliated parties:

	2014
Tag Norte Holding, S. de R.L. de C.V. (subsidiary) (1)	$ 1,285,174,551

b. Loans from affiliated parties:

	2014
Infraestructura Energética Nova, S.A.B. de C.V. (2)	$ 1,824,958,368
Tag Pipelines, S. de R.L. de C.V. (3)	1,182,371,092
Mex Gas Supply, S.L. (4)	642,587,275
Total loans from affiliated parties	$ 3,649,916,735

(1) Loan to related party for $86,618,478 U,S, dollars, equivalent to $1,276,305,955 Mexican pesos. Accrues at monthly LIBOR interest plus 465 basis points documented on two notes of $43,309,239 each with long-term maturity. As of December 31, 2014, interest amounting to $601,880 U.S. dollars equivalent $8,868,596 Mexican pesos.

(2) Loans from related party for $43,309,239, $39,183,470, $31,856,346 and $7,690,761 U.S. dollars. The total loan amount is $1,798,232,281 Mexican pesos. These loans accrue at a monthly LIBOR interest plus 450 basis points, documented in four long term maturity promissory notes. As of December 31, 2014, interest amounting to $1,813,807 U.S. dollars, equivalent to $26,726,087 Mexican pesos.

(3) Loans from related party for $39,183,470, $31,856,346 and $7,690,761 U.S. dollars. The total loan amount is $1,160,079,306 Mexican pesos. This loans accrues at a monthly LIBOR interest plus 450 basis points, documented in three long term maturity promissory notes. As of December 31, 2014, interest amounting to $1,512,867 U.S. dollars equivalent to $ 22,291,786 Mexican pesos.

(4) Loan from related party for $43,309,239 U.S. dollars equivalent $638,152,975 Mexican pesos. This loans accrues at a monthly LIBOR interest plus 450 basis points, documented in a long term maturity promissory note. As of December 31, 2014, interest amounting to $300,941 U.S. dollars, equivalent $4,434,300 Mexican pesos.

13. Other income

	December 31, 2014	December 31, 2013
Income for compression increasing	$ 7,044,652	$ -
Cash out	12,790,921	6,190,135
Reimbursement of PGPB expenses	4,215,145	3,912,570
Insurance recovery	13,114,730	63,703,915
Tax actualization	5,265,154	3,376,408
Other income	1,479,519	8,093,093
	$ 43,910,121	$ 85,276,121

14. Other costs

	December 31, 2014	December 31, 2013
Cost of sales of fixed assets	$ 19,839,110	$ 15,056,727
Others	2,114,835	165,957
	$ 21,953,945	$ 15,222,684

15. Income taxes

The Entity is subject to income tax, and was subject to a flat tax through December 31, 2013.

ISR -The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

The Mexican Board for Research and Development of Financial Regulations ("CINIF") issued INIF 20 Financial Effects of the Tax Reform 2014, effective as of December 31, 2013, to provide guidance regarding the accounting recognition of the issues included in the 2014 tax reform.

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 rate was 17.5%.

As of 2008, the Asset Tax Law (IMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions.

Income tax is calculated caused based on ISR

Income taxes and the reconciliation of the statutory and effective ISR rates, expressed in amounts and as a percentage of income before income taxes, are:

	2014		2013	
	ISR Caused	Rate %	ISR Caused	Rate %
Income before income taxes	$ 1,057,175,895		$1,362,004,395	
Income tax	240,217,131		296,994,538	
Income tax deferred	368,561,554		113,125,171	
Current tax	608,778,685	58%	410,119,709	30%
Deferred tax	(27,179,255)	(3)%	(14,333,012)	(1)%
Total income taxes	107,284,653	10%	12,325,914	1%
Effects of inflation	(369,026,798)	(35)%	(23,089,539)	(2)%
Financial instrument	(2,060,685)	-%	-	-%
Non-taxable income	(643,831)	-%	23,578,247	2%
	$ 317,152,769	30%	$ 408,601,319	30%

a. The components of deferred income tax assets and liabilities were as follows:

	2014	2013
Provisions	$ (16,682,575)	$ (10,855,014)
Liabilities for Statutory employee profit sharing ("PTU")	(890,852)	(532,688)
Pipelines, land right-of-way, equipment and construction in progress, net	1,498,256,579	769,561,412
Insurance	2,641,259	5,084,782
CSE Provision	(30,761,701)	(27,390,497)
Operation and maintaince	(1,145,103)	(2,598,908)
Tax loss carryforwards	(483,794,161)	(82,518,589)
Financial contracting cost	51,688,606	-
Derivative financial instrument	(72,315,656)	-
	$ 946,996,396	$ 650,750,498

b. *Carryforwards* – As of December 31, 2014, Gasoductos de Chihuahua has net operating loss carryforwards, which are available to offset future taxable income, and asset tax credits, which are available to offset future income taxes payable, as follows:

Year of Expiration	Tax loss carryforwards
2021	$ 181,996
2022	39,820,925
2023	225,979,369
2024	1,346,664,912
	$ 1,612,647,202

16. Commitments

As of December 31, 2014, Gasoductos de Chihuahua has the following commitments:

a. On November 27, 1998, Gasoductos de Chihuahua entered into an agreement with PGPB, in which it receives operation and maintenance ("O&M") services on the natural gas transportation system. This agreement expires in April 2009; subsequently, the agreement has been renewed annually.

b. On February 15, 2001, Gasoductos de Chihuahua signed with CFE a contract to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with right of renewal for five years. The maximum daily capacity covered by this contract is 60 million cubic feet (ft3) per day.

c. Gasoductos de Tamaulipas executed a natural gas compression and transport service contract with PGPB. Such contract was signed on December 19, 2001 and stipulates a daily capacity of 1,000,000,000 $ft.^3$ of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (the starting date of commercial operations).

   On May 2, 2002, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it receives operation and maintenance ("O&M") services on the natural gas transportation system. This agreement expires 20 years from the commercial operational date.

d. On December 15, 2005, TDF signed an LP gas transportation services contract with PGPB. This service is established under the firm transport service scheme, with a daily transportation capacity of 4,470 $mt.^3$, equivalent to 30,000 barrels daily. The contract duration is 20 years with a regulated rate.

e. On December 15, 2005, TDF entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 20 years from the commercial operational date.

f. On October 28, 2011, Transportadora del Norte SH signed a contract with Cobra Instalaciones México, S. A. de C. V. ("Contractor") for the construction, engineering and procurement of the storage facility LPG supply at Zapotlanejo Guadalajara. As established in the amended agreement if the construction of this storage facility is not completed within 365 days after Notice to Proceed "NTP", the contractor is required to pay a penalty for Transportadora del Norte of US$10,000 for each day of delay in the first 60 days, US$30,000 for each day of delay of 61 to 120 days and US$50,000 from day 121 and thereafter.

g. On February 17, 2012, Gasoductos de Chihuahua signed storage agreement to provide liquid petroleum gas with PGPB under the firm storage service scheme with for a firm baser storage capacity of 2,403.88 tons equivalent to 30,000 barrels per day (BPD). The contract term is 15 years and includes rate that is regulated by the CRE.

h. On February 21, 2012, Transportadora del Norte, SH entered into an agreement with PGPB, from which it receives O&M services. This agreement expires 15 years from the commercial operational date.

i. On June 18, 2012 a modification to the storage contract was signed, wherein Gasoductos de Chihuahua agreed to cede all the rights and obligations of the storage agreement to Transportadora del Norte, SH.

j. On November 27, 2013, Gasoductos del Sureste entered into an ethane gas transportation services contract with PGPB. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme with for a firm baser reserved capacity of : Segment I Cangrejera – Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI – Cangrejera 29,500 BPD, Nuevo Pemex- Km 3 66,000 BPD, Segmento II Cactus- Km 3 38,000 BPD, Segmento II Km 3- Complejo Etileno XXI 95,500 BPD y Segmento III Cd. Pemex- Nuevo Pemex 105,600 BPD.

In case of delay of the commercial operational date Gasoductos del Sureste is forced to pay to PGPB a daily penalty as follows: Segment I $7,500 for the first 30 days; $10,000 from day 31 to day 60, $15,000 from day 61 to day 90, $20,000 from day 91 to day 120, $25,000 from day 121 to day 150, $35,000 from day 151 to day 180 and $40,000 from day 181 onwards 67,500.

The maximum amount of penalties, from the signing of the contract to the commercial operational date may not exceed 30,000,000 US dollars.

k. On December 21, 2012, Gasoductos del Sureste entered into an agreement with Techint, S. A. de C. V. (Contractor) for the construction, engineering and procurement of the ethane gas pipeline in the following segments: Segment I Nuevo Pemex – Cactus, Segment II Cactus – Complejo Etileno XXI and Segment III Complejo Etileno XXI – Anillo ethane Coatzacoalcos Area.

The contract establishes that if the pipeline is not concluded as of June 30, 2014, the Contractor is forced to pay to Gasoductos del Sureste a daily penalty as follows: Segment I $37,250 for the first 30 days; $40,000 from day 31 to day 60, $45,000 from day 61 to day 90, $50,000 from day 91 to day 120, $55,000 from day 121 to day 150, $65,000 from day 151 to day 180 and $70,000 from day 181. Segment II $41,250 for the first 30 days, $42,500 from day 31 to day 120, $52,500 from day 121 to day 150, $72,500 from day 151 to day 180 and $107,500 from day 181. Segment III $31,250 for the first 30 days, $32, 500 from day 31 to day 120, $42,500 from day 121 to day 150, $62,500 from day 151 to day 180 and $99,500 from day 181 onwards.

On December 18,2014, Gasoductos del Sureste, signed a modification agreement with Techint, S.A. de C.V. changing the operation date of Segment I to December 31, 2014, and Segment II to Jan. 31, 2015 and Segment III to March 31, 2015.

l. On July 19, 2013, Gasoductos del Noreste entered into an agreement to provide natural gas transportation services to PGPB. The agreement has a term of 25 years from the commercial operation date with a reserve capacity of 1,000 MMdpcp during the first stage and 2,100 during the second.

This contract stipulates that if the system is not operating on the commercial operation date, GDN will pay PGPB daily penalties of $60,822 for every day of delay. The penalties for such delay may not exceed $22,000,000.

On December 1, 2014, the Entity started operations in its first phase; its current activities are focused on the service of natural gas transportation, maintenance and acquire the operating assets required to carry out the transportation service.

m. On October 15, 2013, Gasoductos del Noreste entered into an agreement with Bonatti, S. P. A. (Contractor) for the construction, engineering and procurement of the Los Ramones phase I project.

This contract establishes that if the construction is not concluded by December 1, 2014, the contractor will pay to Gasoductos del Noreste a daily penalty as follows: from day 1 to day 30, $75,000, from day 31 to day 90 $150,000, and from day 91 and thereafter, $250,000.

n. On December 19, 2013, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TF-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 40 mmcfd. The modification includes a regulated rate and is valid for one year with annual automatic renewal.

o. On December 19, 2013, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TI-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 80 mmcfd. The modification includes a regulated rate and is valid for one year with annual automatic renewal.

p. On December 19, 2013, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TI-2 firm transport service scheme to PGPB for a firm baser reserved capacity of 80 mmcfd. The modification includes a regulated rate and is valid for one year with annual automatic renewal.

q. As of December 19, 2013, Gasoductos de Chihuahua celebrated the first modification agreement to the contract celebrated on December 21, 2012, to provide natural gas transportation under the TI-1 firm transport service scheme to Energía Chihuahua. The modification extents the maturity until December 31, 2014.

r. On December 31, 2013, Gasoductos de Chihuahua entered into a natural gas transportation services contract, under the TI-1 firm transport service scheme with CFE for a firm baser reserved capacity of 100 million cubic meters per day (mmcfd). The contract is for one year and includes a regulated rate.

s. On December 31, 2013, Gasoductos de Chihuahua entered into an agreement to provide natural gas transmission under the TI-1 firm transport service scheme to CFE for a firm baser reserved capacity of 72 mmcfd. The contract includes a regulated rate and is valid for one year.

t. On December 31, 2013, the Entity entered into an agreement with Energía Chihuahua –, in order to sell natural gas molecule produced in excess in the GDC system.

17. Subsequent event

On January 20, 2015, the Entity through its subsidiary Gasoductos del Sureste, S. de R.L. de C.V. commenced operations in its first segment, its current activities are focused on transportation service of ethane pipeline and liquid ethane for the segment I, and the pipeline construction and acquisition of assets needed to carry out the transport service segments II and III.

As mentioned in the notes 16(k) and 16(l) the Entity is subject to collect and pay contractual penalties for the scheduled date of commercial operation infringements. At the date of issuance of the consolidated financial statements the Entity is in the process of negotiating contractual penalties.

18. New accounting principles

During 2013, the Mexican Board for the Investigation and Development of Financial Reporting Standards issued the following MFRS, which take effect from January 1, 2016, earlier application is allowed collectively from January 1, 2015:

NIF C-3 Accounts Receivable
NIF C-20 Receivables Financing Instruments

NIF C-3, Accounts Receivable. The main changes in this standard are as follows. Specifies that the accounts receivable are based on contract represent a financial instrument, while some of the other receivables generated by any legislative or tax may have certain features of a financial instrument, such as generating interests but are not themselves financial instruments.

Sets the estimate for uncollectible accounts receivable trade is recognized from the time the income is accrued based on expected credit losses, presenting the estimate by category of expenditure separately when significant, in the state of comprehensive income.

It provides that, upon initial recognition, be considered the value of money over time, so if the effect of the present value of the receivable is important in view of their term should be adjusted based on said present value.

NIF C-20, Financing instruments receivable. The main change in this standard with respect to previous pronouncements is the classification of financial instruments on the assets. The concept of intention acquisition and possession of them is discarded to determine their classification. Instead, the concept of business model management, either to obtain a contractual yield adopted, in order to create a contractual performance and sold to meet certain strategic objectives or to generate profits for their buying and selling, to classify them according to the corresponding model. This aligns the valuation of investments in financial instruments in the actual strategic management of business and not with an intention may be not be valid later.

If the business model is generate a profit through a contractual receivable instrument performance, predetermined on a contract it will logic that such case will recognize at amortized cost as indicated in this statement.

At the date of issuance of these consolidated financial statements, the Entity has not completed its analysis of the effects of adoption of these new provisions on their financial information.

19. Authorization to issue the financial statements

On February 27, 2015, the issuance of the accompanying consolidated financial statements was authorized by Ing. José Luis Vitagliano Novoa, Chief Executive Officer, and Ing. Antonio Hernández Benítez, Chief Financial Officer; consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the approval of the Entity's Board of Directors as well as approval at the ordinary shareholders' partners, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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