OFFERING CIRCULAR CONFIDENTIAL

344,932,264 Shares

INFRAESTRUCTURA ENERGÉTICA NOVA, S.A.B. DE C.V.

We are offering up to 344,932,264 Shares of our Class II common stock, or the Shares, in a combined global offering consisting of:

- an international offering of 223,330,933 Shares to (i) certain qualified institutional buyers (as defined in Rule 144A promulgated under the United States Securities Act of 1933, as amended, or the Securities Act) in the United States and (ii) institutional and other investors outside the United States that are not U.S. persons (as defined in Regulation S promulgated under the Securities Act, or Regulation S), pursuant to exemptions from registration under the Securities Act, or the International Offering; and
- a concurrent public offering of 121,601,331 Shares in the United Mexican States, or Mexico, to the general public, or the Mexican Offering, and, together with the International Offering, the Global Offering, or this offering.

The International Offering will be conducted by the initial purchasers named on the cover page of this offering circular. The Mexican Offering will be conducted by the Mexican underwriters named elsewhere in this offering circular. The Shares being offered in the Global Offering may be reallocated between the International Offering and the Mexican Offering, and the closings of the International Offering and the Mexican Offering are conditioned on each other. See "Plan of Distribution." This offering circular relates to the International Offering.

Our shares are registered with the Mexican National Securities Registry (*Registro Nacional de Valores*, or the RNV) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the CNBV). Our Shares are traded on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) under the symbol "IENOVA." On October 13, 2016, the last reported sale price of our common shares on the Mexican Stock Exchange was Ps.80.90 per Share, which is equivalent to approximately US$4.27 based upon an exchange rate of Ps.18.962 to US$1.00, as published by Banco de México on October 13, 2016. Registration of the Shares with the RNV does not imply any certification as to the investment quality of the Shares, our solvency or the accuracy or completeness of the information contained in this offering circular and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law. The ISIN number for our Shares is MX01IE060002.

The Shares have not been and will not be listed on any securities exchange outside of Mexico.

We have granted options to the initial purchasers and the Mexican underwriters, for a period of up to 30 days from the date of this offering circular, to purchase up to an additional 35,067,736 Shares at the public offering price, less the underwriting discount, to cover over-allotments, if any. See "Plan of Distribution."

We exercised an option to increase the size of the offering by selling 21,529,814 additional Shares in the Global Offering to cover excess demand (not including the over-allotment options) at the public offering price, as determined by us in consultation with the initial purchasers and the Mexican underwriters, based on market conditions on the date of pricing. This increase in the size of the offering is reflected in the corresponding share and price calculations included throughout this offering circular.

Sempra Energy, through Semco Holdco, S. de R.L. de C.V., or Semco, our controlling shareholder, has indicated an interest in purchasing an aggregate of approximately US$350.7 million in shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, Sempra Energy may determine to purchase fewer shares than it indicated an interest in purchasing or not to purchase any shares in this offering. It is also possible that Sempra Energy could indicate an interest in purchasing more shares of our common stock. In addition, since no preference shall be granted to Sempra Energy or its affiliates, the underwriters could determine to sell to Sempra Energy or its affiliates fewer shares than it indicated an interest in purchasing.

Investing in our Shares involves risks that are described in the "Risk Factors" section beginning on page 29 of this confidential offering circular.

Price: Ps.80.00 per Share

The Shares have not been and will not be registered outside of Mexico, including under the Securities Act or under any U.S. state securities laws. The Shares may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers as defined in Rule 144A in reliance on exemptions from registration provided under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The United States Securities and Exchange Commission, or the SEC, has not approved or disapproved the offering of the Shares or determined that this offering circular (or the Spanish language prospectus used in connection with the offering of securities of the Shares in Mexico) is accurate or complete. Any representation to the contrary is a criminal offense.

We expect that the Shares will be delivered on or about October 19, 2016 through the book-entry system of *S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.*, or Indeval, in Mexico City, Mexico.

Joint Global Coordinators and Bookrunners

Credit Suisse **J.P. Morgan**

Joint International Bookrunners

Santander **Goldman, Sachs & Co.** **BTG Pactual**

The date of this confidential offering circular is October 13, 2016.

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You should only rely on the information contained in this offering circular. None of the Company, the Mexican underwriters, or the initial purchasers have authorized anyone to provide you with information that is different or additional from that contained in this offering circular. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering circular is accurate only as of the date on the front cover of this offering circular, regardless of time of delivery of this offering circular or any sale of the Shares. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering circular. None of the Company, the Mexican underwriters or the initial purchasers are making an offer to sell the Shares in any jurisdiction where the offer or sale is not permitted.

THIS OFFERING CIRCULAR IS SOLELY THE RESPONSIBILITY OF INFRAESTRUCTURA ENERGÉTICA NOVA, S.A.B. DE C.V. AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE SHARES HAVE BEEN REGISTERED IN MEXICO WITH THE RNV MAINTAINED BY THE CNBV, WHICH IS A REQUIREMENT UNDER THE MEXICAN SECURITIES MARKET LAW TO PUBLICLY OFFER SUCH SHARES IN MEXICO. SUCH REGISTRATION DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE SHARES, OUR SOLVENCY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR AND SUCH REGISTRATION DOES NOT RATIFY OR VALIDATE ACTS OR OMISSIONS, IF ANY, UNDERTAKEN IN CONTRAVENTION OF APPLICABLE LAW. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE SHARES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF INFRAESTRUCTURA ENERGÉTICA NOVA, S.A.B. DE C.V.

NOTICE TO INVESTORS

The Mexican Offering is being made in Mexico pursuant to a Spanish language prospectus with the same date as this offering circular that complies with the requirements of the Mexican Securities Market Law and regulations thereunder. The Mexican prospectus, which has been filed with and approved by the CNBV, and this offering circular contain substantially similar information, except that the Mexican prospectus includes other information required by regulation in Mexico. The International Offering is being made in the United States and elsewhere outside Mexico solely on the basis of the information contained in this offering circular.

This offering circular is highly confidential, and we have prepared it for use solely in connection with the International Offering. This offering circular is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise to acquire our Shares. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make or distribute any copies of this offering circular.

Our Shares offered in the International Offering through this offering circular are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell our Shares or possess or distribute this offering circular and must obtain any consent, approval or permission required for your purchase, offer or sale of our Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and none of the Company, the initial purchasers or the Mexican underwriters will have any responsibility therefor.

We, the initial purchasers and the Mexican underwriters reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the Shares offered hereby. We, the initial purchasers and the Mexican underwriters reserve the right to sell or place less than all of the Shares offered hereby.

No representation or warranty, express or implied, is made by the initial purchasers or the Mexican underwriters as to the accuracy or completeness of any of the information set out in this offering circular, and nothing contained herein is or shall be relied upon as, a promise or representation by the initial purchasers or the Mexican underwriters, whether as to the past or the future.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Shares have not been nor will they be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of this offering or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. For so long as any of the Shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish upon the request of any shareholder of the Shares, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the Shares or interests therein who is a "qualified institutional buyer" within the meaning of Rule 144A(a)(1), information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Exchange Act or furnish the information to the SEC in accordance with Section 13 or 15 of the Exchange Act. Any such request may be made to us in writing at our main offices located at Torre New York Life, Paseo de la Reforma No. 342, Floor 24, Col. Juárez, 06600 Ciudad de México. For so long as the Shares are registered with the RNV and listed with the Mexican Stock Exchange, we will be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the Mexican Stock Exchange, which will be available in Spanish for inspection on the Mexican Stock Exchange's website at www.bmv.com.mx and on the CNBV's website at www.cnbv.gob.mx. English versions of our CNBV and Mexican Stock Exchange public filings will be available at our website, www.ienova.com.mx, for so long as we elect to maintain or voluntarily comply with the requirements of the exemption from reporting under Rule 12g3-2(b) of the Exchange Act.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

FORWARD-LOOKING STATEMENTS

This offering circular contains estimates and forward-looking statements within the meaning of federal securities laws. These statements relate to our business, financial condition, results of operations, cash flows and prospects. Our estimates and forward-looking statements are based primarily on our current expectations and estimates of future events and trends. Although we believe that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us.

Our estimates and forward-looking statements may be influenced by the following important factors, among others:

- local, regional, national and international economic, competitive, political, legislative, legal and regulatory conditions, decisions and developments;
- foreign exchange and interest rates in Mexico and the United States;
- political, economic and social conditions globally, in Mexico, the United States and those states and municipalities where our investments are located;
- actions and the timing of actions by regulatory, governmental and environmental bodies in Mexico and other countries, including actions relating to Mexican energy regulatory reforms and requirements;
- deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among regulated energy services providers and their stakeholders, including customers and shareholders and other providers, and delays in regulatory agency authorizations to recover costs through rates collected from customers;
- the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, pipeline explosions and equipment failures;
- energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted or material reduction in oil prices from historical averages;
- services and financing provided to us by affiliates and third parties;
- the resolution of civil and criminal litigation, regulatory investigations and property disputes;
- loss of significant suppliers or customers;
- our ability to successfully integrate our acquisition of full ownership interest in Gasoductos de Chihuahua;
- our ability to successfully complete and integrate our acquisition of the Ventika I and Ventika II wind power facilities;
- our ability to successfully sell our Termoeléctrica de Mexicali power plant;
- changes in the regulation of the energy sector in Mexico;
- changes in rules and regulations relating to taxation;
- our ability to hire, train and retain qualified employees and executives;
- the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects;
- the ability to win competitively bid-for infrastructure projects against a number of strong competitors willing to aggressively bid for those projects;

- wars, terrorist attacks, local crime, weather conditions, natural disasters, catastrophic accidents, equipment failures, conservation efforts and other events that may disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases and harmful emissions, and subject us to third-party liability for property damage or personal injuries, some of which may not be covered by insurance (including costs in excess of applicable policy limits) or may be disputed by insurers;
- the financial situation and operating capacity of Pemex, the main oil company in Mexico;
- business, regulatory, environmental and legal decisions and requirements;
- the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors;
- increased competition due to expected expansion of the natural gas sector and other energy sectors in Mexico;
- reliance on transportation assets and services that we do not own or control to deliver natural gas and electricity;
- risks posed by working with volatile and hazardous materials;
- risks posed by attacks on, and cybersecurity threats to, the information and systems used to operate our businesses, the energy grid, natural gas storage and pipeline infrastructure and the confidentiality of our proprietary information and the personal information of our customers and employees;
- temporary or permanent disruption of operations at our existing pipelines, electric generation facilities, LNG terminal and/or distribution and storage facilities due to acts of God, force majeure or other events outside of our control;
- government expropriation of assets, changes in contractual conditions and title or other property disputes;
- capital markets and financial conditions, including the availability of credit and the liquidity of our investments, and inflation, interest and currency exchange rates;
- potential changes in regulation and free trade agreements as a result of the U.S. and Mexican presidential elections;
- risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest, and risks that our partners or counterparties will be unable (due to liquidity issues, bankruptcy or otherwise) or unwilling to fulfill their contractual commitments; and
- other risks and uncertainties discussed under "Risk Factors" and elsewhere in this offering circular.

In this offering circular, when we use the words "believe," "expect," "anticipate," "plan," "estimate," "project," "contemplate," "intend," "assume," "depend," "should," "could," "would," "will," "may," "potential," "possible," "proposed," "target," "pursue," "goals" or similar expressions, or when we discuss our strategy, plans, goals, opportunities, initiatives, objectives or intentions, we are making estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date of this offering circular, and none of the Company, the initial purchasers or the Mexican underwriters undertake or assume any obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering circular might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements. Because of these uncertainties, you should not rely unduly on these estimates and forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, the terms "IEnova," "company," "we," "our" or "us" refer to Infraestructura Energética Nova, S.A.B. de C.V., a *sociedad anónima bursátil* organized under the laws of Mexico, and its subsidiaries (except where the context indicates otherwise).

In addition, the term "Mexico" refers to the United Mexican States, and the phrase "Mexican government" refers to the federal government of Mexico. All references to "pesos" or "Ps." are to the Mexican peso, the official currency of Mexico, and all references to "U.S. dollar," "U.S. dollars" or "US$" are to U.S. dollars, the official currency of the United States.

Financial Statements

Our audited financial statements and other financial information of IEnova (formerly Sempra México, S.A. de C.V.) presented herein were prepared in U.S. dollars. Our functional currency is the U.S. dollar, other than with respect to our natural gas distribution business, for which our functional currency is the Mexican peso, and our reporting currency is the U.S. dollar. For the purposes of presenting consolidated and/or combined financial statements, the assets and liabilities of our subsidiaries with Mexican peso functional currency are translated into U.S. dollars using the exchange rate as of the end of each reporting period, as reported by Banco de México in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*). Income and expense items are translated at the exchange rates at the dates of the related transactions. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. We prepare our audited financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB. Because our shares have not been registered and will not be registered with the SEC, our financial statements contained elsewhere in this offering circular do not and are not required to comply with the applicable rules and requirements adopted by the SEC.

This offering circular includes our audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and our unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016. Our audited consolidated financial statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, as stated in its report included elsewhere in this offering circular. You should read the unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016 in conjunction with our audited financial statements.

This offering circular also includes unaudited pro forma combined financial statements as of June 30, 2016 and December 31, 2015, and for the six months ended June 30, 2015 and 2016, and for the year ended December 31, 2015, reflecting the effect of (1) our acquisition of the 50% interest we did not own in Gasoductos de Chihuahua, S. de R.L. de C.V., or Gasoductos de Chihuahua, and its subsidiaries, or the GdC Acquisition, from Pemex Transformación Industrial, or Pemex TRI, the successor in interest to Pemex Gas y Petroquímica Básica, or Pemex Gas, which we completed on September 27, 2016 for a cash purchase price of US$1.14 billion, plus the assumption of existing indebtedness of approximately US$388 million, (2) the completion of our pending acquisition to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) of Ventika, S.A.P.I. de C.V., or Ventika I, and Ventika II, S.A.P.I. de C.V., or Ventika II, together which we refer to as Ventika, that own the 252 MW Ventika I and Ventika II wind power generation facilities, for an estimated purchase price of US$852 million, which comprises an estimated cash payment of US$375 million, and considers (i) the assumption of approximately US$477 million of non-recourse indebtedness of Ventika through the closing date of the transaction and (ii) the assumption of intercompany indebtedness, which we refer to as the Ventika Acquisition (in our unaudited pro forma combined financial statements appearing elsewhere in this offering circular, we have assumed an estimated purchase price for the Ventika Acquisition of US$375 million plus working capital and closing adjustments relating to estimated debt outstanding on the closing date, or US$415 million, which is an estimate of the purchase price to be paid on the closing date), (3) US$1.15 billion of short-term bridge financing, or the Bridge Loan, from our affiliate, Sempra Global, and our controlling shareholder, Semco, used to finance the GdC Acquisition, (4) the completion of this offering and (5) the application of the proceeds from this offering as described in "Use of Proceeds." Collectively, we refer to the GdC Acquisition, the Ventika Acquisition, the Bridge Loan, the completion of this offering and the application of the proceeds from this offering as described in "Use of Proceeds" as the Transactions. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition." These unaudited pro forma combined financial statements present our financial information as if the Transactions had occurred (1) with respect to the unaudited pro forma combined statements of financial position, as of June 30, 2016 and December 31, 2015, and (2) with respect to the unaudited pro forma combined statements of profit or loss and other comprehensive income for all the periods presented, on January 1, 2015. As a result of the GdC Acquisition, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100%. Prior to the GdC Acquisition, we accounted for Gasoductos de Chihuahua in our financial statements using the equity method, which reflected the necessary adjustments to align Gasoductos de Chihuahua's financial statements, which are prepared in accordance with Mexican Financial Reporting Standards issued by the Mexican Financial Reporting Standards Board (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.*), or MFRS, with ours under IFRS. Following the GdC Acquisition, we account for Gasoductos de Chihuahua as a consolidated subsidiary. This offering circular does not contain historical financial statements of Gasoductos de Chihuahua. However, summarized historical financial information of Gasoductos de Chihuahua on a stand-alone basis presented in U.S. dollars and in compliance with IFRS is disclosed in Note 11.1 to our audited financial statements, Note 4.1 to our unaudited condensed interim consolidated financial statements and contained elsewhere in this offering circular.

Cautionary Note Relating to Preparation of the Unaudited Pro Forma Combined Financial Information

The pro forma financial information presented under "Unaudited Pro Forma Combined Financial Information" includes adjustments based on (i) the audited financial statements of Ventika I, Ventika II and the entities forming Gasoductos de Chihuahua as of and for the year ended December 31, 2015 and (ii) the unaudited financial statements for Gasoductos de Chihuahua as well as the unaudited management accounts for Ventika I, Ventika II and the other entities forming Ventika as of and for the six months ended June 30, 2015 and 2016, was prepared in accordance with MFRS and IFRS, respectively. The financial statements and unaudited management accounts of Ventika, which we refer to as the Ventika Financial Information, is not included in this offering circular, and the unaudited management accounts for Ventika and the unaudited financial statements for Gasoductos de Chihuahua as of and for the six months ended June 30, 2015 and 2016 have not been audited or are subject to a limited review by auditors. This unaudited financial information may be subject to revision or change and should be considered less reliable than financial information that has been audited or subject to a limited review by auditors.

In addition, Ventika did not begin operations until April 2016. As a result, the Unaudited Pro Forma Combined Financial Information as of and for the six months ended June 30, 2016, and any financial metrics derived therefrom, including Pro Forma EBITDA and Adjusted Pro Forma EBITDA, may not be comparable to the Unaudited Pro Forma Combined Financial Information and any financial metrics derived therefrom as of and for prior periods.

The Ventika Acquisition is a pending acquisition. Although we have signed a binding purchase agreement to acquire Ventika, the consummation of the acquisition remains subject to a number of conditions precedent, including the approval of the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*). If we cannot complete the Ventika Acquisition, we may be unable to redirect planned capital expenditures for the Ventika facilities to other assets that would replace the revenues, net income or EBITDA that could be generated if the Ventika Acquisition had been completed.

Accordingly, investors are cautioned not to place undue reliance on the Unaudited Pro Forma Combined Financial Information or on any metrics derived therefrom, including Pro Forma EBITDA and Pro Forma Adjusted EBITDA.

The pro forma adjustments include the elimination of Gasoductos de Chihuahua's investment in the Los Ramones Norte pipeline (and the intercompany debt therein) but the retention of our 50% joint venture investment in Ductos y Energéticos del Norte.

Figures referring to the last twelve months of our operation, including revenues, assets, capital expenditures and Adjusted EBITDA (described below), are as of June 30, 2016. Such figures are calculated by subtracting amounts included in our unaudited pro forma combined financial statements for the six months ended June 30, 2015 from amounts included in our unaudited pro forma combined financial statements for the year ended December 31, 2015, and then adding amounts included in our unaudited pro forma combined financial statements for the six months ended June 30, 2016.

In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax.

EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA

We present "EBITDA" and "Adjusted EBITDA" and "Pro Forma EBITDA" and "Pro Forma Adjusted EBITDA" in this offering circular for the convenience of investors. EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. We define EBITDA to mean profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) interest income, (3) finance (costs) income, (4) other (losses) and gains, (5) income tax expense, (6) share of profits of joint ventures, net of income tax and (7) for the periods presented, loss for the period from discontinued operations, net of income tax. We define Adjusted EBITDA to mean EBITDA after adding back or subtracting, as the case may be, (1) share of profits of joint ventures, net of income tax, (2) share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of equity method investments, net of income tax, (3) for the periods presented, loss for the period from discontinued operations, net of income tax and (4) share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations.

In managing our business, we rely on Adjusted EBITDA as a means of assessing our operating performance. We believe that Adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe Adjusted EBITDA is a useful tool for comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure, age and book depreciation of fixed assets, and income taxes. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense, share of profits of joint ventures, net of income tax, and for the periods presented, loss for the period from discontinued operations, net of income tax and certain other expenses, as well as the depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of joint ventures, net of income tax of our current and former joint ventures.

In light of the GdC Acquisition and the pending Ventika Acquisition, we have presented "Pro Forma EBITDA" in this offering circular. We define Pro Forma EBITDA to mean pro forma profit for the period after adding back or subtracting, as the case may be: (1) pro forma depreciation and amortization, (2) pro forma interest income, (3) pro forma finance (costs) income, (4) pro forma other (losses) and gains, (5) pro forma income tax expense, (6) pro forma share of profits of joint ventures, net of income tax, (7) pro forma re-measurement of equity method investment, as applicable, and (8) pro forma loss for the period from discontinued operations, net of income tax.

We have also presented “Pro Forma Adjusted EBITDA” in this offering circular. We define Pro Forma Adjusted EBITDA to mean Pro Forma EBITDA after adding back or subtracting, as the case may be, (1) pro forma share of profits of joint ventures, net of income tax, (2) pro forma share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of equity method investments, net of income tax, (3) pro forma loss for the period from discontinued operations, net of income tax and (4) pro forma share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations.

We account for our investments in joint ventures under the equity method. Payment of dividends requires approval from joint venture partners.

Our calculation of EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA may not be comparable to other companies’ calculations of similarly titled measures. The following reconciles profit to EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA:

	Year Ended December 31,			**Six Months Ended June 30,**	
(in thousands of US$)	**2013**	**2014**	**2015**	**2015**	**2016**
Profit for the period	$142,390	$136,934	$ 140,189	$ 82,708	$ 67,072
Depreciation and amortization	61,164	61,943	67,682	24,768	28,551
Interest income	(1,372)	(3,299)	(6,743)	(3,708)	(3,035)
Finance (costs) income	5,035	(1,143)	10,103	2,330	5,825
Other (losses) and gains(1)	(6,986)	(1,258)	11,575	3,268	698
Income tax expense	83,792	111,283	100,406	42,860	40,598
Share of profits of joint ventures, net of income tax(2)	(34,689)	(23,346)	(42,319)	(23,258)	(39,425)
Loss for the period from discontinued operations, net of income tax	—	—	—	10,501	38,282
EBITDA	**$249,334**	**$281,114**	**$ 280,893**	**$ 139,469**	**$138,566**
Adjustments:					
Share of profits of joint ventures, net of income tax(2)	34,689	23,346	42,319	23,258	39,425
Share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of equity method investments, net of income tax(3)	19,062	32,430	68,603	28,682	45,064
Loss for the period from discontinued operations, net of income tax	—	—	—	(10,501)	(38,282)
Share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations(4)	—	—	—	6,693	31,462
Adjusted EBITDA	**$303,085**	**$336,890**	**$ 391,814**	**$ 187,601**	**$216,235**
Pro forma profit for the period	—	—	950,416	868,545	97,048
Pro forma depreciation and amortization	—	—	71,824	35,671	46,823
Pro forma interest income	—	—	(5,182)	(1,615)	5,859
Pro forma finance (costs) income	—	—	26,293	9,268	17,060
Pro forma other (losses) and gains(1)	—	—	16,209	4,293	2,285

(in thousands of US$)	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
Pro forma income tax expense	—	—	160,809	70,033	73,213
Pro forma share of profits of joint ventures, net of income tax(2)	—	—	2,524	1,203	(9,413)
Pro forma re-measurement of equity method investment	—	—	(762,790)	(762,790)	—
Pro forma loss for the period from discontinued operations, net of income tax	—	—	14,797	10,501	38,282
Pro Forma EBITDA(5)	**N/A**	**N/A**	**$ 474,945**	**$ 235,109**	**$271,157**
Adjustments:					
Pro forma share of profits of joint ventures, net of income tax(2)	—	—	(2,524)	(1,203)	9,413
Pro forma share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of equity method investments, net of income tax(3)	—	—	12,929	5,307	17,272
Pro forma loss for the period from discontinued operations, net of income tax	—	—	(14,797)	(10,501)	(38,282)
Pro forma share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations(4)	—	—	21,731	6,692	31,462
Pro Forma Adjusted EBITDA(5)	**N/A**	**N/A**	**$ 492,284**	**$ 235,404**	**$291,022**

(1) Includes foreign exchange gains (losses), net (losses) gains on financial liabilities classified as held for trading associated with changes in the fair value of our interest rate swap and inflation effects on value-added tax refunds receivable.

(2) Includes share of joint ventures accounted for under the equity method of accounting.

(3) Includes share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of joint ventures accounted for under the equity method.

(4) Includes depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations, including our Termoeléctrica de Mexicali power plant. In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax.

(5) Includes results derived from financial information, which were not audited nor were subject to a limited review by auditors. See "—Cautionary Note Relating to Preparation of the Unaudited Pro Forma Combined Financial Information." In addition, Ventika did not begin operations until April 2016. As a result, Pro Forma EBITDA and Pro Forma Adjusted EBITDA, and the related pro forma financial metrics included therein, in each case as of and for the six months ended June 30, 2016, may not be comparable to Pro Forma EBITDA, Pro Forma Adjusted EBITDA and the related pro forma financial metrics included therein as of and for the six months ended June 30, 2015 or other prior periods.

Net Debt

We define net debt as interest-accruing indebtedness, other than trade payables and debt associated with value-added tax project financing, obtained from unrelated third parties or non-consolidated related parties, minus cash and cash equivalents and short term investments in stock investments.

CAGR

This offering circular includes calculations of a compound annual growth rate, or CAGR. CAGR calculations for periods ended June 30, 2016 have been based on the twelve months ended June 30, 2016. Investors should consider that in the case of CAGR calculations of figures derived from the Unaudited Pro Forma Financial Information, Ventika did not begin operations until April 2016, and thus the twelve months ended June 30, 2016 may not be comparable to prior periods. See "—Cautionary Note Relating to Preparation of the Unaudited Pro Forma Combined Financial Information."

Market Estimates

Certain industry, demographic, market and competitive data, including market forecasts, used throughout this offering circular were obtained from internal surveys, market research, publicly available information and industry publications.

We have made these statements on the basis of information from third party sources that we believe are reliable, including among others:

- the World Bank;
- the International Monetary Fund;
- the International Energy Agency;
- the Mexican Federal Official Gazette (*Diario Oficial de la Federación*);
- the Bank of Mexico (*Banco de México*);
- the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*);
- the Mexican Energy Ministry (*Secretaría de Energía*); and
- the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*).

Industry and government publications generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Although we, the initial purchasers and the Mexican underwriters have no reason to believe that any of this information or these reports are inaccurate in any material respect, such information has not been independently verified and, therefore, we cannot guarantee its accuracy or completeness.

Some data are also based on our estimates, which are derived from our review of internal surveys and analyses, as well as from independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee their accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain. Nothing in this offering circular should be interpreted as a market forecast.

Principal Industry Terms Used in this Offering Circular

In describing our operations we often use a number of terms of art in our industry that we have simplified for purposes of this offering circular. The following is a brief explanation of some of these terms:

- "Bbl" means barrels;
- "Bbld" means barrels per day;
- "downstream" means distribution;

- “GW” means gigawatt;
- “IPP” means independent power producer;
- “LNG” means liquefied natural gas;
- “LPG” means liquefied petroleum gas;
- “m^3” means cubic meters;
- “MMcf” means million cubic feet;
- “MMcfd” means million cubic feet per day;
- “MMTh” means million Therms;
- “MMThd” means million Therms per day;
- “MW” means megawatt;
- “midstream” means transportation;
- “TWh” means terawatt hour; and
- “upstream” means exploration, extraction or production.

Rounding

Certain amounts and percentages included in this offering circular have been subject to rounding adjustments and, accordingly, certain totals presented in this offering circular may not correspond to the arithmetic sum of the amounts or percentages that precede them.

Other Information

Certain peso amounts contained in this offering circular have been translated into U.S. dollars. The exchange rate used to translate such amounts was Ps.18.91 to US$1.00, unless otherwise indicated, which was the selling exchange rate in effect on June 30, 2016, as reported by Banco de México in the Mexican Federal Official Gazette. The U.S. dollar equivalent information presented in this offering circular is provided solely for the convenience of investors and should not be construed as implying that the peso amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See “Exchange Rates” for more detailed information regarding exchange rates for the Mexican currency.

Unless otherwise indicated, all information contained in this offering circular, including all references to the number of shares outstanding or to the economic or voting interests of holders of Shares following this offering, as well as any information involving the computation of per Share amounts or proceeds to us from this offering, assume no exercise of the over-allotment options granted to the initial purchasers and the Mexican underwriters with respect to this offering. See “Plan of Distribution.”

We also reference various measurements throughout this offering circular that utilize the U.S. or metric systems of measurement. The applicable conversion rates from the U.S. system of measurement to the metric system and vice versa are as follows:

1 mile = 1.609344 kilometers, or km
1 foot = 0.3048 meters
1 square foot = 0.092903 square meters
1 cubic foot = 0.028317 cubic meters, or m^3

In addition, for convenience and consistency we have converted various capacity and volume measurements (as provided in contracts, permits, source materials or other documents in various other capacity and heating value units) into certain consistent units. Specifically, natural gas volume is always presented in millions of cubic feet, or MMcf, LNG is always presented in m^3, and LPG is always presented in barrels, or Bbl. For comparison across natural gas, LNG and LPG units, we also provide parenthetically the heating value in millions of Therms, or MMTh, for each of these products. Actual conversion rates of heating value to volume can depend on various factors, and all conversions are approximate. The applicable rates used for these conversions in this offering circular are as follows:

1 MMcf natural gas = 252 Gigacalories
1 MMcf natural gas = 1,040 million British thermal units (MMbtu)
1 MMcf natural gas = 1,097 Gigajoules
1 MMcf natural gas = 1,040 Decatherms
1 m^3 LNG = 23.0 million British thermal units (MMbtu)
1 MMcf natural gas = 0.01040 MMTh
1 MMcf ethane = 0.017775 MMTh
1 m^3 LNG = 0.000229 MMTh
1 Bbl LPG = 0.000055 MMTh

Description of Contracts and Permits

This offering circular contains summary descriptions of material provisions of various commercial agreements, permits and other contracts. Such descriptions do not purport to be complete or exhaustive. We also note that as with any contract or legal instrument, the terms thereof may be subject to interpretation.

SUMMARY

This summary highlights our activities and our financial and operational information and is not intended to be complete or a substitute for the remainder of this offering circular. This summary does not contain all the information that may be important to you. Before investing in our Shares, you should read this entire offering circular carefully for a more complete understanding of our business and this offering, including "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Risk Factors," "Unaudited Pro Forma Combined Financial Information," "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited financial statements and related notes included elsewhere in this offering circular.

Our Company

We are the first private sector publicly-traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. We develop, build and operate essential energy infrastructure. Our footprint in Mexico ranges across several business lines encompassing a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

Our assets are divided between two business segments: (1) our gas segment, which includes our natural gas pipelines and compression business, our liquefied natural gas, or LNG, business, our natural gas distribution business, our ethane pipeline business and our liquefied petroleum gas, or LPG, storage and transportation business, and (2) our power segment, which includes power generation by our Termoeléctrica de Mexicali power plant, a natural gas-fired, combined-cycle power generation facility, and Energía Sierra Juárez, our wind power generation operation, and will include the power generated by the Ventika I and Ventika II wind power generation facilities, upon our completion of the Ventika Acquisition. Our assets generate revenues primarily under U.S. dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, we were one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990's. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 20 years, we have increased our presence as a leader in private investment in the Mexican energy sector (including through greenfield development, organic growth, acquisitions and a diversified customer base), investing approximately US$4.1 billion in Mexican energy infrastructure, including investments through joint ventures.

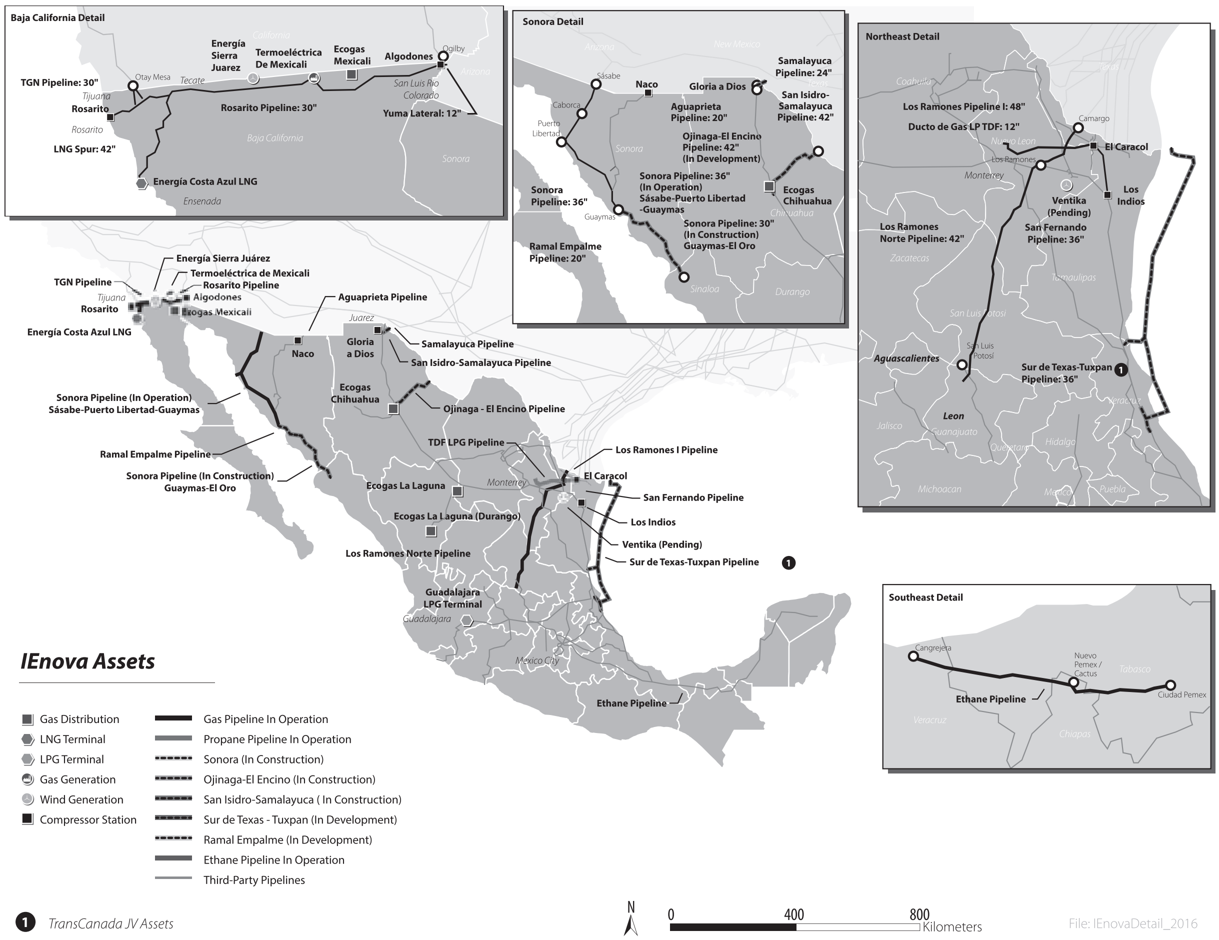
Based on the number of permits issued by the Mexican Energy Regulatory Commission and the results of recent auctions by the Mexican Federal Electricity Commission, we were ranked one of the three largest companies in the private sector in terms of installed capacity in the Mexican natural gas open-access pipeline transportation market with an estimated 36% market share as of June 30, 2016. For further information with respect to market share, see "Industry Overview—Natural Gas Pipeline Transportation Market Share." We wholly own 1,725 km of natural gas pipelines in operation or under construction, as well as the largest LNG regasification terminal in Mexico, in terms of capacity. In addition to our ownership of assets across the Mexican energy infrastructure value chain, we have also improved our market position through acquisitions and by entering into strategic partnerships. In 2010, we acquired various Mexican assets, including a 50% interest in a joint venture with Pemex Gas (the predecessor of Pemex TRI), Gasoductos de Chihuahua, that develops, owns and operates natural gas, LPG and ethane pipelines, compression stations and storage facilities. Additionally, we entered into a 50/50 joint venture with an affiliate of InterGen, N.V., or InterGen, for the development, construction and operation of the initial phase of our Energía Sierra Juárez wind power generation operation. Through our joint venture with Pemex TRI, we also entered into a joint venture with a Pemex affiliate and a consortium comprised of BlackRock and First Reserve for the development of the Los Ramones Norte pipeline. We also entered into a joint venture with TransCanada Corporation, or TransCanada, for the development of a natural gas transportation system between Mexico and southern Texas, which we refer to as the South of Texas—Tuxpan pipeline, which will add 800 km of natural gas pipelines and another compression station to our assets.

Our achievements as pioneers in private sector investment in Mexican energy infrastructure include the following:

- we were the first private company to be awarded with a natural gas distribution contract through a public auction following the 1995 reform to the regulatory framework of the Mexican energy sector; we currently own and operate a natural gas distribution utility, Ecogas, in three distribution zones: Mexicali (serving the city of Mexicali since 1996), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac since 1997) and La Laguna–Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango since 1999);
- we built the first natural gas pipeline in the state of Baja California, and we have been the sole developer of open-access natural gas pipelines in Baja California (a region which previously did not have access to U.S. or Mexican natural gas pipeline systems);
- our natural gas pipelines in Baja California allowed the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad)* to convert its power generation facilities from fuel oil to natural gas, and we are one of the major suppliers of natural gas to the Mexican Federal Electricity Commission in Baja California;
- we were partners with state-controlled Pemex TRI in Gasoductos de Chihuahua, the first natural-gas-infrastructure joint venture in Mexico between Pemex Gas and private companies, and on September 27, 2016, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100% when we acquired the remaining 50% interest from Pemex TRI for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million;
- we built the first LNG regasification terminal on the west coast of the Americas;
- through our joint venture with InterGen, we built and currently operate the first cross-border renewable energy project in Mexico, Energía Sierra Juárez;
- through our joint venture with Pemex TRI, we built and currently operate the first privately owned ethane pipeline system in Mexico;
- pursuant to two natural gas transportation service agreements we entered into with the Mexican Federal Electricity Commission in October and November 2012, we are developing the Sonora pipeline system with an aggregate length of approximately 835 km, comprised of (1) the Sásabe—Puerto Libertad—Guaymas segment with a capacity of 770 MMcfd (8.0 MMThd), which is currently in operation, (2) the Guaymas—El Oro segment with a capacity of 510 MMcfd (5.3 MMThd), which is expected to commence commercial operation in the first quarter of 2017 and (3) two compression stations, which we intend to begin construction of in the second half of 2017;
- through our joint venture with Pemex Gas y Petroquímica Básica (now Pemex TRI), we developed the Guadalajara LPG terminal with a combined capacity of 80,000 Bbl (4.4 MMThd) divided among four storage tanks, each with approximately 20,000 Bbl (1.1 MMThd) of capacity, which began operations in 2013;
- we developed, jointly with Pemex TRI, the Los Ramones I pipeline, an approximately 116 km natural gas transportation system with a capacity of 2,100 MMcfd (21.8 MMThd), which also has two compression stations. The pipeline began operations in December 2014;

- we participated in developing, through a non-controlling interest in a separate joint venture with Pemex TRI, the Los Ramones Norte pipeline, which we refer to as the TAG Norte joint venture; the Los Ramones Norte pipeline is an approximately 452 km natural gas transportation system with a capacity of 1,420 MMcfd (14.8 MMThd) as well as two compression stations, which began operations in February 2016;
- pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in December 2014, we are developing the approximately 220 km Ojinaga—El Encino natural gas transportation system with a capacity of approximately 1,356 MMcfd (14.1 MMThd), which is expected to commence commercial operations in the first quarter of 2017;
- pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in July 2015, we are developing the approximately 23 km San Isidro—Samalayuca pipeline with a capacity of 1,135 MMcfd (11.8 MMThd), which includes a compression station, and which is expected to commence commercial operations in the first quarter of 2017;
- we began developing the Empalme Lateral, an approximately 20 km natural gas transportation system with a capacity of approximately 226 MMcfd (2.4 MMThd) pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in May 2016; and
- we began developing, through a joint venture with TransCanada, the first marine pipeline in Mexico, the South of Texas-Tuxpan pipeline, an approximately 800 km natural gas transportation system with a capacity of approximately 2,600 MMcfd (27 MMThd) and a compression station pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in June 2016, and which is expected to commence commercial operations in the fourth quarter of 2018.
- In September 2016, we entered into an agreement to acquire 100% of the equity interests of Ventika I and Ventika II for an estimated purchase price of US$852 million. See "—Recent Developments—Ventika Acquisition." The Ventika facilities are adjacent wind farms powered by a total of 84 turbines, providing an aggregate of up to 252 MW of generating capacity, and which together makes Ventika one of the largest wind farms in Mexico and Latin America. The Ventika facilities are located in the General Bravo municipality in the State of Nuevo Leon, approximately 34 miles from the U.S. border.
- In September 2016, we participated in the second auction for energy, power and clean energy certificates issued by the Mexican National Energy Control Center (*Centro Nacional de Control de Energía*), or CENACE, in May 2016, with a portfolio of solar energy projects. See "—Recent Developments—Clean Energy Auction." We were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our Energía Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes. We estimate that total investment for these projects will be approximately US$150 million.

The following map shows the location of our principal assets, which are divided between our gas segment and our power segment:



We have grown since our initial public offering in March 2013. From the year ended December 31, 2013 through June 30, 2016, on a pro forma basis for the GdC Acquisition and the Ventika Acquisition, (1) investments in our assets grew to US$613 million from US$370 million, (2) our natural gas transportation system grew to 1,584 km of pipelines currently in operation from 531 km, (3) our natural gas distribution business grew to serving 116,460 clients from 99,000 clients, and (4) our renewable energy generating capacity grew to 330 MW from no then-existing capacity.

For the year ended December 31, 2015 and the six months ended June 30, 2016, we had revenues of US$672 million and US$272 million, respectively, and Adjusted EBITDA of US$392 million and US$216 million, respectively, and, after giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, Pro Forma Adjusted EBITDA of US$492 million and US$291 million, respectively.

After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the year ended December 31, 2015 and the twelve months ended June 30, 2016, we had total pro forma revenues of US$859 million and US$875 million, respectively, Pro Forma Adjusted EBITDA of US$492 million and US$548 million, respectively (with a compound annual growth rate, or CAGR, of 26.7% for the period from December 31, 2013 to June 30, 2016), pro forma assets of US$6.8 billion and US$7.0 billion, respectively (with a CAGR of 36.1% for the period from December 31, 2013 to June 30, 2016), and pro forma capital expenditures of US$828 million and US$613 million, respectively (with a CAGR of 22.4% for the period from December 31, 2013 to June 30, 2016).

Gas Segment

Pipelines Business

Based on the number of permits issued by the Mexican Energy Regulatory Commission and the results of recent auctions by the Mexican Federal Electricity Commission, we were ranked one of the three largest companies in the private sector in terms of installed capacity in the Mexican natural gas open-access pipeline transportation market with an estimated 36% market share as of June 30, 2016. For further information with respect to market share, see "Industry Overview—Natural Gas Pipeline Transportation Market Share."

Our pipelines business develops and operates systems for receiving, transporting, compressing, storing and delivering natural gas, ethane and LPG throughout the states of Baja California, Chiapas, Chihuahua, Durango, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz. These systems (including assets under construction or operated through our joint ventures) feature:

- more than 2,900 km of natural gas pipelines (of which approximately 1,393 km are under construction as of June 30, 2016) with an aggregate design capacity of over 16,501 MMcfd (171.6 MMThd);
- ten natural gas compression stations in operation and four compression stations currently under construction, with an aggregate of over 586,310 horsepower;
- 190 km of LPG pipeline with a design capacity of 34,000 Bbld (1.9 MMThd);
- 224 km ethane pipeline with a transportation capacity of approximately 33 MMcfd (0.6 MMThd) in the first segment, approximately 100 MMcfd (1.8 MMThd) in the second segment and approximately 106 MMcfd (1.9 MMThd) in the third segment; and
- an LPG storage facility with a total capacity of 80,000 Bbl (4.4 MMTh) near Guadalajara.

Our existing pipeline assets include our Gasoducto Rosarito, Transportadora de Gas Natural de Baja California, or TGN, and Aguaprieta pipelines, the Naco compression station, the Sonora pipelines (the Sásabe—Puerto Libertad—Guaymas section, which has been completed, and the Guaymas—El Oro segment (which we expect to begin commercial operation in the first quarter of 2017), the Ojinaga—El Encino natural gas pipeline (which we expect to begin commercial operation in the first quarter of 2017), the San Isidro—Samalayuca pipeline (which we expect to begin commercial operation in the first quarter of 2017), as well as the Empalme Lateral (which we expect to begin commercial operation in the second quarter of 2017) and the South of Texas—Tuxpan pipeline project, our joint venture with TransCanada (which we expect to begin commercial operation in the fourth quarter of 2018). Our pipelines business also includes 100% of the assets held by our former joint venture with Pemex TRI, Gasoductos de Chihuahua, in which we held a 50% interest prior to September 27, 2016. See "—Recent Developments—Gasoductos de Chihuahua Acquisition." Gasoductos de Chihuahua owns the San Fernando pipeline, the Samalayuca pipeline, the ethane pipeline, the TDF pipeline system, the Los Ramones I pipeline, the Gloria a Dios compression station and the Guadalajara LPG storage facility and, through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture, participated in the development of the Los Ramones Norte pipeline, which began operations in February 2016. We wholly own a total of 1,725 km of natural gas pipelines in operation or under construction, in contrast to the 531 km of natural gas pipelines that we had in operation on the date of our initial public offering in March 2013.

Liquefied Natural Gas Business

We own the largest LNG regasification terminal, in terms of capacity, in Mexico. Our LNG regasification terminal, located near Ensenada, Baja California, began operations in 2008 and was the first west coast LNG receiving facility in the Americas. Our LNG terminal provides receiving and storage facilities for our LNG customers, regasifies their LNG and delivers the resulting natural gas to our Gasoducto Rosarito pipeline system with delivery capability in Baja California, Mexico and the United States. Our LNG business also purchases LNG on its own behalf for storage and regasification in our LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 cubic meters, or m^3 (73.3 MMTh), in two tanks, each with a capacity of 160,000 m^3 (36.6 MMTh). The terminal is designed to operate at a maximum send-out capacity of 1,300 MMcfd (13.5 MMThd), or a nominal capacity of 1,000 MMcfd (10.4 MMThd).

Natural Gas Distribution Business

We own and operate a natural gas distribution utility, Ecogas, 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). With its approximately 3,709 km of pipelines as of June 30, 2016, this business served approximately 116,460 industrial, commercial and residential customers, in contrast to the 99,000 clients that it served in the year of our initial public offering as of December 31, 2013.

For the year ended December 31, 2015 and the six months ended June 30, 2016, our gas segment had revenues of US$526 million and US$270 million, respectively, representing 78% and 99%, respectively, of our total consolidated revenues, and Adjusted EBITDA of US$367 million and US$212 million, respectively, representing 94% and 98%, respectively, of our total Adjusted EBITDA. After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the six months ended June 30, 2016, our gas segment had pro forma revenues of US$408 million, representing 95% of our total pro forma consolidated revenues for the period, and Pro Forma Adjusted EBITDA of US$270 million, representing 93% of our total Pro Forma Adjusted EBITDA for the period.

Power Segment

Natural Gas-Fired Power Generation Business

We own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with our Gasoducto Rosarito pipeline system that allows it to receive regasified LNG from our LNG terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility 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 and 2015, this facility received clean industry certificates for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to California's Independent System Operator power grid at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California.

In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. As a result, beginning in 2016, the results of Termoeléctrica de Mexicali are included in our consolidated financial statements under discontinued operations, net of income tax. See "—Recent Developments—Termoeléctrica de Mexicali Power Plant Impairment."

Wind Power Generation Business

We are also developing our Energía Sierra Juárez wind power generation operation in phases. This project is located along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico, which is one of the strongest wind resources on the west coast of North America. The initial phase of this project consists of 47 wind turbines (approximately 155 MW) and is located about 70 miles from San Diego, just south of the Mexico—U.S.

border and commenced operations in June 2015. We developed the initial phase with a joint venture partner, InterGen. The project interconnects to the East County Substation of the transmission line known as the Southwest Powerlink, owned by an affiliate of San Diego Gas & Electric Company, in eastern San Diego County via a cross-border transmission line. Future phases could potentially also connect directly with the Mexican power grid. The full amount of electricity from the initial phase will be purchased by our U.S. affiliate San Diego Gas & Electric Company under a 20-year power purchase agreement.

In addition, in September 2016, we entered into an agreement to acquire the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million. See "—Recent Developments—Ventika Acquisition."

In September 2016, we participated in the second auction for energy, power and clean energy certificates issued by CENACE in May 2016, with a portfolio of solar energy projects. We were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our EnergÍa Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes. We estimate that total investment for these projects will be approximately US$150 million.

For the year ended December 31, 2015, our power segment had revenues of US$143 million. During the six months ended June 30, 2016, our power segment had no reportable revenues. For the year ended December 31, 2015 and the six months ended June 30, 2016, our power segment had Adjusted EBITDA of US$25 million and US$3 million, respectively, representing 6% and 1% of our total Adjusted EBITDA for each period, respectively. After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the six months ended June 30 2016, our power segment had pro forma revenues of US$19 million, representing 5% of our total pro forma consolidated revenues for the period, and Pro Forma Adjusted EBITDA of US$20 million, representing 7% of our total Pro Forma Adjusted EBITDA for the period.

Our Strengths

We believe the following competitive strengths distinguish us from our competitors and are critical to the continued successful execution of our strategy.

- ***Proven development capability and extensive experience operating diverse energy assets***. With over 20 years of experience in Mexico, we have developed the necessary skills and relationships to successfully build, own and operate critical energy infrastructure in Mexico. Over this time, we have 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, highlighted by our acquisition of Pemex TRI's remaining 50% interest in Gasoductos de Chihuahua for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million and our pending acquisition of the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million. We made our first investment in Mexico in 1996, when we won the first private natural gas distribution permit awarded in Mexico, and subsequently developed our Ecogas business into a model natural gas distribution company. Our largest project to date is the investment of US$1.2 billion in our LNG terminal. Other notable projects include our approximately US$350 million investment to construct our natural gas-fired combined-cycle power plant in Mexicali, Baja California, our 2010 acquisition of US$300 million of Mexican energy infrastructure assets from El Paso Corporation, which included our joint venture with Pemex TRI, and our US$200 million investment in expanding our Gasoducto Rosarito pipeline system and TGN pipeline. In addition, we recently completed the first segment of the Sonora pipeline, which, when fully completed, will represent a total investment of approximately US$1.0 billion, and our joint venture with Pemex TRI completed the Los Ramones I pipeline, the Los Ramones Norte pipeline, our Ethane pipeline and LPG terminal, which represented an aggregate investment (including the Sonora pipeline) by ourselves and our partners of approximately US$3 billion (on a 100% completion basis). We believe that our experience in the energy sector positions us to take advantage of possible investment opportunities with developers looking for divisions/spin-offs, in projects nearing completion, in companies seeking strategic partners and in companies under financial distress and seeking liquidity through the sale of assets.

- ***Financing capacity to pursue new opportunities in the energy sector.*** After giving pro forma effect to the Transactions and assuming that the Ventika Acquisition will be financed with a portion of the proceeds of this offering and through debt financing (See "—Recent Developments—Ventika Acquisition"), we had pro forma net debt of approximately US$1.543 billion and US$1.577 billion as of December 31, 2015 and June 30, 2016, respectively, and a pro forma net debt-to-LTM Pro Forma EBITDA ratio of 3.1 times for the twelve months ended June 30, 2016, which provides us with the financial flexibility to competitively pursue acquisitions, organic growth opportunities and new greenfield opportunities. In August 2015, we secured a committed revolving credit facility from a syndicate of five lenders for which Sumitomo Mitsui Banking Corporation serves as administrative agent, which permits borrowings up to US$600 million through August 21, 2020, which we refer to as the Revolving Credit Facility. We are currently contemplating an increase in the amount of borrowing capacity under the Revolving Credit Facility of up to US$1.2 billion, subject to market conditions. In addition, we have demonstrated an ability to successfully access the capital markets, having raised US$599 million in public equity markets and US$408 million in debt markets in 2013. Intercompany loans from subsidiaries of Sempra that are our affiliates have been, and are expected to continue to be, a source of financing. As a result, after giving pro forma effect to the GdC Acquisition (including the Bridge Loan and its repayment from the net proceeds from this offering) and the Ventika Acquisition, as of June 30, 2016, our pro forma cash and cash equivalents were US$185 million and our pro forma total shareholders' equity was US$4.2 billion.

- ***Demonstrated ability to execute wide-ranging growth strategy***. We have managed to consistently grow our business by implementing a diversified growth strategy through new businesses and expanding our customer base and positioning ourselves as a key player in the fast-growing energy sector in Mexico. We continue to successfully navigate public-sector pipeline tender processes, having recently been awarded contracts by the Mexican Federal Electricity Commission for the development and operation of the Ojinaga—El Encino natural gas pipeline project in November 2014, the San Isidro—Samalayuca natural gas pipeline project in July 2015, the Empalme Lateral natural gas pipeline project in May 2016 and the South of Texas—Tuxpan natural gas pipeline project in June 2016, and we are well-positioned to take advantage of the announced expansion of Mexico's National Pipeline System, estimated to require investments of approximately US$8.5 billion by the end of 2019. We also continue to compete for the acquisition of privately-held assets, most recently having entered into an agreement to purchase the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million, and to compete in public auctions, such as the recently concluded auction conducted by CENACE, in which we were awarded the approximately 41 MW Rumorosa Solar project and the approximately 100 MW Tepezalá II Solar project.

- ***Cash flow stability and visibility through long-term contracts***. We have contracted a substantial portion of the capacity of our assets across our business segments under long-term agreements under which our customers are required to pay us regardless of whether they actually use their contracted capacity, which provides us with steady and predictable long-term cash flows. Substantially all of these contracts are with stable, creditworthy, private counterparties and the Mexican Federal Electricity Commission, among others, and are U.S. dollar-denominated. In addition to enhancing the stability of our cash flows, these firm capacity supply agreements also minimize our direct exposure to commodity price risk. The current fee structure of our long-term contracts minimizes our market risk in that the rates, some of which are regulated by the Mexican Energy Regulatory Commission, are adjusted regularly to account for inflation or fluctuations in exchange rates.

- ***Diversification of energy assets covering wide market opportunity set***. Our assets are diversified across a significant part of the energy infrastructure value chain that is open to private investment in Mexico, including pipelines, LNG, natural gas distribution and power generation. Given our scale, geographic position and diverse asset base, we believe we are ideally positioned to continue to expand and build out our platform of energy infrastructure assets. Due to our track record as pioneers in private energy infrastructure investment in Mexico and our relationships with key players in the industry, we are well-positioned to expand into new energy sectors as opportunities for private investment arise. In addition, as the majority of our energy infrastructure assets are located across northern Mexico, we are strategically positioned to be a key player in the growing demand for the import and transportation of hydrocarbons across the Mexico—U.S. border.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses***. We have worked closely with the Mexican Energy Regulatory Commission and other Mexican energy regulatory bodies over the past 20 years and have developed a deep understanding of the regulatory process regarding the Mexican energy sector. We believe our cooperation and close coordination with the relevant regulatory bodies in Mexico are key strengths of our business, and we intend to continue to nurture and build upon these positive relationships. Moreover, these relationships have been built on the expertise we have developed while operating in Mexico. We also have long-term contractual relationships with government-controlled energy companies and entities (The National Center of Control of Natural Gas (*Centro Nacional de Control de Gas Natural)*, or CENAGAS, Pemex and the Mexican Federal Electricity Commission), as well as permits and authorizations to develop and operate our energy assets in Mexico.

- ***Experienced management team***. Our management team has extensive experience in the energy infrastructure sector. The members of our senior management team have an average of over 20 years of experience operating and developing assets in the Mexican energy sector. We believe we have the knowledge and skills necessary to successfully and safely manage all of our assets and operations and the development expertise necessary to expand our existing footprint and enter into new energy sectors as opportunities arise. We further believe our management team is one of our principal competitive strengths relative to our industry peers.

- ***World-class parent company***. We also benefit from the strong support of our indirect controlling shareholder, Sempra Energy, which has a long history of building diversified energy services companies on a global scale and owns, immediately prior to the Global Offering, approximately 81% of our common stock. Based in San Diego, California, Sempra Energy is an NYSE-listed (NYSE: SRE) Fortune 500 company providing energy services, with revenues of approximately US$10 billion in 2015. Sempra Energy companies employ nearly 17,000 people and provide energy-related products and services to more than 32 million consumers worldwide. For the year ended December 31, 2015, Sempra Energy had earnings of US$1.35 billion. As of June 30, 2016, Sempra Energy had a market capitalization of US$28.5 billion and total assets of US$42.9 billion. Through our relationship with Sempra Energy, we expect 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. We believe this access should, among other things, continue to maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.

Our Strategy

We expect to continue our strategy of investing in a combination of diversified energy assets in Mexico that are capable of generating stable and predictable long-term cash flows. We believe Mexico's energy reforms, which became law in August 2014, will provide significant and increased opportunities for growth in our existing business lines, and we may expand into new energy sectors that we anticipate could open to private investment as a result of the reforms and ensuing changes to Mexican regulations. We seek to grow by investing capital at attractive rates of return in existing brownfield and new greenfield projects, building out our position in existing businesses or acquiring new businesses, establishing partnerships or joint ventures in strategic projects and expanding our customer base. We generally focus on businesses that have contracts that produce long-term, stable cash flows. We have contracted out a substantial portion of our existing capacity under long-term agreements with predominantly stable, creditworthy counterparties who are obligated to pay us regardless of whether they actually use their contracted capacity. We focus on investments that either provide operational control of the asset or the ability to exert significant influence over the day-to-day operations and strategic direction of the investment. We are building upon our position as one of the leaders in Mexico's energy industry by continuing a strong and disciplined growth strategy primarily focused on the below:

- ***Mergers and acquisitions and strategic partnerships***. We are seeking opportunities to acquire projects from companies that are under financial stress, that are funding growth through divestitures or that have projects near completion. We are also seeking strategic partnerships with companies that can complement our expertise or execution capacity. Recent examples of the implementation of this strategy include our acquisition of the remaining 50% interest we did not own in Gasoductos de Chihuahua from Pemex TRI, our pending acquisition of the Ventika wind power generation facilities and our joint venture with TransCanada, Infraestructura Marina del Golfo, S. de R.L. de C.V., or IMG, which is developing the South of Texas—Tuxpan pipeline.
- ***Asset optimization***. We are seeking new clients of our existing pipeline systems and we continue to assess the potential conversion of our Energía Costa Azul regasification terminal into a liquefaction facility.
- ***New opportunities with private sector companies***. We believe we have opportunities to provide delivery, transportation and storage services to private sector oil and gas exploration and production companies in Mexico, as well as to sellers of refined energy products. We also expect that large industrial companies will seek a more efficient power and gas supply.
- ***New business opportunities with Pemex and the Mexican Federal Electricity Commission***. Mexico's energy reforms, as well as financial constraints, are expected to lead the Mexican Federal Electricity Commission and Pemex to focus on their core businesses. They may seek to monetize non-core assets, as was in the case of the GdC Acquisition, or establish partnerships with private companies.
- ***Government bids***. The current Mexican government is expected to continue policies that will foster the development of renewable energy resources in order to meet Mexico's clean energy goals, such as auctions for power generation or transmission development projects. We were recently awarded our first two solar energy projects, Tepezalá II Solar and Rumorosa Solar, as a result of such auctions, and we intend to continue our efforts to grow our renewable energy generation portfolio.

We believe that we have the opportunity to diversify our asset portfolio to participate in new energy industry activities that are now open to private investment, such as power transmission and infrastructure for crude oil and refined products. Currently, private sector companies are taking a more active role in the market to serve new customers in areas such as the transportation and sale of gas, renewable energy and LNG transportation and storage.

We have invested more than US$4.1 billion in Mexican energy infrastructure projects across our business segments. Over the past three years we have invested an average of approximately US$332 million annually on maintenance and growth projects throughout our system. During 2017, 2018 and 2019, we anticipate making annual capital investments of US$625 million, US$268 million and US$147 million, respectively, in our existing projects. We are constantly looking to expand our existing system in a profitable manner and to serve a diverse customer base. We are currently developing the following projects:

Asset	Length of Pipeline (km)	Capacity (MMcfd)/(MMThd)	Expected Commercial Operation Date
Sonora Pipelines:			
Second segment (Guaymas—El Oro)(1)	330	510/5.3	First Quarter 2017
Ojinaga—El Encino Pipeline	220	1,356/14.1	First Quarter 2017
San Isidro—Samalayuca Pipeline	23	1,135/11.8	First Quarter 2017
Empalme Lateral Pipeline	20	226/2.4	Second Quarter 2017
South of Texas—Tuxpan Pipeline(2)	800	2,600/27.0	Fourth Quarter 2018

(1) The Guaymas—El Oro segment is expected to commence commercial operation in the first quarter of 2017.

(2) Under development through Infraestructura Marina del Golfo, S. de R.L. de C.V., or IMG, our joint venture with TransCanada, in which we own a 40% interest and TransCanada owns a 60% interest.

Recent Developments

Preliminary Results of Operations for the Nine Months Ended September 30, 2016. Our results of operations as of and for the three and nine months ended September 30, 2016 are not yet available. Set forth below are certain preliminary estimates as of the date of this offering circular of EBITDA and Adjusted EBITDA for the nine months ended September 30, 2016, based on management's preliminary review of our results for the period. We estimate that EBITDA will range between US$218 million and US$231 million and that Adjusted EBITDA will range between US$332 million and US$353 million for the nine months ended September 30, 2016. In addition, we expect that our actual results of operations for the three months ended September 30, 2016 will be impacted by a one-time non-cash gain of approximately $650 million related to the remeasurement of the equity method investment in Gasoductos de Chihuahua as a result of the completion of the GdC Acquisition.

Our actual results of operations as of and for the three and nine months ended September 30, 2016 may result in changes to these preliminary estimates (these estimates are non-IFRS financial measures and, in any case, are not reported in the financial statements) due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time we report our actual results, including the completion of our management's final review and the limited review of our independent auditors. These preliminary estimates were prepared by our management and are based on a number of assumptions, and we have provided them because our actual results for the period are not yet complete and are not expected to be reported until after the completion of this offering. Accordingly, these preliminary estimates are forward-looking statements that are inherently uncertain and subject to change, and we undertake no obligation to update them before reporting our actual results. In addition, these preliminary estimates are not necessarily indicative of our actual results for the full year. Finally, we expect that our actual results of operations for the three and nine months ended September 30, 2016 will be negatively affected by the adjustment to carrying value and corresponding impairment charge relating to our Termoeléctrica de Mexicali power plant, as discussed below. In light of the foregoing, you are cautioned not to place undue reliance on these preliminary estimates. See "Forward-Looking Statements," "—Termoeléctrica de Mexicali Power Plant Impairment" and "Risk Factors."

We are not currently in a position to provide a complete reconciliation of EBITDA or Adjusted EBITDA for the nine months ended September 30, 2016 because we are still in the process of completing our financial closing procedures for this period, as described above. For a discussion of our calculations of EBITDA and Adjusted EBITDA, see "Presentation of Financial and Other Information."

Clean Energy Auction. In September 2016, we were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our Energía Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes and will be developed by us and Trina Solar, a company involved in the photovoltaic solar panel and solar energy optimization system industries, through a joint venture in which we will have a 90% interest. Both projects will include long-term contracts (20 years for the clean energy certificates and 15 years for the capacity and energy agreements) with the Mexican Federal Electricity Commission, principally denominated in U.S. dollars. We estimate that the commercial operation date for both projects will occur during the second quarter of 2019 and that total investment for these projects will be approximately US$150 million.

Ventika Acquisition. In September 2016, we, through our wholly owned subsidiary Controladora Sierra Juárez, S. de R.L. de C.V., entered into an agreement to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in the Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million, which comprises an estimated cash payment of US$375 million, and considers (i) the assumption of approximately US$477 million of non-recourse indebtedness of Ventika through the closing date of the transaction and (ii) the assumption of intercompany indebtedness (in our unaudited pro forma combined financial statements appearing elsewhere in this offering circular, we have assumed an estimated purchase price for the Ventika Acquisition of US$375 million plus working capital and closing adjustments relating to estimated debt outstanding on the closing date, or US$415 million, which is an estimate of the purchase price to be paid on the closing date). These facilities, which began commercial operations in April 2016, are powered by 84 turbines (up to 252 MW of generating capacity), making it the largest wind farm in Mexico and one of the largest wind farms in Latin America. Located in the State of Nuevo Leon approximately 34 miles from the U.S. border, these facilities were jointly developed by its current majority shareholder Fisterra Energy, a portfolio company of Blackstone Energy Partners, and Cemex, S.A.B. de C.V., or Cemex, a global building supplies company, which will remain the manager of the asset following the acquisition. Substantially all of the facilities' generation capacity is contracted under long-term, U.S. dollar denominated power purchase agreements with stable, creditworthy private off-takers that include affiliates and/or related parties of each of Fomento Económico Mexicano, S.A.B. de C.V., Cemex, Deacero, S.A. de C.V., Fiat Chrysler Automobiles, N.V., and the Instituto Tecnológico y de Estudios Superiores de Monterrey. For a further description of the Ventika facilities, see "Business—Segment Overview—Power Segment—Wind Power Generation Business—Ventika." The Ventika Acquisition is expected to be completed in the fourth quarter of 2016, subject to the satisfaction of customary closing conditions, including the receipt of the approval of the Mexican Federal Economic Competition Commission and the approval of our shareholders. The estimated purchase price will also be subject to customary post-closing adjustments based upon the actual cash, indebtedness and working capital of the business as of the closing. We intend to finance a portion of the acquisition cost with a portion of the net proceeds of this offering and the remainder through debt financing from our Revolving Credit Facility.

Gasoductos de Chihuahua Acquisition. On September 21, 2016, the Mexican Federal Economic Competition Commission authorized and approved our acquisition of 50% of the capital stock of Gasoductos de Chihuahua, and on September 27, 2016, we acquired the remaining 50% equity interest in Gasoductos de Chihuahua from Pemex TRI for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million. As a result of the GdC Acquisition, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100%. The GdC Acquisition excluded Gasoductos de Chihuahua's subsidiary Ductos y Energéticos del Norte, which participates in the ownership of the Los Ramones Norte pipeline through the TAG Norte joint venture, and as a result we hold a 50% equity interest in Ductos y Energéticos del Norte. Through Ductos y Energéticos del Norte's interest in 50% of the TAG Norte joint venture, we hold a 25% indirect interest in the Los Ramones Norte pipeline. See "Business—Corporate Governance of our TAG Norte Joint Venture with Pemex TRI." To facilitate the GdC Acquisition, we entered into the US$1.15 billion Bridge Loan. We estimate that our total investment in the GdC Acquisition will be approximately US$1.2 billion. We intend to use a portion of the net proceeds from this offering to repay the Bridge Loan. For more information regarding the impact of the Transactions on our results of operations and financial position, see "Unaudited Pro Forma Combined Financial Information."

Empalme Lateral Pipeline. In May 2016, the Mexican Federal Electricity Commission awarded us a 21-year firm transportation services contract with respect to a 20-inch natural gas pipeline with capacity of 226 MMcfd (2.4 MMThd) that will run approximately 20 km between Empalme and Guaymas. Our contract with the Mexican Federal Electricity Commission will cover 100% of the base capacity of this pipeline. The pipeline will be based in Sonora, and will connect with our Sonora pipeline project in Guaymas. We expect to begin commercial operations of this pipeline in the second quarter of 2017. We estimate the capital expenditures for the Empalme Lateral pipeline to be approximately US$12 million.

San Isidro—Samalayuca Pipeline. In July 2015, the Mexican Federal Electricity Commission awarded us with a 25-year transportation services agreement for an approximately 23 km pipeline, a compression station and a distribution header with a capacity of 3,000 MMcfd (31.2 MMThd) that will serve as an interconnection point for several other pipeline systems. The pipeline will have a designed transportation capacity of approximately 1,135 MMcfd (11.8 MMThd) and a 46,000 horsepower compression station. Our transportation services agreement with the Mexican Federal Electricity Commission covers 100% of the system's designed transportation capacity on a firm basis. The system will be located in Ciudad Juárez, Chihuahua and is scheduled to start commercial operation in the first quarter of 2017. We estimate the capital expenditures for the San Isidro—Samalayuca pipeline to be approximately US$110 million.

South of Texas—Tuxpan Pipeline. In June 2016, we, through IMG, our joint venture with TransCanada in which we hold a 40% equity interest, entered into a 25-year agreement with the Mexican Federal Electricity Commission to provide natural gas transportation services through the South of Texas—Tuxpan pipeline, the first marine pipeline in Mexico. Pursuant to this agreement, IMG is responsible for the development, engineering, procurement, construction, operation and maintenance of a 42-inch natural gas pipeline with capacity of 2,600 MMcfd (27 MMThd), running approximately 800 kilometers from south of Texas to Tuxpan. We and TransCanada have agreed to provide credit support to IMG's suppliers and other counterparties, including the Mexican Federal Electricity Commission and Mitsui & Co, Ltd., among others, in connection with the development of this pipeline. We expect the South of Texas—Tuxpan pipeline to begin commercial operations during the fourth quarter of 2018. We estimate the capital expenditures for the South of Texas—Tuxpan pipeline to be approximately US$2.1 billion, of which we will assume US$840 million (in proportion to our ownership).

Energía Sierra Juárez Wind Power Generation Operation. In June 2015, we announced the beginning of commercial operation of the initial phase of the Energía Sierra Juárez wind power generation operation through our joint venture with InterGen. This phase can generate up to 155 MW from 47 Vestas wind turbines. The electricity generated from the initial phase of this project is sold entirely to our affiliate San Diego Gas & Electric Company, pursuant to a 20-year power purchase agreement.

Potential Liquefaction Project. In the first half of 2015, we, Sempra LNG and an affiliate of Pemex entered into agreements for cooperation and coordination in exploring the development of a potential natural gas liquefaction project at the site of our LNG regasification terminal. We have completed preliminary engineering, design and environmental studies and are working to complete the permit filings with respect to this potential project and will look to engage in commercial development discussions with potential partners and customers.

Los Ramones Norte Pipeline Project Financing. The TAG Norte joint venture executed long-term project financing agreements in December 2014 for the construction of the Los Ramones Norte pipeline, an approximately 452 km, 42-inch diameter pipeline with a designed transportation capacity of 1,420 MMcfd (14.8 MMThd) and two compression stations, which interconnects the Los Ramones I pipeline and the Los

Ramones Sur pipeline in San Luis Potosí. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline. In December 2015, BlackRock and First Reserve acquired a 45% interest in the TAG Norte joint venture from P.M.I. Holdings B.V., an affiliate of Pemex. As a result of the completion of that transaction in December 2015, our Ductos y Energéticos del Norte joint venture continues to own 50%, Pemex TRI owns 5% and BlackRock and First Reserve jointly own 45% of the TAG Norte joint venture. The Los Ramones Norte pipeline began commercial operation in February 2016.

Los Ramones I Pipeline. We finished construction of the Los Ramones I pipeline in December 2014 and it entered into commercial operation during the same month. Gasoductos de Chihuahua entered into a 25-year natural gas firm transportation services agreement with Pemex TRI covering the transportation capacity of the Los Ramones I pipeline, which is comprised of an approximately 116 km of 48-inch diameter pipeline with a capacity of 2,100 MMcfd (21.8 MMthd).

Ojinaga—El Encino Pipeline. In November 2014, the Mexican Federal Electricity Commission awarded to us a natural gas transportation services agreement under which we will construct this 42-inch diameter pipeline, located in the state of Chihuahua, with a length of approximately 220 km and a capacity of approximately 1,356 MMcfd (14.1 MMThd). Pursuant to this agreement, we will provide transportation services to the Mexican Federal Electricity Commission for a term of 25 years from the date of commercial operation, which is expected in the first quarter of 2017. Our estimated investment for the Ojinaga—El Encino pipeline is expected to be approximately US$300 million.

Sempra BV XI Loan. In December 2015, our affiliate Sempra Energy Holdings XI B.V. provided us with a loan in the amount of US$219.6 million, or the Sempra BV XI Loan. The proceeds of the Sempra BV XI Loan were used to repay amounts owed under the Revolving Credit Facility. The Sempra BV XI Loan bears interest at the three-month LIBOR rate, plus 17 basis points, and is due December 31, 2016. The Sempra BV XI Loan was partially repaid in the amount of US$120 million in August 2016 with proceeds from the Revolving Credit Facility.

Recent Developments in Mexican Securities Law. On September 29, 2015, the Mexican Finance Ministry (*Secretaría de Hacienda y Crédito Público*) through the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) published the Fourth Resolution of Modifications to the Tax Miscellaneous Resolution for 2015 (*Cuarta Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2015*) in the Federal Official Gazette, providing the tax treatment applicable to a new type of tax-advantaged publicly traded vehicle, which we refer to as FIBRA E, similar to the master limited partnership, or MLP, structures that have been used in the United States with respect to certain energy and other infrastructure assets, which publication was further modified on December 23, 2015 and April 1, 2016. Also, in October 2015, an amendment to the Mexican Securities Issuer Regulations was published in the Federal Official Gazette to include the corporate governance regime applicable to this new vehicle. See "Mexican Securities Market—Recent Developments in Mexican Securities Issuer Regulations."

Recent Developments in the Mexican Electric Transmission and Renewables Industry. We anticipate that the Mexican Federal Electricity Commission will open bidding in 2016 for a high voltage direct current, or HVDC, transmission line running from Oaxaca to Morelos. The project is expected to require the construction, operation and transfer of assets after a 25 to 30 year period. We expect payments will be denominated in U.S. dollars. The project is expected to include a 600 km HVDC transmission line with several electrical substations and the reinforcement of 280 km of alternating current transmission lines. We expect to participate in the bidding process with partners experienced in HVDC projects. We anticipate that in the fourth quarter of 2016 or the beginning of 2017, the Mexican Federal Electricity Commission will announce a second auction for a 700 km HVDC transmission line to connect Baja California with the Mexican national electrical grid.

Termoeléctrica de Mexicali Power Plant Impairment. We expect that our results of operations as of and for the three and nine months ended September 30, 2016 will be affected by the adjustment to carrying value and corresponding impairment charge against our results of operations that we recognized in September 2016 in connection with the contemplated sale of our Termoeléctrica de Mexicali power plant. In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements for the six months and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax. We reclassified the assets and liabilities of Termoeléctrica de Mexicali as assets available for sale and liabilities related to assets available for sale in our unaudited condensed interim consolidated financial statements for the six and three months ended June 30, 2015 and 2016. We stopped depreciating the power plant and were required to measure the plant's value at the lower of its carrying amount or fair value less cost to sell. In September 2016, we determined that the carrying value of the plant needed to be adjusted, resulting in a non-cash, after-tax impairment charge ranging from US$50 million to US$90 million, net of tax, in the third quarter of 2016.

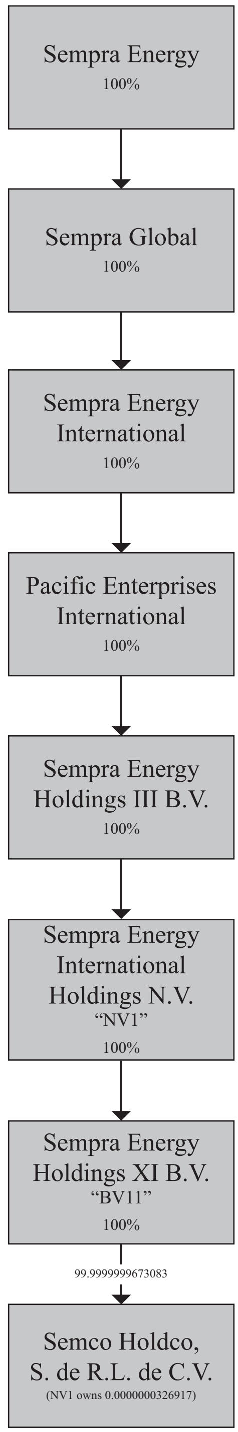
Our Affiliates and Subsidiaries

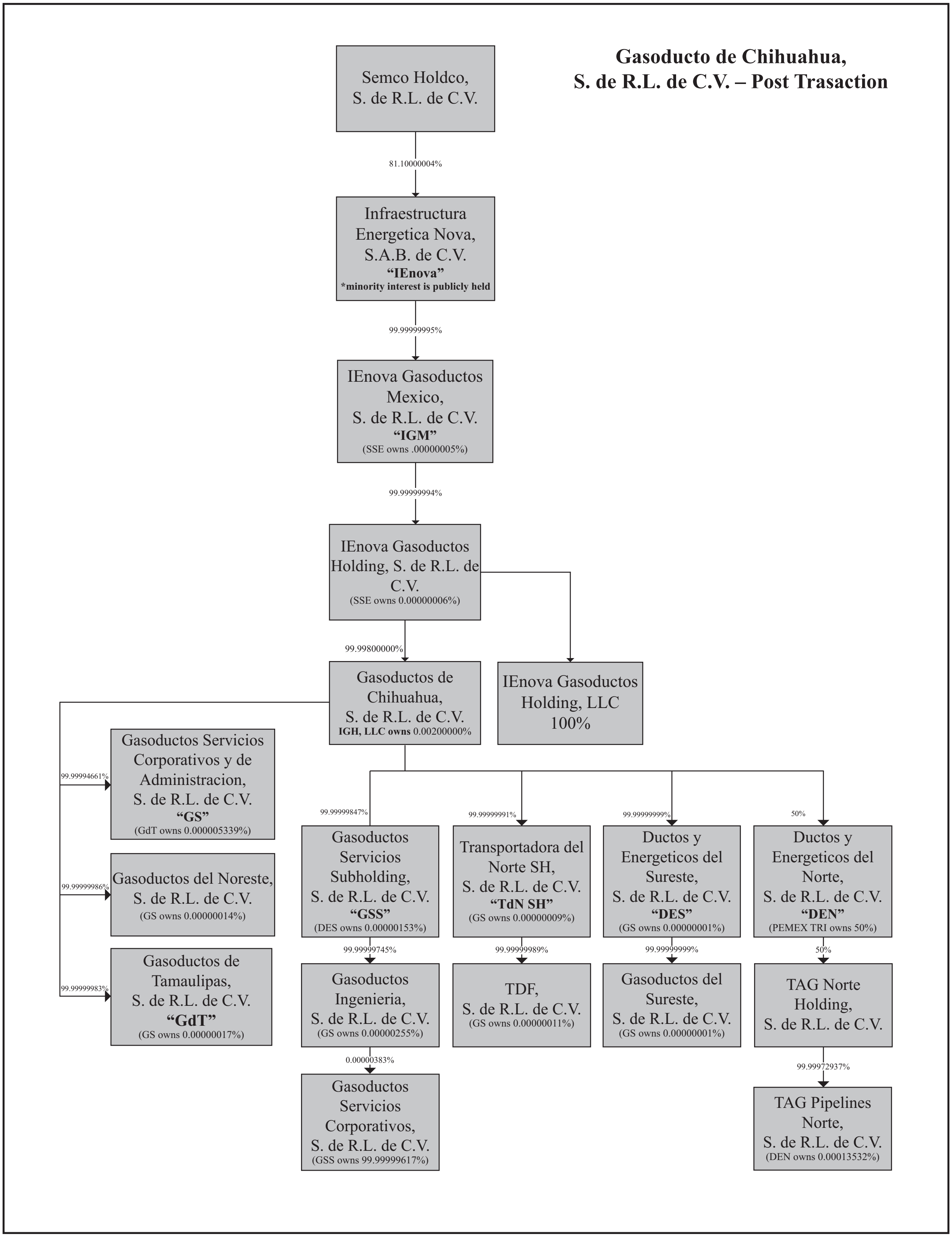
Immediately prior to the date of this offering, Sempra Energy held approximately 81% of our outstanding shares through Semco, its wholly owned indirect subsidiary. Sempra Energy's first investment in Mexico was in 1996, when it won, in partnership with Proxima Gas, the first international public auction held by the Mexican Energy Regulatory Commission for natural gas distribution in Mexicali, Baja California. Sempra Energy has indicated an interest in purchasing an aggregate of approximately US$350.7 million in shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, Sempra Energy may determine to purchase fewer Shares than it indicated an interest in purchasing or not to purchase any Shares in this offering. It is also possible that Sempra Energy could indicate an interest in purchasing more shares of our common stock.

Following the completion of the Global Offering and assuming that Sempra Energy purchases an aggregate of approximately 83,125,000 shares of our common stock in the offering (calculated by multiplying US$350.7 million by the exchange rate of Ps.18.962 to US$1.00, as reported by Banco de México on October 13, 2016, and dividing it by Ps.80.00, the public offering price of our Shares in this offering) and the initial purchasers' and the Mexican underwriters' over-allotment options to purchase additional Shares are not exercised, Sempra Energy will continue to beneficially own approximately 67.98% of our outstanding shares through Semco. Assuming that Sempra Energy purchases the same number of Shares and the over-allotment options to purchase additional Shares are exercised in full, Sempra Energy will continue to beneficially own approximately 66.43% of our outstanding shares through Semco.

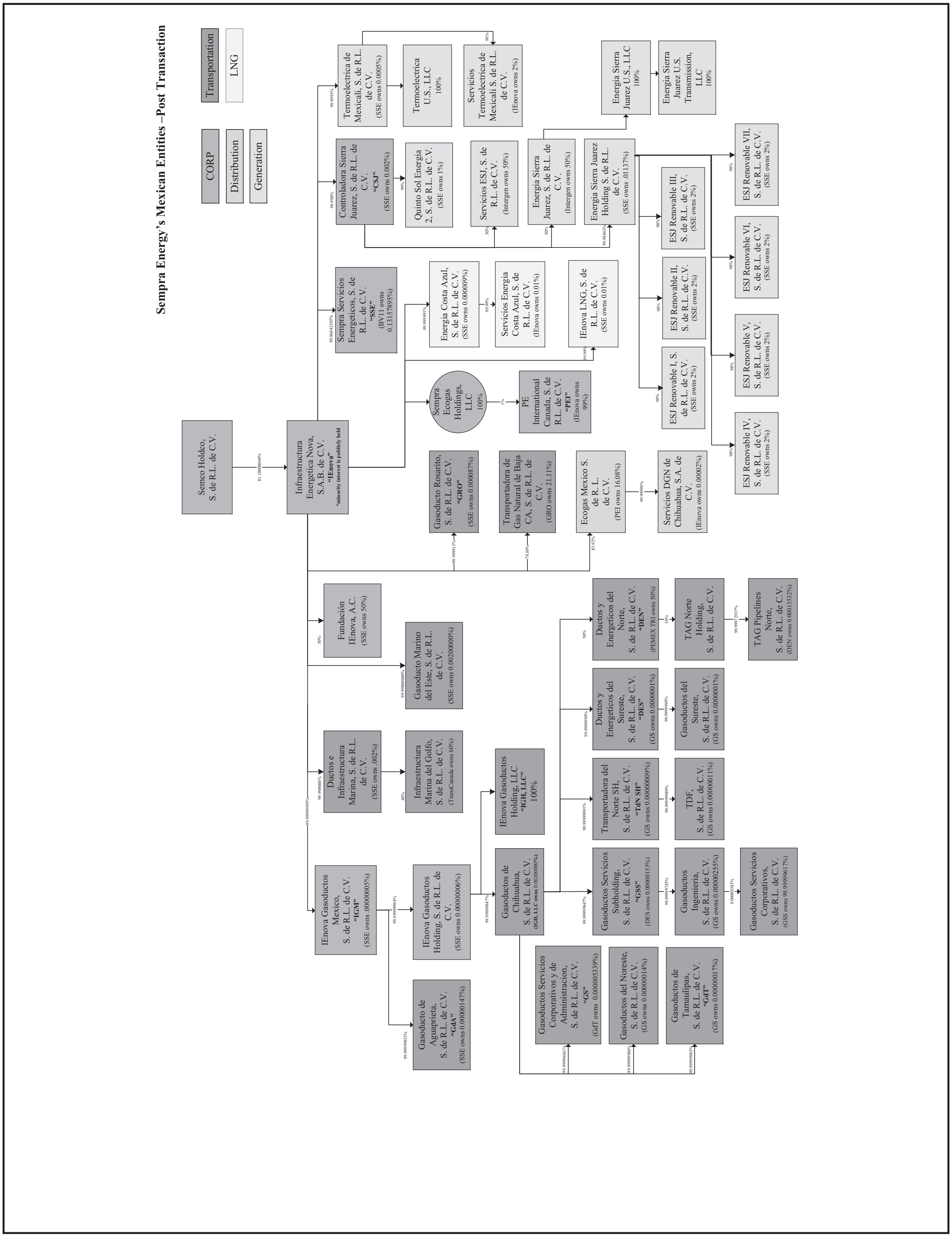
Corporate Structure

The following diagrams show our corporate structure, including the percentage of participation of our controlling shareholder, both directly and indirectly, and the participation of the latter in its subsidiaries. They also show certain of our affiliate companies and reflect the participation in Gasoductos de Chihuahua and its subsidiaries following the GdC Acquisition.





Gasoducto de Chihuahua, S. de R.L. de C.V. – Post Trasaction
Semco Holdco, S. de R.L. de C.V.
81.10000004%
Infraestructura Energetica Nova, S.A.B. de C.V. "IEnova" *minority interest is publicly held
99.99999995%
IEnova Gasoductos Mexico, S. de R.L. de C.V. "IGM" (SSE owns .00000005%)
99.99999994%
IEnova Gasoductos Holding, S. de R.L. de C.V. (SSE owns 0.00000006%)
99.99800000%
Gasoductos de Chihuahua, S. de R.L. de C.V. IGH, LLC owns 0.00200000%
IEnova Gasoductos Holding, LLC 100%
99.99994661%
Gasoductos Servicios Corporativos y de Administracion, S. de R.L. de C.V. "GS" (GdT owns 0.000005339%)
99.99999986%
Gasoductos del Noreste, S. de R.L. de C.V. (GS owns 0.00000014%)
99.99999983%
Gasoductos de Tamaulipas, S. de R.L. de C.V. "GdT" (GS owns 0.00000017%)
99.99999847%
Gasoductos Servicios Subholding, S. de R.L. de C.V. "GSS" (DES owns 0.00001153%)
99.99997745%
Gasoductos Ingenieria, S. de R.L. de C.V. (GS owns 0.00002255%)
0.00000383%
Gasoductos Servicios Corporativos, S. de R.L. de C.V. (GSS owns 99.99999617%)
99.99999991%
Transportadora del Norte SH, S. de R.L. de C.V. "TdN SH" (GS owns 0.00000009%)
99.99999989%
TDF, S. de R.L. de C.V. (GS owns 0.00000011%)
99.99999999%
Ductos y Energeticos del Sureste, S. de R.L. de C.V. "DES" (GS owns 0.00000001%)
99.99999999%
Gasoductos del Sureste, S. de R.L. de C.V. (GS owns 0.00000001%)
50%
Ductos y Energeticos del Norte, S. de R.L. de C.V. "DEN" (PEMEX TRI owns 50%)
50%
TAG Norte Holding, S. de R.L. de C.V.
99.99972937%
TAG Pipelines Norte, S. de R.L. de C.V. (DEN owns 0.00013532%)



Sempra Energy's Mexican Entities –Post Transaction
CORP
Distribution
Generation
Transportation
LNG
Semco Holdco, S. de R.L. de C.V.
Infraestructura Energetica Nova, S.A.B. de C.V. "IEnova" *minority interest is publicly held
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%)
Termoelectrica de Mexicali, S. de R.L. de C.V. (SSE owns 0.0005%)
Termoelectrica U.S., LLC 100%
Servicios Termoelectrica de Mexicali S. de R.L. de C.V. (IEnova owns 2%)
Quinto Sol Energia 2, S. de R.L. de C.V. (SSE owns 1%)
Servicios ESJ, S. de R.L. de C.V. (Intergen owns 50%)
Energia Sierra Juarez, S. de R.L. de C.V. (Intergen owns 50%)
Energia Sierra Juarez Holding S. de R.L. de C.V. (SSE owns .01137%)
Energia Sierra Juarez U.S., LLC 100%
Energia Sierra Juarez U.S. Transmission, LLC 100%
ESJ Renovable I, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable II, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable III, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable IV, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable V, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable VI, S. de R.L. de C.V. (SSE owns 2%)
ESJ Renovable VII, S. de R.L. de C.V. (SSE owns 2%)
Energia Costa Azul, S. de R.L. de C.V. (SSE owns 0.000009%)
Servicios Energia Costa Azul, S. de R.L. de C.V. (IEnova owns 0.01%)
IEnova LNG, S. de R.L. de C.V. (SSE owns 0.01%)
Sempra Ecogas Holdings, LLC 100%
PE International Canada, S. de R.L. de C.V. "PEI" (IEnova owns 99%)
Gasoducto Rosarito, S. de R.L. de C.V. "GRO" (SSE owns 0.000087%)
Transportadora de Gas Natural de Baja CA, S. de R.L. de C.V. (GRO owns 21.11%)
Ecogas Mexico S. de R. L. de C.V. (PEI owns 16.08%)
Servicios DGN de Chihuahua, S.A. de C.V. (IEnova owns 0.00002%)
Fundación IEnova, A.C. (SSE owns 50%)
Gasoducto Marino del Este, S. de R.L. de C.V. (SSE owns 0.0200000%)
Ductos e Infraestructura Marina, S. de R.L. de C.V. (SSE owns .002%)
Infraestructura Marina del Golfo, S. de R.L. de C.V. (TransCanada owns 60%)
IEnova Gasoductos Mexico, S. de R.L. de C.V. "IGM" (SSE owns .00000005%)
IEnova Gasoductos Holding, S. de R.L. de C.V. (SSE owns 0.00000006%)
Gasoducto de Aguaprieta, S. de R.L. de C.V. "GAP" (SSE owns 0.00000147%)
Gasoductos de Chihuahua, S. de R.L. de C.V. (IGH, LLC owns 0.00200000%)
IEnova Gasoductos Holding, LLC "IGH, LLC" 100%
Gasoductos Servicios Corporativos y de Administracion, S. de R.L. de C.V. "GS" (GdT owns 0.000005339%)
Gasoductos del Noreste, S. de R.L. de C.V. (GS owns 0.00000014%)
Gasoductos de Tamaulipas, S. de R.L. de C.V. "GdT" (GS owns 0.00000017%)
Gasoductos Servicios Subholding, S. de R.L. de C.V. "GSS" (DES owns 0.00000153%)
Gasoductos Ingenieria, S. de R.L. de C.V. (GS owns 0.00000255%)
Gasoductos Servicios Corporativos, S. de R.L. de C.V. (GSS owns 99.99999617%)
Transportadora del Norte SH, S. de R.L. de C.V. "TdN SH" (GS owns 0.00000009%)
TDF, S. de R.L. de C.V. (GS owns 0.00000011%)
Ductos y Energeticos del Sureste, S. de R.L. de C.V. "DES" (GS owns 0.00000001%)
Gasoductos del Sureste, S. de R.L. de C.V. (GS owns 0.0000001%)
Ductos y Energeticos del Norte, S. de R.L. de C.V. "DEN" (PEMEX TRI owns 50%)
TAG Norte Holding, S. de R.L. de C.V.
TAG Pipelines Norte, S. de R.L. de C.V. (DEN owns 0.00013532%)

How to Reach Us

Our headquarters are located at Torre New York Life, Paseo de la Reforma No. 342, Floor 24, Col. Juarez, 06600 Ciudad de México. You can contact our investor relations department by telephone at +52 (55) 9138-0100 or by e-mail addressed to ienovainvestorrelations@ienova.com.mx. Our website is www.ienova.com.mx. Information contained on, or accessible through, our website is not incorporated by reference in, and shall not be considered part of, this offering circular and shall not be relied upon in determining whether to invest in our Shares.

THE OFFERINGS

Issuer	Infraestructura Energética Nova, S.A.B. de C.V.
Initial Purchasers	Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Santander Investment Securities Inc., Goldman, Sachs & Co. and Banco BTG Pactual S.A.—Cayman Branch.
Mexican Underwriters	Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México), J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero, Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México, Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex, and Evercore Casa de Bolsa, S.A. de C.V.
Shares offered in the Global Offering	323,402,450 Shares of our Class II common stock, no par value.
The International Offering	223,330,933 Shares to qualified institutional buyers (as defined in Rule 144A) in the United States, in reliance on Rule 144A under the Securities Act, and to institutional and other investors outside the United States that are not U.S. persons, in reliance on Regulation S under the Securities Act. The International Offering will be conducted by the initial purchasers.
The Mexican Offering	121,601,331 Shares to the general public in Mexico pursuant to a public offering registered in Mexico. The Mexican Offering will be conducted by the Mexican underwriters pursuant to a Spanish language prospectus prepared in accordance with Mexican law requirements that contains information that is substantially similar to that included in this offering circular.
The Global Offering	We refer to the International Offering and the Mexican Offering together as the Global Offering. This offering circular relates solely to the International Offering.
Reallocations	The Shares being offered in the Global Offering may be reallocated between the International Offering and the Mexican Offering by the initial purchasers and the Mexican underwriters based on the existing demand in the various markets in which the Shares will be offered, and the closings of the International Offering and the Mexican Offering are conditioned on each other. See "Plan of Distribution."
Over-allotment options	We have granted options to the initial purchasers and the Mexican underwriters, for a period of up to 30 days from the date of this offering circular, to purchase up to an additional 35,067,736 Shares at the public offering price, less the underwriting discount, to cover over-allotments, if any. See "Plan of Distribution."

Option to Upsize	We exercised an option to increase the size of the offering by selling 21,529,814 additional Shares in the Global Offering to cover excess demand (not including the over-allotment options) at the public offering price, as determined by us in consultation with the initial purchasers and the Mexican underwriters, based on market conditions on the date of pricing. This increase in the size of the offering is reflected in the corresponding share and price calculations included throughout this offering circular.
Offering price	The public offering price is Ps.80.00 per Share, which is equivalent to approximately US$4.22 per Share based upon an exchange rate of Ps.18.962 to US$1.00, as published by Banco de México on October 13, 2016 in the Mexican Federal Official Gazette.
Shares outstanding immediately following the Global Offering	Immediately prior to the Global Offering, we had 1,154,023,812 shares outstanding. After the Global Offering, we will have (i) 1,498,956,076 Shares outstanding, assuming the over-allotment options are not exercised, and (ii) 1,534,023,812 Shares outstanding, assuming the overallotment options are exercised in full.
Voting rights	All of our Shares have full voting rights, and each Share entitles its holder to one vote at any general shareholders' meeting. See "Description of Our Capital Stock and Bylaws."
Dividend Policy	The amount and timing of dividends is determined by majority vote of our shareholders present at any shareholders' meeting. Although we do not have a formal dividend policy and have no current plans to adopt such a policy, we currently intend to declare dividends on an annual basis, with one or more payments during the year. In August 2016, we paid dividends in the amount of US$140.0 million, representing a dividend of Ps.2.2891 per share. See "Dividends and Dividend Policy."
Controlling shareholder	Sempra Energy, through Semco, our controlling shareholder, has indicated an interest in purchasing an aggregate of approximately US$350.7 million in shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, Sempra Energy may determine to purchase fewer shares than it indicated an interest in purchasing or not to purchase any shares in this offering. It is also possible that Sempra Energy could indicate an interest in purchasing more shares of our common stock. In addition, since no preference shall be granted to Sempra Energy or its affiliates, the underwriters may determine to sell to Sempra Energy or its affiliates fewer shares than it indicated an interest in purchasing. Following the completion of the Global Offering and assuming that Sempra Energy or its affiliates purchase an aggregate of approximately 83,125,000 Shares in this offering, Sempra Energy will continue to beneficially own approximately (i) 67.98% of our

	outstanding Shares, assuming the over-allotment options are not exercised, and (ii) 66.43% of our outstanding Shares, assuming the overallotment options are exercised in full. See “Controlling Shareholder.”
Lock-up agreements	We, our indirect controlling shareholder (including Semco Holdco, S. de R.L. de C.V.) and our directors and officers have agreed that, subject to certain exceptions, we and they will not issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC or the CNBV a registration statement relating to, any of our Shares, or securities convertible into or exchangeable or exercisable for any of our Shares, or publicly disclose our intention to make any issue, offer, sale, pledge, disposition or filing, without the prior written consent of the initial purchasers and the Mexican underwriters, for a period of 90 days after the date of this offering circular.
Use of proceeds	We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately (i) Ps. 27.118 billion, which is equivalent to approximately US$1.430 billion, assuming the over-allotment options are not exercised in full, and (ii) Ps.29.864 billion, which is equivalent to approximately US$1.575 billion, assuming the overallotment options are exercised in full, in each case, based upon an exchange rate of Ps.18.962 to US$1.00, as published by Banco de México on October 13, 2016, after deducting all commissions and fees in connection with the Global Offering and expenses. We will pay all expenses, commissions and fees related to the Global Offering. We intend to use the net proceeds to us from the sale of Shares by us in the Global Offering to repay the Bridge Loan, which we borrowed from our affiliate, Sempra Global, and our indirect controlling shareholder, Semco, to finance the entire GdC Acquisition, finance a portion of the Ventika Acquisition and, if there are any remaining proceeds, for example, in the event that we do not complete the Ventika Acquisition, to fund capital expenditures and for general corporate purposes. See “Use of Proceeds.”
Payment, settlement and delivery.	Settlement of the Shares will be made through the book-entry, settlement and custody system of Indeval. The initial purchasers will deliver the Shares in book-entry form only through the facilities of Indeval, in Mexico City, Mexico, on or about October 19, 2016.
Listing	Our Shares are registered with the RNV maintained by the CNBV and listed on the Mexican Stock Exchange.
Mexican Stock Exchange symbol.	IENOVA
Transfer restrictions	The Shares have not been and will not be registered or listed outside of Mexico, including under the Securities Act or under any U.S. state securities laws. The International Offering is being made pursuant to

	Rule 144A and Regulation S under the Securities Act. Accordingly, the Shares may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers as defined in Rule 144A in reliance on exemptions from registration provided under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." As a result of these restrictions, we advise you to consult with counsel before reoffering, reselling or transferring the Shares.
Other restrictions on ownership and transfer	Our bylaws include anti-takeover protections. Generally, these provisions require board approval for acquisitions of our shares at thresholds that are different than the statutory tender offer rules described elsewhere in this offering circular. See "Description of Our Capital Stock and Bylaws—Anti-Takeover Protections."
Taxation	Under Mexican law, dividends paid by us to holders of our Shares who are not residents of Mexico for tax purposes are subject to a Mexican withholding tax at the rate of 10%. However, such dividends will be exempt from withholding if they correspond to profits that were subject to taxation at the corporate level prior to January 1, 2014. Sales of our Shares on the Mexican Stock Exchange by non-residents of Mexico for tax purposes would generally be subject to a 10% income tax withholding on the capital gain, which would be withheld by the Mexican broker-dealer through which the sale is conducted. See "Taxation."
Risk factors	See "Risk Factors" and the other information included in this offering circular for a discussion of factors you should carefully consider before deciding to invest in our Shares.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following summary consolidated financial and other information as of and for the years ended December 31, 2013, 2014 and 2015 is derived from our audited consolidated financial statements appearing elsewhere in this offering circular, and the summary unaudited condensed interim consolidated financial data as of June 30, 2016 and for the six months ended June 30, 2015 and 2016 is derived from our unaudited consolidated financial statements appearing elsewhere in this offering circular. The following summary unaudited pro forma financial information as of June 30, 2016 and the six months ended June 30, 2015 and 2016 and for the year ended December 31, 2015 is derived from the unaudited pro forma combined financial statements appearing under "Unaudited Pro Forma Combined Financial Information," which reflects the pro forma effect of the Transactions on our results of operations and financial position. You should read this information together with "Presentation of Financial and Other Information," "Unaudited Pro Forma Combined Financial Information," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited financial statements and related notes included elsewhere in this offering circular. Our historical results are not necessarily indicative of our future results.

On September 27, 2016, we acquired Pemex TRI's 50% equity interest in Gasoductos de Chihuahua for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million. As a result of the GdC Acquisition, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100%. The GdC Acquisition excluded Gasoductos de Chihuahua's subsidiary Ductos y Energéticos del Norte, which participates in the ownership of the Los Ramones Norte pipeline through the TAG Norte joint venture, and as a result we hold a 50% equity interest in Ductos y Energéticos del Norte. See "—Recent Developments—Gasoductos de Chihuahua Acquisition" and "Business—Corporate Governance of our TAG Norte Joint Venture with Pemex TRI."

In September 2016, we entered into an agreement to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million, which comprises an estimated cash payment of US$375 million, and considers (i) the assumption of approximately US$477 million of non-recourse indebtedness of Ventika through the closing date of the transaction and (ii) the assumption of intercompany indebtedness (in our unaudited pro forma combined financial statements appearing elsewhere in this offering circular, we have assumed an estimated purchase price for the Ventika Acquisition of US$375 million plus working capital and closing adjustments relating to estimated debt outstanding on the closing date, or US$415 million, which is an estimate of the purchase price to be paid on the closing date). See "—Recent Developments—Ventika Acquisition."

In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax. See "—Recent Developments—Termoeléctrica de Mexicali Power Plant Impairment."

The financial information contained in the unaudited pro forma combined financial statements contains financial information for Gasoductos de Chihuahua and Ventika that has not been audited. Undue reliance should not be placed on such unaudited pro forma combined financial statements. For more information regarding the impact of the Transactions on our results of operations and financial position, see "Unaudited Pro Forma Combined Financial Information."

Consolidated Statements of Profit

	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
	(in thousands of US$)				
Revenues	$ 677,836	$ 822,796	$ 671,703	$ 297,230	$271,976
Cost of revenues	(328,817)	(443,298)	(286,597)	(119,019)	(91,491)
Operating, administrative and other expenses	(99,685)	(98,384)	(104,213)	(38,742)	(41,919)
Depreciation and amortization	(61,164)	(61,943)	(67,682)	(24,768)	(28,551)
Interest income	1,372	3,299	6,743	3,708	3,035
Finance (costs) income	(5,035)	1,143	(10,103)	(2,330)	(5,825)
Other (losses) and gains	6,986	1,258	(11,575)	(3,268)	(698)
Profit before income tax and share of profits of joint ventures	**191,493**	**224,871**	**198,276**	**112,811**	**106,527**
Income tax expense	(83,792)	(111,283)	(100,406)	(42,860)	(40,598)
Share of profits of joint ventures, net of income tax	34,689	23,346	42,319	23,258	39,425
Profit for the period from continuing operations	**$ 142,390**	**$ 136,934**	**$ 140,189**	**$ 93,209**	**$105,354**
Loss for the period from discontinued operations, net of income tax	—	—	—	(10,501)	(38,282)
Profit for the period	**$ 142,390**	**$ 136,934**	**$ 140,189**	**$ 82,708**	**$ 67,072**

Condensed Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(in thousands of US$)			
Assets				
Current assets				
Cash and cash equivalents	$ 103,880	$ 83,637	$ 40,377	$ 53,435
Short-term investments	207,027	30,020	20,068	80
Assets held for sale	—	—	—	312,973
Other current assets(1)	187,221	211,962	164,884	105,990
Total current assets	**498,128**	**325,619**	**225,329**	**472,478**
Non-current assets				
Investments in joint ventures	366,288	401,538	440,105	460,772
Property, plant and equipment, net	2,213,837	2,377,739	2,595,840	2,446,041
Other non-current assets(2)	163,655	275,322	245,808	212,694
Total non-current assets	**2,743,780**	**3,054,599**	**3,281,753**	**3,119,507**
Total assets	**$3,241,908**	**$3,380,218**	**$3,507,082**	**$3,591,985**
Equity and liabilities				
Liabilities held for sale	$ —	$ —	$ —	$ 70,494
Other current liabilities(3)	193,089	367,550	543,341	575,408
Current liabilities	**193,089**	**367,550**	**543,341**	**645,902**
Non-current liabilities				
Long-term debt(4)	394,656	350,638	299,925	272,900
Due to unconsolidated affiliates	38,893	38,460	38,460	39,187
Other non-current liabilities(5)	298,858	374,282	445,492	422,233
Total non-current liabilities	**732,407**	**763,380**	**783,877**	**734,320**
Total liabilities	**925,496**	**1,130,930**	**1,327,218**	**1,380,222**
Total equity	**2,316,412**	**2,249,288**	**2,179,864**	**2,211,763**
Total equity and liabilities	**$3,241,908**	**$3,380,218**	**$3,507,082**	**$3,591,985**

(1) Other current assets include trade and other receivables—net, income tax receivable, value-added tax receivable, amounts due from subsidiaries of Sempra that are not consolidated with us, carbon allowances from 2015, inventory of natural gas, derivative financial instruments and other current assets.

(2) Other non-current assets include unconsolidated accounts receivable from related parties, deferred income tax assets, finance lease receivables, goodwill, carbon allowances from 2015 and other non-current assets.

(3) Other current liabilities include revolving credit facilities, trade and other payables, short-term debt, unconsolidated current amounts due to related parties, current tax liabilities, other financial liabilities, provisions, derivative financial instruments, carbon allowances from 2015 and other current liabilities.

(4) Long-term debt includes CEBURES long-term debt.

(5) Other non-current liabilities include deferred income tax liabilities, derivative financial instruments, provisions, carbon allowances from 2015 and employee benefits.

Other Financial and Operating Data

	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
	(in thousands of US$)				
Payments for property, plant and equipment (capital expenditures)	$369,672	$325,484	$300,090	$119,801	$114,905
Pro forma payments for property, plant and equipment (capital expenditures)	—	—	828,264	416,792	201,818
EBITDA(1)	**249,334**	**281,114**	**280,893**	**139,469**	**138,566**
Adjusted EBITDA(1)	**303,085**	**336,890**	**391,814**	**187,601**	**216,235**
Pro Forma Adjusted EBITDA(1)(2)	**N/A**	**N/A**	**492,284**	**235,404**	**291,022**
Adjusted EBITDA by Segment:					
Gas	$289,592	$300,558	$367,224	$187,652	$212,177
Power	14,604	36,009	24,976	3,857	9,392
Corporate	(1,111)	323	(385)	(100)	1,486
Discontinued operations(3)				(3,808)	(6,820)
Pro Forma Adjusted EBITDA by Segment(2):					
Gas	N/A	N/A	$467,742	$235,489	$269,980
Power	N/A	N/A	24,927	3,824	26,376
Corporate	N/A	N/A	(385)	(100)	1,486
Discontinued operations(3)	N/A	N/A		(3,808)	(6,820)

(1) See "Presentation of Financial and Other Information—EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA" for an explanation of how and why we calculate EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, including a reconciliation of EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA to profit under IFRS.

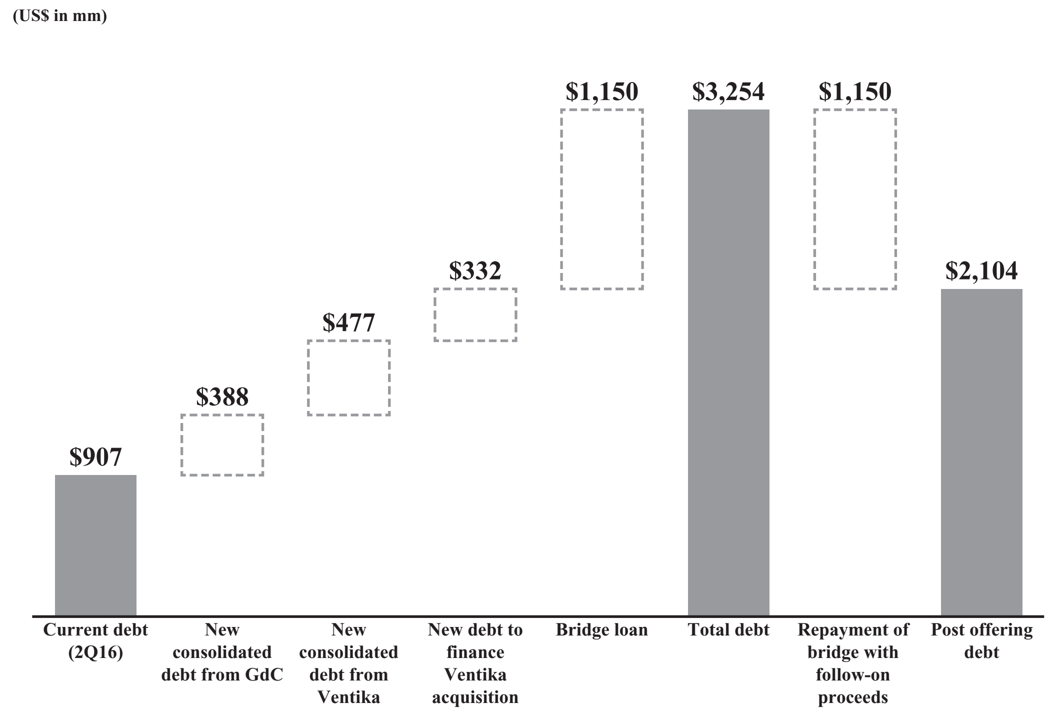
(2) Includes results derived from the Ventika Financial Information, which were not audited nor were subject to a limited review by auditors. See "—Cautionary Note Relating to Preparation of the Unaudited Pro Forma Combined Financial Information." In addition, Ventika did not begin operations until April 2016. As a result, Pro Forma EBITDA and Pro Forma Adjusted EBITDA, and the related pro forma financial metrics included therein, in each case as of and for the six months ended June 30, 2016, may not be comparable to Pro Forma EBITDA, Pro Forma Adjusted EBITDA and the related pro forma financial metrics included therein as of and for the six months ended June 30, 2015 or other prior periods.

(3) In February 2016, our board of directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results are presented in our unaudited consolidated statements of profit for the six months ended June 30, 2015 and 2016 as discontinued operations, net of income tax, including a $28.3 million one-time, non-cash deferred tax expense recorded in 2016.

Summary Unaudited Pro Forma Combined Financial Information

	Six Months Ended June 30,	
(in thousands of US$)	2015	2016
Profit before income tax and share of profits of joint ventures(1)	$950,282	$ 199,130
Income tax expense	(70,033)	(73,213)
Share of profits of joint ventures, net of income tax	(1,203)	9,413
Profit for the period(1)	868,545	97,048
Total Assets	N/A	7,008,217
Total Liabilities	N/A	2,846,257

(1) The results for the year ended December 31, 2015 and the six months ended June 30, 2015 include the gains on the re-measurement of our 50% interest in Gasoductos de Chihuahua due to the GdC Acquisition of US$727.0 million in each period, respectively.


(US$ in mm)
$907
$388
$477
$332
$1,150
$3,254
$1,150
$2,104
Current debt (2Q16)
New consolidated debt from GdC
New consolidated debt from Ventika
New debt to finance Ventika acquisition
Bridge loan
Total debt
Repayment of bridge with follow-on proceeds
Post offering debt

RISK FACTORS

An investment in our Shares involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this offering circular, including our consolidated financial statements, before making an investment decision. Our business, financial condition, results of operations, cash flows and/or prospects could be materially adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially adversely affect us. Additional risks and factors not currently known to us, or those that we currently deem to be immaterial, may also materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In this section, when we state that a risk or uncertainty may, could or will have a "material adverse effect" on us or could or will "materially adversely affect" us, we mean that the risk or uncertainty could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Risks Relating to Our Business and Our Industry

U.S. Presidential Elections will take place in November 2016, and the U.S. Republican presidential candidate, if victorious, could renegotiate trade agreements and implement immigration policy changes, which may prompt potential retaliatory action on the part of Mexico. The foregoing actions by either or both governments could affect imports and exports between Mexico and the United States.

The U.S. Republican presidential candidate, Donald Trump, has indicated his intention to renegotiate trade agreements, such as the North American Free Trade Agreement, or NAFTA, and implement U.S. immigration policy changes. If Mr. Trump is elected president, we could expect changes in the Mexican, U.S. and other markets. In addition, if this occurs, the Mexican government could implement retaliatory actions, such as the imposition of restrictions on Mexican imports of natural gas from the United States or imports and exports of electricity to the United States. The foregoing actions by either or both governments could affect imports and exports between Mexico and the United States, which could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We operate in a highly regulated environment, and our profitability depends on our ability to comply with a number of laws and regulations on a timely and efficient basis.

We operate under the laws and regulations of various federal, state and local governmental entities in Mexico and are required to obtain and maintain various permits, licenses and governmental approvals for our activities. In some cases, the prices that we charge for our products and services are limited by regulated rates set by governmental authorities. These regulations and permits may limit our operating flexibility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For example, in order to obtain the favorable opinion of the Mexican Federal Economic Competition Commission in connection with a permit we required for the operation of our Gasoducto Rosarito pipeline system, we were required to agree to divest ourselves of the Mexicali components of our Ecogas natural gas distribution system. We have been subject to this obligation since 2000 and have made good faith efforts to comply with the obligation to divest ourselves of our Mexicali gas distribution system, but have not yet located a purchaser for these assets. We have notified the Mexican Federal Economic Competition Commission of our inability to find a purchaser and it has not yet imposed a deadline for this disposition at this time. In addition, in order to obtain approval from the Mexican Federal Economic Competition Commission of the GdC Acquisition, the Mexican Federal Economic Competition Commission required Pemex to undertake a bidding process with respect to its interest in the San Fernando pipeline and TDF pipeline system. Such bidding process was completed in July 2016. On September 21, 2016, the Mexican Federal Economic Competition Commission authorized and approved our acquisition of 50% of the capital stock of Gasoductos de Chihuahua. We will also need to obtain the approval of the Mexican Federal Economic Competition Commission in order to complete the pending Ventika Acquisition.

With respect to the regulated rates that we charge our customers, the Mexican Energy Regulatory Commission resets these rates periodically in accordance with applicable regulations, and the rates set by the Mexican Energy Regulatory Commission may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In addition, in order to undertake new energy infrastructure projects in Mexico we may require additional permits from the Mexican Ministry of the Environment (*Secretaría de Medio Ambiente y Recursos Naturales*), the Mexican National Agency for Industrial Protection and the Protection of the Environment (*Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), or ASEA, the Mexican Energy Regulatory Commission and the Mexican Energy Ministry, as well as the favorable opinion of the Mexican Federal Economic Competition Commission, and various factors, including a change in the Mexican Energy Regulatory Commission's policy, could result in our inability to obtain such permits.

We cannot predict the future course of changes in laws and regulations that cover our activities or the effect that this changing regulatory environment will have on our business. In addition, due to the complex overlapping federal, state and local regulatory regimes in which we operate, we may from time to time discover that we are lacking, or non-compliant with, one or more of our permits. If there is a delay in obtaining any required regulatory approval or permit to conduct our operations or if we fail to obtain or maintain any 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 our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. See "Business—Legal, Administrative and Arbitration Proceedings."

We are subject to numerous environmental, health and safety regulations that may become more stringent in the future and may result in increased liabilities and increased capital expenditures.

Our 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 such laws, regulations, official standards and related policies. These laws, regulations and official standards mandate, among other requirements, that we obtain and maintain environmental, health and safety licenses for construction and operation of all facilities, including our facilities related to the transportation, storage and distribution of natural gas, LPG and ethane, and the generation of energy. These laws, regulations and official standards may also require us to obtain and maintain the following with respect to the construction and operation of our facilities: environmental impact authorizations; risk studies; accident prevention program authorizations; forestry land use change authorizations; air emissions operation licenses; local land use and construction licenses; waste disposal and handling permits and authorizations including hazardous, special management and urban solid wastes; concession titles or permits for the use and exploitation of water and the discharge of wastewaters; and concession titles for the use of federal zones, construction of maritime infrastructure or installation of new equipment required for our operations. See "Regulatory, Permits and Environmental Matters." The failure to obtain and maintain these authorizations, licenses, permits and concessions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Even once obtained, compliance with authorizations, permits, concessions, regulations and license terms and conditions may be expensive, difficult or economically unfeasible thereby curtailing future operations. Moreover, governmental agencies could take enforcement action against us for our failure to comply with their laws, regulations, official standards and related policies. These enforcement actions could include, among other things, the imposition of economic 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 imprisonment if environmental violations are classified as criminal offenses. Compliance with enhanced environmental, safety and health regulations, including as a result of any environmental contamination or pollution for which we may be held liable in the future, could require us to divert resources to make capital expenditures. 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 schedule of construction and improvements of any of our on-going projects and/or facilities for the transportation, storage and distribution of natural gas and other hydrocarbons and for the generation of energy. Private parties may also have the right to pursue legal actions to enforce compliance and to seek damages for personal injury, property damage or for non-compliance with respect to environmental laws, as well as compensation or remedial action of any environmental damage, as may be the case, which is independent of any civil, criminal or administrative liability. The failure to comply with these authorizations, permits, concessions, regulations and license terms and conditions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Mexico is also a party to many international agreements regarding environmental protection. We anticipate that the regulation of our business operations under Mexican federal, state and local environmental laws and regulations will increase and become more stringent over time, including as a result of international agreements. Such international agreements, upon ratification by the Mexican Senate, become a part of Mexican law. Under the North American Agreement on Environmental Cooperation, or NAAEC, a side agreement to NAFTA, each country that is a party to NAFTA, including Mexico, must ensure that its environmental laws and regulations are duly enforced. While the NAAEC 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 created within the NAAEC, which may lead to monetary penalties, and in some cases, to the suspension of NAFTA benefits, the result of which could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. 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 our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The Mexican Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*), which became effective in July 2013, provides for significant penalties for damages to the environment and could subject us to significant liability in the event of any such damage. However, we cannot predict the outcome of any action brought against us or the extent to which we could be held liable under such law. See "Regulatory, Permits and Environmental Matters." The cost of remediating or providing compensation for any environmental damage could be significant and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We cannot predict the potential effects on our business of the new legal framework for regulating the energy sector in Mexico.

Mexico has developed a new legal framework for the regulation of the hydrocarbons and electric power sectors based on a package of constitutional amendments approved by the Mexican Congress in December 2013 and implementing legislation enacted in 2014, including the amendment of certain existing laws in August 2014 and the issuance of new regulations thereunder in October 2014. The new legal framework for our pipelines and natural gas distribution businesses is set forth in the new Mexican Hydrocarbons Law (*Ley de Hidrocarburos*), the Mexican Hydrocarbon General Regulations (*Reglamento de la Ley de Hidrocarburos*) and the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbons Law (*Reglamento de las actividades a que se refiere el Título Tercero de la Ley de Hidrocarburos*). Our power generation business is subject to regulation under the Mexican Electricity Industry Law (*Ley de la Industria Eléctrica*) and the Regulations Under the Law for the Electricity Industry (*Reglamento de la Ley de la Industria Eléctrica*), except for "grandfathered" projects, which remain governed by the Mexican Law for Power Utilities (*Ley del Servicio Público de Energía Eléctrica*) and the regulations issued thereunder to the extent they do not conflict with the new legal framework. However, given the recent creation of this legal framework, it is uncertain how it would be interpreted in practice. We also cannot predict the manner in which the new legal framework would affect any new business opportunities we may wish to pursue. See "Regulatory, Permits and Environmental Matters." For example, since the publication of the constitutional amendments relating to the Mexican energy sector in

December 2013, a number of Mexican authorities and government-related entities have published in the Mexican Official Gazette more than 100 laws, regulations, resolutions, rules, notices and other provisions relating to hydrocarbons, and more than 50 relating to electric power, the vast majority of which are intended to regulate the activities of participants in the Mexican energy sector.

The changes introduced by the new legal framework may require us to obtain an amendment of our existing permits or secure additional permits to operate our natural gas, LNG, LPG, ethane or power generation facilities or render our services, take additional actions to secure the requisite rights-of-way for our projects, perform social impact assessments or, upon consultation with the competent authorities, obtain the consent of indigenous communities for the development of our projects. We cannot assure you that we would be able to satisfy any new requirement affecting our existing permits or rights-of-way, or to secure any additional permit, approval or right-of-way required under the new legal framework. If we fail to satisfy any such requirement or if we cannot obtain any such permit, approval or right-of-way in a timely fashion, we may be unable to operate or may experience delays in the development, construction and operation of our energy infrastructure projects. Furthermore, any change in the operating and disclosure rules for the Mexican energy sector, or any cost increase associated with complying with any gas emissions reduction or social impact assessment obligations, or with obtaining the consent of indigenous communities for the development of new projects, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Among other things, as a result of the amendment of the legal framework for the Mexican energy sector, Pemex and the Mexican Federal Electricity Commission ceased to be decentralized agencies of the Mexican government and became independent, government-owned operating companies with technical, operational and administrative autonomy. The new legal framework generally, and the provisions governing the budgets of these Mexican government-owned companies specifically, have not yet been the subject of judicial or administrative interpretation and it is uncertain how they would be interpreted in practice. See “Regulatory, Permits and Environmental Matters.”

We cannot predict the impact that legal, regulatory and social responses to climate change may have on our business.

A number of legal and regulatory measures as well as social initiatives have been introduced both internationally and in Mexico in an effort to reduce greenhouse gases and other carbon emissions. The Mexican Electric Industry Law and its regulations impose an internal system aimed at encouraging the use of electricity generated through clean energy sources while introducing negotiable clean energy certificates as well as other measures aimed at achieving greenhouse gas reductions, which could result in additional costs in our power segment and in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

At the 21st Conference of Parties to the United Nations Framework Convention on Climate Change, or COP21, which was held in late 2015, 150 countries submitted their Intended Nationally Determined Contributions, or INDCs. Mexico’s participation in COP21 was noteworthy in that it was the first developing country to submit its INDC to the COP21. The principal agreements reached during COP21 include: (i) coming together every five years to set more ambitious targets, (ii) providing enhanced support for adaptation to developing countries, (iii) establishing long-term goals towards the objective of zero net emissions, (iv) providing for increased transparency to ensure the achievement of such objective, and (v) providing financial aid to developing countries for implementing new procedures to minimize climate change.

In order to comply with these agreements, Mexican regulatory authorities will seek to ensure that we conduct our businesses in strict compliance with the Mexican Law on Climate Change, the Mexican National Strategy on Climate Change (*Estrategia Nacional de Cambio Climático*), the Mexican Special Program on Climate Change (*Programa Especial de Cambio Climático*) and the Mexican National System on Climate

Change (*Sistema Nacional de Cambio Climático*). Accordingly, we will be required to assume and take into increased consideration the climate-related challenges posed by our operations or facing our existing partners and customers, such as Pemex and the Mexican Federal Electricity Commission, which could force us to incur additional costs and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We may be exposed to high costs to acquire LNG in order to maintain the operations of our LNG terminal.

In order for our LNG terminal to be operational, to prevent equipment damage from thermal expansion or contraction during warming and subsequent re-cooling, and to provide service when needed by customers, the storage tanks and piping must be kept at or below approximately -160° Celsius by maintaining a minimum volume of LNG in the system. That need will be met if one or more of our customers maintain a sufficient amount of LNG in our terminal. However, other than our subsidiary customer IEnova Marketing, S. de R.L. de C.V., or IEnova Marketing, which has agreed to use reasonable efforts to procure LNG for our terminal at our request, none of our customers has an obligation to deliver cargoes or maintain a minimum LNG inventory, and we cannot assure you that our customers will do so. Of the terminal's capacity holders, only IEnova Marketing has delivered LNG cargoes to the terminal. Based on the market price of LNG relative to the price of natural gas in the natural gas markets typically served using regasified LNG from our LNG terminal, we do not anticipate that our third-party customers, Shell Mexico, or Shell, and Gazprom Mexico, or Gazprom, will deliver LNG to the terminal in the foreseeable future, and we do not anticipate that in the foreseeable future our subsidiary IEnova Marketing will deliver more than the minimum quantities required to keep the terminal cold.

In the event that our LNG terminal customers were not maintaining the necessary minimum volume of LNG in our terminal, we would need to secure LNG in the market in order to maintain the cold temperature of the terminal. If the cost to secure such volumes were to exceed the Mexican natural gas market price for which we could resell the regasified LNG, we could be subject to financial losses. In addition, if the quality of LNG that is delivered to the terminal is different from historical quality, or if the natural gas specifications in the United States or Mexico become more restrictive, we may need more LNG to keep the terminal cold than we are currently estimating. The costs of securing cargoes in the open market could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We are assessing the possibility of adding liquefaction capabilities to our LNG terminal, but our efforts to such end may prove unsuccessful. In addition, the successful addition of such capabilities could force us to terminate our existing agreements with our regasification customers, which could give rise to indemnification obligations to such customers.

We are assessing the possibility of adding liquefaction capabilities to our LNG terminal. In the first quarter of 2015, we, Sempra Energy and a Pemex affiliate entered into several cooperation and coordination agreements to explore the development of potential natural gas liquefaction facilities at our LNG terminal. Our LNG terminal is the subject of certain land disputes challenging the issuance of the construction and operation permits and authorizations for our LNG terminal, or LNG terminal permits, which may hinder our ability to secure financing for the project or to identify suitable partners and customers. In addition, because the Mexican permitting process and U.S. regulations for the delivery of natural gas to LNG facilities located in Mexico and subsequent re-export are still under development, we cannot assure you that we would not face significant challenges in securing the requisite construction permits or building the relevant facilities, and any such challenge could hinder our ability to secure adequate financing or to identify suitable partners and customers for this project. In addition, the development of the proposed liquefaction project will depend to a large extent on the condition of the global market for LNG, including, in particular, as it relates to the supply and demand for LNG from the west coast of the Americas (also taking into consideration the recent expansion of the Panama Canal), and on our ability to obtain adequate supply or storage of natural gas from the United States. There are a number of potential LNG liquefaction projects under construction or in the process of being developed by various project developers in North America, including our indirect, controlling shareholder's contemplated new projects, and given the projected global demand for LNG, the vast majority of these projects likely will not be completed. In addition, an extended decline in current and forward projections of crude oil could reduce the demand for natural gas in some sectors and cause a corresponding reduction in projected global demand for LNG, which could, in turn, result in increased competition among developers of LNG projects. Our LNG terminal has in place several profitable long-term regasification agreements that account for 100% of the terminal's installed capacity. Any decision on whether to add liquefaction capabilities to the terminal will depend in part on whether our investment in the construction of the requisite facilities would be more profitable than solely providing regasification services under our existing agreements. Pursuant to our existing agreements, we are required to provide storage and regasification services to our customers through 2028 (or later, if customers exercise their renewal rights under such agreements). We may opt for offering both regasification and liquefaction, or only liquefaction services to our customers, or for continuing to provide regasification services only. If we are unable to continue to offer regasification services to our existing customers, or if the construction of the liquefaction facilities renders us unable to provide such services on a timely fashion, we may be held liable for indemnification to such customers under our existing agreements, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We have relied and may continue to rely on certain affiliates for services and financing, and there can be no assurance that we will be able to obtain such services or financing from our affiliates or from alternate third parties in the future.

We rely on certain of our affiliates to provide various technical, administrative and management services, and expect to continue to do so in the future. We depend to a certain extent on these affiliates for the successful operation and development of our energy infrastructure projects. We have agreements in place pursuant to which these services are being rendered, as more fully described in "Certain Relationships and Related Party Transactions." However, there is no obligation on the part of these affiliates to provide these services upon the expiration of the existing agreements. While we intend to continue to rely on affiliates for these services, we may not be able to obtain such services from these affiliates or any alternate third party in the future at reasonable prices or at all. Any failure to obtain these key technical, administrative and management services on acceptable terms could materially adversely affect our ability to satisfy our contractual obligations, or to grow our business, and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

After giving pro forma effect to the GdC Acquisition (including the Bridge Loan and its repayment from the net proceeds of this offering) and the pending Ventika Acquisition, as of June 30, 2016, we had borrowings from affiliates in the amount of approximately US$388 million. If our affiliates do not provide us with debt financing in the future, we may be unable to secure alternative sources of funding, which would have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. While we believe that the rates and terms of the borrowings we have received in the past from our affiliates are comparable to those we would have obtained from unrelated third parties in arm's-length transactions, we can provide no assurance that we would have been able to obtain such borrowings from unrelated third parties at rates and on terms that were as favorable to us as those we have received from our affiliates. We may not be able to obtain similar financing from these affiliates or any alternate third party at reasonable rates and terms or at all. Any failure to obtain sufficient debt financing on acceptable rates and terms could adversely affect our ability to satisfy our contractual obligations, or to grow our business, and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

In addition, our indirect controlling shareholder, Sempra Energy, has guaranteed certain of our financial obligations, including the obligations of IEnova Marketing to the LNG terminal under its firm storage services agreement and to our pipelines business under its transportation services agreements, as well as to third parties. We can provide no assurance that Sempra Energy will be willing to provide similar credit support in the future on other commercial contracts that we may enter into or the terms it may require from us in exchange for providing such credit support. In the event that we are unable to obtain such credit support from Sempra Energy on commercially reasonable terms, or at all, we can provide no assurance that we would be able to obtain such credit support from third parties on commercially reasonable terms, or at all, which could limit our ability to enter into certain commercial contracts or adversely affect the terms of commercial contracts that we do enter into, which could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. See "Certain Relationships and Related Party Transactions."

The outcome of pending litigation against us or affecting our permits or property rights in connection with our LNG terminal and our wind power generation operation through Energía Sierra Juárez could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Several parties have initiated actions with the Mexican Environmental Protection Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*) or the Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*), challenging the Environmental Impact Authorization, or environmental authorization, for our LNG terminal, and one party has brought a civil action challenging the issuance of the authorizations and permits issued for the construction and operation of our LNG terminal, or the LNG terminal permits. See "Business—Legal, Administrative and Arbitration Proceedings—LNG Terminal." While, to date, the Mexican Environmental Protection Ministry and the Mexican Environmental Protection Enforcement Agency have found against the claimants challenging this environmental authorization, the claimants have appealed these determinations. In the event any of these parties were to ultimately prevail against us, this could result in a modification to (or in extreme circumstances, a nullification of) our environmental authorization or one or more of the LNG terminal permits. To the extent that any such modifications require new investments to comply with more stringent mitigation measures or conditions, such modifications could materially adversely affect our terminal's operations. If our environmental authorization or one or more of the LNG terminal permits were to be nullified, it could result in our terminal being unable to continue operations, which also could result in breaches of one or more permits or contracts to which we are a party. Any modification or nullification of our environmental authorization or one or more of the LNG terminal permits could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We also are engaged in disputes regarding our title to the properties adjacent to and on which our LNG terminal is located. In the event that we are unable to defend and retain title to the properties on which our LNG terminal is located, we could lose our rights to occupy and use such properties and the related terminal, which could result in breaches of one or more permits or contracts that we have entered into with respect to such terminal. If we are unable to occupy and use such properties and the related terminal, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

In addition, a Mexican non-governmental environmental organization has filed an administrative appeal challenging the Mexican Environmental Protection Ministry's issuance of the environmental impact authorization for the construction and operation of our Energía Sierra Juárez wind power generation operation, and private U.S. claimants have filed a complaint in U.S. federal court challenging the issuance of the U.S. Presidential Permit by the U.S. Department of Energy for the construction of the cross-border transmission line for such project. See "Business—Legal, Administrative and Arbitration Proceedings—Energía Sierra Juárez Litigation." If either of these challenges prevails, the environmental authorization could be modified or annulled, which could materially adversely affect the timing or development of that project and have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We have spent, and continue to spend, substantial amounts of money and time defending these lawsuits, and in related investigations and regulatory proceedings. The uncertainties inherent in legal proceedings, particularly in Mexico, make it difficult to estimate with any degree of certainty the costs and effects of resolving these matters. In addition to the matters described above, from time to time we may become involved in other litigation and administrative proceedings relating to claims arising out of our operations and properties. These may include claims filed by suppliers and customers, government regulators, including tax authorities, neighboring residents and environmental activists, as well as labor disputes. The outcome of these proceedings could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For additional information regarding the legal and administrative proceedings to which we are a party, see "Business—Legal, Administrative and Arbitration Proceedings."

Various governmental entities may prematurely terminate our permits under various circumstances, some of which are beyond our control.

Our permits granted by the Mexican Energy Regulatory Commission (including our LNG storage permit, transportation permits, distribution permits, and power generation permits) are essential for the operation of our assets, and we would be unable to continue the operations of a particular asset without the applicable permit granted by the Mexican Energy Regulatory Commission.

Our existing permits may be revoked by the Mexican Energy Regulatory Commission for certain reasons set forth in the terms of those permits, as well as for any other cause provided by the legislation applicable to natural gas, LPG, hydrocarbons and electric power that were in effect when the permit was granted, including (1) if we engage in discriminatory practices or charge rates in excess of the maximum rates established by the Mexican Energy Regulatory Commission, (2) if we transfer the permit in violation of its terms or applicable legislation, or (3) if we fail to take action to utilize the permit within the term provided therein. In addition, our permits may be revoked in certain circumstances, including if we do not comply with our obligations under Mexican standards or conditions under the permits, or if we experience partial or total interruption in the operation of the system or facility without justified cause or authorization from the Mexican Energy Regulatory Commission.

The Mexican Electricity Industry Law and the Mexican Hydrocarbons Law provide for similar revocation events that would apply to any new permit we obtain for purposes of our business activities. These events include: (1) engaging in discriminatory practices that affect end consumers, (2) failing to comply with regulations relating to rates and tariffs, (3) assigning a permit without the prior approval of the Mexican Energy Regulatory Commission, (4) failing to exercise our rights under the relevant permit within certain period of time, (5) failure to maintain in full force and effect the required collateral and insurance or (6) the interruption of services without justified cause.

The early termination of any of our related permits and the suspension of the operations of any of our assets, or the imposition of changes to the manner in which we operate any of our assets as a result of changes to our permits requested by the Mexican Energy Regulatory Commission, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Natural disasters, accidents, acts of terrorism or criminality could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our facilities, including our LNG terminal, pipeline systems, power generation facilities, and office buildings may be damaged by natural disasters, accidents, major equipment failures, acts of terrorism or criminality. Substantially all of our assets are located in areas of northern and central Mexico that are susceptible to earthquakes and wildfires. Natural disasters, accidents, major equipment failures, acts of terrorism or criminality could result in severe business disruptions, significant decreases in revenues and earnings and/or significant additional costs to us. Any such incident could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Depending on the nature and location of the facilities affected, any such incident also could cause catastrophic fires, leaks, explosions, spills or other significant damage to natural resources or property belonging to third parties, or cause personal injuries, health impacts or fatalities, or present a nuisance to impacted communities. Any of these consequences could lead to significant claims against us. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds we receive may be insufficient to cover our losses or liabilities, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our acquisition of the remaining 50% ownership interest in Gasoductos de Chihuahua and our pending acquisition of the Ventika I and Ventika II wind power generation facilities exposes us to material risks.

Our acquisition of the remaining 50% ownership interest in Gasoductos de Chihuahua from Pemex TRI and the pending acquisition of the Ventika I and Ventika II wind power generation facilities from Fisterra Energy and certain minority shareholders exposes us to material risks. Our expectations regarding the results of Gasoductos de Chihuahua's existing projects and future projects under construction are based on assumptions and estimates that take into consideration our prior experience in the development of joint venture projects with Pemex TRI, and our expectations regarding the results of operations of the Ventika I and Ventika II wind power generation facilities are based on our due diligence and assumptions and estimates we have made regarding the future productivity of these assets. The ability of these projects to achieve their expected results is subject to the risks inherent to the development, construction and management of energy projects generally, including, without limitation, the impairment of equipment at a faster rate than expected, as well as system failures and interruptions. Our future acquisitions may fail to perform as expected, and the revenues generated by such acquisitions may prove insufficient to repay any debt incurred to consummate or maintain such acquisitions. Furthermore, the successful integration and consolidation of any acquisition requires significant human, financial and other resources, which may distract the attention of our management from our existing projects, give rise to disruptions in such projects or result in an acquisition not being adequately integrated. We may prove unsuccessful at integrating either of these businesses with our own, or experience difficulties in connection with the integration of their operations and systems (including IT, accounting, financial, control, risk management and safety systems). Our failure to achieve the expected results, synergies and/or economies of scale from the integration of these businesses could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. Furthermore, the Ventika Acquisition may be delayed or not completed. A delay in the completion in the Ventika Acquisition could reduce or eliminate the projected results based on the Ventika Acquisition and could result in more expenses and time for the implementation of the Ventika Acquisition, as well as reduce or eliminate the projected results based on such transaction.

The volatility of oil and natural gas prices could have a material adverse effect on our financial condition.

The sharp decline in oil prices since late 2014, which has continued into 2016, and the low prevailing prices of natural gas, have had a negative effect on Pemex's revenues, profits and cash flows. Some rating agencies have expressed concern regarding Pemex's financial condition, including its aggregate debt, which has increased significantly in recent years. Pemex is a significant customer of ours, and if Pemex becomes unable to satisfy its contractual obligations to us, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments.

The acquisition, development, construction or expansion of our LNG terminal, natural gas, ethane and LPG pipelines, storage and distribution facilities, electricity generation and transmission facilities, and other energy infrastructure projects, such as our potential liquefaction facility, involve numerous risks. We may be required to spend significant sums for preliminary engineering, permitting, fuel supply, resource exploration, legal, and other expenses before we can determine whether a project is feasible, economically attractive, or capable of being built.

Success in developing a particular project is contingent upon, among other things:

- obtaining the necessary property rights and any other real estate rights;
- negotiation of satisfactory engineering, procurement and construction agreements;
- negotiation of supply and natural gas or electricity sales agreements or firm capacity service agreements;
- timely receipt of required governmental permits, licenses, authorizations, and rights-of-way and maintenance or extension of these authorizations;
- negotiation with local communities and minority 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 adversely affected by various factors, including:

- unforeseen engineering problems;
- unforeseen difficulty in obtaining, maintaining or extending governmental permits, licenses, authorizations, rights-of-way and easements;
- construction delays and contractor performance shortfalls;
- work stoppages, strikes or boycotts;
- equipment unavailability or delay and cost increases;
- adverse weather conditions;
- environmental and geological conditions;
- opposition or challenges by non-governmental environmental organizations or indigenous communities;
- risks related to brownfield projects, such as hidden defects, inherited environmental liabilities and problems with rights-of-way;
- unanticipated increases in costs associated with known or unknown adverse environmental conditions, including costs of compliance with environmental laws; and
- impact of exchange rates on imported equipment and supplies.

In particular, we could face delays in the completion of an approximately 14 km portion of the Guaymas—El Oro segment of our Sonora pipelines that passes through the territory of the Yaqui tribe. The Yaqui tribe is an indigenous tribe of Mexico comprised of eight communities, located south of Ciudad Obregón, Sonora. In July 2014, the Secretariat of Energy of Mexico (*Secretaría de Energía*), or SENER, commenced a voluntary and informed prior consultation procedure with the Yaqui tribe with respect to the construction and operation of the pipeline. In 2015, the Yaqui tribe, with the exception of the Bácum community thereof, granted its consent for the construction of the Guaymas—El Oro segment that crosses its territory. The Yaqui tribe, with the exception of the Bácum community, also entered into a right of way easement agreement with our subsidiary, Gasoducto de Aguaprieta. In September 2015, SENER issued a resolution that the prior, voluntary and informed consultation procedure with the Yaqui tribe with respect to the construction and operation of the project had concluded in a satisfactory manner.

Representatives of the Bácum community filed an *amparo* claim in Mexican federal court against various governmental entities, including SENER, the Secretariat of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*), or SEMARNAT, the Mexican Energy Regulatory Commission, the State of Sonora and the municipalities in which the territory of the Bácum community is located, demanding enforcement of their right to withhold consent for the project, the stoppage of construction works in Yaqui territory, the reparation of damages caused by such construction and an order to suspend construction activities in all of the Yaqui territory. The judge granted a suspension order that prohibited the construction through the Bácum community's territory only, but not in the rest of the Yaqui tribe's territory. As a result of such suspension order, we have been delayed in our scheduled construction of the 14 km portion of the Guaymas—El Oro segment of our Sonora pipelines.

While negotiations with the Bácum community of the Yaqui tribe are still ongoing, we may decide to change the route for the portion of the Guaymas—El Oro pipeline that passes through their territory. Such a change could result in a potential delay in the commencement of commercial operations of the project.

We believe that the relevant transportation services agreements for the Sonora pipeline provide adequate compensation with regards to payment for delays related to failure to obtain or effectively execute rights-of-way or permits needed for construction through the Yaqui tribe's territory. There can be no assurance that the Mexican Energy Regulatory Commission will agree to extend the deadline for commercial operations under our transportation services agreement or provide payment of transportation services in the event of such delays. In addition, if the Mexican Energy Regulatory Commission does not agree that a force majeure has occurred under the contract, the Mexican Energy Regulatory Commission could terminate the contract. If we change the route for the portion of the Guaymas—El Oro pipeline in the event that we do not reach an agreement with the Bácum community of the Yaqui tribe, we may incur additional development costs.

In sum, if we experience substantial delays or cost overruns, or if we are unable, or elect not, to complete the development of a project or obtain the necessary permits, rights-of-way or easements for a project, such as may be the case with a portion of the Guaymas—El Oro segment of our Sonora pipelines described above, we may be unable to recover our investment in such projects or have to make payments under performance obligations we have made, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We may not be successful in obtaining new energy infrastructure projects.

The market for new energy infrastructure projects in Mexico is highly competitive. We compete with Mexican and foreign companies for most of the new energy infrastructure projects in Mexico and some of our competitors may have better access to capital and greater financial and other resources, which would give them a competitive advantage in bidding for such projects. We may also experience increased competition for new energy infrastructure projects and the retention of key personnel as a result of Mexico's recently enacted energy reforms. As a result of the recently enacted energy reforms, fewer energy infrastructure projects may be awarded to Ductos y Energéticos del Norte, our joint venture with Pemex TRI. Also, while under the new reforms we may compete for energy infrastructure projects in new sectors where we have not previously operated, we may not be able to fully realize the benefit of these new opportunities as we may lack experience or familiarity in these areas. For additional information regarding the new energy reforms, see "Regulatory, Permits and Environmental Matters." In addition, there are a number of potential new LNG liquefaction projects under construction or in the process of being developed by various project developers in North America, including our indirect controlling shareholder's contemplated new projects, and given the projected global demand for LNG, the vast majority of these projects likely will not be completed. Furthermore, we may not be able to obtain additional permits from the Mexican Energy Regulatory Commission, SEMARNAT, ASEA or the Mexican Energy Ministry or a favorable opinion from the Mexican Federal Economic Competition Commission, which may be required for new energy infrastructure projects. Further, the projections contained elsewhere in this offering circular relating to growth in the Mexican energy sector may not ultimately be correct. The inability to successfully obtain new energy infrastructure projects may adversely affect our ability to grow our business, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our business is capital-intensive and changes in capital requirements or the availability of capital could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Any expansion of our businesses will be capital-intensive and require significant investment. The amount and timing of the capital investments and expenditures for any new energy infrastructure projects will depend in part on market conditions. We may not be able to accurately predict the timing or amount of capital investment and expenditures that would be required for our new projects.

To the extent that we do not have sufficient internal resources available to fund new projects, we may be required to access external resources, which may be subject to certain limitations on the availability of credit and/or other financial alternatives and increases in interest rates or credit spreads. In difficult credit markets, we may find it necessary to fund our operations and capital expenditures at a higher cost or on other terms that are unfavorable to us, or we may be unable to raise as much funding as we need to support business activities. This could cause us to reduce capital expenditures and could increase our cost of funding, both of which could reduce our short-term and long-term profitability, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

When we enter into fixed-price long-term contracts to provide services or commodities, we are exposed to inflation, interest rate, foreign exchange and counterparty credit risks.

We generally endeavor to secure long-term contracts with customers to optimize the use of our facilities, reduce volatility in earnings and support the construction of new infrastructure. However, if these contracts are at fixed prices, the profitability of the contract may be materially adversely affected by inflationary pressures (in the case of contracts which are not adjusted for inflation), including rising operational costs and commodity prices, fuel costs, costs of labor, materials and equipment, rising interest rates that affect financing costs, and changes in the U.S. dollar to Mexican peso exchange rate. In addition, our contract counterparties to long-term contracts may potentially default on their obligations under these agreements. We would be materially and adversely affected if the counterparties under these contracts do not perform (such as a result of force majeure events) their contractual obligations under these agreements. Although we often require credit support from banks or parent guarantees, such support often does not cover all of the potential losses that we may incur, and exposes us to counterparty credit risk. Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The operation of our facilities involves many operating risks, availability risks, technology risks and other risks beyond our control.

The operation of our LNG terminal, pipelines, distribution systems and power generation facilities involves many risks, including, among others:

- 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, consumables such as oil and grease, or spare parts;
- unanticipated costs of operations and maintenance;
- failure to operate at design specifications;

- operator error;
- government exercise of eminent domain power or similar events; and
- operational accidents.

If any of these risks were to manifest, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our business depends on a limited number of customers (some of whom are affiliates) with which we have entered into long-term agreements.

We have entered into long-term LNG terminal capacity agreements with Shell, Gazprom and our subsidiary IEnova Marketing, under which users pay capacity reservation and usage fees to receive, store and regasify their LNG at our LNG Terminal. We have also entered into long-term capacity agreements with a limited number of key customers, including Pemex TRI, the Mexican Federal Electricity Commission, CENAGAS, Shell, Gazprom, InterGen and our subsidiary IEnova Marketing, under which users pay capacity reservation and usage fees to receive, transport and deliver natural gas or LPG, as applicable, through our pipelines. After giving effect to the consolidation of the intercompany revenues received from IEnova Marketing, during the years ended December 31, 2013, 2014 and 2015 our four largest customers together accounted for approximately 64%, 66% and 72%, respectively, of our total revenues. During the same periods, no other customer accounted for more than five percent of our total revenues. In each of 2013, 2014 and 2015, our largest customer accounted for approximately 25%, 28% and 29%, respectively, of our total revenues.

Shell has obtained credit support from BNP Paribas in the amount of US$210.6 million with respect to its obligations to our LNG business (which amount is permitted to decrease over the life of the contract between us and Shell) and credit support from Shell Finance (Netherlands) B.V. in the amount of up to US$95.6 million with respect to its obligations to our pipelines business. Gazprom has obtained credit support from BNP Paribas and Barclays Bank plc for an aggregate amount of US$73.2 million with respect to its obligations to our LNG business. Our subsidiary IEnova Marketing has obtained credit support in the amount of US$282 million from our indirect controlling shareholder, Sempra Energy, with respect to its obligations to our LNG business and in the amount of US$171.5 million with respect to its obligations to our pipelines business. However, there can be no assurance that such credit support amounts would be sufficient to compensate us for the damages that we would incur if these customers were to default under their obligations to us.

These agreements are in general subject to (1) early termination provisions for the failure of a party to perform its obligations under the agreement or in the event of insolvency of any of the parties, (2) suspension or termination provisions for *force majeure* events beyond the control of the parties, and (3) 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. In addition, each of the Mexican Federal Electricity Commission and the Mexican Public Administration Ministry (*Secretaría de la Función Pública*) may also terminate our agreements with the Mexican Federal Electricity Commission before expiration if it determines that doing so would be in the general public interest (*interés público*) by providing evidence that compliance with the agreements would result in losses and damages to Mexico or if, for justified cause, the Mexican Federal Electricity Commission no longer requires the supply of natural gas, in each case subject to a hearing and other due process procedures.

If the customers in one or more of these agreements were to fail to perform or become unable to meet their contractual obligations on a timely basis, or if any of these agreements is prematurely terminated, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In addition, we cannot assure you that upon the termination of any of these agreements we will be able to secure LNG regasification or storage or natural gas transportation capacity agreements with other customers on a long-term basis, on otherwise favorable terms or at all, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We depend on key suppliers, including an affiliate of our indirect controlling shareholder, for the adequate operation of our energy infrastructure assets.

Our businesses depend on key suppliers performing in accordance with their agreements. In particular, our LNG business has been relying upon Sempra Natural Gas for an adequate supply of LNG to keep our LNG terminal sufficiently cold to remain in continuous operations and as a source of natural gas to sell to customers. Since our LNG terminal commenced operations, we have not been able to obtain sufficient quantities of LNG from Sempra Natural Gas to satisfy all of IEnova Marketing's contractual obligations to 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 Sempra Natural Gas makes payments to IEnova Marketing to cover fixed LNG terminal and pipeline capacity costs to the extent its reserved capacity is underutilized because it provides IEnova Marketing less than the full amount of LNG each year. This payment obligation has mitigated the losses that IEnova Marketing would otherwise have experienced in recent years. With respect to our Ecogas natural gas distribution business, currently we rely principally on Pemex and British Petroleum for the supply of natural gas that we distribute to our customers. If any of these key suppliers fail to perform, we could incur substantial expenses and, in some cases, be exposed to commodity price risk and volatility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We are also exposed to the risk that our suppliers that owe us money or commodities as a result of market transactions or other long-term agreements fail to perform their obligations under such agreements. Should they fail to perform, we may be required to acquire alternative hedging arrangements or to honor underlying commitments by making purchases from other suppliers at then-current market prices. In such event, we may incur additional losses to the extent of amounts paid to such suppliers. Furthermore, any financial difficulties suffered by our suppliers could increase our costs or adversely impact the operation of our energy infrastructure. Our potential LNG suppliers may also be subject to international political and economic pressures and risks, which may affect the supply of LNG.

The financial condition of any of our suppliers could be harmed by a number of events, including natural disasters, accidents or acts of terrorism, which could restrict the suppliers' ability to fulfill their obligations to us. The payment terms in our agreements with suppliers are considered customary in the markets in which we participate; however, a material change in the payment terms with our strategic suppliers could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We rely on transportation assets and services that we do not own or control to deliver electricity and natural gas.

Our facilities are interconnected with other facilities outside the areas we serve. Therefore, we often depend on electric transmission lines, pipelines and other transportation facilities owned and operated by third parties to:

- deliver the electricity, natural gas and LPG we sell to our customers;
- supply natural gas to our electric generation facilities;
- provide retail energy services to customers; and
- supply us with natural gas and LPG for sale to our customers.

We also depend on natural gas pipelines to interconnect with our suppliers and customers, and we rely on specialized ships to transport LNG to our LNG terminal and on transmission lines to transport the electricity that we sell to our customers. If transportation is disrupted, or if capacity is inadequate, our ability to sell and deliver our products and services may be hindered. As a result, we may be responsible for damages incurred by our customers, such as the additional cost of acquiring alternative natural gas or LPG supplies at then-current spot market rates, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

If the commodities shipped in our pipelines fail to meet certain specifications, it could result in curtailments by interconnecting pipelines or markets.

Mexican Official Standards (*Normas Oficiales Mexicanas*) establish specifications for the products that may be delivered through natural gas, ethane and LPG pipelines. These specifications include requirements such as hydrocarbon dew point, compositions, temperature and foreign content (such as water, sulfur, carbon dioxide and hydrogen sulfide). If the total mix of products that we deliver to a pipeline or market fails to meet the applicable product quality specifications set forth in the Mexican Official Standards, we are required to disclose such non-compliance to the producer and to the pipeline or market that scheduled the delivery. The pipeline or market may refuse to accept all or a part of the non-compliant products scheduled for delivery to it, potentially reducing our through-put volumes or revenues, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We do not own all of the land on which our pipelines, facilities and ancillary infrastructure are located, so our operations could be disrupted by actions of the landowners. Some of our pipelines cross waterways, in which case governmental approval from entities such as the Mexican National Water Commission (**Comisión Nacional del Agua*****) is required. Furthermore, delays or the impossibility of obtaining the release of rights-of-way to the land, through which some of our energy projects currently under construction will be laid, may cause material cost increases and delays in the start of operations.***

We do not own all of the land on which our pipelines, facilities and ancillary infrastructure, such as power transmission lines and aqueducts, have been constructed. Some of our pipelines cross waterways, in which case governmental approval from entities such as the Mexican National Water Commission is required to maintain such a crossing. We typically obtain the rights to construct and operate our pipelines and ancillary infrastructure on land owned by third parties and governmental agencies for a specific period of time. We are therefore subject to the possibility of more onerous terms or increased costs to retain necessary land or right-of-way use if in the future it is determined that we do not have valid rights-of-way or leases, or if such rights-of-way or leases lapse or terminate. Our loss of these rights, through our inability to renew rights-of-way or lease contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We may face construction delays or increases in costs of energy generation or pipeline projects as a result of delays or the impossibility of obtaining rights-of-way to the land through which power transmission lines, pipelines, installations or other infrastructure will be constructed. For instance, depending on the outcome of negotiations with the Bácum community of the Yaqui tribe, we may decide to re-route a portion of the Guaymas—El Oro segment of our Sonora pipelines which could result in substantial cost increases and construction delays. For further discussion of the Guaymas—El Oro segment and the Bácum community, see "—Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments." Moreover, power transmission line projects require the Mexican federal government, the permit-holder, or both to obtain legal authorizations to use third party lands to construct and operate a particular project. If rights-of-way are not obtained on time, we may incur additional costs and delays in the start of operations. Furthermore, in the event that rights-of-way are impossible to obtain, we may be required to change the route of a project, which may also result in cost increases and delays in the start of operations, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our businesses are exposed to market risks, including fluctuations in commodity prices, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We buy energy-related commodities from time to time in order to satisfy contractual obligations with customers. Our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares could be materially adversely affected if the prevailing market prices for electricity, natural gas, LNG or other commodities that we buy change in a direction or manner not anticipated and for which we had not provided adequately through purchase or sale commitments or other hedging transactions. In addition, though we are not directly exposed to market risk at this time in our Ecogas natural gas distribution business due to the fact that the price we pay for natural gas is passed through directly to the Ecogas customers, natural gas prices relative to LPG prices affect our ability to market natural gas and therefore the market prices for natural gas can have a material impact on our natural gas distribution business. Pursuant to our existing energy management services contract entered into in January 2013 with our affiliate, Sempra Generation, our Termoeléctrica de Mexicali power plant began selling electricity into the U.S. market on a merchant basis, effective as of January 1, 2012. Under this arrangement we are no longer being reimbursed for our purchases of natural gas to fuel the Termoeléctrica de Mexicali power plant as we were in prior years and may also need to purchase electricity in the open market to satisfy contractual obligations. This arrangement exposes us to significantly more commodity price risk than the previous agreement we had in place to sell electricity from the power plant directly to our affiliate Sempra Generation. Because our Termoeléctrica de Mexicali power plant competes in the U.S. electricity market, its profitability is affected by commodity costs, such as gas prices. Furthermore, we currently purchase natural gas to supply our Termoeléctrica de Mexicali power plant directly from our subsidiary IEnova Marketing. Because our prior agreement with JPM Ventures Energy provided for JPM Ventures Energy to sell natural gas to us at a price that was less than the rate we currently have to pay to have natural gas delivered to the facility, our costs have increased since the expiration of that agreement in September 2014. Although our board of directors has approved a plan to market and sell our Termoeléctrica de Mexicali power plant, if we are unable to complete the sale of this plant, we will continue to be subject to commodity risk with respect to this plant.

In addition, during 2015 the Mexican government set provisional countervailing duties on imports of rolled steel from China, Germany and France and on imports of steel pipe from India, Spain and the United States. These measures could adversely impact the price of steel pipe which constitutes a significant portion of pipeline systems under construction. Fluctuations in commodity market prices and/or import duties could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We cannot and do not attempt to fully hedge our assets or contract positions against changes in commodity prices. In addition, for those contract positions that are hedged, our hedging procedures may not mitigate our risk as planned.

To reduce financial exposure related to commodity price fluctuations, we may enter into contracts to hedge our known or anticipated purchase and sale commitments, inventories of LNG and natural gas, and electric generation capacity and pipeline capacity. As part of this strategy, we may use forward contracts, physical purchase and sales contracts, futures, financial swaps and options. We do not hedge the entire exposure to market price volatility of our assets or our contract positions, and the hedging will vary over time. To the extent we have un-hedged positions, or if our hedging strategies do not work as planned, fluctuating commodity prices could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. When hedging our purchase and sale commitments, we are subject to the risk that the counterparty to the hedge may be unable to fulfill its obligations. Such failure could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Unanticipated changes in market prices for energy-related 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, (6) commodity production levels, (7) activities by oil and gas producing nations or organizations affecting the global supply of crude oil and natural gas, (8) energy and environmental regulation and legislation, (9) natural disasters, wars, embargoes and other catastrophic events, and (10) expropriation of assets by governmental authorities. Finally, we often extend credit to counterparties and customers. While we perform credit analyses prior to extending credit, we are exposed to the risk we may not be able to collect amounts owed to us. Such changes in market prices or inability to collect amounts owed to us could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For additional information regarding our hedging strategy and position, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Quantitative and Qualitative Discussion of Market Risk” and Note 22 to our audited financial statements included elsewhere in this offering circular.

The LPG price subsidy policy of the Mexican federal government could materially adversely affect our Ecogas natural gas distribution business.

Currently LPG prices, which are impacted by the market price of crude oil, are subsidized by the Mexican federal government; these LPG subsidies could put our Ecogas distribution system’s unsubsidized natural gas product at a competitive disadvantage. If the LPG price subsidy policy of the Mexican federal government continues and we are 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 profitability of our natural gas distribution business could be materially adversely affected, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our risk management procedures may not prevent losses.

Although we have in place risk management systems and control systems that use advanced methodologies to quantify and manage risk, these systems may not always prevent 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 us from significant losses. As a result of these and other factors, there is no assurance that our risk management procedures will prevent losses that could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

A portion of our business is conducted through joint ventures, over which we share joint control.

Following the GdC Acquisition, through Ductos y Energéticos del Norte, we will have a non-controlling interest in a joint venture with Pemex TRI, BlackRock and First Reserve, which we refer to as the TAG Norte joint venture, which owns the Los Ramones Norte pipeline, which began commercial operations in February 2016. We also own a 50% interest in a joint venture with InterGen for the operation of the initial phase of the Energía Sierra Juárez wind power generation operation, which began commercial operations in June 2015, and a 40% non-controlling interest in the South of Texas—Tuxpan pipeline project, which we are developing with TransCanada. As we share joint control or ownership with our joint venture partners on these projects, any failure to reach an agreement with our joint venture partners may materially affect the development or operation of the projects associated with such joint ventures, as well as require us to sell our stake in such joint venture, purchase our joint venture partner’s stake in the joint venture or resort to other means of dispute resolution. If any future joint venture partner were unwilling to cooperate effectively with us in the development, management and operation of the joint venture, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The operation of our facilities depends on good labor relations with our employees.

As of June 30, 2016, we had 683 employees, of whom 91 are management and 592 provided operation and maintenance for our facilities. Our collective bargaining agreements are negotiated on a facility-by-facility basis, and the compensation terms are adjusted on an annual basis, whereas all other terms are renegotiated every two years.

Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. Our facilities have not experienced any labor disruption since we began operations. Labor disruptions, strikes or significant negotiated wage increases, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We depend on our executives and employees and their unique knowledge of the energy sector and our business segments, and we may not be able to replace key executives and employees if they leave.

The operations and continued growth of our business is dependent upon being able to attract and retain personnel, including corporate management, specialized engineers and employees, who have the necessary and required experience and expertise to manage and operate our businesses. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In the event that we were to lose the services of any such personnel, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our activities are concentrated in our energy infrastructure projects in the Mexican States of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Tabasco and Veracruz, and developments affecting such regions specifically, such as a local recession, natural disasters, local regulation, increases in crime rates or political and social developments, may have a material adverse effect on us.

Our current energy infrastructure projects are primarily located in the Mexican States of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Tabasco and Veracruz, and all our current permits and approvals are issued by either the federal government of Mexico or by such local governmental authorities. As a result, any legislative changes, measures taken, stricter rules implemented or additional requirements imposed by the relevant governmental authorities (including changes derived from state and local elections) may materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In addition, we are exposed to risks of a local recession, the occurrence of a natural disaster in these regions, increases in local crime rates or local political and social developments, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our insurance contracts may be inadequate.

We have insurance for our operations in Mexico, including our LNG terminal and related marine terminal, power generation facilities, pipeline systems, storage systems and power distribution systems, including property insurance, commercial general liability insurance, excess liability insurance, environmental liability insurance and business interruption insurance, in amounts and with deductibles that we consider appropriate. However, we cannot assure you that the insurance currently in place or other insurance that may be appropriate will be available in the future at commercially reasonable rates. In addition, in any particular instance our insurance coverage could prove to be insufficient or an accident or casualty could occur that either is not covered or becomes the subject of a dispute. Currently, we do not carry certain types of insurance (for example, for losses caused by war or government action) because these types of losses are often not economically insurable.

If certain casualties occur, if there is a total or partial loss of our facilities, or if there is extended business interruption, there can be no assurance that the proceeds from our applicable insurance policies will be sufficient to cover lost revenues, increased expenses or the cost of repair or replacement. Further, there can be no assurance that at such time our insurers or their reinsurers will be solvent. This loss of revenue, increased expenses or additional costs could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We regularly work with volatile and hazardous materials that subject us to risks that may materially impact our operations.

Our business involves using, storing, transporting and disposing of highly flammable and explosive materials, which are subject to extensive regulation. Even if we comply with requisite environmental, sanitary, security, transportation, risk management and safety requirements and standards, our operations are subject to significant hazards associated with using, storing, transporting and disposing of such materials, including:

- explosions;
- fires;
- severe weather and natural disasters;
- mechanical failure, including pipeline or storage tank leaks and ruptures;
- discharges or releases of hazardous substances or gases;
- other environmental risks; and
- terrorist attacks.

If any of these hazards were to cause an accident, damage or destruction in relation to our business or the environment, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. See “Risk Factors—Risks Relating to Our Business and Our Industry—We are subject to numerous environmental, health and safety regulations that may become more stringent in the future and may result in increased liabilities and increased capital expenditures.”

Our natural gas distribution business may face increased competition due to the expiration of its exclusivity period.

Our natural gas distribution business had been entitled to a twelve-year period of exclusivity with respect to each of its three distribution zones. As the last of these exclusivity periods expired in 2011, we could face competition from other distributors of natural gas in all of our distribution zones as other distributors of natural gas are now legally permitted to build natural gas distribution systems within our distribution zones and compete with us for customers within our distribution zones. To the extent that other distributors of natural gas expand or construct distribution systems in our distribution zones, that expansion or market entry could create additional competition against the natural gas we provide to our customers, and if we are unable to successfully compete against any such competitors, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We may be subject to interruptions or failures in our information technology systems.

We rely on sophisticated information technology systems and infrastructure to support our business, including process control technology. Any of these systems may be susceptible to outages due to fire, explosions, floods, power loss, telecommunications failures and similar events. Information technology system failures, network disruptions and breaches of data security could disrupt our operations by causing delay or cancellation of transactions and reporting of financial results, could result in the unintentional disclosure of confidential customer or company information, or could cause damage to our reputation. Such failures could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares, and we cannot assure you that our business continuity plans will be completely effective during an information technology failure or interruption.

New business technologies present a risk for attacks on our information systems and the integrity of our energy grid and our gas pipeline infrastructure.

Elements of our energy infrastructure may be exposed to cyber security risks. In addition to general information and cyber risks, such as malware, malicious intent by insiders and inadvertent disclosure of sensitive information, the energy industry faces evolving cyber security risks associated with protecting sensitive and confidential customer information, smart-grid infrastructure, automated metering, and other electronic infrastructure components. Deployment of new business technologies represents a new and large-scale opportunity for attacks on information systems and confidential information as well as the integrity of the energy grid and natural gas infrastructure. While our computer systems have been, and will likely continue to be, subjected to computer viruses or other malware, unauthorized access attempts and cyber- or phishing attacks, to date we have not experiences a material breach of cybersecurity. Addressing these risks is the subject of significant ongoing activities across our business, but we cannot ensure that a successful attack will not occur. An attack on our information systems, the integrity of the energy grid or one of our facilities, or the unauthorized access to confidential customer information, could result in energy delivery service failures, financial loss, violations of privacy laws, customer dissatisfaction and litigation, any of which, in turn, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

In the ordinary course of business, we collect and retain sensitive information, including personal identification information about customers and employees, customer energy usage and other information. The theft, damage or improper disclosure of sensitive electronic data can subject us to penalties for violation of applicable privacy laws, subject us to claims from third parties, require compliance with notification and monitoring regulations, and harm our reputation.

Finally, as seen with recent cyber-attacks on U.S. corporations, the goal of a cyber-attack may be primarily to inflict large scale harm on a company and the places where it operates. Any such cyber-attack could cause widespread disruptions to our operating and administrative systems, including the destruction of critical information and programming, which could have a material adverse effect on our business operations and the integrity of the power grid, and/or release confidential information about our company and our customers, employees and other constituents.

New or alternative energy sources could reduce the market for natural gas, reducing our revenues from our natural gas business.

Currently, industrial customers of our natural gas distribution business 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 our revenues and financial position.

Individual households in Mexico satisfy their energy needs mainly through electricity, LPG and natural gas. To the extent individual households use electricity, LPG or other alternative sources of energy, natural gas consumption by our individual household customers could diminish, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Excess supply of energy and related products could negatively impact the results of our Termoeléctrica de Mexicali power plant.

Several of the wholesale markets supplied by merchant power plants have experienced significant pricing declines due to excess supply of energy and related products. If we are unable to sell our Termoeléctrica de Mexicali power plant, its inability to sufficiently sell its output through long-term agreements or at future higher prices and any need to recognize losses with respect to the capital already invested in the project as a result of significant changes to the market or regulatory conditions, among other factors, could have a material adverse effect on our results of operations. We may manage risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak energy sales, daily and hourly spot market sales of capacity, energy and ancillary services, and longer-term structured transactions. However, we cannot provide assurance regarding the implementation of these risk management measures or how successful such implementation may be, and entering into long-term contracts in oversupplied markets could be difficult. Although our board of directors, in February 2016, approved a plan to market and sell our Termoeléctrica de Mexicali power plant, if we are unable to successfully complete this sale, we would remain subject to the risks described above.

The unaudited pro forma financial information appearing elsewhere in this offering circular may not be indicative of our actual results for the periods for which such financial information has been prepared.

Our unaudited pro forma combined financial statements as of December 31, 2015 and June 30, 2016 and for the six months ended June 30, 2015 and June 30, 2016 and for the year ended December 31, 2015 reflect the effect of (1) the GdC Acquisition; (2) the Bridge Loan, used to finance the GdC Acquisition; (3) this offering; (4) the Ventika Acquisition, and (5) the use of funds obtained as a result of this offering as described in the "Use of Proceeds" section, including as needed in relation to the Ventika Acquisition.

The purpose of such unaudited pro forma combined financial statements is solely to illustrate the impact of the events mentioned above with respect to our non-adjusted financial information as if such transactions had occurred at a prior date selected for illustrative purposes. Consequently, we cannot guarantee that the actual results of such transactions on the dates and for the periods mentioned would have been as presented in the unaudited pro forma combined financial statements, which would consequently make these figures not highly indicative of our actual results if such transactions had effectively occurred on the mentioned dates. For example, the unaudited pro forma combined financial information presented in this offering circular that reflects the completion of the Gasoductos de Chihuahua Acquisition and Ventika Acquisition may differ from actual results. You are cautioned not to place undue reliance on such unaudited pro forma combined financial statements. See "Presentation of Financial and Other Information—Cautionary Note Relating to Preparation of the Unaudited Pro Forma Combined Financial Information."

Severe weather conditions, natural disasters, catastrophic accidents, major equipment failures or acts of terrorism could have a material adverse effect on our businesses, financial condition, results of operations, cash flows and/or prospects.

Like other major industrial facilities, ours may be damaged by severe weather conditions, natural disasters such as earthquakes, tsunamis and fires, catastrophic accidents, major equipment failures or acts of terrorism. Because we are in the business of using, storing, transporting and disposing of highly flammable and explosive materials and operating highly energized equipment, the risks such incidents may pose to our facilities and infrastructure, as well the risks to the surrounding communities, are substantially greater than the risks such incidents may pose to a typical business. The facilities and infrastructure that we own and in which we have interests (or which in the future we may own or have an interest in) that may be subject to such incidents include, but are not limited to:

- natural gas, propane and ethane pipelines, storage and compression facilities;
- LNG terminals and storage;

- electric distribution infrastructure; and
- power generation facilities.

Such incidents could result in severe business disruptions, property damage, injuries or loss of life, significant decreases in revenues and earnings, and/or significant additional costs to us. Any such incident could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Depending on the nature and location of the facilities and infrastructure affected, any such incident also could cause catastrophic fires; release of natural gas odorant; natural gas, propane or ethane leaks; explosions, spills or other significant damage to natural resources or property belonging to third parties; personal injuries, health impacts or fatalities; or present a nuisance to impacted communities. Any of these consequences could lead to significant claims against us. In some cases, we may be liable for damages even though we are not at fault, and in cases where the concept of inverse condemnation, strict liability or similar legal concepts (such as *responsabilidad objectiva*) apply, we may be liable for damages without being found to be at fault or to have been negligent. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds we receive may be insufficient to cover our losses or liabilities due to the existence of limitations, exclusions, high deductibles, failure to comply with procedural requirements, and other factors, which could have material adverse effect on our businesses, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Severe weather conditions may also impact our businesses. Significant rainstorms and associated high winds, such as those caused by a strong El Niño weather pattern, could damage our electric and natural gas infrastructure, resulting in increased expenses, including higher maintenance and repair costs, and interruptions in electricity and natural gas delivery services. As a result, these events can have significant financial consequences, including regulatory penalties and disallowances if our utilities encounter difficulties in restoring service to their customers on a timely basis. Further, the cost of storm restoration efforts may not be fully recoverable through the regulatory process. Any such events could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Risks Relating to Mexico

Adverse economic and political conditions in Mexico may materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We conduct substantially all of our operations in Mexico and our potential for growth is centered in Mexico; our business is therefore significantly dependent upon the performance of the Mexican economy. Mexico has experienced economic crises in the past, caused by internal and external factors, characterized by, among other things, exchange rate instability (including large devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. As a result, such conditions, as well as the general condition of the Mexican economy, over which we have no control, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. dollars (except for certain restrictions related to cash transactions involving a U.S. dollar payment to a Mexican bank) or other currencies 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 subject to significant fluctuations in the future. Severe 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, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For information regarding recent trends in the Mexican peso—U.S. dollar exchange rate, see "Exchange Rates."

After being significantly impacted 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. Conversely, Mexico's GDP grew by 1.4%, 2.3% and 2.5% respectively, in 2013, 2014 and 2015. However, if the Mexican economy experiences another recession, if inflation or interest rates increase significantly, if Mexico's sovereign debt credit rating is downgraded or if the Mexican economy is otherwise adversely impacted, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Changes in Mexican federal governmental policies could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private sector entities in general, and us in particular, as well as on market conditions, prices and returns on Mexican securities, including our Shares. In the past, economic and other reforms have not been enacted because of strong congressional opposition to the president.

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 election took place in 2012, and congressional elections took place in June 2015, and Enrique Peña Nieto, a member of the Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI), was elected President of Mexico and took office on December 1, 2012, ending a twelve-year period of control by National Action Party (*Partido Acción Nacional* or PAN) presidents. Mexico's next presidential election will be in July 2018. In addition, the Mexican president has a strong influence over new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The PRI does not currently control an absolute majority of the legislature, which could result in government gridlock and political uncertainty on further reforms and secondary legislation to modernize key sectors of the Mexican economy, including the energy sector. Mexican congressional elections held in June 2015 in the lower house resulted in a majority (29.18%) for the PRI, but the PRI still lacks an absolute majority. Mexico's next federal legislative election will be in July 2018.

While recent amendments to the Mexican Constitution have opened up the possibility of investment in the energy sector, our performance historically has been tied to the willingness of the Mexican government, including through the state-owned Mexican Federal Electricity Commission and the state-owned energy company Pemex, to invite private sector investment in energy infrastructure facilities and contract with private sector companies for energy-related services. Such willingness to invite private sector participation in the industry is generally dependent on the political climate in Mexico.

The upcoming presidential elections in Mexico in 2018 could present additional changes in the regulation of the energy sector. Moreover, the reforms approved between 2012 and 2016 could also affect our business in ways that we are currently unable to predict.

New and unanticipated tax reforms may be approved.

Mexican tax legislation is frequently amended, and therefore there is no guarantee that the current legal framework will not be amended in a way that might adversely affect us, including but not limited to our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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 business flat tax were amended, supplemented, or repealed, effective on January 1, 2014. The main effects of this tax reform on our consolidated financial statements are:

- *Income Tax Rate.* The former income tax law in effect until December 31, 2013, contemplated 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. The change in rates resulted in an increase in deferred tax expense of approximately US$15 million for 2013.
- *Income tax consolidation regime*. The income 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, we were obligated to make an advance payment of approximately US$81 million in 2014, which is included in income tax short-term liabilities in our consolidated statements of financial position. Additionally, our subsidiaries' consolidated statements of financial position reflect the separate presentation of payable and recoverable taxes as of December 31, 2013, as we are 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.

On September 8, 2015, President Peña Nieto submitted to the Mexican Congress a reform initiative to several Mexican tax laws. On November 18, 2015 these reforms were published in the Mexican Federal Official Gazette, and the reforms came into effect on January 1, 2016. The main effects of the tax reforms in 2016 are as follows:

- The return of accelerated depreciation for investments in fixed assets made during September to December of 2015, 2016 and 2017 by companies engaged in the construction and extension of transportation infrastructure, such as roads, highways and bridges, as well as equipment for production, transportation, distribution and supply of energy.
- Companies engaged in electricity generation infrastructure will not be subject to thin capitalization rules. In this regard, companies engaged in electricity generation infrastructure will be able to deduct for Mexican income tax purposes all interest paid to foreign related parties, even if their debt/equity ratio exceeds the maximum established in the Mexican Income Tax Law; provided that all additional shareholder requirements for authorized deductions are fulfilled.
- Companies that reinvest profits generated from 2014 to 2016 will be able to apply a credit against the income tax withholding at the 10% rate applicable to dividend distributions to Mexican resident individual shareholders. The amount of the credit will depend on the year in which the distribution is carried out, and would be 1% on the dividend distribution if paid during 2017, 2% if paid during 2018 and 5% if paid during 2019 and subsequent years.

A new account similar to the net tax profits account, known as the CUFIN, will be created for companies engaged in energy generation through renewable sources or through efficient electricity cogeneration systems. These companies, which currently are entitled to a 100% depreciation rate of investments in machinery or equipment, as a consequence may not generate CUFIN during investment periods. The creation of this new account would allow such companies to distribute profits via dividends without further taxation at the corporate level. We cannot guarantee that the current political situation or future events in Mexico will not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Developments in Mexican class action laws, including the strengthening of such laws, could adversely affect our operations.

Since 2011, Mexico's legal framework has expressly permitted class action lawsuits in connection with the consumption of goods and services and environmental matters. These laws may result in our customers and other market participants initiating class action lawsuits against us. Due to the lack of judicial precedent in the interpretation and application of these laws, we cannot predict the outcomes of any actions brought under such laws, including the scope of any liability and the impact of such liabilities on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. See "Regulatory, Permits and Environmental Matters—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 us.

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

The majority of our net sales are either denominated in, or linked to the value of, the U.S. dollar. However, a portion of our cost of goods sold, including labor costs, and other selling, general and administrative expenses are invoiced in pesos and our Mexican taxes will also be paid in pesos, as may be debt obligations we incur in the future. Consequently, the real appreciation or depreciation of the peso relative to the U.S. dollar can have an effect on our operating margins and our income tax expense. The decision by the U.S. Federal Reserve to increase interest rates on banks' reserves could also impact the Mexican peso—U.S. dollar exchange rate. Changes in the Mexican peso—U.S. dollar exchange rate could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For information regarding recent trends in the Mexican peso—U.S. dollar exchange rate, see "Exchange Rates."

An increase in interest rates in the United States could adversely impact the Mexican economy and may have a negative effect on our financial condition or performance.

A decision by the U.S. Federal Reserve to increase interest rates on banks' reserves may lead to a general increase in interest rates in the United States. This, in turn, may redirect the flow of capital away from emerging markets and into the United States, because investors may be able to obtain greater risk-adjusted returns in larger or more developed economies rather than in Mexico. Thus, companies in emerging market economies such as Mexico could find it more difficult and expensive to borrow capital and refinance existing debt. This may negatively affect our potential for economic growth and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The increase in violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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 have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In addition, violent crime may increase our insurance and security costs. We cannot assure you that the levels of violent crime in Mexico, over which we have no control, will not increase or will decrease. An increase in violent crime could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Events and the perception of risk in other countries, especially the United States, China and other emerging market countries, may materially adversely affect the market price of Mexican securities, including that of our Shares.

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

In the past, the development of adverse 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 trimester of 2008 triggered a recession of global scale. This adversely affected the Mexican economy and Mexican capital markets, both directly and indirectly, and led to, 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. Recent turmoil in other large economies, such as those in Europe and China, could also have such effect. Any of these factors, if they were to occur again, would negatively affect the market value of our Shares and make it more difficult for us to access capital markets and finance our operations in the future on acceptable terms, or at all, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Further, 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 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. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We could be materially adversely affected by violations of the Mexican Federal Anticorruption Law in Public Contracting, the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The Mexican Federal Anticorruption Law (*Ley Federal Anticorrupción en Contrataciones Públicas*), the U.S. Foreign Corrupt Practices Act, or FCPA, 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 or any business advantage. Many of our operations require us to use third parties to conduct business or to interact with people who are deemed to be governmental officials under the FCPA. Thus, we face the risk of receipt of unauthorized payments, offers of payments or other things of value by our employees, contractors or agents. It is our policy to implement compliance procedures to prohibit these practices. However, there can be no assurance that our internal control policies and procedures will protect us from unlawful acts committed by our employees, contractors, associated persons or agents, regardless of whether such conduct occurs within or outside the United States. Violations of these laws, or allegations of such violations, could damage our reputation, be expensive to defend, disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Risks Relating to Our Shares and to this Offering

The market price of our Shares may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our Shares may prevent you from being able to sell your Shares at or above the price you paid for your Shares. The market price and liquidity of the market for the Shares may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- devaluation of the peso against the U.S. dollar may negatively impact the market price of our Shares, in dollar terms;
- risks relating to the global economy and the economies of the United States and Mexico;
- investors' perceptions of our prospects and the prospects of our sector;
- potential differences between our actual financial and operating results and those expected by investors;
- changes in earnings or variations in operating results;
- operating performance of companies comparable to us;
- actions by our indirect controlling shareholder with respect to the acquisition or disposition of the shares it beneficially owns or the perception that such actions might occur;
- additions or departures of key management personnel;
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- new laws or regulations or new interpretations of laws and regulations, including tax guidelines, applicable to our businesses or the Shares;
- general economic trends in the Mexican, United States or global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events;
- political conditions or events in Mexico, the United States and other countries;
- changes in the credit ratings or outlook assigned to Mexico, Pemex, the Mexican Federal Electricity Commission or other customers; and
- increases in interest rates in Mexico and the United States.

In the future, we may issue additional equity securities. Any such issuances or the prospect of any such issuances could result in a dilution of shareholders' economic and voting rights in us or a negative market perception and potentially a material decrease in the market price of the Shares. In addition, our indirect controlling shareholder may dispose in whole or in part of its interest in us, which could result in a negative perception and potentially a material decline in the market price of the Shares.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Shares. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our Shares to decline and delay the development of our projects. In addition, while we intend to use a portion of the net proceeds from the Global Offering to pay a portion of the cost of the Ventika Acquisition, if we are not successful in completing the Ventika Acquisition, we will have broad discretion to determine alternative uses of such portion of the net proceeds, and you will not have the opportunity as part of your investment decision to assess whether this portion of the net proceeds are being used appropriately. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. The anticipated application of net proceeds is described in "Use of Proceeds."

We are a holding company and depend on the results of operations of our subsidiaries and joint ventures.

We are a holding company with no independent operations or substantial assets other than the capital stock of our operating companies and joint ventures. Accordingly, we depend on the results of operations of our subsidiary companies and joint ventures. Each of our subsidiaries and joint ventures is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries and joint ventures. In addition, under Mexican law, our Mexican subsidiaries may only pay dividends (1) out of retained earnings included in financial statements that have been approved at their respective partners meeting, (2) after all losses from prior fiscal years have been satisfied, and (3) if the corresponding entity has allocated 5% of its net income for such fiscal year to its legal reserve, which allocation must be made on an annual basis until its legal reserve represents at least 20% of such entity's paid in capital. Any adverse change in the financial condition or results of operations of our subsidiaries or joint ventures could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

The volatility and the lack of liquidity of the Mexican securities market may significantly limit the ability of investors to sell their Shares for the desired price at the desired time.

Investing in Mexican securities, such as the Shares, involves a higher degree of risk than investing in securities of issuers from countries with more stable political and economic environments and such investments are generally considered speculative in nature. These investments are subject to certain economic and political risks, such as, among others: (1) changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payment, in whole or in part, with respect to their investments, and (2) restrictions on foreign investment and on repatriation of invested capital. The Mexican Stock Exchange is significantly smaller, less liquid and more concentrated, and may be more volatile than other major international securities markets, such as that of the United States. We cannot assure you that, after the conclusion of this offering, the liquidity of the Shares will significantly increase, which could affect the ability of the purchasers of the Shares to sell them at the price and time expected.

An active and liquid market for our Shares may not continue, which could limit your ability to sell the Shares at the desired price and time.

The Mexican securities market is substantially smaller, less liquid, more volatile and more concentrated than the major international securities markets. The relative volatility and illiquidity of the Mexican securities markets may substantially limit your ability to sell your Shares at the time and price you desire. In addition, the Mexican Stock Exchange operates a system which suspends trading in shares of a particular issuer when fluctuations in the price of such shares (expressed as percentage of that day's opening price) exceed certain levels. As a result of these factors, you may not be able to sell your Shares at the time or price you desire or at all.

Sales of a substantial number of our Shares after this offering could result in a decline in the market price of our Shares.

We, our directors, the members of our senior management (*directivos relevantes*) and our indirect controlling shareholder (including Semco Holdco, S. de R.L. de C.V.) have entered into agreements, subject to certain exceptions, not to issue or in any way dispose of any of our Shares for a period of 90 days after the date of this offering circular. If these holders of our Shares decide to sell such Shares after the expiration of this lock-up period, or if there is a perception in the market that these holders intend to sell such Shares or a significant volume of such Shares, the market value of our Shares may decrease significantly.

Future issuances of shares, or the possibility or perception of such future issuances, may materially affect the market price of the Shares.

In the future, we may issue additional shares in connection with acquisitions, investments or repayment of our debt or for other purposes. The number of such shares issued could constitute a material portion of our then outstanding share capital. We cannot predict what effect, if any, future sales of additional shares, or the availability of additional shares for future sale, will have on the market price of our Shares. Sales of substantial amounts of additional shares in the public market following this offering, or the perception that sales of this type could occur, could depress the market price of our Shares and may make it more difficult for you to sell Shares at a time and price that you deem appropriate. Any such issuances could also result in a dilution of shareholders' economic and voting rights in us or a negative market perception and potentially in a lower market price of our Shares.

Future offerings of debt or preferred securities may limit our operating and financial flexibility and may materially adversely affect the market price of, and dilute the value of, our Shares.

If we decide to issue debt or preferred securities in the future or otherwise incur indebtedness, it is possible that these debt or preferred securities or indebtedness will be governed by an indenture or credit agreement or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to holders of our Shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our Shares and may result in dilution to holders of our Shares. Because our decision to issue securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could materially reduce the market price of our Shares and dilute the value of our Shares.

Sempra Energy, our indirect controlling shareholder, will continue to have control over us after the completion of this offering, and its interests could conflict with yours.

Upon completion of this offering, Sempra Energy will continue to control us. Sempra Energy will continue to hold indirect control of us through Semco, its wholly owned indirect subsidiary. Sempra Energy has guaranteed the obligations of IEnova Marketing to our LNG terminal and to our pipelines business, has entered into a loan agreement with us, and provides us with various goods and services pursuant to other agreements. For a description of material contractual relationships between Sempra Energy and us, see "Certain Relationships and Related Party Transactions." By virtue of its beneficial ownership of our shares, Sempra Energy has and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including the following:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;

- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

Sempra Energy may direct us to take actions or not take actions that could be contrary to your interests and under certain circumstances may be able to prevent other shareholders, including you, from blocking these actions or from causing different actions to be taken. Also, Sempra Energy may prevent change of control transactions that might otherwise provide you with an opportunity to dispose of or realize a premium on your investment in the Shares.

We cannot assure you that Sempra Energy will act in a manner consistent with your best interests. In addition, actions by Sempra Energy with respect to the disposition of shares that it indirectly controls, or the perception that such action might occur, may negatively affect the trading prices of the Shares.

We are part of a corporate group, and we enter into transactions with related parties and affiliates, which could result in conflicts of interest.

We have entered into and intend to continue to enter into transactions with several entities directly or indirectly owned or controlled by Sempra Energy, our indirect controlling shareholder. Mexican law applicable to public companies and our bylaws provide for several procedures designed to ensure that the transactions entered into with or among our subsidiaries and our indirect controlling shareholder do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of our board of directors for some of these transactions. We are likely to continue to engage in transactions with our indirect controlling shareholder and its subsidiaries and affiliates, and our subsidiaries and affiliates are likely to continue to engage in transactions among themselves, and no assurance can be given that the terms that we or our subsidiaries consider to be “substantially on market conditions” will be considered as such by third parties. In addition, future conflicts of interest between us and our indirect controlling shareholder or any of its subsidiaries or affiliates, and among our subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in our favor. See “Certain Relationships and Related Party Transactions.”

There can be no assurance that we will be able to pay or maintain cash dividends.

The amount available for cash dividends, if any, will be affected by many factors, including our future operating results, financial condition and capital requirements, and the terms and conditions of legal and contractual restrictions, such as the terms of debt instruments, applicable to us, our subsidiaries and joint ventures, among other variables. Also, the amount of cash available for dividend payments may vary significantly from estimates. We can offer no assurance that we will be able to pay or maintain the payment of dividends. Our actual results may differ significantly from the assumptions made by our board of directors in recommending dividends to shareholders or in adopting or amending a dividend policy in the future. Also, there can be no assurance that our board of directors will recommend a dividend payment to our shareholders or, if recommended, that our shareholders will approve such a dividend payment. Sempra Energy, as our indirect controlling shareholder, has the ability to establish and modify any dividend policy as well as to determine the payment of dividends, if any. The payment of dividends and the amounts of dividend payments paid by us to our shareholders are subject to the approval of our shareholders. As long as our indirect controlling shareholder continues to own the majority of our shares, it will have the ability to determine whether dividends are paid and the amount of such dividends. For a description of the factors that can affect the availability and timing of cash dividends to shareholders, see “—Sempra Energy, our indirect controlling shareholder, will continue to have control over us after the completion of this offering, and its interests could conflict with yours,” above, and “Dividends and Dividend Policy” below.

Dividend distributions to holders of our Shares may be made in Mexican pesos.

We may make dividend distributions to holders of our Shares in Mexican pesos. Any significant fluctuations in the exchange rates between Mexican pesos to U.S. dollars or other currencies could have an adverse impact on the U.S. dollar or other currency equivalent amounts holders of our Shares receive from the conversion. In addition, the amount paid by us in Mexican pesos may not be readily convertible into U.S. dollars or other currencies. While the Mexican federal government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or other currencies, the Mexican federal government could institute restrictive exchange control policies in the future. Future fluctuations in exchange rates and the effect of any exchange control measures adopted by the Mexican government on the Mexican economy cannot be predicted.

The protections afforded to minority shareholders in Mexico are different, and may be more difficult to enforce, than those in the United States and other countries.

The protections afforded to minority shareholders in Mexico are different from, and may be weaker than, those in other jurisdictions, including the United States. Although Mexican law permits any shareholder owning 5% of our outstanding common shares to file a shareholder derivative suit against corporate action upon meeting certain procedural requirements and provides specific duties of care and loyalty applicable to our directors and to our principal officers, the substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico.

In addition, there are no procedures for shareholder class action lawsuits in Mexico as they are conducted in the United States, and there are different procedural requirements for bringing lawsuits against directors. In Mexico, only shareholder derivative actions, as opposed to direct actions, may be initiated for breach of fiduciary duties. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors or our indirect controlling shareholder than it would be for minority shareholders of a United States company. Mexican regulations provide remedies that may differ from those contemplated under the securities laws in other jurisdictions including the United States. Therefore, shareholders may not be able to file the types of legal actions or seek to enforce the rights or remedies that they would normally pursue under the securities laws in other jurisdictions, including the United States.

Preemptive rights may be unavailable to non-Mexican shareholders.

Under Mexican law, whenever we issue new shares of capital stock for cash, we generally must grant preemptive rights to our shareholders, giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage, except for: (1) shares issued by us in connection with mergers, (2) shares issued in connection with the conversion of convertible securities (*obligaciones convertibles*) whose underlying shares have already been approved and are held in our treasury, (3) shares issued in connection with the capitalization of shareholders' equity accounts, (4) repurchased shares held in our treasury to be resold through the stock market, and (5) shares to be placed in a public offering pursuant to the Mexican Securities Market Law. We may not be able to offer shares to non-Mexican shareholders pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares unless a registration statement under the Securities Act is effective or a similar procedure is followed with respect to such rights and shares or an exemption from the registration requirements of the Securities Act or a similar exception is available.

We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with a registration statement to enable U.S. shareholders to exercise their preemptive rights, the direct and indirect benefits of enabling U.S. shareholders to exercise preemptive rights and any other factors that we consider appropriate at such time. We will then decide whether to file such a registration statement. We are not required to file any such registration statement and such registration statement may not in fact be filed. As a result, U.S. shareholders may not be able to exercise their preemptive rights in connection with future issuances of our shares of capital stock. In this event, the economic and voting interest of U.S. shareholders in our total equity may decrease and U.S. shareholders would suffer dilution with respect to their holdings of our Shares.

Holders of our Shares may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, and most of our directors and the members of our senior management, our advisors and independent auditors reside or are based in Mexico. Substantially all of our assets and most assets of these other persons are located in Mexico. As a result, it may not be possible for you to effect service of process upon us or these other persons within the United States or other jurisdictions outside Mexico. Because judgments of U.S. courts or courts of other jurisdictions outside of Mexico for civil liabilities based upon the U.S. federal securities laws or securities laws of other jurisdictions outside Mexico may only be enforced in Mexico if certain conditions are met, you may face greater difficulties in protecting your interests through actions against us, our directors or the members of our senior management than would shareholders of a corporation incorporated in the United States or in other jurisdictions outside of Mexico. See "Enforcement of Civil Liabilities."

Corporate disclosure in Mexico may differ from disclosure regularly published by or about issuers of securities in other countries, including the United States.

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be different or less publicly available information about issuers of securities in Mexico than is regularly made available by public companies in other countries, including the United States.

Our bylaws contain provisions that require approval of our board of directors for an acquisition of a significant stake in our capital stock.

Certain provisions in our bylaws could make it difficult for a third party to acquire a significant ownership percentage of our shares without creating an obligation to purchase all or part of our shares. These bylaw provisions could discourage certain types of transactions involving the acquisition of our shares. Also, these provisions could discourage transactions in which our shareholders would receive a premium on current market value for their shares. For example, subject to certain exceptions, any person who seeks to acquire beneficial ownership of 10% or more of our outstanding capital stock will need to obtain the prior written approval of our board of directors. If the approval of our board of directors is required under our bylaws for any share acquisition or voting agreement, and such acquisition or voting agreement is undertaken without such approval, the voting rights with respect to such shares may be null and void, and a person who acquires shares in violation of these provisions would be required to sell them within 90 days of such acquisition. Our board of directors may consider certain factors set forth in our bylaws, as well as any prior approvals of governmental authorities required for such acquisition, including antitrust or other regulatory approvals (such as any prior approval of the U.S. Federal Energy Regulatory Commission required for such proposed purchase). See "Description of our Capital Stock and Bylaws—Anti-Takeover Protections" and "Regulatory, Permits and Environmental Matters—Laws Applicable to Electricity Generation."

Moreover, even if an acquisition of more than 20% but less than 40% of our shares is approved by our board of directors, the acquirer must make a cash tender offer for the greater of (1) the percentage of our outstanding capital stock that it is expected to acquire, or (2) 10% of our outstanding capital stock, provided that such acquisition would not exceed 50% of our common stock, or result in a change of control. In the event that our board of directors authorizes an acquisition of a 40% participation or that results in a change of control, regardless of the authorization, the acquirer must make a cash tender offer for 100% of our outstanding capital stock, and all shareholders must be paid the same price for shares tendered during the offer.

The restrictions on a potential acquisition of shares provided for in our bylaws could discourage possible future acquisitions of our shares and, consequently, have a negative effect on the liquidity and trading price of our Shares.

Our bylaws, in compliance with Mexican law, restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.

As required by Mexican law, our bylaws provide that non-Mexican shareholders are considered to be Mexican with respect to shares held by them, as well as with respect to any property rights, concessions, participations and interests we own and rights and obligations derived from any agreements we have with the Mexican government. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in us. If you invoke such governmental protection in violation of this agreement, your Shares may be forfeited to the Mexican government.

As a result of the Federal Power Act and the U.S. Federal Energy Regulatory Commission's regulations of transfers of control over public utilities, certain investors could be required to obtain regulatory approval to acquire our Shares.

Our power generation asset entities operating in the United States are "public utilities" as defined in the Federal Power Act, or FPA. Any transfer of direct or indirect control over these entities requires pre-approval by the U.S. Federal Energy Regulatory Commission, or FERC, under Section 203 of the FPA, either under existing blanket authorizations under FERC's regulations or by application. Acquisition of our equity by a "public utility holding company" (as defined in the Public Utility Holding Company Act) may require that investor to obtain prior FPA Section 203 approval in the event the investor does not qualify under certain blanket authorizations granted under FERC's regulations. A purchaser of our equity that is a public utility holding company will need to determine whether a given purchase of our equity requires prior FERC approval.

EXCHANGE RATES

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the peso is allowed to float freely against the U.S. dollar and other foreign currencies. Banco de México typically intervenes directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Banco de México conducts open market operations on a regular basis to adjust the size of Mexico's monetary base and the level of interest rates. Changes in Mexico's monetary base have an impact on the exchange rate. Banco de México may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions are required to allocate more funds to their reserves, which will in turn reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds increases. The opposite happens if reserve requirements are lowered.

We cannot assure you that Banco de México will maintain its current policies with respect to the peso or that the peso will not depreciate or appreciate significantly in the future. Additionally, in the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations, if any, would continue to be available without substantial additional cost.

Fluctuations in the exchange rate between the peso and the U.S. dollar affect the U.S. dollar value of securities traded on the Mexican Stock Exchange, including our Shares.

This offering circular contains translations of certain peso amounts into U.S. dollars, and vice-versa, at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts, or that the U.S. dollar amounts actually represent such peso amounts, as applicable, or that either currency could be converted into the other at the specified rate or at all.

The following tables set forth the exchange rate, expressed in pesos per U.S. dollar (Ps./US$), for the periods indicated at the exchange rate as reported by Banco de México. On October 13, 2016, the exchange rate reported by Banco de México was Ps.18.962 to US$1.00.

	Exchange rate of pesos per US$			
	Low	High	Average(1)	Period-End
Year ended December 31,				
2012	12.630	14.395	13.173	12.988
2013	11.981	13.439	12.769	13.065
2014	12.846	14.758	13.297	14.735
2015	14.556	17.378	15.871	17.340
Month ended				
January 31, 2016	17.249	18.608	18.026	18.291
February 28, 2016	18.057	19.175	18.478	18.171
March 31, 2016	17.251	18.102	17.692	17.251
April 30, 2016	17.213	17.893	17.491	17.213
May 31, 2016	17.177	18.547	18.098	18.478
June 30, 2016	18.149	19.128	18.651	18.555
July 31, 2016	18.301	18.898	18.586	18.898
August 31, 2016	17.987	18.912	18.472	18.795
September 30, 2016	18.352	19.839	19.168	19.409
October 31, 2016 (through October 13, 2016)	18.879	19.321	19.141	18.962

Source: Banco de México, Mexican Federal Official Gazette

(1) The average exchange rate is the daily average of the exchange rate on each day during the relevant period. All amounts are stated in pesos.

USE OF PROCEEDS

Based on a public offering price of Ps.80.00 per Share, we estimate that the total net proceeds to us from the Global Offering will be approximately Ps. 27.118 billion (US$1.430 billion using the exchange rate of Ps.18.962 to US$1.00, as reported by Banco de México on October 13, 2016), assuming no exercise of the initial purchasers' or the Mexican underwriters' over-allotment options to purchase additional Shares, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Assuming that the initial purchasers' and the Mexican underwriters' over-allotment options to purchase additional Shares are exercised in full, we estimate that the total net proceeds to us from the Global Offering will be approximately Ps.29.864 billion (US$1.575 billion using the exchange rate of Ps.18.962 to US$1.00, as reported by Banco de México on October 13, 2016), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to us of approximately US$1.430 billion (estimated after deduction of underwriting discounts and commissions and estimated offering expenses payable by us, but without giving effect to any exercise of the over-allotment options to purchase additional Shares to (1) repay the Bridge Loan from our affiliate, Sempra Global, and our controlling shareholder, Semco, which we borrowed to finance the GdC Acquisition, (2) finance a portion of the Ventika Acquisition and (3) if there are any remaining proceeds, for example, in the event that we do not complete the Ventika Acquisition, to fund capital expenditures and for general corporate purposes. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition," "Summary—Recent Developments—Ventika Acquisition" and "Certain Relationships and Related Party Transactions—Intercompany Loan Agreements—Bridge Loan."

The use of proceeds we receive in the Global Offering will be influenced by future market conditions, as well as by investment and acquisition opportunities that we identify and other factors that we may not currently foresee. Pending the application of the net proceeds from the Global Offering as described above, we may invest such proceeds in accordance with our investment policies, with a view to preserving our capital, in liquid assets such as public bonds and fixed-rate financial instruments issued by top-tier financial institutions.

If the net proceeds we receive in the Global Offering are less than expected, we may issue additional securities, increase our borrowings or seek other sources of financing in order to execute our strategy. Our intended use of net proceeds is based on our analyses, projections and current expectations of future events and trends. Changes in these and other factors may alter our intended use of the net proceeds from the Global Offering.

CAPITALIZATION

The table below shows our capitalization as of June 30, 2016, (1) on a historical basis, (2) on an as adjusted basis to give effect to our September 27, 2016 acquisition of Pemex TRI's 50% equity interest in Gasoductos de Chihuahua, including our borrowing of the Bridge Loan to finance the GdC Acquisition, (3) on an as further adjusted basis to give effect to the GdC Acquisition and the pending Ventika Acquisition (assuming the payment of a portion of the acquisition price through debt financing from our Revolving Credit Facility and the rest with proceeds from this offering) and (4) on an as further adjusted basis to reflect the receipt of approximately Ps.27.118 billion (US$1.430 billion using the exchange rate of Ps.18.962 to US$1.00, as reported by Banco de México on October 13, 2016) in estimated net proceeds to us from the Global Offering and application thereof as described in "Use of Proceeds," based on a public offering price of Ps.80.00 per Share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and assuming the over-allotment options to purchase additional Shares are not exercised by the initial purchasers or the Mexican underwriters. The historical information described below was derived from our unaudited condensed interim consolidated financial statements as of June 30, 2016, included elsewhere in this offering circular.

You should read this Capitalization section together with "Presentation of Financial and Other Information," "Unaudited Pro Forma Combined Financial Information," "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited financial statements included elsewhere in this offering circular.

	As of June 30, 2016			
	Historical	As Adjusted for GdC Acquisition(1)	As Further Adjusted for GdC Acquisition and Ventika Acquisition(2)	As Further Adjusted Global Offering
	(in thousands of US$)			
Cash and cash equivalents	$ 53,435	$ 133,273	$ 185,101	$ 185,101
Debt:				
Current debt:				
Short-term debt:				
Short-term debt	$ 118,437	$ 155,177	$ 169,067	$ 169,067
Debt due to related parties	340,376	1,490,376	1,573,376	423,376
Non-current debt:				
Long-term debt	272,900	613,119	1,411,756	1,131,671
Debt due to related parties (loans)	39,187	47,423	47,423	47,423
Total debt	770,900	2,306,095	3,201,622	1,771,537
Shareholders' equity:				
Common stock	762,949	762,949	762,949	944,854
Additional paid-in capital	973,953	973,953	973,953	2,222,992
Accumulated other comprehensive income	(139,117)	(148,112)	(148,112)	(148,112)
Retained earnings	613,978	1,340,170	1,340,170	1,340,170
Total shareholders' equity	2,211,763	2,928,960	2,928,960	4,359,905
Total capitalization (total debt and shareholders' equity)	**$2,982,663**	**$5,235,055**	**$6,130,582**	**$6,131,442**

(1) Gives effect to the incurrence of the Bridge Loan, but does not give effect to the repayment of the Bridge Loan from the net proceeds of the offering.

(2) Gives effect to the incurrence of the Bridge Loan and assumes that all of the acquisition price for the Ventika Acquisition will be funded through debt financing, but does not give effect to the repayment of the Bridge Loan or the expected payment of a portion of the acquisition price for the Ventika Acquisition from the net proceeds of the offering.

DILUTION

As of June 30, 2016, our net book value was Ps.47.09 per share. Net book value per share represents the net book value of our equity divided by the number of shares outstanding. Net book value represents total shareholders' equity per our unaudited condensed interim consolidated financial statements as of June 30, 2016, converted to pesos using the exchange rate published by Banco de México on such date of Ps.18.555 per US$1.00.

Investors in this offering will experience immediate dilution in their investment, calculated as the difference between the price per Share paid by investors in this offering and equity value per share immediately after giving effect to this offering.

After giving effect to the issuance of 344,932,264 Shares in this offering at the public offering price per Share of Ps.80.00 after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and assuming that the over-allotment options to purchase additional Shares by the initial purchasers or the Mexican underwriters are not exercised, our estimated total equity as of June 30, 2016 would have been approximately Ps.82.673 billion (US$4.360 billion using the exchange rate of Ps.18.962 to US$1.00, as reported by Banco de México on October 13, 2016), which represents a 48.86% increase in our estimated total equity, and the estimated net book value per share adjusted accordingly would have been approximately Ps.55.15, representing a 17.12% increase in our estimated net book value per share, resulting in an immediate increase in the net book value per share of Ps.8.06 to our existing shareholders and an immediate dilution in the net book value per share of Ps.24.85 to investors (including Semco with respect to the Shares it purchased) in this offering.

Dilution for these purposes represents the difference between the price per Share paid by the investors in this offering and the book value per share immediately after giving effect to this offering.

The following table illustrates the dilution in net book value to purchasers of our Shares in this offering:

	Amount Per Share
Public Offering price	Ps.80.00
Net book value as of June 30, 2016	47.09
Increase in net book value per share to our existing shareholders	8.06
Net book value per share as of June 30, 2016, as adjusted for this offering	55.15
Dilution of net book value per share to new investors	24.85

Furthermore, after this offering we may choose to raise additional capital through the sale of equity or convertible debt securities due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. New investors will experience further dilution if we issue additional shares, other equity securities or convertible debt securities in the future.

PRICE RANGE OF OUR COMMON STOCK

Our common stock has been listed on the Mexican Stock Exchange since March 22, 2013 under the symbol "IENOVA." Prior to that date, there was no public market for our common stock.

On October 13, 2016, the closing price for our common stock as reported on the Mexican Stock Exchange was Ps.80.90 per share. The following table sets forth the ranges of high and low sales prices per share of our common stock as reported on the Mexican Stock Exchange for the periods indicated. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

In the last three quarters, we have not suspended the sale of our shares. The following table shows the maximum and minimum historical sales prices of our shares:

	HIGH	LOW	MEXICAN STOCK EXCHANGE MAIN INDICATOR(1)
Year 2013			
First Quarter	Ps. 40.51	Ps. 38.10	44,087.34
Second Quarter	Ps. 51.70	Ps. 38.51	40,624.02
Third Quarter	Ps. 56.79	Ps. 46.70	40,903.61
Fourth Quarter	Ps. 57.00	Ps. 47.01	43,076.86
Year 2014			
First Quarter	Ps. 69.99	Ps. 51.42	40,461.60
Second Quarter	Ps. 74.40	Ps. 64.05	42,737.17
Third Quarter	Ps. 86.03	Ps. 71.51	44,985.66
Fourth Quarter	Ps. 86.19	Ps. 68.50	43,145.66
Year 2015			
First Quarter	Ps. 84.90	Ps. 69.09	43,724.78
Second Quarter	Ps. 92.34	Ps. 77.15	45,053.70
Third Quarter	Ps. 83.55	Ps. 68.90	42,121.51
Fourth Quarter	Ps. 81.78	Ps. 69.20	42,977.50
Last Six Months 2016			
March	Ps. 73.52	Ps. 70.00	Ps. 45,881.08
April	Ps. 70.60	Ps. 66.86	Ps. 45,784.77
May	Ps. 74.20	Ps. 67.23	Ps. 45,459.45
June	Ps. 77.46	Ps. 72.19	Ps. 45,966.49
July	Ps. 79.78	Ps. 74.02	Ps. 46,660.67
August	Ps. 76.02	Ps. 71.54	Ps. 47,500.03
September	Ps. 76.65	Ps. 72.86	Ps. 47,245.80
October (through October 13)	Ps. 81.19	Ps. 73.94	Ps. 47,634.00

(1) Mexican Stock Exchange IPC Index at the end of the quarter.

As of September 26, 2016, there were approximately 36 shareholders of record, which excludes shareholders whose shares were held in nominee or street name by brokers. The actual number of common shareholders is greater than the number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust by other entities.

DIVIDENDS AND DIVIDEND POLICY

A vote by the majority of our shareholders present at a shareholders' meeting determines the declaration, amount and payment of dividends. Although not required by law, such declarations typically follow the recommendation of the board of directors. Under Mexican law, dividends may only be paid (1) from retained earnings included in financial statements that have been approved at a shareholders' meeting, (2) if losses for prior fiscal years have been recovered, and (3) if we have increased our legal reserve by at least 5.0% of our annual net profits until such reserve reaches 20.0% of our capital stock.

Although we do not have a formal dividend policy and have no current plans to adopt such a policy, we currently intend to declare dividends on an annual basis, with one or more payments during the year. The payment of dividends, and any formal dividend policy that may be adopted in the future, will be subject to the requirements of Mexican law and will depend on a number of factors including our results of operations, financial condition, cash requirements, future prospects, taxes, covenants in agreements we have entered into or may in the future enter into, our subsidiaries' ability to pay dividends to us, and other factors that our board of directors and shareholders deem relevant. We cannot assure you that we will pay any dividends in the future.

Our indirect controlling shareholder currently has, and after the completion of this offering will continue to have, the power to determine matters related to the payment of dividends. We cannot guarantee that we will pay or maintain a cash dividend policy. See "Risk Factors—Risks Relating to Our Shares and to this Offering—There can be no assurance that we will be able to pay or maintain cash dividends."

Since January 1, 2011, we have declared and paid dividends on eight occasions:

- On December 30, 2011, in the amount of US$80.0 million, representing a dividend of Ps.32.43 per share.
- On March 29, 2012, in the amount of US$15.1 million, representing a dividend of Ps.5.50 per share.
- On December 5, 2012, in the amount of US$125.0 million, representing a dividend of Ps.17.50 per share.
- On March 1, 2013, in the amount of US$39.0 million, representing a dividend of Ps.5.35 per share.
- On October 7, 2013, in the amount of US$117.0 million, representing a dividend of Ps.1.3152 per share.
- On July 31, 2014, in the amount of US$164.0 million, representing a dividend of Ps.1.8557 per share.
- On August 6, 2015, in the amount of US$170.0 million, representing a dividend of Ps.2.3825 per share.
- On August 9, 2016, in the amount of US$140.0 million, representing a dividend of Ps.2.2891 per share.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

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

Pro forma combined financial
statements as of June 30, 2016, and
December 31, 2015, and
for the six-month periods ended June 30,
2016 and 2015, and for the year ended
December 31, 2015 and independent
auditor's assurance report.
(Translation of publicly reported pro forma
combined financial statements originally issued in Spanish)

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

Pro forma combined financial statements as of June 30, 2016, and December 31, 2015 and for the six-month periods ended June 30, 2016 and 2015, and for the year ended December 31, 2015

Content

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

We have completed our assurance engagement to report on the compilation of the pro forma combined financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and subsidiaries (the Company). The pro forma combined financial statements consist of the pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015, the pro forma combined statements of profit or loss and other comprehensive income for the six month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015 and the notes to the pro forma combined financial statements (collectively, the pro forma combined financial statements). The criteria on the basis of which the management of the Company has compiled the pro forma combined financial statements are described in Note 2 (the basis for presentation of the pro forma combined financial statements).

The pro forma financial information has been compiled by the management of the Company to illustrate the impact of the acquisition of Gasoductos de Chihuahua, S. de R. L. de C. V. and subsidiaries (GDC) and Fisterra Energy Netherlands III, B. V., Fisterra Energy Netherlands, IV B. V., Fisterra Energy Mexico III, S. de R. L. de C. V., Fisterra Energy Mexico IV, S. de R. L. de C. V., Ventika I, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V. (collectively Ventika), described in Note 1 on the Company's combined financial position as of June 30, 2016 and December 31, 2015 as if the acquisition had occurred on such dates and its combined financial performance for the six month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015 as if the acquisition had occurred on January 1, 2015. As part of this process, information about the combined financial position and combined financial performance has been extracted by the management of the Company from the financial information described in Note 2.

Management's Responsibility for the Pro Forma Combined Financial Information

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

Auditor's Responsibilities

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

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

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

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

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

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

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

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

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

Opinion

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

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

/s/ C. P. C. Omar Esquivel Romero

September 27, 2016

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

Pro forma Combined Statements of Financial Position
As of June 30, 2016 and December 31, 2015
(In thousands of US dollars)

	As of June 30, 2016						As of December 31, 2015					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Assets												
Current assets:												
Cash and cash equivalents	$ 53,435	$ 78,823	$ 51,828	$ 1,015	a	$ 185,101	$ 40,377	$ 22,080	$ 12,136	$ 4,880	a	$ 79,473
Short-term investments	80	16,611	—	—		16,691	20,068	10,780	—	—		30,848
Trade and other receivable, net	56,366	51,796	10,699	—		118,861	53,728	40,376	7,008	—		101,112
Due from unconsolidated affiliates	9,494	—	—	(4,872)	a	4,622	27,608	—	—	(936)	a	26,672
Income tax receivable	1,979	—	—	—		1,979	16,226	—	—	—		16,226
Natural gas inventories	6,953	—	—	—		6,953	4,628	—	—	—		4,628
Derivative financial instruments	1,565	—	—	—		1,565	1,926		—	—		1,926
Value added tax receivable	20,590	—	12,297	548	a	33,435	46,807	4,494	3,437	(107)	a	54,631
Carbon allowances	—	—	—	—		—	5,385	—	—	—		5,385
Other assets	9,043	2,006	552	(108)	a	11,493	8,576	10,513	—	(34)	a	19,055
Assets held for sale	312,973	—	—	—		312,973	—	—	—	—		—
Total current assets	472,478	149,236	75,376	(3,417)		693,673	225,329	88,243	22,581	3,803		339,956
Non-current assets:												
Due from unconsolidated affiliates	105,102	—	—	—		105,102	111,766	—	—	—		111,766
Finance lease receivables	14,438	946,629	—	—		961,067	14,510	952,201	—	—		966,711
Deferred income tax assets	63,237	19,364	9,841	(14,593)	a	77,849	78,965	12,314	7,168	(11,757)	a	86,690
Investment in joint ventures	460,772	119,935	—	(580,009)	a, d	698	440,105	131,338	—	(564,682)	a,d	6,761
Goodwill	25,654	—	—	1,791,150	b	1,816,804	25,654	—	—	1,857,912	b	1,883,566
Property, plant and equipment, net	2,446,041	313,235	587,814	(237)	a	3,346,853	2,595,840	320,079	519,901	(209)	a	3,435,611
Carbon allowances	—	—	—	—		—	12,975	—	—	—		12,975
Other assets	4,263	1,908	—	—		6,171	1,938	1,727	—	—		3,665
Total non-current assets	3,119,507	1,401,071	597,655	1,196,311		6,314,544	3,281,753	1,417,659	527,069	1,281,264		6,507,745
Total assets	$3,591,985	$1,550,307	$673,031	$1,192,894		$7,008,217	$3,507,082	$1,505,902	$549,650	$1,285,067		$6,847,701

	As of June 30, 2016						As of December 31, 2015					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Liabilities and Stockholders' Equity												
Current liabilities:												
Short-term debt	$ 118,437	$ 36,740	$ 13,890	$ —		$ 169,067	$ 88,507	$ 35,169	$ 2,141	$ —		$ 125,817
Trade and other payables	50,549	82,629	9,704	(464)	a	142,418	43,849	91,056	31,958	(49)	a	166,814
Due to unconsolidated affiliates	356,457	—	15,175	(15,175)	a	356,457	352,650	—	6,595	(6,595)	a	352,650
Income tax liabilities	7,420	—	4	—		7,424	14,095	—	58	—		14,153
Derivative financial instruments	352	7,339	4,007	—		11,698	—	7,505	2,624	—		10,129
Other financial liabilities	6,003	—	—	—		6,003	6,444	—	—	—		6,444
Provisions	1,067	—	—	—		1,067	1,293	—	—	—		1,293
Other taxes payable	14,307	—	—	—		14,307	13,881		—	—		13,881
Carbon allowances	—	—	—	—		—	5,385	—	—	—		5,385
Other liabilities	20,816	—	—	—		20,816	17,237	—	—	—		17,237
Liabilities held for sale	70,494	—	—	—		70,494	—	—	—	—		—
Total current liabilities	645,902	126,708	42,780	(15,639)		799,751	543,341	133,730	43,376	(6,644)		713,803
Non-current liabilities:												
Long-term debt	272,900	340,219	466,637	$ 332,000	a	1,411,756	299,925	359,278	363,330	332,000	a	1,354,533
Due to unconsolidated affiliates	39,187	185,560	106,209	(283,533)	a	47,423	38,460	180,209	98,239	(270,995)	a	45,913
Deferred income tax liabilities	230,029	116,216	—	—		346,245	261,294	107,773	—	—		369,067
Carbon allowances	—	—	—	—		—	12,611	—	—	—		12,611
Provisions	29,453	4,993	—	—		34,446	34,236	4,833	—	—		39,069
Derivative financial instruments	158,572	18,652	24,296	—		201,520	133,056	9,151	14,650	—		156,857
Employee benefits	4,179	937	—	—		5,116	4,295	1,063	—	—		5,358
Total non-current liabilities	734,320	666,577	597,142	48,467		2,046,506	783,877	662,307	476,219	61,005		1,983,408
Total liabilities	1,380,222	793,285	639,922	32,828		2,846,257	1,327,218	796,037	519,595	54,361		2,697,211
Stockholders' Equity:												
Common stock	762,949	88,642	48,613	(137,255)	c	762,949	762,949	88,642	38,914	(127,556)	c	762,949
Additional paid-in capital	973,953	—	—	1,233,000	c	2,206,953	973,953	—	—	1,233,000	c	2,206,953
Accumulated other comprehensive income	(139,117)	(52,800)	(19,812)	63,617	c	(148,112)	(103,944)	(25,331)	(12,091)	31,710	c	(109,656)
Retained earnings	613,978	721,180	4,308	704	c	1,340,170	546,906	646,554	3,232	93,552	c	1,290,244
Total equity	2,211,763	757,022	33,109	1,160,066		4,161,960	2,179,864	709,865	30,055	1,230,706		4,150,490
Total equity and liabilities	$3,591,985	$1,550,307	$673,031	$1,192,894		$7,008,217	$3,507,082	$1,505,902	$549,650	$1,285,067		$6,847,701

See accompanying notes to the pro forma combined financial statements

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

Pro forma Combined Statements of Profit or Loss and Other Comprehensive Income
For the six month periods ended June 30, 2016 and 2015
(In thousands of US dollars)

	For the six month period ended June 30, 2016						For the six month period ended June 30, 2015					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Revenues	$271,976	$ 84,077	$19,492	$ (8,541)	a	$ 367,004	$ 297,230	$ 72,793	$ —	$ (694)	a	$ 369,329
Finance lease revenue	—	62,662	—	—		62,662	—	44,527	—	—		44,527
Cost of revenues	(91,491)	(18,227)	(2,238)	1,378	a	(110,578)	(119,019)	(12,591)	—	135	a	(131,475)
Operating, administrative and other expenses	(41,919)	(6,584)	(270)	842	a	(47,931)	(38,742)	(8,564)	(34)	68	a	(47,272)
Depreciation and amortization	(28,551)	(10,913)	(7,381)	22	a	(46,823)	(24,768)	(10,903)	—	—		(35,671)
Interest income	3,035	—	(8,888)	(6)	a	(5,859)	3,708	—	(555)	(1,538)	a	1,615
Finance (costs) income	(5,825)	(14,715)	981	2,499	a	(17,060)	(2,330)	(10,949)	398	3,613	a	(9,268)
Other (losses) gains, net	(698)	(1,503)	(36)	(48)	a	(2,285)	(3,268)	(997)	(29)	1	a	(4,293)
Remeasurement of equity method investment	—	—	—	—		—	—	—	—	762,790	a	762,790
Profit before income tax and share of profits of joint ventures	106,527	94,797	1,660	(3,854)		199,130	112,811	73,316	(220)	764,375		950,282
Income tax expense	(40,598)	(29,672)	(584)	(2,359)	a	(73,213)	(42,860)	(26,123)	(83)	(967)	a	(70,033)
Share of profits of joint ventures, net of income tax	39,425	9,501	—	(39,513)	a	9,413	23,258	(5,681)	—	(18,780)	a	(1,203)
Profit for the period from continuing operations	$105,354	$ 74,626	$ 1,076	$(45,726)	a	$ 135,330	$ 93,209	$ 41,512	$(303)	$744,628	a	$ 879,046
Discontinued operations:												
Loss for the period from discontinued operations, net of income tax	(38,282)	—	—	—		(38,282)	(10,501)	—	—	—		(10,501)
Profit for the period	$ 67,072	$ 74,626	$ 1,076	$(45,726)		$ 97,048	$ 82,708	$ 41,512	$(303)	$744,628		$ 868,545

	For the six month period ended June 30, 2016						For the six month period ended June 30, 2015					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Profit for the period	$ 67,072	$ 74,626	$ 1,076	$(45,726)		$ 97,048	$ 82,708	$41,512	$(303)	$744,628		$868,545
Other comprehensive income (loss):												
Items that will not be reclassified to profit and loss:												
Actuarial (loss) gain on defined benefits plans	—	(364)	—	—		(364)	254	354	—	—		608
Deferred income tax relating to components of other comprehensive income	—	141	—	—		141	(76)	(106)	—	—		(182)
Total items that will not be reclassified to profit and loss	—	(223)	—	—		(223)	178	248	—	—		426
Items that may be reclassified subsequently to profit and loss:												
Gain (loss) on valuation of derivative financial instruments held for hedging purposes	774	(38,316)	(11,030)	69,440	a	20,868	(5,107)	6,428	(320)	(3,058)	a	(2,057)
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes	(232)	11,520	3,309	(20,722)	a	(6,125)	1,532	(1,929)	96	917	a	616
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures	(26,801)	—	—	(15,173)	a	(41,974)	3,326	—	—	(1,862)	a	1,464
Deferred income tax on (loss) gain on valuation of derivative financial instruments held for hedging purposes at joint ventures	8,040	—	—	4,497	a	12,537	(997)	—	—	559	a	(438)
Exchange differences on translating foreign operations	(16,954)	(451)	—	—		(17,405)	(11,566)	—	—	—		(11,566)
Other comprehensive (loss) income for the period	(35,173)	(27,470)	(7,721)	38,042		(32,322)	(12,634)	4,747	(224)	(3,444)		(11,555)
Total comprehensive income for the period	$ 31,899	$ 47,156	$ (6,645)	$ (7,684)		$ 64,726	$ 70,074	$46,259	$(527)	$741,184		$856,990

See accompanying notes to the pro forma combined financial statements.

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

Pro forma Combined Statements of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2015
(In thousands of US dollars)

	For the year ended December 31, 2015.					
	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (Note 2(1))	Gasoductos de Chihuahua, S. de R.L. de C.V. and Subsidiaries (Note 2(2))	Fisterra Energy Netherlands III and Fisterra Energy Netherlands IV and Subsidiaries (Note 2(3))	Pro Forma Adjustments (Note 3)	Notes	Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries Pro Forma
Revenues	$ 613,041	$144,358	$ —	$ (3,396)	a	$ 754,003
Finance lease revenue	—	105,066	—	—		105,066
Cost of revenues	(257,226)	(28,677)	—	606	a	(285,297)
Operating, administrative and other expenses	(81,857)	(18,506)	(48)	1,584	a	(98,827)
Depreciation and amortization	(52,470)	(19,354)	—	—		(71,824)
Interest income	6,701	—	20	(1,539)	a	5,182
Finance (costs) income	(9,859)	(22,525)	279	5,812	a	(26,293)
Other losses, net	(11,426)	(6,150)	1,413	(46)	a	(16,209)
Remeasurement of equity method investment	—	—	—	762,790	a	762,790
Profit before income tax and share of profits of joint ventures	206,904	154,212	1,664	765,811		1,128,591
Income tax expense	(94,237)	(64,307)	3,198	(5,463)	a	(160,809)
Share of profits of joint ventures, net of income tax	42,319	(6,936)	—	(37,907)	a	(2,524)
Profit for the period from continuing operations	$ 154,986	$ 82,969	$ 4,862	$722,441		$ 965,258
Loss for the period from discontinued operations, net of income tax	(14,797)	—	—	—		(14,797)
Profit for the period	$ 140,189	$ 82,969	$ 4,862	$722,441		$ 950,461
Other comprehensive (loss) income:						
Items that will not be reclassified to profit and loss:						
Actuarial (loss) gain on defined benefit plans	(1,793)	644	—	—		(1,149)
Deferred income tax relating to components of other comprehensive income	538	(193)	—	—		345
Total items that will not be reclassified to profit and loss	(1,255)	451	—	—		(804)
Items that may be reclassified subsequently to profit and loss:						
(Loss) gain on valuation of derivative financial instruments held for hedging purposes	(6,604)	(8,220)	(3,483)	(31,754)	a	(50,061)
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes	1,981	2,466	1,045	9,526	a	15,018
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures	(5,362)	—	—	19,665	a	14,303
Deferred income tax on (loss) gain on valuation of derivative financial instruments held for hedging purposes at joint ventures	1,608	—	—	(5,899)	a	(4,291)
Exchange differences on translating foreign operations	(29,981)	—	—	—		(29,981)
Other comprehensive (loss) for the period	(39,613)	(5,303)	(2,438)	(8,462)		(55,816)
Total comprehensive income for the period	$ 100,576	$ 77,666	$ 2,424	$713,979		$ 894,645

See accompanying notes to the pro forma combined financial statements.

Notes to the pro forma combined financial statements
As of June 30, 2016 and December 31, 2015, and for the six month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015
(In thousands of US dollars)

1. Activities

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

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

In February 2016, the Company's management approved a plan to market and sell Termoeléctrica de Mexicali, S. de R. L. de C. V. and subsidiaries ("TDM"), which owns and operates the Company's natural gas fired power plant. As of June 30, 2016, the assets and liabilities of TDM were classified under current assets and liabilities as held for sale and the corresponding discontinued operation effects in the Pro forma Combined Statements of Profit or Loss and Other Comprehensive Income.

Description of the GDC Acquisition

The transaction involved the acquisition (the "GDC Acquisition") by IEnova Gasoductos Holding, S. de R. L. de C. V., a subsidiary of the Company, of the remaining equity interest in Gasoductos de Chihuahua, S. de R. L. de C. V. ("GDC") from Pemex Transformación Industrial ("Pemex TRI"). Upon consummation of the GDC Acquisition, which occurred on September 27, 2016, the Company held, indirectly, 100% of the equity interests in GDC; provided, however that the Company and Pemex TRI through GDC, each continue to hold a 50% equity interest in GDC's current subsidiary Ductos y Energéticos del Norte, S. de R. L. de C. V. ("DEN"). Through DEN, the Company and Pemex TRI will preserve their energy infrastructure joint venture for the purpose of the construction of the Los Ramones Norte pipeline and the potential development of new projects.

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

Description of the financing of the GDC Acquisition

The Company financed the GDC Acquisition with the proceeds from a $1,150.0 million bridge loan obtained from affiliates of the Parent ("the Bridge Loan"). The Company plans to refinance or repay the Bridge Loan with the proceeds from the issuance and sale of additional equity securities (the "Bridge Refinancing"); as a result, and because the amount of interest expense is de minimis for the periods presented, no debt or interest expense is shown in the pro forma combined financial statements in connection with the GDC Acquisition.

Description of the Ventika Acquisition

The transaction involves the acquisition (the "Ventika Acquisition") by Controladora Sierra Juárez, S. de R. L. de C. V., a subsidiary of the Company, of 100% of the equity interests of Fisterra Energy Netherlands III, B. V., Fisterra Energy Netherlands, IV B. V., Fisterra Energy Mexico III, S. de R. L. de C. V. and Fisterra Energy

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

The estimated purchase price for the Ventika Acquisition is $415 million, which includes estimated cash and cash equivalents of $40 million but does not include the assumption of approximately $477 million of indebtedness, in each case generated by the operation of the Ventika wind farm facilities as of the closing date of the Ventika Acquisition. The estimated purchase price will also be subject to certain customary post-closing adjustments based upon the actual cash, indebtedness and working capital of the Ventika business at the closing of the Ventika Acquisition set forth in the acquisition agreement. The enterprise value of the Ventika business is approximately $852 million.

Description of the financing of the Ventika Acquisition

The Company intends to finance the Ventika Acquisition with either borrowings under its revolving credit facility, proceeds from the sale of equity securities, and/or cash on hand, in each case.

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

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

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

The pro forma combined financial statements include the pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015 and the pro forma combined statements of profit or loss and other comprehensive income for the six month periods ended June 30, 2016 and 2015, and for the year ended December 31, 2015.

The pro forma combined financial statements present the financial information of the Company as if the GDC Acquisition and the Ventika Acquisition had occurred (i) with respect to the pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015, respectively, and (ii) with respect to the pro forma combined statements of comprehensive profit or loss for all the periods presented, on January 1, 2015.

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

(1) The historical unaudited condensed interim consolidated statement of financial position of the Company as of June 30, 2016 and the condensed interim consolidated statement of profit or loss and other comprehensive income for the six month ended June 30, 2016 and 2015, prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and the annual audited consolidated statement of financial position and profit or loss and other comprehensive income of the Company as of and for the year ended December 31, 2015, prepared in accordance with IFRS.

(2) The historical unaudited financial information of GDC is derived from the historical unaudited interim consolidated statements of financial position of GDC as of June 30, 2016 and the historical unaudited interim consolidated statements of profit or loss and other comprehensive income of GDC for the six

months ended June 30, 2016 and 2015 and the historical annual audited consolidated statement of financial position and profit or loss and other comprehensive income of GDC as of and for the year ended December 31, 2015, prepared in accordance with Accounting Principles Generally Accepted in the United States as reconciled to IFRS.

(3) The historical unaudited combined statement of financial position of Ventika as of June 30, 2016 and the historical unaudited condensed interim combined statements of profit or loss and other comprehensive income of Ventika for the six months ended June 30, 2016 and 2015, prepared in accordance with IAS 34, *Interim Financial Reporting*, and the historical annual audited combined statement of financial position and profit or loss and other comprehensive income of Ventika as of and for the year ended December 31, 2015, prepared in accordance with IFRS.

3. Pro forma adjustments

Pro forma adjustments as of June 30, 2016 and December 31, 2015, included in the accompanying pro forma combined statements of financial position, and for the six month periods ended June 30, 2016 and 2015 and for the year ended December 31 2015, included in the pro forma combined statements of profit or loss and other comprehensive income as described below, represent the GDC Acquisition and Ventika Acquisition as well as the expected Bridge Refinancing, the expected offering of the Company's Class II common stock and a draw under the Company's revolving credit facility to fund the remainder of the Ventika Acquisition. No interest expense has been included in the pro forma combined financial statements with respect to the Bridge Loan, as it is expected that the Bridge Refinancing will be made in the near term (and the interest expense related to the Bridge Loan would be de minimis for the periods presented).

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

In order to present the effects of the GDC Acquisition and the Ventika Acquisition in the pro forma combined financial statements, management applied certain pro forma adjustments to the historical figures of the acquired companies. Once the GDC Acquisition and Ventika Acquisition have been completed, the Company will recognize both acquisitions as an acquisition of a business, applying the accounting requirements of IFRS 3, *Business Combinations*, to its financial information. The Company will have twelve months from the applicable acquisition date to finalize purchase accounting and thus the values assigned to the acquired net assets in these pro forma combined financial statements are subject to change. The pro forma adjustments reflect the effects of acquisition accounting under IFRS as of the dates previously established and are as follows:

Adjustments to the pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015 and adjustments to the pro forma combined statements of profit or loss and other comprehensive income for the six months periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015:

The pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015 have been adjusted to reflect the preliminary allocation of: (i) the purchase price of the identifiable net assets of GDC and Ventika; (ii) the goodwill recognized as the excess of the consideration transferred in cash in the GDC Acquisition and the Ventika Acquisition as well as the remeasurement to fair value of the previously held 50% interest in GDC by the Company; and (iii) the consummation of the Bridge Refinancing. The purchase price allocation in the pro forma combined statements of financial position as of June 30, 2016 and December 31, 2015 is based upon the total consideration detailed below:

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

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

	As of June 30, 2016	As of December 31, 2015
Current assets	$ 139,653	$ 85,878
Non-current assets, mainly property, plant and equipment, net	1,266,306	1,274,355
Current and long—term liabilities	(615,497)	(623,231)
Total identifiable net assets	790,462	737,002
DEN's Stockholders' equity	(33,439)	(27,137)
Goodwill recognized in accordance with the pro forma purchase price allocation	1,530,643	1,577,801
Fair value of previously held interest	(1,143,833)	(1,143,833)
Total consideration transferred	$ 1,143,833	$ 1,143,833

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

	As of June 30, 2016	As of December 31, 2015
Current assets	$ 75,376	$ 22,581
Non-current assets, mainly property, plant and equipment, net	597,655	527,069
Current and long—term liabilities	(639,922)	(519,595)
Total identifiable net assets	33,109	30,055
Debt cancellation	121,384	104,834
Goodwill recognized in accordance with the pro forma purchase price allocation	260,507	280,111
Total consideration transferred	$ 415,000	$ 415,000

The Ventika Acquisition involves assumption of approximately $477 million of indebtedness, with the remainder of the indebtedness eliminated as pro forma adjustments.

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

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

Statements of financial position

	As of June 30, 2016	As of December 31, 2015
Cash and cash equivalents	$ 5,152	$ 1,287
Due from unconsolidated affiliates	4,872	936
Value added tax recoverable	(548)	107
Other assets	108	34
Investment in Los Ramones Norte project, joint venture	119,935	131,338
Property, plant and equipment, net	237	209
Deferred income tax assets	14,593	11,757
Total assets	144,349	145,668
Trade and other payables	464	49
Due to unconsolidated affiliates	177,324	172,756
Total liabilities	177,788	172,805
Common stock	200	200
Accumulated other comprehensive income	(34,811)	(13,907)
Retained earnings	1,172	(13,430)
Total Equity	(33,439)	(27,137)

Statements of profit or loss and other comprehensive income

	For the six month period ended June 30, 2016	For the six month period ended June 30, 2015	Year ended December 31, 2015
Revenues	$ 8,541	$ 694	$ 3,396
Cost of revenues	(1,378)	(135)	(606)
Operating, administrative and other expenses	(842)	(68)	(1,584)
Depreciation and amortization	(22)	—	—
Interest income	6	1,538	1,539
Finance costs	(4,088)	(5,202)	(8,989)
Other gains, net	48	(1)	46
Income tax benefit	2,836	1,444	6,416
Share of profits of joint ventures, net of income tax	9,501	(5,681)	(6,936)
Profit for the period	14,602	(7,411)	(6,718)
Accumulated other comprehensive loss related to (loss) gain on valuation of derivative financial instruments held for hedging purposes	(69,440)	3,058	31,754
Accumulated other comprehensive income related to deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes	20,722	(917)	(9,526)
Other comprehensive (loss) income for the period	(48,718)	2,141	22,228
Total comprehensive income for the period	$(34,116)	$(5,270)	$15,510

b. Goodwill shown in the pro forma combined statements of financial position corresponds to the excess of the consideration transferred from the GDC Acquisition and the Ventika Acquisition, and the remeasurement to fair value of the Company's previously held 50% equity interest in GDC over the fair value of the net assets acquired. Net assets acquired are estimated as of June 30, 2016 and December 31, 2015 and are subject to adjustment upon completion of the GDC Acquisition and the Ventika Acquisition and during the subsequent 12-month measurement period permitted by IFRS 3.

c. The effect on stockholders' equity is $1,160,066 and $1,230,706, for the periods indicated below, including the elimination of GDC and Ventika stockholders' equity upon consolidation (but excluding DEN), as follows:

Stockholder's equity	As of June 30, 2016	As of December 31, 2015
Capital stock	$ (137,255)	$ (127,556)
Additional paid-in capital	1,233,000	1,233,000
Accumulated other comprehensive income	63,617	31,710
Retained earnings	704	93,552
Total pro forma adjustments	$1,160,066	$1,230,706

The additional paid-in capital shown above assumes gross proceeds from an offering of the Company's Class II common stock in the amount of $1,263,000, net of estimated issuance cost of $30,000 and taxes.

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

Item	As of January 1, 2015
Cash paid in acquisition	$1,143,833
Less book value of investment in joint venture	(381,043)
Remeasurement gain of equity method investment	$ 762,790

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

* * * * *

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our selected consolidated financial information as of and for the periods indicated. These tables should be read in conjunction with the financial statements and notes thereto included elsewhere in this offering circular and are qualified in their entirety by the information contained therein. See "Presentation of Financial and Other Information."

In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax.

The following selected consolidated financial information does not show the effect of the Transactions, which occurred after the consolidated financial information as of and for the periods indicated below. For more information regarding the pro forma effect of the Transactions on our results of operations and financial position, see "Unaudited Pro Forma Combined Financial Information."

We derived the consolidated statements of profit data for the years ended December 31, 2013, 2014 and 2015 and the condensed consolidated statements of financial position data as of December 31, 2013, 2014 and 2015 from our audited financial statements appearing elsewhere in this offering circular, and we derived the consolidated statements of profit data for the six months ended June 30, 2015 and 2016 and the condensed consolidated statements of financial position data as of June 30, 2016 from our unaudited condensed interim consolidated financial statements appearing elsewhere in this offering circular. Our historical results are not necessarily indicative of our future results. You should read this data together with "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Unaudited Pro Forma Combined Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited and unaudited financial statements and related notes appearing elsewhere in this offering circular.

Consolidated Statements of Profit

	Year Ended December 31,			Six Months Ended June 30,	
	2013	**2014**	**2015**	**2015**	**2016**
	(in thousands of US$)				
Revenues	$ 677,836	$ 822,796	$ 671,703	$ 297,230	$271,976
Cost of revenues	(328,817)	(443,298)	(286,597)	(119,019)	(91,491)
Operating, administrative and other expenses	(99,685)	(98,384)	(104,213)	(38,742)	(41,919)
Depreciation and amortization	(61,164)	(61,943)	(67,682)	(24,768)	(28,551)
Interest income	1,372	3,299	6,743	3,708	3,035
Finance (costs) income	(5,035)	1,143	(10,103)	(2,330)	(5,825)
Other (losses) and gains	6,986	1,258	(11,575)	(3,268)	(698)
Profit before income tax and share of profits of joint ventures	**191,493**	**224,871**	**198,276**	**112,811**	**106,527**
Income tax expense	(83,792)	(111,283)	(100,406)	(42,860)	(40,598)
Share of profits of joint ventures, net of income tax	34,689	23,346	42,319	23,258	39,425
Profit for the period from continuing operations	**142,390**	**136,934**	**140,189**	**93,209**	**105,354**
Loss for the period from discontinued operations, net of income tax	—	—	—	(10,501)	(38,282)
Profit for the period	**$ 142,390**	**$ 136,934**	**$ 140,189**	**$ 82,708**	**$ 67,072**

Condensed Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(in thousands of US$)			
Assets				
Current assets				
Cash and cash equivalents	$ 103,880	$ 83,637	$ 40,377	$ 53,435
Short-term investments	207,027	30,020	20,068	80
Assets held for sale	—	—	—	312,973
Other current assets(1)	187,221	211,962	164,884	105,990
Total current assets	**498,128**	**325,619**	**225,329**	**472,478**
Non-current assets				
Investments in joint ventures	366,288	401,538	440,105	460,772
Property, plant and equipment, net	2,213,837	2,377,739	2,595,840	2,446,041
Other non-current assets(2)	163,655	275,322	245,808	212,694
Total non-current assets	**2,743,780**	**3,054,599**	**3,281,753**	**3,119,507**
Total assets	**$3,241,908**	**$3,380,218**	**$3,507,082**	**$3,591,985**
Equity and liabilities				
Liabilities held for sale	$ —	$ —	$ —	$ 70,494
Other current liabilities(3)	193,089	367,550	543,341	575,408
Current liabilities	**193,089**	**367,550**	**543,341**	**645,902**
Non-current liabilities				
Long-term debt(4)	394,656	350,638	299,925	272,900
Due to unconsolidated affiliates	38,893	38,460	38,460	39,187
Other non-current liabilities(5)	298,858	374,282	445,492	422,233
Total non-current liabilities	**732,407**	**763,380**	**783,877**	**734,320**
Total liabilities	**925,496**	**1,130,930**	**1,327,218**	**1,380,222**
Total equity	**2,316,412**	**2,249,288**	**2,179,864**	**2,211,763**
Total equity and liabilities	**$3,241,908**	**$3,380,218**	**$3,507,082**	**$3,591,985**

(1) Other current assets include trade and other receivables – net, income tax receivable, value-added tax receivable, amounts due from Sempra subsidiaries that are not consolidated with us, carbon allowances from 2015, inventory of natural gas, derivative financial instruments and other current assets.

(2) Other non-current assets include unconsolidated accounts receivable from related parties, deferred income tax assets, finance lease receivables, goodwill, carbon allowances from 2015 and other non-current assets.

(3) Other current liabilities include revolving credit facilities, trade and other payables, short-term debt, current unconsolidated amounts due to related parties, current tax liabilities, other financial liabilities, provisions, derivative financial instruments, carbon allowances from 2015 and other current liabilities.

(4) Long-term debt includes CEBURES long-term debt.

(5) Other non-current liabilities include deferred income tax liabilities, derivative financial instruments, provisions, carbon allowances from 2015 and employee benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the information below together with "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Capitalization," "Use of Proceeds," "Unaudited Pro Forma Combined Financial Information" and "Selected Consolidated Financial Information" and our audited and unaudited financial statements and related notes included elsewhere in this offering circular. Our audited and unaudited 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 set forth in "Risk Factors" and other matters set forth in this offering circular.

Our Business Segments

Our assets are divided between two operating segments:

- our gas segment, which includes natural gas, ethane and LPG transportation through our pipelines, our LPG storage facility, our LNG storage and regasification business, which also purchases LNG and sells natural gas to its customers, and our natural gas distribution business; and
- our power segment, which includes a natural gas-fired, combined-cycle power generation facility and a wind power generation operation.

In addition, certain revenues and costs that are not directly attributable to either of our operating segments are reported as corporate revenues 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 our gas segment, our pipelines business owns, develops and operates systems for receiving, transporting, compressing, storing and delivering natural gas, ethane and LPG. These systems (including assets under construction) include more than 2,900 km of natural gas pipelines (including approximately 1,393 km under construction), of which 1,584 km are in operation, ten natural gas compression stations in operation and four under construction with an aggregate of over 586,310 horsepower, 190 km of LPG pipeline, a 224 km ethane pipeline and an LPG storage facility. Certain of these assets are owned through Gasoductos de Chihuahua, in which we held a 50% interest until September 27, 2016 when we acquired the remaining 50% interest from Pemex TRI. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition." Our gas segment also includes our LNG business, which owns a 320,000 m^3 (73.28 MMthd) LNG storage and regasification terminal, as well as a natural gas marketing business that purchases LNG for storage and regasification in our LNG terminal and sells natural gas to third-party customers and affiliated entities. Our natural gas distribution utility, Ecogas, is the third main business within our gas segment; this utility distributes natural gas to approximately 116,460 industrial, commercial and residential customers in three distribution zones in Northern Mexico. Our pipelines business and LNG business have long-term contracts, primarily on a firm basis, with creditworthy, recognized industry leaders, including Shell, Gazprom, the Mexican Federal Electricity Commission and, since January 2016, CENAGAS, as assignee of Pemex TRI.

Within our power segment, we own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural gas-fired, combined-cycle power generation facility. Under an agreement effective January 1, 2012, we sell this electricity to consumers in California's Independent System Operator power grid, and Sempra Generation acts as marketing and scheduling agent for these sales.

In February 2016, our board of directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results are presented in our unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax, which includes a $28.3 million one-time, noncash deferred tax expense.

Through our joint venture with InterGen, we developed a wind power generation operation, Energía Sierra Juárez, in Baja California. The 155 MW first phase of the project became fully operational in June 2015.

Mexican Economic Environment

Substantially all of our operations are conducted in Mexico. As a result, our business, financial condition and results of operations depend on and may be affected by the general condition of the Mexican economy, over which we have 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 5.1% in 2010, 4.0% in 2011, 4.0% in 2012, 1.4% in 2013, 2.3% in 2014 and 2.5% in 2015. This recovery was largely driven by higher demand for exports due to improved industrial production in the United States and led to the growth of many sectors in the Mexican economy. The International Monetary Fund estimates full-year real GDP annual growth in Mexico of 2.5% for 2016.

We expect 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 we operate, 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 North America. Although the revenues we generate under firm services agreements are generally stable, natural gas prices impact our LNG marketing operations as well as our natural gas distribution business to the extent they affect demand for natural gas. See "Factors Affecting Our Results of Operations—Revenues" and "Risk Factors."

Gasoductos de Chihuahua Acquisition

On September 27, 2016, we acquired Pemex TRI's remaining 50% equity interest in Gasoductos de Chihuahua for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million. This acquisition was approved by our shareholders on September 14, 2015 and authorized and approved by the Mexican Federal Economic Competition Commission on September 21, 2016. As a result of the GdC Acquisition, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100%. The GdC Acquisition excludes Gasoductos de Chihuahua's subsidiary Ductos y Energéticos del Norte, which participates in the ownership of the Los Ramones Norte pipeline through the TAG Norte joint venture, and as a result we hold a 50% equity interest in Ductos y Energéticos del Norte. Through Ductos y Energéticos del Norte's interest in 50% of the TAG Norte joint venture, we hold a 25% indirect interest in the Los Ramones Norte pipeline. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition." To facilitate the GdC Acquisition, we entered into a US$1.15 billion Bridge Loan with Sempra Global and Semco. We intend to use the net proceeds from this offering to repay the Bridge Loan and finance a portion of the Ventika Acquisition and, if there are any remaining proceeds, for example, in the event that we do not complete the Ventika Acquisition, to fund capital expenditures and for general corporate purposes. See "Use of Proceeds."

Ventika Acquisition

In September 2016, we, through our wholly owned subsidiary Controladora Sierra Juarez, S. de R.L. de C.V., entered into an agreement to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in the Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million, which comprises an estimated cash payment of US$375 million, and considers (i) the assumption of approximately US$477 million of non-recourse indebtedness of Ventika through the closing date of the transaction and (ii) the assumption of intercompany indebtedness (in our unaudited pro forma combined financial statements appearing elsewhere in this offering circular, we have assumed an estimated purchase price for the Ventika Acquisition of US$375 million plus working capital and closing adjustments relating to estimated debt outstanding on the closing date, or US$415 million, which is an estimate of the purchase price to be paid on the closing date). These facilities, which began commercial operations in April 2016, are powered by 84 turbines (up to 252 MW of generating capacity), making it the largest wind farm in Mexico and one of the largest wind farms in Latin America. Located in the General Bravo municipality in the State of Nuevo Leon approximately 34 miles from the U.S. border, these facilities were jointly developed by its current majority shareholder Fisterra Energy, a portfolio company of Blackstone Energy Partners, and Cemex, a global building supplies company, which will remain the manager of the asset following the acquisition. Substantially all of the facilities' generation capacity is contracted under long-term, U.S. dollar denominated power purchase agreements with stable, creditworthy, private off-takers. The Ventika Acquisition is expected to be completed in the fourth quarter of 2016, subject to the satisfaction of customary closing conditions, including the receipt of the approval of the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) and the approval of our shareholders. The estimated purchase price will also be subject to customary post-closing adjustments based upon the actual cash, indebtedness and working capital of the business as of the closing. We expect to finance a portion of the acquisition with a portion of the net proceeds of this offering and the remainder through debt financing from our Revolving Credit Facility. The information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" does not, except where indicated, show the effect of the GdC Acquisition (including the Bridge Loan and its repayment through the net proceeds of this offering), which occurred after the consolidated financial information as of and for the periods indicated, nor the pending Ventika Acquisition. For more information regarding the pro forma effect of the Transactions on our results of operations and financial position, see "Unaudited Pro Forma Combined Financial Information."

Factors Affecting Our Results of Operations

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

Revenues

Revenues generated by each of our businesses are affected by the following factors:

- Our businesses are subject to regulation and permitting requirements of federal, state and local governmental entities in Mexico. Although certain rates we charge 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 Mexican Energy Regulatory Commission. Accordingly, we cannot unilaterally modify these prices, fees and rates, which restricts our operational flexibility. The Mexican Energy Regulatory Commission 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, our profit could decrease if we are unable to raise prices or rates on a timely basis, to keep up with costs.
- We depend 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 of any of the parties;
  - suspension or termination provisions for *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 we are unable to collect payments from customers under these agreements for any of these reasons or otherwise, our revenues could materially decrease.
- Our LNG terminal's primary revenue stream is generated through long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, IEnova Marketing, which purchases LNG for storage and regasification at our LNG 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 Marketing generates revenues by purchasing LNG for storage and regasification in our LNG terminal, and selling natural gas that is consumed by the Mexican Federal Electricity Commission at its Presidente Juárez power plant, by our Termoeléctrica de Mexicali power plant and by other consumers pursuant to natural gas supply contracts covering 100% of its LNG terminal natural gas send-out capacity. IEnova Marketing 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 Marketing pursuant to 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 Marketing by Sempra Natural Gas. Accordingly, we also depend on revenues derived from these payments. Under a long-term supply contract with Sempra Natural Gas, the payments made by Sempra Natural Gas to IEnova Marketing have been sufficient to compensate IEnova Marketing for the storage and transportation costs incurred by IEnova Marketing resulting from Sempra Natural Gas's failure to deliver required LNG cargoes. See "Certain Relationships and Related Party Transactions" and Note 1.3.1 to our audited financial statements included elsewhere in this offering circular.
- The price of natural gas is subject to market conditions beyond our control. See "—Cost of Natural Gas." The Mexican Energy Regulatory Commission 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 amount of revenues from natural gas sales. However, the profit margin obtained by natural gas distributors, including our natural gas business, is derived from natural gas distribution fees and other related services. Accordingly, total revenues for our natural gas distribution business are impacted by market swings in natural gas prices and our 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 materially decrease in response to decreases in overall demand for natural gas.
- Our revenues from sales of natural gas depend on several factors beyond our control. Currently, LPG prices are subsidized by the Mexican government, which puts our Ecogas distribution system's unsubsidized natural gas product at a competitive disadvantage. If the LPG price subsidy policy of the Mexican government continues and we are not able to obtain competitively priced natural gas relative to the LPG that is available to our customers and potential customers through our competitors, our natural gas distribution business could experience materially lower revenues 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 "—Mexican Economic Environment." Lower customer demand due to seasonality or unfavorable economic conditions could materially lower our revenues and profits.
- The markets and pipelines to which we deliver natural gas, ethane and LPG typically establish minimum quality specifications for the natural gas, ethane and LPG we deliver. These specifications can vary by pipeline or markets. If the quality of natural gas, ethane or LPG that we deliver 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, we may be required to find alternative markets for the delivery or stop accepting non-conforming product into our pipelines, which could materially reduce our through-put volumes or revenues.

- We 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. We do 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 we do not hedge our exposure to market price volatility or our contract positions correctly, we could incur material losses.
- Our Ecogas natural gas distribution business benefitted from a twelve-year period of exclusivity with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. Accordingly, we could face competition from other distributors of natural gas in all of our distribution zones.

Cost of Natural Gas

Cost of natural gas primarily consists of the acquisition cost of natural gas, 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:

- Our results are affected by energy prices, including market prices for natural gas, LNG, electricity, LPG and petroleum. If our 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.
- Our 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 our ability to maintain the minimum level of LNG required to keep our LNG terminal in operation. LNG market prices also affect our IEnova Marketing operations, 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 "—Revenues."
- Currently, our 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. From time to time Ecogas will request proposals from natural gas providers for its various distribution zones (including Ecogas in Mexicali in 2015). If we are unable to procure supplies of natural gas from existing or new sources, including as a result of early termination, force majeure or otherwise, 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 Expense

Exchange rate fluctuations and Mexican inflation can result in significant fluctuations in our income tax expense. We have U.S. dollar-denominated receivables and payables that are subject to Mexican currency exchange rate movements for Mexican income tax purposes. We also have deferred income tax assets and liabilities that are denominated in Mexican pesos, which are translated to U.S. dollars for financial reporting purposes. In addition, we adjust our monetary assets and liabilities for Mexican inflation for purposes of determining our Mexican income tax expense. See Note 23.1 to our audited financial statements, included elsewhere in this offering circular. From time to time, we may utilize short-term foreign currency derivatives as a means to manage these exposures.

For purposes of calculating our deferred income taxes, we are required to remeasure the tax basis of property, plant and equipment at each reporting period using the period-end Mexican peso exchange rate and change in inflation rate for our U.S. dollar functional currency subsidiaries. The impact from this period-end conversion of our deferred income taxes relating to remeasurement of the tax basis of property, plant and equipment can result in significant fluctuations in our income tax expense and deferred income tax balances. See Note 23.1 to our audited financial statements, included elsewhere in this offering circular.

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 business flat tax were amended, supplemented, or repealed, effective on January 1, 2014. The main effects of this tax reform on our consolidated financial statements are:

- *Income Tax Rate.* The former income tax law, which was in force until December 31, 2013, contemplated 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. The change in rates resulted in an increase in deferred tax expense of approximately US$15 million for 2013.
- *Income tax consolidation regime*. The income 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, we were obligated to make an advance payment of approximately US$81 million in 2014, which is included in income tax short-term liabilities in our consolidated statements of financial position. Additionally, our subsidiaries' consolidated statements of financial position reflect the separate presentation of payable and recoverable taxes as of December 31, 2013, as we are 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.

On September 8, 2015, President Peña Nieto submitted to the Mexican Congress a set of proposed amendments to several Mexican tax laws. On November 18, 2015, these reforms were published in the Mexican Federal Official Gazette, and the reforms became effective on January 1, 2016. The principal effects of these 2016 tax reforms are as follows:

- The return of accelerated depreciation for investments in fixed assets made during the periods from September to December of 2015 and in 2016 and 2017 by companies engaged in the construction and extension of transportation infrastructure, such as roads, highways and bridges, as well as equipment for production, transportation, distribution and supply of energy.
- Companies engaged in electricity generation infrastructure will not be subject to thin capitalization rules. In this regard, companies engaged in electricity generation infrastructure will be able to deduct for Mexican income tax purposes all interest paid to foreign related parties, even if their debt/equity ratio exceeds the maximum established in the Mexican Income Tax Law; provided that all additional shareholder requirements for authorized deductions are fulfilled.
- Companies that reinvest profits generated from 2014 to 2016 will be able to apply a credit against the income tax withholding at the 10% rate applicable to dividend distributions to Mexican resident individual shareholders. The amount of the credit will depend on the year in which the distribution is carried out, and would be 1% on the dividend distribution if paid during 2017, 2% if paid during 2018 and 5% if paid during 2019 and subsequent years.
- A new account similar to the net tax profits account, known as the CUFIN, will be created for companies engaged in energy generation through renewable sources or through efficient electricity cogeneration systems. These companies, which currently are entitled to a 100% depreciation rate of investments in

machinery or equipment, as a consequence may not generate CUFIN during investment periods. The creation of this new account would allow such companies to distribute profits via dividends without further taxation at the corporate level.

Market Risks Associated With Our Merchant Power Plant

Our results related to our Termoeléctrica de Mexicali power plant are affected by market conditions, as it is currently operating on a merchant basis. Termoeléctrica de Mexicali currently sells its power based on market conditions at the time of sale, so we cannot predict with certainty:

- the amount or timing of revenue it may receive from power sales;
- the differential between the cost of operations and power sales revenue;
- the effect of competition from other suppliers of power;
- regulatory actions or changes that may affect market behavior;
- the demand for power in markets served by Termoeléctrica de Mexicali relative to available supply; or
- the availability of transmission to accommodate the sale of power.

Several of the wholesale markets supplied by merchant power plants have experienced significant pricing declines due to excess supply. Termoeléctrica de Mexicali's results could be adversely affected if it is unable to sufficiently sell its output at prices that would allow us to write off any of the capital already invested in the project as a result of significant changes to market or regulatory conditions, among other factors. We manage risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak energy sales, daily and hourly spot market sales of capacity, energy and ancillary services, and longer-term structured transactions, as well as avoiding short positions. However, we cannot provide assurance regarding the implementation of these risk management measures or how successful such implementation may be, and entering into long-term contracts in oversupplied markets could be difficult.

Results of Operations—Six Months Ended June 30, 2015 and 2016

Profit for the Period

The following table sets forth our profit for the period and the corresponding variances for the six months ended June 30, 2015 and 2016.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Revenues	$ 297,230	$271,976	$ (25,254)	(8.5)%
Cost of revenues	(119,019)	(91,491)	(27,528)	(23.1)%
Operating, administrative and other expenses	(38,742)	(41,919)	(3,177)	8.2%
Depreciation and amortization	(24,768)	(28,551)	(3,783)	15.3%
Interest income	3,708	3,035	(673)	(18.1)%
Finance (costs) income	(2,330)	(5,825)	(3,495)	nm
Other (losses) and gains	(3,268)	(698)	(2,570)	(78.6)%
Profit before income tax and share of profits of joint ventures	**112,811**	**106,527**	**(6,284)**	(5.6)%
Income tax expense	(42,860)	(40,598)	2,262	(5.3)%
Share of profits of joint ventures, net of income tax	23,258	39,425	16,167	69.5%
Profit for the period from continuing operations	**$ 93,209**	**$105,354**	**$ 12,145**	13.0%
Loss for the period from discontinued operations, net of income tax	(10,501)	(38,282)	(27,781)	nm
Profit for the period	**$ 82,708**	**$ 67,072**	**($ 15,636)**	(18.9)%

The following table sets forth by segment our profit for the period and the corresponding variances for the six months ended June 30, 2015 and 2016. Segment profit is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Profit for the period				
Gas Segment	$105,142	$112,929	$ 7,787	7.4%
Power Segment(1)	(7,622)	(34,692)	(27,070)	nm
Corporate	(14,812)	(11,165)	3,647	(24.6)%
Total profit for the period	**$ 82,708**	**$ 67,072**	**$(15,636)**	(18.9)%

(1) Includes discontinued operations.

Unless otherwise noted, all variance amounts below in the discussion of profit for the period are presented after tax impact.

Gas Segment

Gas segment profit increased by approximately US$7.8 million, or 7.4%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015. This increase was due primarily to higher profits from joint ventures, partially offset by higher depreciation from the start of operations of the Sonora pipeline's Puerto Libertad—Guaymas segment and lower capitalization of interest compared with the same period of 2015.

Power Segment

Power segment loss increased by US$27.1 million in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily due to a US$28.5 million one-time, noncash deferred tax expense, as a result of our decision to sell the Termoeléctrica de Mexicali power plant. In February 2016, our board of directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant.

Corporate

Corporate loss decreased by US$3.6 million in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, principally due to lower mark-to-market losses on an interest rate swap in 2016 compared to 2015 as well as lower income tax expense.

Consolidated Export Sales

The following table shows our domestic sales and export sales during the six months ended June 30, 2015 and 2016, and the corresponding variances.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Domestic Sales	$297,230	$271,976	$(25,254)	(8.5)%
Export Sales	56,468	34,257	(22,211)	(39.3)%
Discontinued Operations(1)	(56,468)	(34,257)	22,211	(39.3)%
Total Revenues	**$297,230**	**$271,976**	**$(25,254)**	(8.5)%

(1) Termoeléctrica de Mexicali.

In the six months ended June 30, 2016, the amount of export sales was US$34.3 million, compared to US$56.5 million in the six months ended June 30, 2015, due to the lower volume and electricity prices.

Revenues

The following table sets forth our revenues and the corresponding variances for the six months ended June 30, 2015 and 2016. Segment revenues are presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Revenues				
Gas Segment	$296,399	$270,268	$(26,131)	(8.8)%
Power Segment	—	—	—	nm
Corporate	831	1,708	877	nm
Total Revenues	**$297,230**	**$271,976**	**$(25,254)**	**(8.5)%**

Gas Segment

Gas segment revenues decreased by US$26.1 million, or 8.8%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily as a result of a reduction in natural gas prices (US$1.89 per MMBTU during the six months ended June 30, 2016 compared with US$2.55 per MMBTU during the six months ended June 30, 2015), partially offset by higher volume.

Power Segment

Power segment revenues were immaterial for the six months ended June 30, 2015 and 2016. In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax.

Corporate

Corporate revenues increased by US$0.9 million in the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

Cost of Revenues

The following table sets forth our cost of revenues and the corresponding variances for the six months ended June 30, 2015 and 2016. Segment cost of revenues is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Cost of revenues				
Gas Segment	$119,019	$91,491	$(27,528)	(23.1)%
Power Segment	—	—	—	nm
Total cost of revenues	**$119,019**	**$91,491**	**$(27,528)**	(23.1)%

Gas Segment

Gas segment cost of revenues decreased by US$27.5 million, or 23.1%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily due to lower natural gas prices (US$1.81 per MMBTU during the six months ended June 30, 2016 compared with US$2.51 per MMBTU during the six months ended June 30, 2015), partially offset by higher volume.

Power Segment

Power segment costs were immaterial for the six months ended June 30, 2015 and 2016. In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. Accordingly, we present its financial results in our unaudited condensed interim consolidated financial statements as of June 30, 2016 and for the six and three months ended June 30, 2015 and 2016 as discontinued operations, net of income tax.

Operating, Administrative and Other Expenses

Total operating, administrative and other expenses increased by US$3.2 million, or 8.2%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily due to expenses related to the development of new projects.

Depreciation and Amortization

Depreciation and amortization increased by US$3.8 million, or 15.3%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, due to the start of operations of the Sonora pipeline's Puerto Libertad—Guaymas segment.

Finance (Costs) Income

Finance costs increased by US$3.5 million, to a cost of US$5.8 million in the six months ended June 30, 2016 from finance costs of US$2.3 million in the six months ended June 30, 2015, primarily due to lower capitalization of interest compared with the same period of 2015 and increased interest expense related to higher short-term debt balances.

Other (Losses) and Gains

Other losses decreased by US$2.6 million in the six months ended June 30, 2016 to a loss of US$0.7 million, compared to a loss of US$3.3 million for the six months ended June 30, 2015, primarily due to mark-to-market losses on an interest rate swap in 2015.

Income Tax Expense

Income tax expense decreased by US$2.3 million, or 5.3%, in the six months ended June 30, 2016 to US$40.6 million, compared to US$42.9 million in the six months ended June 30, 2015 primarily due to the effect of the exchange rate on monetary assets and liabilities, partially offset by the effect of the exchange rate on the tax basis of property, plant and equipment, which were valued in the Mexican peso for tax purposes.

Share of Profits of Joint Ventures, Net of Income Tax

The share of profits of our joint ventures, net of income tax, which we account for using the equity method, increased by US$16.2 million to US$39.5 million in the six months ended June 30, 2016, compared to US$23.3 million for the six months ended June 30, 2015, primarily due to the start of commercial operations during the second half of 2015 of our ethane pipeline and Los Ramones Norte natural gas pipeline in February 2016.

Adjusted EBITDA

The following table sets forth our Adjusted EBITDA and the corresponding variances for the six months ended June 30, 2015 and 2016. Segment Adjusted EBITDA is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Six Months ended June 30,		Variance	
	2015	2016	2016 vs. 2015	
Adjusted EBITDA				
Gas Segment	$187,652	$212,177	$24,525	13.1%
Power Segment	3,857	9,392	5,535	nm
Corporate	(100)	1,486	1,586	nm
Discontinued operations	(3,808)	(6,820)	(3,012)	79.1%
Total Adjusted EBITDA	**$187,601**	**$216,235**	**$28,634**	15.3%

The following table sets forth a reconciliation of profit for the period to consolidated Adjusted EBITDA for the six months ended June 30, 2015 and 2016.

(thousands of US$)	Six Months ended June 30,	
	2015	2016
Profit for the period	$ 82,708	$ 67,072
Depreciation and amortization	24,768	28,551
Interest income	(3,708)	(3,035)
Finance (costs) income	2,330	5,825
Other (losses) and gains	3,268	698
Income tax expense	42,860	40,598
Share of profits of joint ventures, net of income tax	(23,258)	(39,425)
Loss for the period from discontinued operations, net of income tax	10,501	38,282
EBITDA	**$139,469**	**$138,566**
Adjustments:		
Share of profits of joint ventures, net of income tax	23,258	39,425
Share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense of joint ventures	28,682	45,064
Loss for the period from discontinued operations, net of income tax	(10,501)	(38,282)
Share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense from discontinued operations	6,693	31,462
Adjusted EBITDA	**$187,601**	**$216,235**

For our definition of Adjusted EBITDA, an explanation of why we present it and a discussion of its limitations, see “Presentation of Financial and Other Information—EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA.”

Results of Operations—Years Ended December 31, 2013, 2014 and 2015

Profit for the Year

The following table sets forth our profit for the year and the corresponding variances for the years ended December 31, 2013, 2014 and 2015. These figures do not include the classification of the Termoeléctrica de Mexicali power plant as discontinued operations.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2013	2014	2015	2014 vs. 2013		2015 vs. 2014	
Revenues	$ 677,836	$ 822,796	$ 671,703	$ 144,960	21.4%	(151,093)	(18.4)%
Cost of revenues	(328,817)	(443,298)	(286,597)	(114,481)	34.8%	156,701	(35.3)%
Operating, administrative and other expenses	(99,685)	(98,384)	(104,213)	1,301	(1.3)%	(5,829)	5.9%
Depreciation and amortization	(61,164)	(61,943)	(67,682)	(779)	1.3%	(5,739)	9.3%
Interest income	1,372	3,299	6,743	1,927	nm	3,444	nm
Finance (costs) income	(5,035)	1,143	(10,103)	6,178	nm	(11,246)	nm
Other (losses) and gains	6,986	1,258	(11,575)	(5,728)	(82.0)%	(12,833)	nm
Profit before income tax and share of profits of joint ventures	**191,493**	**224,871**	**198,276**	**33,378**	17.4%	**(26,595)**	**(11.8)%**
Income tax expense	(83,792)	(111,283)	(100,406)	(27,491)	32.8%	10,877	(9.8)%
Share of profits of joint ventures, net of income tax	34,689	23,346	42,319	(11,343)	(32.7)%	18,973	81.3%
Profit for the year	**$ 142,390**	**$ 136,934**	**$ 140,189**	**$ (5,456)**	(3.8)%	**3,255**	**2.4%**

The following table sets forth by segment our profit for the year and the corresponding variances for the years ended December 31, 2013, 2014 and 2015. Segment profit is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2013	2014	2015	2014 vs. 2013		2015 vs. 2014	
Profit for the year							
Gas Segment	$180,296	$161,120	$179,049	$(19,176)	(10.6)%	$ 17,929	11.1%
Power Segment	8,567	28,611	(4,362)	$ 20,044	nm	$(32,973)	nm
Corporate	(46,473)	(52,797)	(34,498)	$ (6,324)	(13.6)%	$ 18,299	(34.7)%
Total profit for the year	$142,390	$136,934	$140,189	$ (5,456)	(3.8)%	$ 3,255	2.4%

Unless otherwise noted, all variance amounts below in the discussion of profit for the year are presented after tax impact.

Gas Segment

Gas segment profit for the year increased by US$17.9 million, or 11.1%, in 2015 compared to 2014. This increase was primarily due to a full year of operations of the Sásabe–Puerto Libertad segment of the Sonora pipeline in 2015 compared to 2014.

Gas segment profit for the year decreased by US$19.2 million, or 10.6%, in 2014 compared to 2013. This decrease was primarily due to the capitalization of interest expenses, and the start of operations of the Sásabe-Puerto Libertad section of our Sonora pipelines project.

Power Segment

Power segment profit for the year decreased by US$32.9 million in 2015 compared to 2014, primarily due to lower operational results at the Termoeléctrica de Mexicali power plant and to a one-time gain, in 2014, from the sale of a 50% equity interest in the initial phase of our Energía Sierra Juárez wind power generation operation.

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

Corporate

Corporate loss for the year decreased by US$18.2 million in 2015 compared to 2014, principally due to lower income tax expense as a result of the effect of the exchange rate on monetary assets and liabilities, partially offset by changes in the deferred income tax balance resulting from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate.

Corporate loss for the year increased by US$6.3 million in 2014 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.

Consolidated Export Sales

The following table sets forth our domestic sales and export sales for the years ended December 31, 2013, 2014 and 2015, respectively, and the corresponding variances.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2013	2014	2015	2014 vs. 2013		2015 vs. 2014	
Domestic Sales	$509,496	$600,325	$528,205	$ 90,829	17.8%	$ (72,120)	(12.0)%
Export Sales	168,340	222,471	143,498	54,131	32.2%	(78,973)	(35.5)%
Total Revenues	**$677,836**	**$822,796**	**$671,703**	**$144,960**	21.4%	**$(151,093)**	(18.4)%

Revenues

The following table sets forth our revenues and the corresponding variances for the years ended December 31, 2013, 2014 and 2015. Segment revenues are presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2013	2014	2015	2014 vs. 2013		2015 vs. 2014	
Revenues							
Gas Segment	$507,814	$598,183	$526,439	$ 90,369	17.8%	$ (71,744)	(12.0)%
Power Segment	168,340	222,471	143,498	54,131	32.2%	(78,973)	(35.5)%
Corporate	1,682	2,142	1,766	460	27.3%	(376)	(17.6)%
Total Revenues	**$677,836**	**$822,796**	**$671,703**	**$144,960**	21.4%	**$(151,093)**	(18.4)%

Gas Segment

Gas segment revenues decreased by US$71.7 million in 2015, or 12.0%, compared to 2014, primarily due to lower natural gas prices of US$111.7 million, partially offset by higher revenues from a full year of operations of the Sásabe—Puerto Libertad segment of the Sonora pipeline in 2015 compared to 2014.

Gas segment revenues increased by US$90.4 million in 2014, or 17.8%, compared to 2013, primarily due to higher sales prices and volumes of US$74.5 million and the start of operations of the Sásabe-Puerto Libertad section of our Sonora pipeline project.

Power Segment

Power segment revenues decreased by US$79.0 million, or 35.5%, in 2015 compared to 2014, primarily due to lower electricity prices, lower volume sold and lower capacity revenues.

Power segment revenues increased by US$54.1 million, or 32.2%, in 2014 compared to 2013, due to higher power demand and the impact of scheduled maintenance in 2013.

Corporate

Corporate revenues remained relatively stable in 2015 compared to 2014 and 2013.

Cost of Revenues

The following table sets forth our cost of revenues and the corresponding variances for the years ended December 31, 2013, 2014 and 2015. Segment cost of revenues is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2013	2014	2015	2014 vs. 2013		2015 vs. 2014	
Cost of revenues							
Gas Segment	$199,053	$277,341	$178,654	$ 78,288	39.3%	$ (98,687)	(35.6)%
Power Segment	129,764	165,957	107,943	36,193	27.9%	(58,014)	(35.0)%
Total cost of revenues	**$328,817**	**$443,298**	**$286,597**	**$114,481**	34.8%	**$(156,701)**	**(35.3)%**

Gas Segment

Gas segment cost of revenues decreased by US$98.7 million, or 35.6%, in 2015 compared to 2014, primarily due to lower cost of natural gas.

Gas segment cost of revenues increased by US$78.3 million, or 39.3%, in 2014 compared to 2013, primarily due to an increase in natural gas prices and volumes.

Power Segment

Power segment cost of revenues decreased by US$58.0 million, or 35.0%, in 2015 compared to 2014, primarily due to lower natural gas prices and lower volume.

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

Operating, Administrative and Other Expenses

Total operating, administrative and other expenses increased by US$5.8 million in 2015 compared to 2014, primarily due to expenses related to the development of new projects.

Total operating, administrative and other expenses were relatively stable in 2014 compared to 2013, primarily due to lower scheduled maintenance expenses at our Termoeléctrica de Mexicali power plant, partially offset by higher administrative expenses.

Depreciation and Amortization

Depreciation and amortization increased by US$5.8 million in 2015 compared to 2014, primarily due to the start of operations of the Sásabe—Puerto Libertad segment of the Sonora pipeline.

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

Finance (Costs) Income

Finance costs increased by US$11.2 million, to a cost of US$10.1 million in 2015 from finance income of US$1.1 million in 2014, primarily due to capitalization of interest in 2014 related to the Sonora pipeline.

Finance costs decreased by US$6.2 million in 2014, compared to 2013, primarily due to higher capitalization of interest for the construction of the Sonora pipeline project.

Other (Losses) and Gains

In 2015, other losses were US$11.6 million compared to other gains of US$1.3 million in 2014. The variance of US$12.9 million is mainly due to a US$19.1 million gain in 2014 on the sale of our 50% equity interest in the initial phase of our Energía Sierra Juárez wind power generation operation, partially offset by US$6.7 million of lower mark-to-market losses on the valuation of an interest rate swap.

Other gains decreased by US$5.7 million, or 82.0%, in 2014 compared to 2013, primarily due to mark-to-market losses on the valuation of an interest rate swap, compared to mark-to-market gains in 2013 and higher foreign exchange losses on peso-denominated balances partially offset by the gain on the sale of our 50% equity interest in the initial phase of the Energía Sierra Juarez wind power generation operation.

Income Tax Expense

Income tax expense remained relatively stable in 2015 compared to 2014.

Income tax expense amounted to US$111.3 million in 2014. This amount represented an increase of US$27.5 million with respect to the expense that was reported in 2013. The increase was due to changes in our deferred tax balance resulting from the fluctuation in the tax basis of property, plant and equipment that are valued in pesos for purposes of taxation and depend on the exchange rate, which were partially offset by the effects of tax reform legislation in 2013.

Share of Profits of Joint Ventures, Net of Income Tax

The share of profits of our joint ventures, net of income tax, which we account for using the equity method, was US$42.3 million in 2015, an increase of US$19.0 million compared to 2014, mainly due to an increase in profits at our joint venture with Pemex TRI as a result of a full year of operations of the Los Ramones I pipeline and the start of operations of the ethane pipeline throughout 2015.

The share of profits of our joint ventures, net of income tax, which we account for using the equity method, was US$23.3 million in 2014, a decrease of US$11.3 million compared to 2013, mainly due to higher tax expenses, interest expenses and higher foreign exchange losses on peso-denominated balances.

Adjusted EBITDA

The following table sets forth our Adjusted EBITDA and the corresponding variances for the years ended December 31, 2013, 2014 and 2015. Segment Adjusted EBITDA is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	**Year ended December 31,**			**Variance**			
	2013	**2014**	**2015**	**2014 vs. 2013**		**2015 vs. 2014**	
Adjusted EBITDA							
Gas Segment	$289,592	$300,558	$367,224	$10,966	3.8%	$ 66,666	22.2%
Power Segment	14,604	36,009	24,975	21,405	nm	(11,034)	(30.6)%
Corporate	(1,111)	323	(385)	1,434	nm	(708)	nm
Total Adjusted EBITDA	**$303,085**	**$336,890**	**$391,814**	**$33,805**	11.2%	**$ 54,924**	**16.3%**

The following table sets forth a reconciliation of profit for the year to consolidated Adjusted EBITDA for years ended December 31, 2013, 2014 and 2015.

(thousands of US$)	Year ended December 31,		
	2013	2014	2015
Profit for the year	$142,390	$136,934	$140,189
Depreciation and amortization	61,164	61,943	67,682
Interest income	(1,372)	(3,299)	(6,743)
Finance (costs) income	5,035	(1,143)	10,103
Other (losses) and gains	(6,986)	(1,258)	11,575
Income tax expense	83,792	111,283	100,406
Share of profits of joint ventures, net of income tax	(34,689)	(23,346)	(42,319)
EBITDA	**$249,334**	**$281,114**	**$280,893**
Adjustments:			
Share of profits of joint ventures, net of income tax	34,689	23,346	42,319
Share of depreciation and amortization, interest income, finance (costs) income, other (losses) and gains and income tax expense of joint ventures	19,602	32,430	68,602
Adjusted EBITDA	**$303,085**	**$336,890**	**$391,814**

For our definition of Adjusted EBITDA, an explanation of why we present it and a discussion of its limitations, see "Presentation of Financial and Other Information—EBITDA, Adjusted EBITDA, Pro Forma EBITDA and Pro Forma Adjusted EBITDA."

Liquidity and Capital Resources

Overview

Historically, we have generated, and we expect to continue to generate, positive cash flow from operations. Our principal capital needs are for working capital, capital expenditures related to maintenance, expansions and acquisitions, and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements, including the Revolving Credit Facility, and our access to the capital markets. In connection with managing our capital needs, we may also seek to replace our existing financing arrangements, although there is no guarantee as to whether, or when, we may conduct such activities or the terms upon which any new financing may be available, if at all. We believe that our future cash from operations, together with our access to financing and the equity and debt capital markets, will provide adequate resources to fund our operating activities, capital expenditures, acquisitions and new business development activities. In this regard, we regularly analyze foreign and local banking and capital markets to identify appropriate resources to finance and refinance our operations.

A substantial portion of the capacity of the assets across our business segments is under long-term agreements with customers, which provides us with a generally steady and predictable cash flow stream. Our counterparties with respect to the substantial majority of these agreements are stable, creditworthy private entities.

Cash flows from operations primarily represent inflows from revenues and outflows for costs of revenues and increases in working capital needed to grow our business. Cash flow used in investing activities represents our investments in property, plant and equipment required for our growth, expansion and maintenance, as well as our acquisition activities. Cash flows from financing activities are primarily related to changes in indebtedness with affiliates borrowed to grow our business, repayment of indebtedness with cash from operations or refinancing transactions, and the payment of dividends.

We expect that our cash flows from operations, as well as our capacity for future borrowings and access to debt and equity capital markets, will be sufficient to finance our liquidity requirements for the foreseeable future. We are also subject to certain capital 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 our investments in joint ventures and the ability of those subsidiaries or joint ventures to pay dividends or other amounts to us.

Sources and Uses of Cash

	Year ended December 31,			Six Months ended June 30,	
(thousands of US$)	**2013**	**2014**	**2015**	**2015**	**2016**
Net cash provided by operating activities	$ 162,760	$ 163,217	$ 168,179	$ 98,054	$ 86,545
Net cash used in investing activities	(576,799)	(267,964)	(248,796)	(83,136)	(86,462)
Net cash provided by (used in) financing activities	436,244	83,939	41,892	(18,245)	20,199
Cash and cash equivalents at period end	103,880	83,637	40,377	75,438	53,435

Operating Activities

Net cash provided by operating activities was US$86.5 million in the six months ended June 30, 2016 compared to US$98.1 million during the six months ended June 30, 2015, primarily due to changes in our working capital, partially offset by income taxes paid.

Net cash provided by operating activities was US$168.2 million in 2015, compared to US$163.2 million in 2014. This increase was due primarily to a change in our working capital, partially offset by income taxes paid.

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

Investing Activities

We expect to maintain financial resources sufficient to meet our financial commitments related to capital expenditures and other investing activities and those of our subsidiaries.

Net cash used in investing activities was US$86.5 million in the six months ended June 30, 2016 primarily due to capital expenditures of US$114.9 million, primarily related to our Sonora, Ojinaga—El Encino and San Isidro—Samalayuca pipeline projects, partially offset by the decrease in short-term investments of US$20.0 million. In the six months ended June 30, 2015, net cash used in investment activities was US$83.1 million primarily due to capital expenditures of US$119.8 million, primarily related to our Sonora pipeline project, partially offset by repayment of loans granted to related parties of US$41.5 million.

Net cash used in investing activities in 2015 was US$248.8 million, primarily due to capital expenditures of US$300.1 million for our Sonora, Ojinaga—El Encino and San Isidro—Samalayuca pipeline projects, partially funded by proceeds from repayment of loans from subsidiaries of Sempra that are not consolidated with us of US$41.6 million and a US$10.0 million decrease in short-term investments.

Net cash used in investing activities in 2014 was US$268.0 million, primarily due to acquisitions of US$325.5 million of property, plant and equipment and US$162.8 million of loans granted to unconsolidated subsidiaries, partially offset by proceeds from a reduction of short-term investments of US$177.0 million and a net cash inflow of US$24.4 million from the sale of our 50% equity interest in the first phase of the Energía Sierra Juárez wind power generation operation and US$19.9 million of loan repayments to related parties.

Net cash used in investing activities in 2013 was US$576.8 million, primarily due to acquisitions of property, plant and equipment in the amount of US$369.7 million and US$207.0 million in short-term investments.

Financing Activities

Net cash provided by financing activities was US$20.2 million in the six months ended June 30, 2016 primarily due to $30.0 million of borrowings from credit facilities, partially offset by interest paid. In the six months ended June 30, 2015, net cash used in financing activities was US$18.2 million, primarily due to US$121.1 million in repayment of loans and US$16.4 million of interest paid, partially offset by US$120.0 million in proceeds from loans from related parties.

Net cash provided by financing activities in 2015 amounted to US$41.9 million. Significant sources and uses included loans from banks and subsidiaries of Sempra that are not consolidated with us of US$834.7 million, partially offset by a US$600.1 million repayment of bank loans, a dividend payment of US$170.0 million and interest paid of US$20.2 million.

Net cash provided by financing activities in 2014 amounted to US$83.9 million. Significant sources and uses included bank loans of US$278.4 million, a dividend payment of US$164.0 million and interest payments of US$18.9 million.

Net cash provided by financing activities in 2013 was US$436.2 million. Significant sources included proceeds of US$598.8 million from the issuance of shares of our common stock in our initial public offering and proceeds of US$408.2 million through the issuances of CEBURES long-term debt. Significant uses included the payment of US$388.0 million in loan repayments to affiliates and dividend payments of US$156.0 million.

Existing Indebtedness

Historical

(thousands of US$)	As of December 31, 2013	As of December 31, 2014	As of December 31, 2015	As of June 30, 2016
Current debt due to related parties	$ —	—	$$339,600	$340,376
Short-term debt, net	—	195,089	88,507	118,437
Non-current debt due to related parties	38,893	38,460	38,460	39,187
Non-current CEBURES debt	408,300	408,300	408,300	408,300

On January 1, 2013 we had a revolving loan payable balance of US$38.5 million with our affiliate Sempra Oil Trading Suisse, which we refer to as the SOT Suisse Loan. The SOT Suisse Loan matures in March 2017 and has accrued interest at average annual rates ranging from 3.73% to 3.80%. The principal balance under the SOT Suisse Loan as of June 30, 2016 was US$38.5 million. From January 1, 2013 to June 30, 2016, we accrued US$4.4 million of accumulated interest on the SOT Suisse Loan.

On February 14, 2013 we issued two series of CEBURES in an aggregate principal amount of Ps.5.2 billion (approximately US$408 million using the exchange rate of Ps.12.7364 to US$1.00, as reported by Banco de México on February 12, 2013, the date on which we entered into related interest rate swap agreements) in a public offering in Mexico, including Ps.3.9 billion of 10-year notes with a fixed interest rate of 6.30% and Ps.1.3 billion of 5-year notes with a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 basis points. We applied a portion of the net proceeds of the CEBURES offering, which were approximately US$405 million, to repay approximately US$356.0 million in affiliate debt and the remaining proceeds were applied to the partial financing of the acquisition of property, plant and equipment.

In March 2015, we entered into two related party revolving credit facilities: one for US$90.0 million with Inversiones Sempra Latin America Limitada and one for US$30.0 million with Inversiones Sempra Limitada. We refer to these credit facilities collectively as the Sempra Chile Loans. In December 2015, we extended the term of the credit facilities to December 15, 2016, and the rate was adjusted to a fixed rate of 1.75%. We used the proceeds from the Sempra Chile Loans to cover working capital needs and for general corporate purposes.

In December 2015, our affiliate Sempra Energy Holdings XI B.V. provided us with the Sempra BV XI Loan in the amount of US$219.6 million. The proceeds were used to repay amounts owed under the Revolving Credit Facility. The Sempra BV XI Loan bears interest at the three-month LIBOR rate, plus 17 basis points, and is due December 31, 2016. We partially repaid this loan in the amount of US$120 million in August 2016 with borrowings from the Revolving Credit Facility.

All of our debt due to related parties as of June 30, 2016 was owed to our indirect controlling shareholder or its subsidiaries. During 2015 and 2014, we did not make any payments towards the debt to our indirect controlling shareholder or its subsidiaries. During 2013, we paid US$844 million towards the debt to our indirect controlling shareholder or its subsidiaries. Our affiliate loans as of June 30, 2016 have maturities in March 2017 and December 2016, which accrued interest at average annual rates ranging from 0.80% to 3.80%. See Note 6.3 to our audited financial statements, included elsewhere in this offering circular.

Revolving Credit Facility

On August 21, 2015, we entered into the Revolving Credit Facility, with a syndicate of four lenders for which Sumitomo Mitsui Banking Corporation serves as administrative agent. In December 2015, we amended the Revolving Credit Facility to add an additional lender to the syndicate and increase the commitments of the banks under the facility, among other changes. The Revolving Credit Facility has a five-year term and permits revolving credit borrowings of up to US$600 million through August 21, 2020. Borrowings under the Revolving Credit Facility generally bear interest by reference to LIBOR plus 0.90% per annum. The Revolving Credit Facility contains customary affirmative and negative covenants, events of default and other terms and conditions. We have the right to prepay the loans at any time without premium or penalty, subject to certain breakage costs.

As of June 30, 2016, approximately US$121 million was outstanding under the Revolving Credit Facility and as of July 31, 2016, US$521 million was outstanding. We are currently contemplating an increase in the amount of borrowing capacity under the Revolving Credit Facility of up to US$1.2 billion, subject to market conditions. We expect to pay approximately a portion of the acquisition cost of the Ventika Acquisition with borrowings under the Revolving Credit Facility.

Gasoductos de Chihuahua Credit Facility

On December 5, 2013, Gasoductos de Chihuahua entered into a credit agreement with a syndicate of four lenders for which BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer serves as a facility agent, and Deutsche Bank Mexico, S.A., Fiduciary Division, serves as trustee, which we refer to as the GdC Credit Facility. Under the GdC Credit Facility, the lenders agreed to provide a 13-year senior term loan facility in an aggregate principal amount not to exceed US$490 million for purposes of financing Gasoductos de Chihuahua's expansion plan, including the Los Ramones I pipeline. The term loans bear interest by reference to LIBOR plus a variable applicable margin up to 2.75%.

The borrower's obligations under the GdC Credit Facility are guaranteed by its subsidiaries Gasoductos de Tamaulipas, S. de R.L. de C.V., or GDT, and TDF, S. de R.L. de C.V., or TDF. The GdC Credit Facility also requires maintenance of a total capitalization of (1) US$450 million in the case of Gasoductos de Chihuahua; (2) US$130 million in the case of GDT; and (3) US$90 million in the case of TDF. The GdC Credit Facility also contains customary affirmative and negative covenants, such as maintaining a consolidated interest coverage ratio (representing the ratio of consolidated EBITDA to consolidated interest expense) of at least 2.50 to 1.00; events of default; and other terms and conditions. Gasoductos de Chihuahua has the right to prepay the loans at any time without premium or penalty. In addition, as security for the obligations under the GdC Credit Facility, GDT and TDF have assigned substantially all of their collection rights under their principal services agreements with customers. The cash flows from these agreements are transferred to the security trustee and are used to pay the principal and interest due under the GdC Credit Facility.

As of June 30, 2016, approximately US$388.5 million was outstanding under the GdC Credit Facility.

Energía Sierra Juarez

In June 2014, Energía Sierra Juárez, S. de R. L. de C. V., our joint venture in charge of developing the first phase of the Energía Sierra Juárez wind power generation operation, entered into a US$239.8 million project financing facility. We own 50% of the equity of Energía Sierra Juárez, S. de R. L. de C. V. The project financing facility was entered into with a syndicate of financial entities formed by Mizuho Bank, Ltd., as coordinating lead arranger, the North American Development Bank as technical and modeling bank, and Nacional Financiera, S.N.C. Institución de Banca de Desarrollo, Norddeutsche Landesbank Girozentrale, New York Branch and Sumitomo Mitsui Banking Corporation as lenders and bears interest at LIBOR plus an applicable margin. The loan is secured by the project and has been converted to an 18-year term loan. The project finance facility matures on June 30, 2033, with payments due on a semi-annual basis (June 30 and December 30), starting on December 30, 2015. We entered into floating-to-fixed interest rate swaps for 90% of the loan amount to partially moderate the interest rate exposure.

TAG Norte

The TAG Norte joint venture (in which IEnova has a non-controlling interest) executed long-term project financing agreements in December 2014 for an amount of approximately US$1.3 billion for the construction of the Los Ramones Norte pipeline, an approximately 452 km, 42-inch diameter pipeline with a designed transportation capacity of 1,420 MMcfd (14.8 MMThd) and two compression stations, which interconnects with the Los Ramones I pipeline and the Los Ramones Sur pipeline in San Luis Potosí. Substantially all of the assets of the TAG Norte joint venture, and all of the partners' equity, are pledged on a non-recourse basis for the benefit of the lenders.

Ventika Credit Facilities

In order to complete the construction and begin commercial operations of the Ventika I and Ventika II wind power generation facilities, the entities that currently own the Ventika assets obtained a project finance loan for each facility, in an aggregate amount of US$485 million, which we refer to as the Ventika Credit Facilities. The lenders under the Ventika Credit Facilities include North American Development Bank, Nacional Financiera, S.N.C., Banco Nacional de Obras y Servicios Públicos, S.N.C., Banco Nacional de Comercio Exterior S.N.C., and Banco Santander (México), S.A.

Ventika I and Ventika II have repayment obligations under the Ventika Credit Facilities. Although we expect to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in Ventika I and Ventika II upon completion of the Ventika Acquisition, under the terms of the Ventika Credit Facilities, neither we nor our subsidiaries (other than Ventika I and Ventika II) will assume a direct payment obligation to the lenders.

Capital Expenditures

We expect to continue various strategies of making investments in the energy infrastructure sector in Mexico that are capable of generating stable cash flows as well as expanding into related businesses to increase our revenues and profitability.

We made capital expenditures of US$114.9 million in the six months ended June 30, 2016, US$300.1 million in 2015, US$325.5 million in 2014 and US$369.7 million in 2013. These capital expenditures mainly included expenditures related to acquisitions of property, plant and equipment for the development of our Sonora pipeline and Energía Sierra Juárez wind power generation operation.

The following table shows our capital expenditures by business segment, including property plant and equipment, currently budgeted for 2016, 2017, 2018 and 2019 (excluding capital expenditures by our joint venture with Pemex TRI, Gasoductos de Chihuahua, prior to our purchase of the remaining 50% membership interest in such venture):

(millions of US$)	Gas Segment	Power Segment
	2016	
Property, plant and equipment	$555	$ 4
	2017	
Property, plant and equipment	$621	$ 2
	2018	
Property, plant and equipment	$249	$ 17
	2019	
Property, plant and equipment	$ 19	$126

Contractual Obligations

Historical

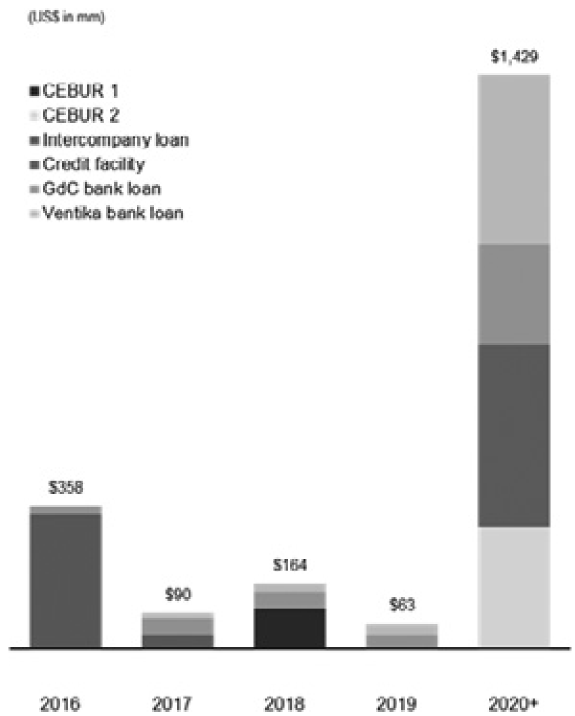
The following is a summary of our contractual obligations as of December 31, 2015, considering undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay and including both interest and principal cash flows:

(thousands of US$)	Less than 1 year	1–2 years	3-5 years	More than 5 years	Total
Debt due to related parties	$365,937	$ 2,570	$ 33,599	$ —	$ 402,106
CEBURES	17,807	35,615	233,359	85,610	372,391
Bank loans	92,523	—	—	—	92,523
Derivative financial instruments	2,062	(27,032)	(1,661)	(106,759)	(133,390)
Total	$478,329	$ 11,153	$265,297	$ (21,149)	$ 733,630

In the ordinary course of business, we also enter into long-term supply arrangements with affiliates that are not reflected in the above table. In addition, our obligations under derivative financial instruments are described further below under "—Quantitative and Qualitative Disclosures about Market Risk—Derivative Financial Instruments."

Debt Maturity Profile

The following graph summarizes our debt maturity profile, assuming the closing of the Ventika Acquisition, which we expect to occur in the fourth quarter of 2016. As of June 30, 2016, such debt consists of approximately US$408.3 million in CEBURES (with a nominal amount under swap), approximately US$378.1 million due to subsidiaries of Sempra that are not consolidated with us, the Revolving Credit Facility balance of approximately US$121 million, US$376.9 million in respect to the GdC Credit Facility and US$476.6 million from the Ventika Credit Facilities. The graph consists solely of principal payments and excludes interest payments.



Off-Balance Sheet Arrangements

As of June 30, 2016, we did not have any off-balance sheet arrangements. Our total cost of debt as of June 30, 2016 is as follows:

	Annual Interest Rate
CEBURES 5 years	2.6575%
CEBURES 10 years	4.124%
Bank Loan GdC	4.63%
Intercompany Loan (Chile)	1.75%
Intercompany Loan (SOT Suisse)	3.80%
Intercompany Loan (BV XI)	0.80%
Revolving Credit Facility	1.53%

Additionally, we estimate that financing costs related to the Ventika Acquisition will be approximately 6.93%.

Internal Controls

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

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

To fulfill its responsibilities regarding the integrity of financial reporting, management maintains and relies on our system of internal control over financial reporting. This system is based on an organizational structure that delegates responsibility and ensures selection of competent personnel. The system also includes policies that are communicated to appropriate employees.

Our system of internal control over financial reporting 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 our organization; and
- to provide administrative control methods to help oversee and monitor compliance with our policies and procedures.

We have manuals that establish our policies and procedures regarding the implementation and promotion of our business, the control and monitoring of transactions involving the acquisition, promotion, distribution or sale of our subsidiaries, and the controls in the areas of human resources, finance, accounting, legal, tax and data processing, among others.

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

We enter into derivative financial instruments to reduce our exposure to risks. These instruments are negotiated with institutions of recognized financial strength and trading limits have been established for each institution. Our policy is to carry out transactions in derivative financial instruments solely for the purpose of offsetting and managing our risk exposure.

We recognize all assets or liabilities that arise from transactions with derivative financial instruments at fair value on our financial statements, regardless of our intent in holding them. Fair value is determined using prices quoted on recognized markets or derived from directly or indirectly observable inputs. If such instruments are not publicly traded, fair value is determined by applying valuation techniques recognized in the financial sector which utilize standard industry models.

Derivative instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently revalued at fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss.

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 commodity in accordance with our expected purchase, sale or usage requirements fall within the "own use" exemption (also called the "normal purchase or sale" exemption). Under this scope exemption, ordinary physical supply arrangements are excluded from derivative accounting treatment.

Financial Risk Management Objectives

The activities we carry out may expose us to financial risk, including market risk, which encompasses foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk. We seek to minimize the potential negative effects of these risks on our financial performance through a comprehensive risk management program. We may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities reported on our financial statements as well as off-balance sheet risks (such as firm commitments and highly probable forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by established policies and internal controls.

We identify, assess, monitor and centrally manage the financial risks of our operating subsidiaries through policies that establish limits associated with specific risks. These policies include guidelines for determining permissible losses and for determining when the use of certain derivative financial instruments is appropriate (including when such instruments can be designated as hedges, and when they do not qualify for hedge accounting but instead qualify as "held-for-trading," such as certain derivative financial instruments and interest rate swap agreements). Compliance by our management with established policies and exposure limits is reviewed by internal audit on a regular basis.

Market Risk

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

We have policies governing our market risk management and trading activities. The senior officers of our indirect controlling shareholder 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 our stated energy risk management and trading policies. These activities include, but are not limited to, daily monitoring of market positions that create credit, liquidity or market risk. These oversight organizations and committees are independent from the energy procurement departments.

We enter into a variety of derivative financial instruments to manage our 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.

Since the filing of our 2015 annual report, there have not been any significant changes in our exposure to market risks or in the way these risks are monitored and evaluated.

See "—Interest Rate Risk Management" for a description of the interest rate swap agreements we entered into in connection with our CEBURES offering in 2013.

Value at Risk (VaR) analysis

The VaR measure estimates the potential loss in pretax 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, as well as to add the measured risks to arrive at a single risk number.

Along with other tools, we use VaR to measure exposure to market risks primarily associated with commodity derivative instruments that we hold. We assess such risks based on the volatilities and correlations between the different instruments and positions.

We use a one-day holding period and a 95% confidence interval in 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.

VaR History (95%, one-day) by risk type	**As of December 31,**		
(thousands of US$)	**2013**	**2014**	**2015**
Interest rate swap	$4,061	$4,606	$3,761
Natural gas purchase and sale	31	—	—
Total VaR exposure	**$3,887**	**$4,376**	**$3,573**

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. There is no guarantee that the actual losses will not exceed the calculated VaR.

While VaR captures our daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a potential change in commodity prices and interest rates over a year.

Commodity Price Risk

Market risk related to physical commodities is created by volatility in the prices and basis of certain commodities. Our various subsidiaries are exposed, in varying degrees, to price risk, primarily with respect to volatility in prices in natural gas markets. Our policy is to manage this risk within a framework that considers the uniqueness of these markets and the operating and regulatory environments of each subsidiary.

We are generally exposed to commodity price risk through our LNG businesses and our power segment. We may utilize various commodity transactions in the course of optimizing the return on the assets in these business segments. These transactions are typically priced based on market indices, but may also include fixed-price purchases and sales of commodities. The residual exposure, in each case, is monitored as described above.

Foreign Currency Risk Management

We have investments in entities whose functional currency is not the U.S. dollar, and our U.S.-dollar-functional-currency subsidiaries also hold Mexican pesos, exposing us to risks related to foreign exchange movements.

Our primary objective in reducing foreign currency risk is to preserve the economic value of our investments and to reduce earnings volatility due to exchange rate fluctuations. As mentioned above, we enter into transactions denominated in foreign currencies, principally Mexican pesos, and, consequently, we are exposed to foreign currency exchange rate fluctuations.

Historical. The carrying amounts of our foreign currency-denominated monetary assets and monetary liabilities were as follows, presented in our subsidiaries' functional currency as of the end of each respective period:

(thousands of US$)	As of December 31,			As of June 30,
	2013	2014	2015	2016
Monetary Assets				
U.S.-dollar-functional-currency subsidiaries	$194,573	$174,435	$159,824	$101,999
Mexican-peso-functional-currency subsidiaries	34,920	26,011	30,110	33,115
Monetary Liabilities				
U.S.-dollar-functional-currency subsidiaries	$695,450	$593,099	$585,062	$559,349
Mexican-peso-functional-currency subsidiaries	38,188	37,531	31,713	30,526

Foreign Currency Sensitivity Analysis

The following table details our sensitivity to a 10% increase or decrease in the U.S. dollar against the Mexican peso. We use a 10% sensitivity rate to report foreign currency risk internally to key management personnel, which provides our management with a benchmark as to a significant change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currency-denominated monetary items and adjusts their conversion at the respective period end for a 10% change in foreign currency rates. The sensitivity analysis includes affiliate loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

For U.S. dollar-functional currency subsidiaries, a negative number shown in the table below indicates a decrease 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 inverse impact on profit and equity, and the balances below would be positive.

For Mexican peso-functional currency subsidiaries, a positive number shown in the table 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 inverse impact on profit and equity, and the balances below would be negative.

(thousands of US$)	U.S.-dollar functional currency			Mexican-peso functional currency		
	2013	2014	2015	2013	2014	2015
Profit(1)	$31,874	$17,623	$27,061	—	—	94
Other Comprehensive Income (Equity)	—	—	—	$(208)	$(4,731)	$(5,692)

(1) Mainly attributable to the exposure to outstanding Mexican peso receivables at the end of the relevant reporting period held by subsidiaries whose functional currency is the U.S. dollar.

The U.S. dollar-functional currency subsidiaries' sensitivity to foreign currency has increased during the current year, mainly due to our consolidated estimated tax payments.

The Mexican peso-functional currency subsidiaries' sensitivity to foreign currency has decreased during the current year, mainly due to a decrease in affiliate loans.

Interest Rate Risk Management

In 2013, we entered into swap agreements with financial institutions to mitigate the risk of rising interest rates and peso exposure in connection with our CEBURES offering. These agreements effectively fix the interest rate of the 5-year notes, convert the peso-denominated principal amount due to U.S. dollars (US$102.1 million for the 5-year notes and US$306.2 million for the 10-year notes) and convert the peso-denominated interest rates payable to U.S. dollar-denominated rates (resulting in fixed rates of 2.65% for the 5-year notes and 4.12% for the 10-year notes).

In 2014, Gasoductos de Chihuahua entered into swap agreements with financial institutions to mitigate the risk of rising interest rates related to the GdC Credit Facility. Under these agreements, we receive a variable interest rate based on the 3-month LIBOR and pay a fixed interest rate of 2.63%. The swaps expire December 15, 2026.

In 2014, our joint venture with InterGen entered into swap agreements with financial institutions to mitigate the risk of rising interest rates related to 90% of the estimated investment in our initial phase of the Energía Sierra Juárez wind power generation operation. These obligations are not guaranteed by IEnova or its consolidated subsidiaries. Under these agreements, effective June 30, 2015, we receive a variable interest rate based on the 6-month LIBOR and pay a fixed interest rate of 3.5%. The swaps expire June 30, 2033.

In September 2005, we entered into derivative transactions in order to hedge future interest payments related to the forecasted loans of US$450 million from EnergÍa Costa Azul third parties, which were designated as cash flow hedges. In 2007, it became likely that the hedge would not be completed due to a change in our external financing necessities. Consequently, US$30 million of earnings from the cash flow hedge were reclassified as results of the period, and changes in the reasonable value of these instruments were reflected in prospective results as other losses and earnings. As of December 31, 2014 and 2013, we had an interest rate swap with a notional value of US$151,232 and US$159,287, respectively, under which we had a variable interest rate (LIBOR 3 months) and a 5.0% fixed interest rate.

The original terms of the swap agreement expired on December 15, 2027. On September 16, 2015, under an early termination clause, we made an early payment in the amount of US$29.8 million, and as a result of this payment, such derivative has been cancelled. The VaR annual information related to the interest rate swap is included in Note 22.5 to our audited financial statements.

Credit Risk Management

Credit risk is the risk of loss that would be incurred as a result of nonperformance of our counterparties' contractual obligations. We monitor credit risk through a credit-approval process and the assignment and monitoring of credit limits. We establish these credit limits based on risk and return considerations under terms customary in the industry.

As with market risk, we have policies and procedures to manage credit risk, which are tailored for each business segment, administered by each subsidiary's respective departments within each of our subsidiaries and overseen by their management.

For our natural gas distribution business, depending on the type of service requested by the customer, we apply different credit criteria. The oversight function includes a monthly review of all balances of major customers by the credit and collection department to ensure that payments are made in a timely manner and that the customers are in compliance with the agreed terms of their contracts. We believe that we have provided adequate reserves for counterparty nonperformance for this business.

For all other segments, when our development projects become operational, we rely significantly on the ability of our suppliers to perform on long-term agreements and on our ability to enforce contract terms in the event of nonperformance.

Liquidity Risk Management

Liquidity risk management responsibility rests ultimately with our senior management, which we believe has established an appropriate liquidity risk management framework for management of our funding and liquidity requirements.

Significant Accounting Policies

We have identified certain key accounting estimates and assumptions applicable to our financial condition and results of operations, which often involve complex factors and are based on subjective judgments or decisions. As a result, management is required to make estimates and assumptions which affect the amounts reported in our financial statements. We base our estimates and judgments on our past experience, where applicable, and other assumptions that we believe are reasonable under the circumstances.

The following are some of the key judgments that management has made in the process of applying our accounting policies and that have or may have the most significant effect on the amounts recognized in our financial statements. See Notes 2 and 3 to our audited financial statements, included elsewhere in this offering circular.

Finance Lease of Natural Gas Compression Station

We have a long-term natural gas compression arrangement with Pemex TRI. The contract provides Pemex TRI with the right to use 100% of the compression station's output for 20 years, with an option for an additional five years, in return for fixed capacity payments. See "Business—Pipelines and Storage Business—Our Pipelines and Storage Operating Assets—Naco Compression Station."

Our 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 that date. See Note 9 to our audited financial statements, included elsewhere in this offering circular.

Regulatory Accounting

The regulation of fees consists of the establishment of prices, through regulations, which allow for, on the one hand, payments to our clients for their services and products, and on the other hand, allow regulatory bodies and governments to regulate when there is an entity that has a dominant market position or is a monopoly that can have significant market power.

Many of the natural gas prices and distribution, storage and transportation fees that we charge our customers in our gas segment require approval from the Mexican Energy Regulatory Commission. We are also subject to other regulations and price controls by Mexican governmental and other regulatory bodies. As opposed to MFRS and U.S. Generally Accepted Accounting Principles, or U.S. GAAP, IFRS does not provide any explicit guidance regarding whether entities operating in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation.

According to the IFRS Interpretations Committee, or IFRSIC, the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with IFRS. As a result, we do not recognize rate-regulated assets or liabilities. We will continue to monitor the status of future deliberations by the IASB and IFRSIC relating to this matter and their potential impact on our financial reporting.

Contingencies

We accrue losses for the estimated impact of various matters, situations or circumstances involving uncertain outcomes when it is likely that their effects may materialize and the amount of the loss can be reasonably estimated. If an outcome cannot be reasonably estimated, then we include these uncertainties in the notes to our financial statements. We continuously assess contingencies related to litigation claims, environmental remediation and other events.

Own Use Exemption

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" 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" using 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 net settled. Our management takes into account the following factors, among others, in applying judgment to assess whether net settlement is likely:

- past practices with respect to net settlement under similar contracts;
- past practices with respect to taking delivery and selling the item within a short period; and
- whether the commodity is readily convertible into cash.

We analyze all of our physical delivery contracts of non-financial items in order to determine if it falls within the own use exemption from derivative accounting treatment.

Key Sources of Estimation Uncertainty

The following are assumptions concerning the future, and other important 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 our consolidated statements of financial position.

Estimated Useful Lives of Property, Plant and Equipment

We review the estimated useful lives of property, plant and equipment at the end of each reporting period.

See the notes to our financial statements regarding the useful lives of property, plant and equipment.

Impairment of Long-Lived Assets (Fixed Assets and Goodwill)

Impairment tests on goodwill and long-lived assets are based on internal and external financial indicators, forecasts and certain other assumptions. We revise the underlying estimates and assumptions for such tests based on regularly updated information.

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 our 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 such cash flows. This impairment testing is performed on an annual basis.

Asset Retirement Obligations

The estimated cost of decommissioning at the end of the useful lives of our long-lived assets is reviewed periodically based on the current estimated value at the date of the consolidated statement of financial position of the present value of future costs to be incurred from the retirement from service as required by law or our contractual obligations. The payment dates of the total expected future decommissioning costs are uncertain and dependent on the lives of the long-lived assets, but we currently anticipate them to be between 25-50 years. We calculate our provision related to our asset retirement obligations based on the long-term borrowing cost rate, which is the 30-year borrowing cost for companies in our industry with similar credit ratings, as reported by Bloomberg.

Valuation of Financial Instruments (Fair Value Measurement)

We estimate the fair value of certain types of financial instruments using valuation techniques that include inputs that are based on observable market data. See Note 22.11 to our audited financial statements, included elsewhere in this offering circular.

We believe that the chosen valuation techniques and assumptions used in determining the fair value of financial instruments are appropriate.

Purchase Price Allocation of IEnova Gasoductos by Sempra Energy

Purchase price allocation requires most identifiable assets acquired and liabilities assumed or incurred to be measured at fair value. A fair value measurement of the acquired assets and assumed liabilities of Sempra Energy's investment in IEnova Gasoductos was made based on assumptions that we believe third-party market participants would use in pricing those assets and liabilities.

Allowance for Doubtful Accounts

In our Ecogas natural gas distribution business, we have recognized an 80% allowance for doubtful debts against all receivables between 180 and 269 days and a 100% allowance against all receivables over 270 days, based on historical experience. Allowances for doubtful accounts are recognized against trade receivables for customers whose balances are between 30 and 179 days and considered irrecoverable based on an analysis of our customers' current financial position.

For all of our other businesses, the average credit period on trade receivables is 30 days.

Trade receivables include amounts that are past due at the end of the reporting period for which we have not recognized an allowance for doubtful accounts because the amounts are still considered recoverable.

In determining the chances of recovering any trade receivable, we consider 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. In our natural gas distribution business, the concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

We periodically review the estimates and assumptions used to determine the amount of the reserve. Although we believe that the reserve reported is appropriate, changes in the economic situation could give rise to changes in the reserve and, therefore, could affect our results of operations.

Post-Employment and Other Long-Term Employee Benefits

For defined benefit retirement plans, such as our sponsored pension plans and associated 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.

INDUSTRY OVERVIEW

Overview

In Mexico, both the natural gas and power sectors are highly regulated and include a high level of participation of the Mexican government. In the power sector, the Mexican government owns 100% of the Mexican Federal Electricity Commission, which until recently was a decentralized entity of the federal government tasked with the planning of the Mexican power grid as well as the generation, transmission, distribution and sale of energy. In the natural gas sector, the government owns 100% of Pemex and its subsidiaries, including Pemex TRI, which until recently was also a decentralized entity of the federal government tasked with, among other activities, the exploration and exploitation of petroleum and other hydrocarbons. Legislative changes in Mexico in the 1990's in both the natural gas and power sectors created significant investment opportunities for the private sector. In December 2013, a new and substantial legislative change occurred as a result of amendments to 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. The main objectives of the reform are to allow Pemex to focus on profitable exploration and production activities and to open all of the segments of the hydrocarbons industry and the majority of the power and energy segments to private investment. Both Pemex and the Mexican Federal Electricity Commission will continue to play a key role in the natural gas and electric power sectors as productive companies of the state (*empresas productivas del Estado*), owned and controlled by the federal government, with entrepreneurial, commercial and financial objectives.

The Mexican Natural Gas Sector

Prior to the recent 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. Since 1995, there has been a significant increase of private sector investment in midstream and downstream natural gas assets, but the National Pipeline System still holds a dominant position in the market through the newly created CENAGAS. The recently enacted energy reform, which includes the Mexican Hydrocarbons Law, allows private sector entities to store, transport, distribute, commercialize and carry out direct sales of natural gas, as well as to operate pipelines and liquefaction, regasification, compression and de-compression stations or terminals.

As of July 2016, private sector investment in the natural gas sector is comprised as follows:

- 21 open-access transportation systems;
- 22 distribution companies; and
- three LNG import terminals.

As a consequence of the environmental and economic advantages of natural gas over other energy alternatives, demand for natural gas in Mexico has increased significantly, mainly due to the increased usage of natural gas by the Mexican Federal Electricity Commission and independent power producers, or IPP's, contracted by the Mexican Federal Electricity Commission for electricity 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 Mexican Energy Ministry estimates that Mexico will require more than 4,500 km of additional natural gas transportation infrastructure by the end of 2019 and those new projects will require an investment of more than $8 billion.

Natural Gas Transportation Projects

Project	Benefited States	Tender Date	Commercial Operation Date	Investment ($m)	Length (km)
Announced Natural Gas Pipelines Projects:					
San Isidro—Samalayuca(1)	Chihuahua	2015	2017	109	23
Samalayuca—Sásabe(1)	Chihuahua and Sonora	2015	2017	571	650
Tuxpan—Tula(1)	Hidalgo, Puebla and Veracruz	2015	2017	458	283
Tula—Villa de Reyes(1)	Hidalgo and San Luis Potosí	2016	2018	554	420
Villa de Reyes—Aguascalientes —Guadalajara(1)	Aguascalientes, Jalisco and San Luis Potosí	2016	2018	294	305
La Laguna—Aguascalientes(1)	Aguascalientes, Zacatecas and Durango	2016	2018	473	600
South of Texas—Tuxpan(1)	Tamaulipas and Veracruz	2016	2018	2,111	800
Jaltipan—Salina Cruz(2)	Oaxaca and Veracruz	2016-2019	2018-2019	643	247
Lázaro Cárdenas Acapulco(2)	Michoacán and Guerrero	2016-2019	2018-2019	456	331
Baja Sur Open Technology	Baja California Sur	2016	2019	800	N/A
Los Ramones—Cempoala(3)	Nuevo León, Tamaulipas and Veracruz	TBD	2020	1980	855

(1) Awarded to various bidders, including IEnova.
(2) Will be tendered for the period 2017-2019.
(3) Subject to revision in the next five-year plan (2020-2024).
Source: Secretaría de Energía de México (SENER) Five-Year Plan for the Expansion of the Integrated Natural Gas National Transport and Storage System 2015-2019 (2016 version) and Mexican Federal Electricity Commission published bids.

The expansion of the National Pipeline System is expected to provide increased capacity and flexibility in Mexico's natural gas infrastructure, which will be necessary to support increased natural gas consumption in Mexico and represents an important opportunity for energy companies that are well-positioned to invest in this sector in Mexico, such as IEnova.

In 2015, after an analysis of proposals by CENAGAS and the Mexican Energy Regulatory Commission, the Mexican Ministry of Energy presented the 2015-2019 Five Year Plan for Expansion of the National Integrated Natural Gas Transport and Storage System. This plan includes strategic, commercial and social projects and is intended to bring systemic benefits to the national network. In its 2016 revision, published in July 2016, the plan includes twelve infrastructure projects to be awarded during 2015-2019. The projects under the plan are expected to represent more than 4,500 km of additional infrastructure and more than $8 billion of investment.

The following map shows the location of the natural gas transportation projects listed in the table above:

Awarded Projects

1. Tuxpan - Tula
2. La Laguna - Aguascalientes
3. Tula - V. Reyes
4. V. Reyes - Guadalajara
5. San Isidro - Samalayuca
6. Samalayuca - Sásabe
7. Sur de Texas - Tuxpan

Projects for the period 2017 - 2019

1. Jáltipan - Salina Cruz
2. Lázaro Cárdenas - Acapulco

Other Projects

1. Nueva Era (Midstream de México)
2. Salina Cuz - Tapachula
3. Ramones - Cempoala

CENAGAS pipelines

Pipelines under construction

Private pipelines in operation

LNG storage terminals

SOURCE: SENER / CENAGAS

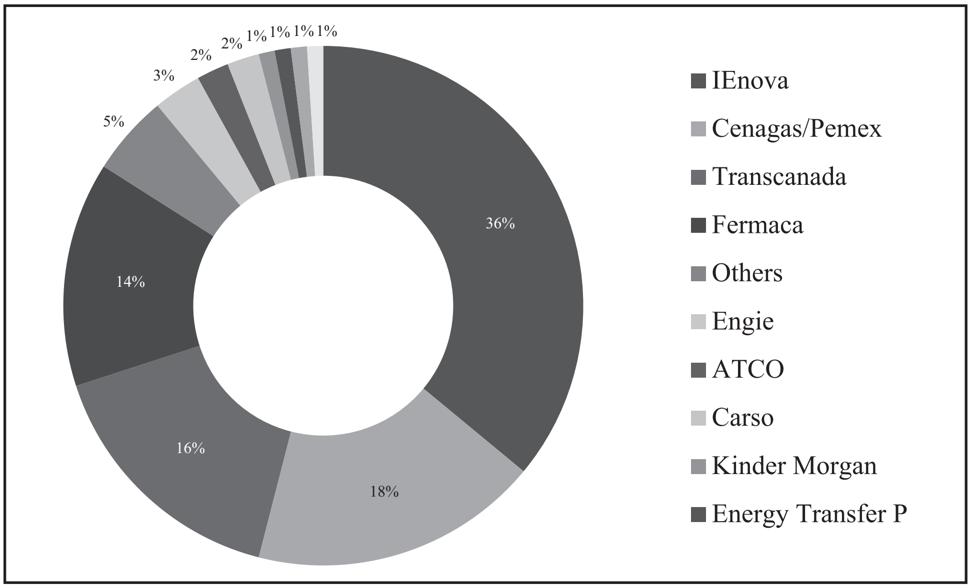
Open-Access Pipeline Transportation Projects

Mexico’s current pipeline network will need to expand in order to meet the growing demand in the country. The government is expected to award at least four pipeline contracts between 2016 and 2017 (in addition to seven which have already been awarded), in order to increase transportation capacity, with the goal of having a solid and extensive pipeline network by 2019 that will be capable of providing transit between points of supply and end users and therefore meet demand levels. We participate in the pipeline sector with an estimated 36% market share of companies in the sector as of June 30, 2016.

Mexico's gas pipeline network is composed of approximately 14,000 km of transport pipelines and 49,181 km of distribution pipelines. The Mexican natural gas pipelines market is concentrated among a few key companies. The top four companies comprise over 80% of the market. Market shares for the natural gas transportation sector are shown in the chart below.

Natural Gas Transportation Pipelines Market Share

(MMcfd)



Source: Mexican Energy Regulatory Commission. Data as of June 30, 2016.

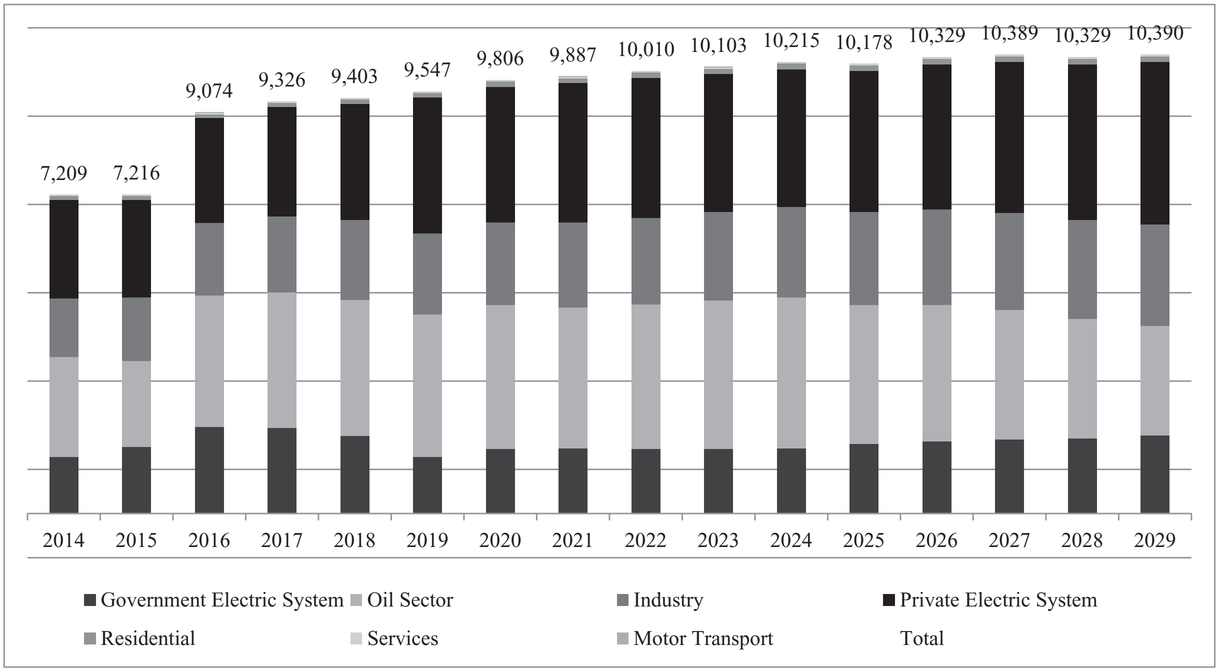
Currently, these open-access transportation systems transport natural gas to the Mexican Federal Electricity Commission, IPPs, industrial customers, distribution zones and Pemex. As noted below, natural gas demand is expected to increase substantially in Mexico as a result of the shift to natural gas-fired combined-cycle technology for power generation, among other factors. With these projects, the length of the system is expected to increase from 14,000 km in 2014 to 22,500 km in 2019, and the capacity is expected to increase from 15,700 MMcfd in 2014 to 25,000 MMcfd in 2019.

The following map and its descriptive chart show present and future expansion natural gas infrastructure projects and the investment for each of them in billions of U.S. dollars.

Baja Sur (Open Technology)	800
Jaltipan-Salina Cruz (Pemex)	643
Ramones-Cempoala (Pemex)	1,980
Lázaro Cárdenas-Acapulco	456
TOTAL	$3,879

Mexico Natural Gas: Forecasted Demand 2014-2029

(MMcfd)



Source: SENER, Natural and Liquefied Petroleum Gas Prospect 2015-2029.

LNG Storage and Regasification Plants

The substantial rise in demand for natural gas from the Mexican Federal Electricity Commission and IPPs contributed to the increase in total natural gas demand by 3,321 MMcfd (34.7 MMThd) between 2000 and 2014. Demand is expected to grow at a 2.5% compound annual growth rate, or CAGR, from 2015-2029, growing from 7,209.3 MMcfd in 2014 to 10,390 MMcfd in 2029. Domestic 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 regasification terminals have been granted the required permits since September 2003, when the Mexican Energy Regulatory Commission first issued technical regulations pertaining to LNG storage and regasification plants. We represent 50% of the capacity of all companies in the Mexican LNG storage sector as of July 2016.

LNG Regasification Terminals

Plant	**Location**	**Status**	**Owners**	**Startup**	**Nominal capacity (MMcfd)**
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: Mexican Energy Regulatory Commission.

Transportation of Liquid Petroleum Products

Mexico lacks efficient transportation, distribution and storage infrastructure for liquid petroleum products, despite the growing demand for refined products throughout the country. Trucks and ships continue to provide a significant percentage of refined petroleum transportation, and there are more opportunities to provide more efficient transportation means to reach the growing demand at consumption centers. According to SENER, Oil and Oil Products Prospect 2015-2019, from 2004 to 2014, the demand for gasoline and diesel from the auto transport sector grew at a CAGR of 2.0% and 2.9%, respectively. This scenario represents a potential investment opportunity in liquid petroleum transportation and storage infrastructure.

The energy reform allows private sector participation in the construction and operation of oil products 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 Mexican Energy Regulatory Commission. As the liberalization of refined products prices and imports begins in 2016 and continues gradually through 2018, we expect that suppliers and marketers of new refined products will require additional infrastructure to satisfy the demands of consumers. Liberalization of the price of gasoline and diesel began during 2016, and the price of gasoline and diesel is expected to be fully liberalized in January 2018. The price of liquefied petroleum gas is expected to be liberalized in January 2017, and the price of jet fuel is expected to be liberalized in January 2018.

Mexico has no storage capacity for natural gas, with the exception of that associated with LNG import and regasification projects. Natural gas storage developers must apply for natural gas storage permits from the Mexican Energy Regulatory Commission. The Mexican Energy Regulatory Commission will set a ceiling price for storage tariffs but private sector entities are free to negotiate below the Mexican Energy Regulatory Commission’s top price.

Determining the type of storage plant represents a challenge. The use of exhausted fields has been problematic due to the existence of residual hydrocarbons that can mix with stored natural gas, generating problems with quantification and the legality of the “extraction.” Fields of non-hydrocarbon resources provide a simpler alternative.

The following map shows the potential projects intended to improve existing infrastructure and develop new infrastructure for the refined products sector between 2014 and 2018.

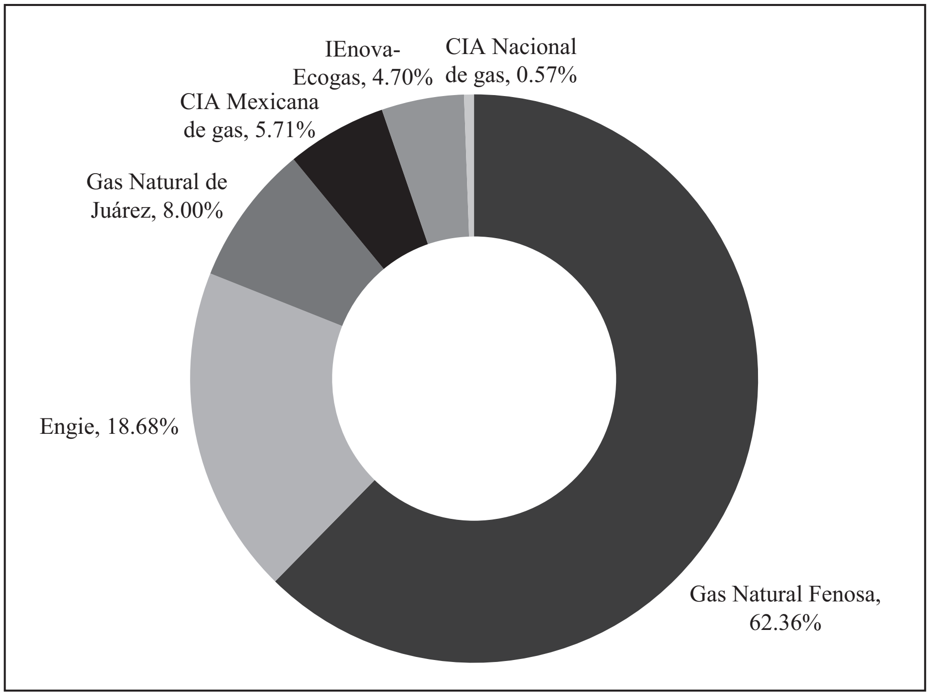
Source: SENER, Natural and Liquefied Petroleum Gas Prospect 2014-2028

Natural Gas Distribution

Since 1996, the Mexican Energy Regulatory Commission has granted 26 permits to expand natural gas distribution infrastructure in Mexico.

Market shares for the natural gas distribution market are shown in the chart below, based on the number of customers served by each network as of December, 2015. The top two companies control approximately 81% of the total natural gas distribution market.

Natural Gas Distribution Per Number of Users (December 2015)



Source: 2014-2015 Regulation Handbook of the Mexican Association of Natural Gas

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 to entry. However, the transportation and storage sectors represent an important investment opportunity.

Overall, we believe 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 areas most in need of modernization given the inefficient extended truck transportation system widely used in Mexico today. Given the current state of LPG infrastructure and the expected future market environment, we believe there is a need to develop a strategy to increase transportation and storage capacity in the southeast of Mexico and the main areas of consumption in order to guarantee LPG supply and increase transportation flexibility. The following map shows Mexico's transportation and distribution LPG infrastructure:

Source: SENER, Natural Gas and Natural and Liquefied Petroleum Gas Prospect 2015-2029

Natural Gas Marketing

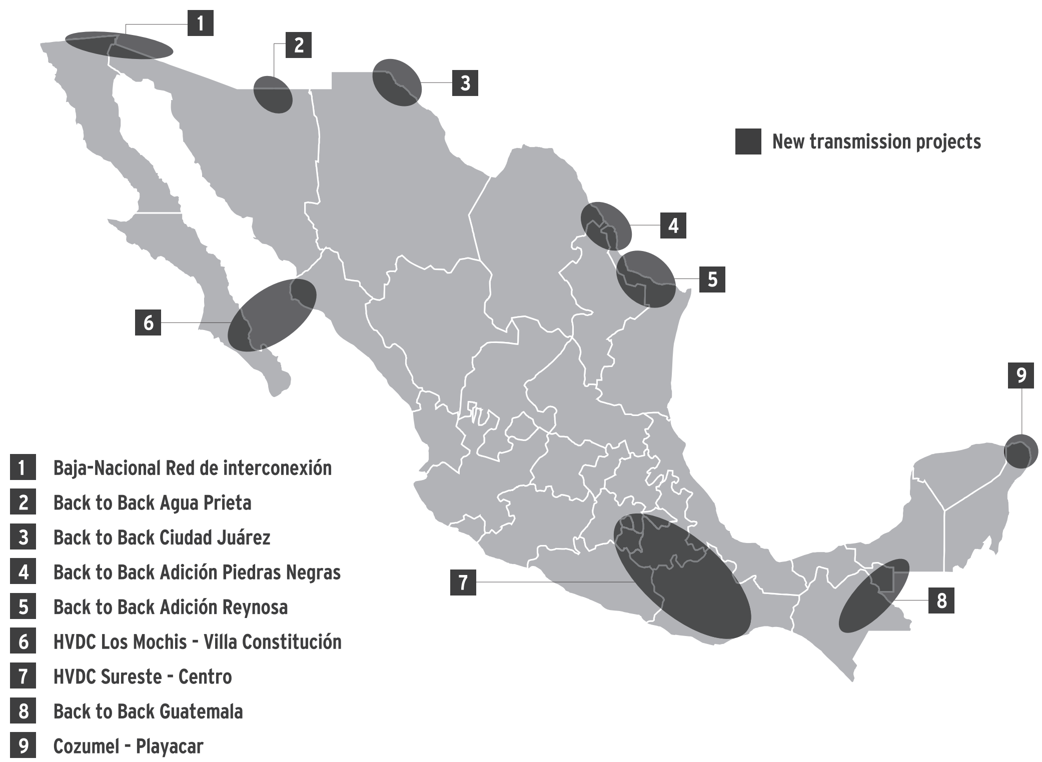
In July 2016, SENER published the Public Policy for the Implementation of the Natural Gas Market, which aims to encourage the development of a competitive natural gas market, contribute to the country's energy security and maintain continuity of supply in order to achieve a competitive gas market by 2018. As part of the new policy, Pemex will have to reduce its market share in the next four years down to 30% in order to limit its dominant position and allow for other marketers to compete effectively. Any sale or marketing activity of natural gas will now require prior authorization from government regulatory authorities.

The Mexican Energy Regulatory Commission has achieved important advances in the implementation of a permanent scheme for the sale of first-hand natural gas. The scheme is expected to allow all natural gas industry participants to purchase natural gas directly from the PEMEX processing plant or at importation locations, thereby ending the lengthy transitional scheme as a result of which the majority of consumers (except for IPPs) had to purchase such resources and related transportation services through Pemex TRI, in combination with other services (including gas, transportation, processing charges and profit margins with respect to imports). The implementation of a permanent scheme for first-hand sales is expected to allow natural gas commercialization companies to have a greater role in the industry. Pursuant to the new Mexican Hydrocarbons Law, the Mexican Energy Regulatory Commission will issue permits for the commercialization of natural gas. Any activity regarding the commercialization of natural gas will require prior authorization by the Mexican Energy Regulatory Commission.

The Mexican Power Generation Sector

As a result of the Mexican energy reform, the private sector in Mexico is allowed to participate in most of the electricity industry production chain, subject to regulation. The private sector can participate in the construction and operation of power plants and compete with the Mexican Federal Electricity Commission in the wholesale market. Although transmission and distribution of electric energy will be controlled by the Mexican state, the private sector can participate in those activities through service contracts. Electricity retail (for small and medium size customers), as a public service or utility, will remain an activity exclusive to the Mexican Federal Electricity Commission, while qualified users (large customers with more than 1 MW of demand) may purchase electric energy from any power generator through a regulated wholesale electric market.

The following map shows the potential opportunities for participation in new power transmission projects.



Source: PRODESEN SENER/CENACE

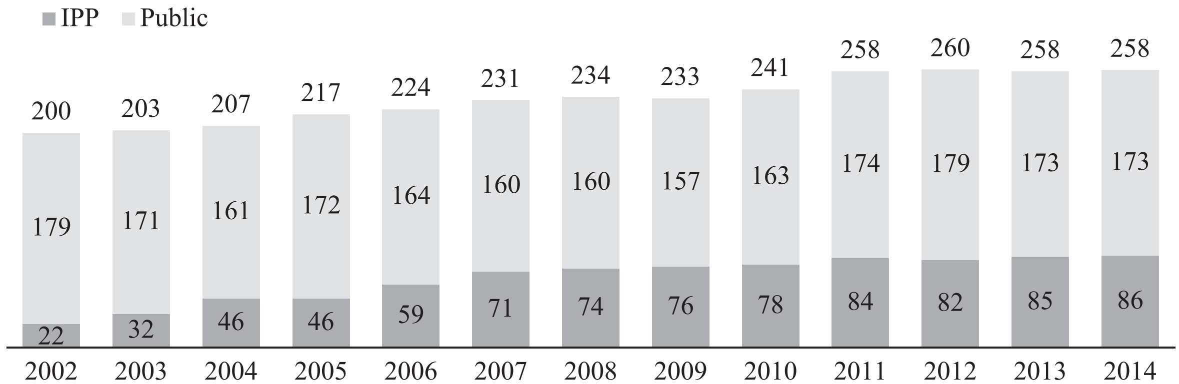
After successfully awarding build-lease-transfer projects in the mid-1990's, new legislation in 1997 allowed the Mexican Federal Electricity Commission to start bidding out IPP plants in 1998. Prior to the 1992 reform, the Mexican Federal Electricity Commission had been solely responsible for power generation in Mexico since the nationalization of the industry in 1960.

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

The following graph illustrates the evolution of IPP participation as part of Mexico's total public power generation mix since 2002.

Mexico Annual Gross Power Generation by Producer

(TWh)



Source: Mexican Energy Ministry, Sistema de Información Energética.

IPPs went from providing approximately 11% of the country's power in 2002 to providing approximately 33% in 2014. The contribution of IPPs to the Mexican Federal Electricity Commission's total power generation tripled over this time period, in relative terms.

The opening of the market to IPPs has brought more efficient generation technology to the country. This initiative greatly increased the amount of natural gas-fired combined-cycle technology in Mexico. Combined-cycle technology generates electricity using natural gas turbines that take advantage of emissions of hot gasses in the consumption of natural gas in order to generate more electricity by means of steam turbines, which is significantly more efficient than simple-cycle turbines. It also has higher installed capacity factors. The increased focus on combined-cycle technology has greatly impacted a market that had depended to a large degree on antiquated power plants, many of which used fuel oil as a production input as opposed to natural gas.

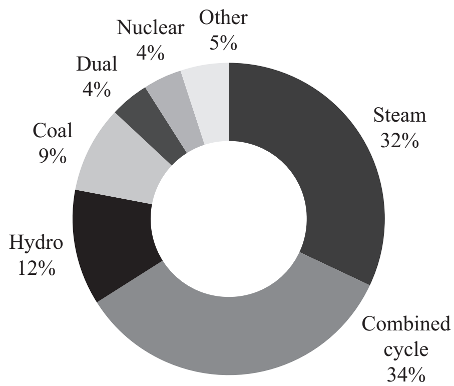
IPPs operate under build-own-operate contracts which generally allow for 25 years of operation. The majority of IPPs receive their natural gas supply from the Mexican Federal Electricity Commission under a long-term contract that matches their operating term. A winning bidder is required to secure all permits, including those from the Mexican Energy Regulatory Commission.

In 2014, private sector companies operated approximately 64% of Mexico's combined-cycle gross generation projects through IPP contracts. Together, these projects generated approximately 33% of the country's public electric power. Growing power generation has spurred investment in transmission lines and transmission substations. Transmission line length and substation capacity grew 37.5% and 47.7%, respectively, between January 2004 and July 2014.

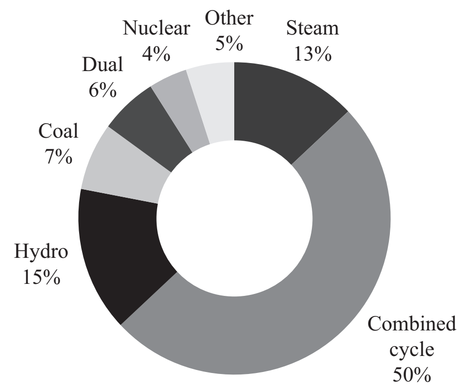
The shift to combined-cycle technology has reduced the use of fuel oil in Mexico for electricity generation purposes. Between 2001 and 2013, Mexico's annual fuel oil consumption decreased a total of 56.5%, or 5.7% per year.

The following charts illustrate the Mexican Federal Electricity Commission's power generation by technology type in 2004 and 2014.

Power Generation by Technology (2004)



Power Generation by Technology (2014)



Source: SENER, Electricity Sector Prospect 2015-2029.

The charts above highlight that fuel oil usage (steam) has decreased while natural gas has increased as the primary source of fuel for power generation due to the increase in combined-cycle generation from 34% in 2004 to 50% in 2014.

Prior to the Mexican energy reform, in addition to the IPP program, private sector participation was permitted in cogeneration, self-supply, imports, exports, and small production (generators producing less than 30 MW can sell their power to the Mexican Federal Electricity Commission or can export their power using small-production permits). All generation projects must hold a Mexican Energy Regulatory Commission permit, provided that their power generation capacity equals or exceeds 0.5 MW. The following table displays total capacity, generation and investment under current operational permits awarded since the 1992 reform.

Permit	Total Capacity	Capacity in Interconnection Agreement1	Participation (%)
Permits under LSPEE2			
Mexican Federal Electricity Commission	395	395	0.9%
IPP	12,953	13,221	19.0%
Self-supply	7,129	4,785	10.5%
Small Production	65	64	0.1%
Cogeneration	3,648	1,945	5.4%
Export	1,406	219	2.1%
Own Use	497	110	0.7%
Permits under LIE3			
Mexican Federal Electricity Commission—Generator	41,504	41,504	60.7%
Generator4	315	266	0.5%
Other			
FIRCO and GD5	131		0.2%
Total6	68,044	62,509	100

(1) Capacity in interconnection agreement with CENACE.

(2) Mexican Electric Energy Public Service Law (*Ley del Servicio Público Eléctrico de Energía Eléctrica*).

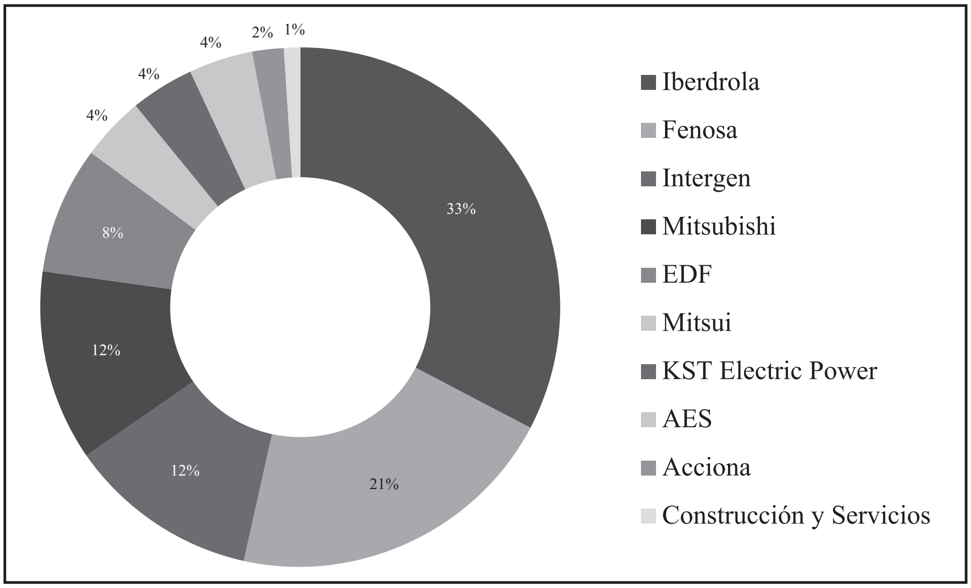
(3) Electric Industry Law (*Ley de la Industria Eléctrica*).

(4) Includes power plants in operation with a permit granted in 2016 and being processed.

(5) Shared Risk Trust *(Fideicomiso de Riesgo Compartido (FIRCO))* and Distributed Generation *(Generación Distribuida (GD)).*
(6) Total amounts have been rounded.
Source: SENER, Prodesen 2016-2030

Current market share for private generation power plants is shown in the chart below. The top three companies control 65% of the total private power generation market.

Private Power Generation



Source: SENER, Electricity Sector Prospect 2015-2029. This chart is based on installed capacity in MW; includes only independent power generation and excludes the Mexican Federal Electricity Commission.

On March 29, 2016, in the first power auction of the Wholesale Electricity Market, CENACE awarded 5,426,458 clean energy certificates (CELs), representing 85.3% of the tender offer, and 5,385.72 GWh in energy, representing 84.66% of the tender offer. Eighteen projects were awarded to eleven companies with long-term supply contracts, which represents an investment of US$2.6 billion between 2016 and 2018. The agreements will have a term of 15 years and 20 years for the CEL agreements. The second auction took place in September 2016, and it is expected that subsequent auctions will take place every year thereafter.

Renewable Energy Sources

During the past several years, Mexico has embarked on an effort to develop and promote non-fossil fuel consumption and move towards a more diversified energy matrix. The amendments to the energy framework approved by the Mexican Congress in October 2008 included the Mexican Renewable Energy and Energy Transition Financing Law. This law was repealed by the Mexican Energy Transition Law that was published on December 24, 2015. This new law aims to regulate the use of sustainable energy and obligations regarding clean energy and reduction of polluting air emissions in the electricity industry. In the long run, renewable energy has the potential to help balance Mexico's energy portfolio and reduce its dependence on commodities with high price volatility. The Mexican Energy Transition Law provides that by 2018, at least 25% of the electricity in Mexico must be generated by clean sources, increasing to 30% by 2021 and 35% by 2024. This may also indicate an important potential for new investments, subject to the government's ability to put in place the necessary incentives and framework.

Mexico has an abundant 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 estimates that $5.1 billion has been invested in Mexico since 2004, resulting in a capacity of 2,551 MW of energy, and expects that capacity to grow to 15,000 MW in 2020-2022.

Renewable energy resources currently account for over 21% of Mexico's installed generation capacity. The renewable energy market grew at a compound annual average growth rate of 4.1% from 2012 to 2014, reaching 56 TWh in 2014.

The 1992 energy reforms enabled the private sector to develop and operate plants using renewable energy for the first time. Nonetheless, renewable energy use has stagnated in comparison to fossil fuel sources. This is partly attributable to a lack of a comprehensive structure that could address numerous impediments such as complicated land permits, insufficient transmission infrastructure and cost advantages that restricted the Mexican Federal Electricity Commission from purchasing more expensive power.

In 2012, the Mexican Senate unanimously approved binding climate legislation that requires at least 35% of electricity generation to come from non-fossil fuel sources by 2024. This goal has been ratified by the recently enacted Mexican Energy Transition Law. This legislation positions Mexico as the second country in the world, only behind the United Kingdom, to enact binding climate policies. Private sector companies which are well-positioned to benefit from these regulatory changes are likely to experience significant growth, as domestic energy needs in Mexico continue to grow and as the country embraces a clean technology regime.

Pursuant to the Mexican energy reform, certain clean energy usage obligations will become applicable to participants in the electric energy market. Clean energy certificates, or CELs will be issued to "clean energy generators." Electric power generators will be entitled to receive a clean energy credit per MW/hr generated at clean power plants. These certificates will be negotiable through the wholesale electric market, long-term contracts and in a spot market. The obligation to consume clean energy will become enforceable as of 2018, at which time SENER has established that at least 5% of energy must come from a clean source and that the deficit must be compensated with CELs. Similarly, SENER has established that by 2019, at least 5.8% of energy consumed will come from clean energy sources and the deficit should be compensated with CELs.

In addition, the Mexican Energy Transition Law has opened up the possibility for large consumers to enter into voluntary agreements with SENER, through its National Commission for the Efficient Use of Energy, to reduce the energy intensity of their activities. Furthermore, the law has created a voluntary certification mechanism on "Excellence on Energy Efficiency" to identify and promote products that make a sustainable and efficient use of energy.

Additionally, the Mexican Federal Electricity Commission is contemplating undertaking an auction for the development and operation of transmission lines under long term contracts, creating electrical interconnectedness between North America and Central America, as well as considering more than an estimated $US4.4 billion in capital expenditures to modernize the electrical transmission network.

Growth of Natural Gas & Power in Mexico

The Mexican National Population Council projects that the Mexican population will grow 11.3% (nearly 13.6 million people) from 2015 to 2027. Although the projected growth rate is approximately half of that observed from 1995 to 2010 (during which time Mexico experienced population growth of 20.9%), this projected population growth suggests continued rising energy demand is likely in the future. Moreover, we believe 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.

According to SENER, Natural and Liquefied Petroleum Gas Prospect 2015-2029, demand in 2014 for natural gas was 7.2 bcf, representing a 3.7% increase over 2013. By 2029, expected demand of natural gas will be 10.4 bcf, which represents a 44.1% increase from 2014, with an anticipated annual growth rate of 2.5%.

On the other hand, Mexican power demand is projected to grow at a 3.2% CAGR from 2014 to 2019 and expected to accelerate to 4.8% from 2019 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.

Growing consumption already represents a challenge to Mexico. We believe that new pipeline infrastructure and/or new or expanded natural gas import capabilities are imperative for Mexico's short and medium-term economic development, which should ultimately result in opportunities for companies in our industry.

Since 2012, with the intention 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, the Mexican Federal Electricity Commission completed a bidding process and awarded several pipeline projects. The projects, with approximate capacities, are:

- Sásabe—Puerto Libertad—Guaymas Pipeline (in the state of Sonora) with a capacity of 770 MMcfd (8.0 MMThd);
- Guaymas—El Oro Pipeline (through the states of Sonora and Sinaloa) with a capacity of 510 MMcfd (5.3 MMThd);
- El Oro—Mazatlán Pipeline (in the state of Sinaloa) with a capacity of 200 MMcfd (2.1 MMThd);
- El Encino—Topolobampo Pipeline (through the states of Chihuahua and Sinaloa) with a capacity of 670 MMcfd (6.9 MMThd);
- Ojinaga—El Encino Pipeline (through the state of Chihuahua) with a capacity of 1,356 MMcfd (14.1 MMThd);
- El Encino—La Laguna Pipeline (through the states of Chihuahua and Durango) with a capacity of 1,500 MMcfd (15.6 MMThd);
- San Isidro—Samalayuca (through the state of Chihuahua) with a capacity of 1,135 MMcfd (11.8 MMThd);
- Samalayuca—Sásabe Pipeline (through the states of Chihuahua and Sonora) with a capacity of 472 MMcfd (4.9 MMThd);
- Tuxpan—Tula (through the state of Hidalgo) with a capacity of 886 MMcfd (9.2 MMThd);
- Tula- Villa de Reyes (through the states of Hidalgo and San Luis Potosí) with a capacity of 886 MMcfd (9.2 MMThd);
- Villa de Reyes—Aguascalientes—Guadalajara (through the states of San Luis Potosí, Aguascalientes and Jalisco) with a capacity of 886 MMcfd (9.2 MMThd);
- Laguna—Aguascalientes (through the states of Durango, Zacatecas and Aguascalientes) with a capacity of 1,189 MMcfd (12.4 MMThd);
- South of Texas—Tuxpan (through the states of Tamaulipas and Veracruz) with a capacity of 2,600 MMcfd (27 MMThd);
- Empalme Lateral (through the state of Sonora) with a capacity of 226 MMcfd (2.4 MMThd);
- Ramal Hermosillo (through the state of Sonora) with a capacity of 100 MMCfd (1 MMThd); and
- Ramal Tula (through the state of Hidalgo) with a capacity of 505 MMcfd (5.3 MMThd).

In December 2012, Gasoductos de Chihuahua executed an ethane transportation services agreement with Pemex TRI to construct and operate an approximately 224 km pipeline with a designed transportation capacity of up to 238.0 MMcfd (4.2 MMThd) 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 initial segment of the ethane pipeline began commercial operation in January 2015, the second segment began commercial operation in July 2015 and the third segment began commercial operation in December 2015.

In July 2013, Gasoductos de Chihuahua entered into a 25-year natural gas firm transportation services agreement with Pemex TRI. The agreement was subsequently assigned from Pemex TRI to CENAGAS. The agreement covers the transportation capacity of the Los Ramones I pipeline, which is comprised of approximately 116 km of 48-inch diameter pipeline and two compression stations. We finished construction of the Los Ramones I pipeline in December 2014 and it entered into 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 is a natural gas transportation system comprised of an approximately 452 km pipeline, including two compression stations. In March 2014, Gasoductos de Chihuahua (through Ductos y Energéticos del Norte) agreed to jointly develop the Los Ramones Norte pipeline through the TAG Norte joint venture, in which we have a non-controlling interest. In addition, the TAG Norte joint venture agreed to a natural gas firm transportation services agreement with Pemex TRI for the entire capacity of the Los Ramones Norte pipeline system for a period of 25 years. The agreement was subsequently assigned by Pemex TRI to CENAGAS. The Los Ramones Norte pipeline started operations during February 2016.

We expect that the introduction of natural gas infrastructure will foster new industry growth, represent an opportunity for further pipeline expansion and diversify our customer base.

Separately, the Mexican Energy Regulatory Commission is attempting to establish a natural gas sales regime for all National Pipeline System users. Under this proposed regime users will no longer have to purchase bundled natural gas, transportation and marketing services from Pemex TRI. The permanent regime should pave the way for greater competition and efficiency. Under the regime, 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 Mexican Energy Regulatory Commission has also established a roll-in system to incentivize pipeline construction. Under the new structure, the cost of certain new infrastructure will be borne by all users in areas designated by the Mexican Energy Regulatory Commission. Once the regime is fully implemented, the natural gas midstream and downstream markets are likely to get a significant boost in new investment. 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.

In addition, the Mexican Energy Ministry recently published the long-term plan (*Programa de Desarrollo del Sector Eléctrico Nacional*, or PRODESEN) for the Development of the Electric National System, pursuant to which new power generation plants and transmission lines are being planned for different regions of Mexico. The plan also contemplates the interconnection of the Baja California electrical grid to the Mexican national electrical grid in the State of Sonora, the implementation of various cross-border interconnection lines at the Mexico-U.S. border and a 600 km high voltage direct current line to connect renewable energy projects in Oaxaca to central Mexico.

According to the PRODESEN published in July 2016, the fast pace of development will continue, with nearly 6.0 GW of new capacity expected to be brought online by the end of 2016, and a further 5.3 GW planned for 2017 across both the Mexican Federal Electricity Commission and independent power operators. Of this total, over the next year and half, combined cycle gas turbines will supply 56% of new energy supply, followed by solar with 13%, wind with 12%, cogeneration with 9%, 8.5% other thermal sources (internal combustion, nuclear, turbogas and conventional thermoelectric) and the remaining 1% from hydroelectric, geothermal and bioenergy.

BUSINESS

Overview

We are the first private sector publicly-traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. We develop, build and operate essential energy infrastructure. Our footprint in Mexico ranges across several business lines encompassing a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

Our assets are divided between two business segments: (1) our gas segment, which includes our natural gas pipelines and compression business, our liquefied natural gas, or LNG, business, our natural gas distribution business, our ethane pipeline business and our liquefied petroleum gas, or LPG, storage and transportation business, and (2) our power segment, which includes power generation by our Termoeléctrica de Mexicali power plant, a natural gas-fired, combined-cycle power generation facility, and Energía Sierra Juárez, our wind power generation operation, and will include the power generated by the Ventika I and Ventika II wind power generation facilities, upon our completion of the Ventika Acquisition. Our assets generate revenues primarily under U.S. dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, we were one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990's. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 20 years, we have increased our presence as a leader in private investment in the Mexican energy sector (including through greenfield development, organic growth, acquisitions and a diversified customer base), investing approximately US$4.1 billion in Mexican energy infrastructure, including investments through joint ventures.

Based on the number of permits issued by the Mexican Energy Regulatory Commission and the results of recent auctions by the Mexican Federal Electricity Commission, we were ranked one of the three largest companies in the private sector in terms of installed capacity in the Mexican natural gas open-access pipeline transportation market with an estimated 36% market share as of June 30, 2016. For further information with respect to market share, see "Industry Overview—Natural Gas Pipeline Transportation Market Share." We wholly own 1,725 km of natural gas pipelines in operation or under construction, as well as the largest LNG regasification terminal in Mexico, in terms of capacity. In addition to our ownership of assets across the Mexican energy infrastructure value chain, we have also improved our market position through acquisitions and by entering into strategic partnerships. In 2010, we acquired various Mexican assets, including a 50% interest in a joint venture with Pemex Gas (the predecessor of Pemex TRI), Gasoductos de Chihuahua, that develops, owns and operates natural gas, LPG and ethane pipelines, compression stations and storage facilities. Additionally, we entered into a 50/50 joint venture with an affiliate of InterGen, N.V., or InterGen, for the development, construction and operation of the initial phase of our Energía Sierra Juárez wind power generation operation. Through our joint venture with Pemex TRI, we also entered into a joint venture with a Pemex affiliate and a consortium comprised of BlackRock and First Reserve for the development of the Los Ramones Norte pipeline. We also entered into a joint venture with TransCanada Corporation, or TransCanada, for the development of a natural gas transportation system between Mexico and southern Texas, which we refer to as the South of Texas—Tuxpan pipeline, which will add 800 km of natural gas pipelines and another compression station to our assets.

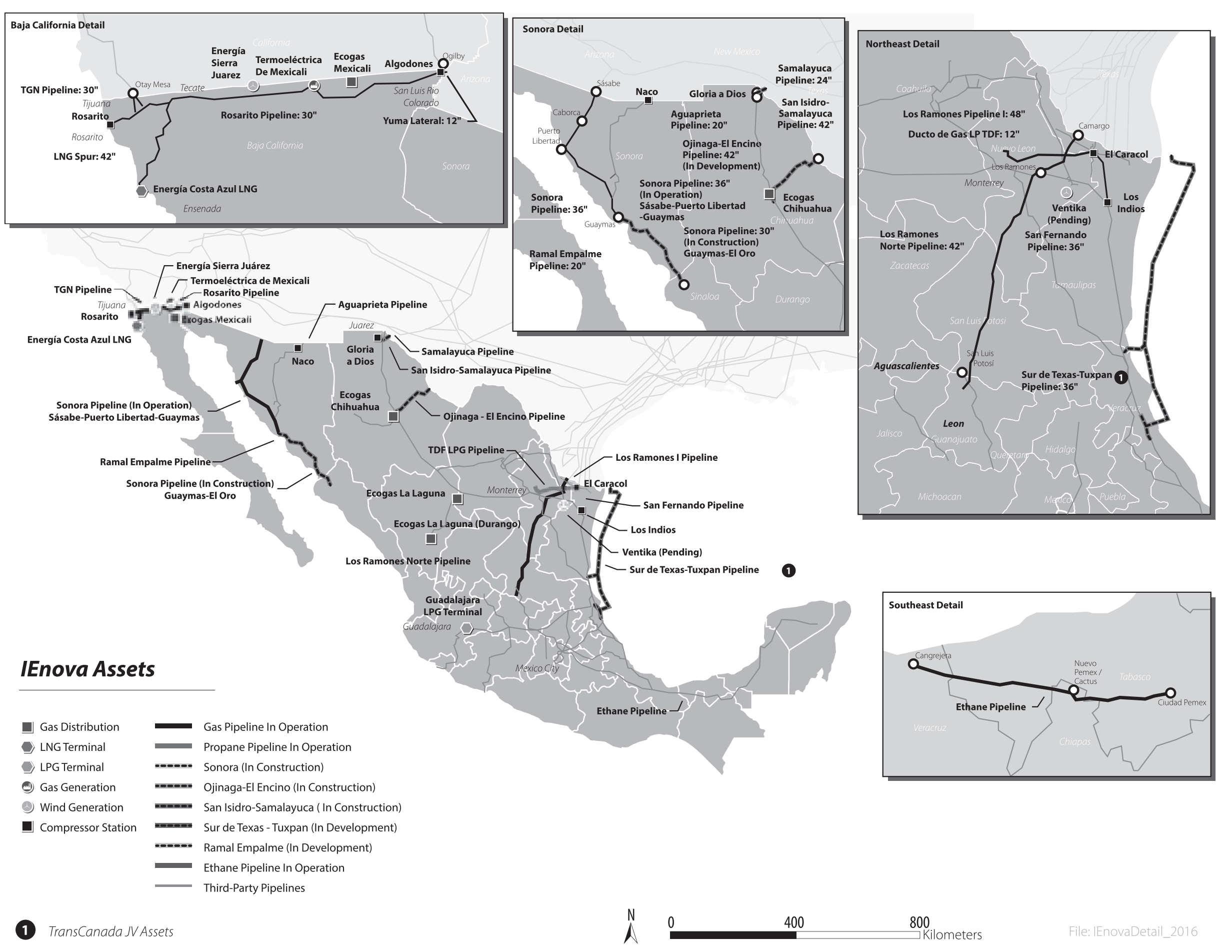
Our achievements as pioneers in private sector investment in Mexican energy infrastructure include the following:

- we were the first private company to be awarded with a natural gas distribution contract through a public auction following the 1995 reform to the regulatory framework of the Mexican energy sector; we currently own and operate a natural gas distribution utility, Ecogas, in three distribution zones: Mexicali (serving the city of Mexicali since 1996), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac since 1997) and La Laguna–Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango since 1999);

- we built the first natural gas pipeline in the state of Baja California, and we have been the sole developer of open-access natural gas pipelines in Baja California (a region which previously did not have access to U.S. or Mexican natural gas pipeline systems);
- our natural gas pipelines in Baja California allowed the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*) to convert its power generation facilities from fuel oil to natural gas, and we are one of the major suppliers of natural gas to the Mexican Federal Electricity Commission in Baja California;
- we were partners with state-controlled Pemex TRI in Gasoductos de Chihuahua, the first natural-gas-infrastructure joint venture in Mexico between Pemex Gas and private companies, and on September 27, 2016, we increased our indirect equity interest in Gasoductos de Chihuahua from 50% to 100% when we acquired the remaining 50% interest from Pemex TRI for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million;
- we built the first LNG regasification terminal on the west coast of the Americas;
- through our joint venture with InterGen, we built and currently operate the first cross-border renewable energy project in Mexico, Energía Sierra Juárez;
- through our joint venture with Pemex TRI, we built and currently operate the first privately owned ethane pipeline system in Mexico;
- pursuant to two natural gas transportation service agreements we entered into with the Mexican Federal Electricity Commission in October and November 2012, we are developing the Sonora pipeline system with an aggregate length of approximately 835 km, comprised of (1) the Sásabe—Puerto Libertad—Guaymas segment with a capacity of 770 MMcfd (8.0 MMThd), which is currently in operation, (2) the Guaymas—El Oro segment with a capacity of 510 MMcfd (5.3 MMThd), which is expected to commence commercial operation in the first quarter of 2017 and (3) two compression stations, which we intend to begin construction of in the second half of 2017;
- through our joint venture with Pemex Gas y Petroquímica Básica (now Pemex TRI), we developed the Guadalajara LPG terminal with a combined capacity of 80,000 Bbl (4.4 MMThd) divided among four storage tanks, each with approximately 20,000 Bbl (1.1 MMThd) of capacity, which began operations in 2013;
- we developed, jointly with Pemex TRI, the Los Ramones I pipeline, an approximately 116 km natural gas transportation system with a capacity of 2,100 MMcfd (21.8 MMThd), which also has two compression stations. The pipeline began operations in December 2014;
- we participated in developing, through a non-controlling interest in a separate joint venture with Pemex TRI, the Los Ramones Norte pipeline, which we refer to as the TAG Norte joint venture; the Los Ramones Norte pipeline is an approximately 452 km natural gas transportation system with a capacity of 1,420 MMcfd (14.8 MMThd) as well as two compression stations, which began operations in February 2016;
- pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in December 2014, we are developing the approximately 220 km Ojinaga—El Encino natural gas transportation system with a capacity of approximately 1,356 MMcfd (14.1 MMThd), which is expected to commence commercial operations in the first quarter of 2017;
- pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in July 2015, we are developing the approximately 23 km San Isidro—Samalayuca pipeline with a capacity of 1,135 MMcfd (11.8 MMThd), which includes a compression station, and which is expected to commence commercial operations in the first quarter of 2017;
- we began developing the Empalme Lateral, an approximately 20 km natural gas transportation system with a capacity of approximately 226 MMcfd (2.4 MMThd) pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in May 2016; and

- we began developing, through a joint venture with TransCanada, the first marine pipeline in Mexico, the South of Texas-Tuxpan pipeline, an approximately 800 km natural gas transportation system with a capacity of approximately 2,600 MMcfd (27 MMThd) and a compression station pursuant to a natural gas transportation services agreement entered into with the Mexican Federal Electricity Commission in June 2016, and which is expected to commence commercial operations in the fourth quarter of 2018.
- In September 2016, we entered into an agreement to acquire 100% of the equity interests of Ventika I and Ventika II for an estimated purchase price of US$852 million. See "Summary – Recent Developments – Ventika Acquisition." The Ventika facilities are adjacent wind farms powered by a total of 84 turbines, providing an aggregate of up to 252 MW of generating capacity, and which together makes Ventika one of the largest wind farms in Mexico and Latin America. The Ventika facilities are located in the General Bravo municipality in the State of Nuevo Leon, approximately 34 miles from the U.S. border.
- In September 2016, we participated in the second auction for energy, power and clean energy certificates issued by the Mexican National Energy Control Center (*Centro Nacional de Control de Energía*), or CENACE, in May 2016, with a portfolio of solar energy projects. See "Summary – Recent Developments – Clean Energy Auction." We were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our Energía Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes. We estimate that total investment for these projects will be approximately US$150 million.

The following map shows the location of our principal assets, which are divided between our gas segment and our power segment:



We have grown since our initial public offering in March 2013. From the year ended December 31, 2013 through June 30, 2016, on a pro forma basis for the GdC Acquisition and the Ventika Acquisition, (1) investments in our assets grew to US$613 million from US$370 million, (2) our natural gas transportation system grew to 1,584 km of pipelines currently in operation from 531 km, (3) our natural gas distribution business grew to serving 116,460 clients from 99,000 clients, and (4) our renewable energy generating capacity grew to 330 MW from no then-existing capacity.

For the year ended December 31, 2015 and the six months ended June 30, 2016, we had revenues of US$672 million and US$272 million, respectively, and Adjusted EBITDA of US$392 million and US$216 million, respectively, and, after giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, Pro Forma Adjusted EBITDA of US$492 million and US$291 million, respectively.

After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the year ended December 31, 2015 and the twelve months ended June 30, 2016, we had total pro forma revenues of US$859 million and US$875 million, respectively, Pro Forma Adjusted EBITDA of US$492 million and US$548 million, respectively (with a compound annual growth rate, or CAGR, of 26.7% for the period from December 31, 2013 to June 30, 2016), pro forma assets of US$6.8 billion and US$7.0 billion, respectively (with a CAGR of 36.1% for the period from December 31, 2013 to June 30, 2016), and pro forma capital expenditures of US$828 million and US$613 million, respectively (with a CAGR of 22.4% for the period from December 31, 2013 to June 30, 2016).

Gas Segment

Pipelines Business

Based on the number of permits issued by the Mexican Energy Regulatory Commission and the results of recent auctions by the Mexican Federal Electricity Commission, we were ranked one of the three largest companies in the private sector in terms of installed capacity in the Mexican natural gas open-access pipeline transportation market with an estimated 36% market share as of June 30, 2016. For further information with respect to market share, see "Industry Overview—Natural Gas Pipeline Transportation Market Share."

Our pipelines business develops and operates systems for receiving, transporting, compressing, storing and delivering natural gas, ethane and LPG throughout the states of Baja California, Chiapas, Chihuahua, Durango, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz. These systems (including assets under construction or operated through our joint ventures) feature:

- more than 2,900 km of natural gas pipelines (of which approximately 1,393 km are under construction as of June 30, 2016) with an aggregate design capacity of over 16,501 MMcfd (171.6 MMThd);
- ten natural gas compression stations in operation and four compression stations currently under construction, with an aggregate of over 586,310 horsepower;
- 190 km of LPG pipeline with a design capacity of 34,000 Bbld (1.9 MMThd);
- 224 km ethane pipeline with a transportation capacity of approximately 33 MMcfd (0.6 MMThd) in the first segment, approximately 100 MMcfd (1.8 MMThd) in the second segment and approximately 106 MMcfd (1.9 MMThd) in the third segment; and
- an LPG storage facility with a total capacity of 80,000 Bbl (4.4 MMTh) near Guadalajara.

Our existing pipeline assets include our Gasoducto Rosarito, Transportadora de Gas Natural de Baja California, or TGN, and Aguaprieta pipelines, the Naco compression station, the Sonora pipelines (the Sásabe—Puerto Libertad—Guaymas section, which has been completed, and the Guaymas—El Oro segment (which we expect to begin commercial operation in the first quarter of 2017), the Ojinaga—El Encino natural gas pipeline (which we expect to begin commercial operation in the first quarter of 2017), the San Isidro—Samalayuca pipeline (which we expect to begin commercial operation in the first quarter of 2017), as well as the Empalme Lateral (which we expect to begin commercial operation in the second quarter of 2017) and the South of Texas—

Tuxpan pipeline project, our joint venture with TransCanada (which we expect to begin commercial operation in the fourth quarter of 2018). Our pipelines business also includes 100% of the assets held by our former joint venture with Pemex TRI, Gasoductos de Chihuahua, in which we held a 50% interest prior to September 27, 2016. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition." Gasoductos de Chihuahua owns the San Fernando pipeline, the Samalayuca pipeline, the ethane pipeline, the TDF pipeline system, the Los Ramones I pipeline, the Gloria a Dios compression station and the Guadalajara LPG storage facility and, through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture, participated in the development of the Los Ramones Norte pipeline, which began operations in February 2016. We wholly own a total of 1,725 km of natural gas pipelines in operation or under construction, in contrast to the 531 km of natural gas pipelines that we had in operation on the date of our initial public offering in March 2013.

Substantially all of our energy infrastructure assets have long-term contracts, primarily on a firm basis, with creditworthy, leading industry players, including Shell Mexico, or Shell, Gazprom Mexico, or Gazprom, the Mexican Federal Electricity Commission and The National Center of Control of Natural Gas (*Centro Nacional de Control de Gas Natural*), or CENAGAS, as assignee of Pemex TRI. The following is an overview of the existing assets and assets under development for our pipelines business:

- *Gasoducto Rosarito Pipeline System*: this fully bi-directional system is comprised of three pipelines of approximately 302 km in aggregate length, as well as a 30,000 horsepower compression station. The system starts at an interconnection point with the North Baja pipeline system at the Mexico—U.S. border and extends west to an interconnection point with our TGN pipeline near the city of Tijuana, and south to our LNG terminal. This system's bi-directional capacity allows it to utilize natural gas supplies from either the U.S. domestic natural gas market or our LNG terminal. The three segments comprising this system are the 30-inch Rosarito Mainline, which has a capacity of approximately 534 MMcfd (5.6 MMThd); the 42-inch LNG Spur, which has a capacity of approximately 2,600 MMcfd (27.0 MMThd); and the twelve-inch Yuma Lateral, which has a capacity of approximately 190 MMcfd (2.0 MMThd). We have entered into 10 long-term transportation services agreements with the customers of the Gasoducto Rosarito pipeline system, which have 71% of the system's designed transportation capacity contracted on a firm basis.
- *TGN Pipeline*: this fully bi-directional pipeline is comprised of approximately 45 km of 30-inch diameter pipeline and an 8,000 horsepower compression station, with a capacity of 940 MMcfd (9.8 MMThd). The system interconnects with our Gasoducto Rosarito pipeline system in the Tijuana area, and extends north to interconnect with the system of our affiliate, San Diego Gas & Electric Company, at the Mexico—U.S. border, and southwest to the Mexican Federal Electricity Commission's 1,300 megawatt, or MW, Presidente Juárez power plant in Rosarito, Baja California. The full amount of the system's designed transportation capacity is contracted through 2028 under firm transportation services agreements.
- *Aguaprieta Pipeline*: this pipeline is comprised of approximately 13 km of 20-inch diameter pipeline and has a designed transportation capacity of 200 MMcfd (2.1 MMThd). It transports natural gas from the Mexico—U.S. border to the Fuerza y Energía Naco—Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the Mexican Federal Electricity Commission. Our existing firm transportation services agreements with the Aguaprieta pipeline's customers cover 122 MMcfd (1.3 MMThd), or 61% of the system's designed transportation capacity. These agreements include a firm transportation services agreement with the Mexican Federal Electricity Commission entered into in September 2013 for 67 MMcfd (0.7 MMThd), which is renewed annually following an initial two-year term. This agreement will serve the Agua Prieta II gas-fired combined-cycle generation plant, which we expect to begin commercial operation in the first quarter of 2017. In addition, we have entered into a six-year firm transportation services agreement with El Paso Marketing entered into in October 2013 for 2 MMcfd (0.3 MMthd). This pipeline system was built in anticipation of two power plants in the area which the Mexican Federal Electricity Commission intended to construct (one of which is Agua Prieta II) and we expect to provide these plants with natural gas transportation services.
- *Naco Compression Station*: this 14,340 horsepower compressor is installed on Pemex TRI's Naco—Hermosillo natural gas pipeline in Naco, Sonora. The existing compression services agreement

with Pemex TRI, the sole customer of this compression station, has 90 MMcfd (0.9 MMThd) of firm compression services, or 100% of the system's designed capacity, contracted on a firm basis through 2021, with a five-year extension at Pemex TRI's option. Effective January 1, 2016, Pemex TRI assigned its compression services agreement with Naco Compression Station to the Mexican Center for the Control of Natural Gas, or CENAGAS.

- *Sonora Pipelines*: we are currently constructing an approximately 835 km pipeline and two compression stations, located in the states of Sonora and Sinaloa. The first segment of this project (Sásabe—Puerto Libertad—Guaymas) is an approximately 505 km, 36-inch diameter pipeline with 770 MMcfd (8.0 MMThd) of transportation capacity, and the second segment (Guaymas—El Oro) is an approximately 330 km, 30-inch pipeline with 510 MMcfd (5.3 MMThd) of transportation capacity. We have completed construction of the Sásabe—Puerto Libertad—Guaymas segment of our Sonora pipelines project and have begun commercial operations on this section. The Guaymas—El Oro segment is expected to begin commercial operation in the first quarter of 2017. We have entered into 25-year U.S. dollar-denominated firm transportation services agreements with the Mexican Federal Electricity Commission which covers 100% of the system's designed transportation capacity. We expect to invest a total of approximately US$1.0 billion in this project.
- *Ojinaga—El Encino Pipeline*: we are currently constructing an approximately 220 km pipeline with a designed transportation capacity of approximately 1,356 MMcfd (14.1 MMThd). The system will run from Ojinaga, Chihuahua, at the Mexico—U.S. border, to El Encino, Chihuahua. We have entered into a U.S. dollar-denominated transportation services agreement with the Mexican Federal Electricity Commission, which has 100% of the system's designed transportation capacity contracted on a firm basis. This system is scheduled to start commercial operation in the first quarter of 2017. We expect to invest a total of approximately US$300.0 million in this project.
- *San Isidro—Samalayuca Pipeline*: in July 2015, the Mexican Federal Electricity Commission awarded us with a U.S. dollar-denominated 25-year transportation services agreement for an approximately 23 km pipeline, a compression station and a distribution header that will serve as an interconnection point for several other pipeline systems. The pipeline will have a designed transportation capacity of approximately 1,135 MMcfd (11.8 MMThd) and a 46,000 horsepower compression station. Our transportation services agreement with the Mexican Federal Electricity Commission covers 100% of the system's designed transportation capacity on a firm basis. The system will be located in Juárez, Chihuahua and is scheduled to start commercial operation in the first quarter of 2017. We expect to invest a total of approximately US$110.0 million in this project.
- *Empalme Lateral Pipeline*. in May 2016, we received a natural gas pipeline award from the Mexican Federal Electricity Commission with respect to the Empalme Lateral. This 20-inch natural gas pipeline with capacity of 226 MMcfd will run approximately 20 kilometers between Empalme and Guaymas, where it will interconnect with our Sonora pipeline project, and will be developed by us pursuant to a 21-year firm transportation services agreement entered into between us and the Mexican Federal Electricity Commission. Pursuant to this agreement, we are responsible for the development, engineering, procurement, construction, operation and maintenance of the pipeline. We expect the Empalme Lateral pipeline to begin commercial operations during the second quarter of 2017, and we expect to invest approximately US$12 million in this project.
- *South of Texas—Tuxpan Pipeline*: in June 2016, we, through Infraestructura Marina del Golfo, S. de R.L. de C.V., or IMG, a joint venture with TransCanada in which we hold a 40% equity interest, entered into a 25-year agreement with the Mexican Federal Electricity Commission to provide natural gas transportation services. Pursuant to this agreement, IMG is responsible for the development, engineering, procurement, construction, operation and maintenance of a 42-inch natural gas pipeline with capacity of 2,600 MMcfd (27 MMThd), running approximately 800 kilometers. We and TransCanada have agreed to provide credit support to IMG's suppliers and other counterparties, including the Mexican Federal Electricity Commission and Mitsui & Co, Ltd., among others, in connection with the development of this pipeline. We expect the South of Texas—Tuxpan pipeline to begin commercial operations during the fourth

quarter of 2018 and expect the estimated capital expenditures for the South of Texas—Tuxpan pipeline to be approximately US$2.1 billion, of which we will assume US$840 million (in proportion to our ownership percentage).

- *Gasoductos de Chihuahua*: we acquired a 50% interest in our joint venture with Pemex TRI, Gasoductos de Chihuahua, in April 2010 and acquired the remaining 50% interest from Pemex TRI on September 27, 2016. This entity owns our San Fernando pipeline, Samalayuca pipeline, ethane pipeline, TDF LPG pipeline system, Los Ramones I pipeline, Los Ramones Norte pipeline, Gloria a Dios compression station and the Guadalajara LPG storage facilities. In addition, Gasoductos de Chihuahua owns a non-controlling interest in the Los Ramones Norte pipeline through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture. These assets are described in more detail below:
  - *San Fernando Pipeline*: this fully bi-directional system consists of approximately 114 km of 36-inch diameter pipeline and two compression stations with an aggregate of 95,670 horsepower. It has a transportation capacity of approximately 1,460 MMcfd (15.2 MMThd) and two compression stations. The pipeline runs from our El Caracol compression station in Reynosa, Tamaulipas to our Los Indios compression station in San Fernando, Tamaulipas. The San Fernando pipeline's sole customer, Pemex TRI, 100% of the system's designed transportation capacity, contracted on a firm basis through 2023. Pemex TRI also purchases the extra compression capacity on this pipeline on an as-needed basis pursuant to an interruptible transportation services contract. Effective January 1, 2016, Pemex TRI assigned its transportation services agreement with the San Fernando pipeline to CENAGAS.
  - *Samalayuca Pipeline*: this system consists of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd). This pipeline has been in operation since 1997 and was the first privately-owned natural gas pipeline in Mexico. The pipeline runs from Ejido San Isidro, Chihuahua, to the Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex TRI, which runs from Ciudad Juárez to Chihuahua. The Samalayuca pipeline's customers have 50% of the system's designed transportation capacity contracted on a firm basis under existing firm transportation services agreements.
  - *Gloria a Dios Compression Station*: this 14,300 horsepower compressor is installed at the interconnection point of our Samalayuca pipeline and Pemex TRI's Ciudad Juárez—Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. Under a compression and transportation services agreement with the Mexican Federal Electricity Commission, the compression station's sole customer has 100% of the designed capacity contracted on a firm basis through 2021. Pursuant to this agreement, the Gloria a Dios compression station provides compression services for the Chihuahua II power plant in the state of Chihuahua, and transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico—U.S. border and delivers the compressed gas to the Gloria a Dios interconnection of the Samalayuca pipeline and Pemex TRI's pipeline system.
  - *Ethane Pipeline System*: this ethane pipeline system consists of an approximately 224 km pipeline with a designed transportation capacity of up to 33 MMcfd (0.6 MMThd) in the first segment, up to 100 MMcfd (1.8 MMThd) in the second segment and up to 106 MMcfd (1.9 MMThd) in the third segment, that supplies ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to Braskem IDESA, S.A.P.I. de C.V.'s Etileno XXI ethylene and polyethylene plant located in the state of Veracruz. Pemex TRI is the sole customer of this ethane pipeline, under a 21-year take-or-pay capacity agreement. The initial segment of this pipeline began commercial operation in January 2015, the second segment began commercial operation in July 2015 and the third segment began commercial operation in December 2015.
  - *TDF Pipeline System*: this LPG system consists of approximately 190 km of twelve-inch diameter pipeline with a designed transportation capacity of 34,000 Bbld (1.9 MMThd) of LPG, a pumping station near the pipeline's point of reception and a delivery facility with two storage tanks, with a combined capacity of 40,000 Bbl (2.2 MMTh). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex TRI'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. The existing firm transportation

services agreement with the TDF LPG pipeline's sole customer, is equal to the system's designed transportation capacity, contracted on a firm basis through 2027.

- *Los Ramones I Pipeline System*: this system consists of an approximately 116 km, 48-inch diameter pipeline with a designed transportation capacity of approximately 2,100 MMcfd (21.8 MMThd) which transports 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 in Ramones in the State of Nuevo León. It includes two compression stations (the Frontera station, located near Camargo City, Tamaulipas, with approximately 82,000 horsepower, and the Ramones station, located near Los Ramones, Nuevo León, with approximately 41,000 horsepower). The pipeline system and the compressors began operations in December 2014 and December 2015, respectively. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline under a 25-year firm transportation services agreement. Effective January 1, 2016, Pemex TRI assigned its transportation services agreement with the Los Ramones I pipeline to CENAGAS.
- *Guadalajara LPG Storage Facility*: in 2013 we completed construction of a 80,000 Bbl (4.4 MMTh) LPG storage facility near Guadalajara, Jalisco. The facility consists of four storage tanks, each with a capacity of 20,000 Bbl (1.1 MMTh), ten loading bays and an interconnection to Pemex TRI's separately-owned LPG pipeline system. We have entered into a 15-year storage services agreement with Pemex TRI to utilize the full capacity of the terminal through 2028.
- *Los Ramones Norte Pipeline System*: through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture, we participate in the ownership of a 452 km, 42-inch diameter pipeline and two compression stations, which connects with the Los Ramones I pipeline and the Los Ramones Sur pipeline in San Luis Potosí. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline under a 25-year firm transportation services agreement. The Los Ramones Norte pipeline began commercial operation in February 2016. We expect to invest a total of approximately US$1.4 billion in this project. Effective January 1, 2016, Pemex TRI assigned its transportation services agreement with the Los Ramones Norte pipeline to CENAGAS. IEnova holds a 25% indirect interest in the Los Ramones Norte pipeline indirectly through Ductos y Energéticos del Norte.

Liquefied Natural Gas Business

We own the largest LNG regasification terminal, in terms of capacity, in Mexico. Our LNG regasification terminal, located near Ensenada, Baja California, began operations in 2008 and was the first west coast LNG receiving facility in the Americas. Our LNG terminal provides receiving and storage facilities for our LNG customers, regasifies their LNG and delivers the resulting natural gas to our Gasoducto Rosarito pipeline system with delivery capability in Baja California, Mexico and the United States. Our LNG business also purchases LNG on its own behalf for storage and regasification in our LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 cubic meters, or m3 (73.3 MMTh), in two tanks, each with a capacity of 160,000 m3 (36.6 MMTh). The terminal is designed to operate at a maximum send-out capacity of 1,300 MMcfd (13.5 MMThd), or a nominal capacity of 1,000 MMcfd (10.4 MMThd).

Our LNG terminal's primary revenue stream is generated through long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, IEnova Marketing. Currently, 50% of our LNG terminal's storage and send-out capacity is under contract with Shell and Gazprom, collectively, and the remaining 50% is under contract with IEnova Marketing. The obligations of IEnova Marketing are currently backed by a financial guaranty from Sempra Energy, our indirect controlling shareholder, in the amount of US$282 million. 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. The terminal's capacity is fully under contract through 2028 under firm storage services agreements with these customers.

IEnova Marketing generates revenues by purchasing LNG for storage and regasification in our LNG terminal, and selling natural gas pursuant to natural gas supply contracts that cover up to 100% of its

LNG terminal natural gas send-out capacity. IEnova Marketing also generates revenues through sales of natural gas it purchases in the continental market. These sale contracts are with the Mexican Federal Electricity Commission, which uses the natural gas at its Presidente Juárez power plant, the Termoeléctrica de Mexicali power plant and other consumers. If our LNG supplier, Sempra Natural Gas (an operating segment of our indirect controlling shareholder, Sempra Energy, which includes our U.S. affiliates that are engaged in sales of LNG and natural gas to us, and purchases of natural gas from us), does not deliver LNG to IEnova Marketing pursuant to our long-term LNG supply contract for reasons other than a force majeure event, it makes payments to IEnova Marketing to cover the fixed costs associated with terminal and pipeline capacity.

Natural Gas Distribution Business

We own and operate a natural gas distribution utility, Ecogas, 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). With its approximately 3,709 km of pipelines as of June 30, 2016, this business served approximately 116,460 industrial, commercial and residential customers, in contrast to the 99,000 clients that it served in the year of our initial public offering as of December 31, 2013.

Our revenues for this business are derived from service and distribution fees charged to our customers through monthly invoices. The price we pay to purchase natural gas, which is based on international price indexes, is passed through directly to our customers. Even so, we undertake certain hedging activities on these prices in order to reduce potential volatility in the price for natural gas that our customers ultimately pay. The service and distribution fees charged by our Ecogas business are regulated by the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*), which performs a review of rates every five years and monitors prices charged to end-users. The current natural gas fee structure minimizes our market risk in that rates are adjusted regularly to account for inflation or exchange rate fluctuations, and inflation indexing includes separate U.S. and Mexican cost components so that U.S. costs can be included in the final distribution rates.

Our residential customers comprise 98% of the total customers (in terms of number of accounts), and contribute nearly 53% of the profit margin of our distribution business. Our commercial and industrial customers together comprise the other 2% of our customers (in terms of number of accounts), but are responsible for 92% of our systems' aggregate throughput volume and over 47% of the profit margin of our distribution business. We have entered into long-term supply agreements with certain of these industrial and commercial customers, in which we may negotiate rates below the maximum regulated rate in exchange for long-term obligations to purchase minimum volumes.

For the year ended December 31, 2015 and the six months ended June 30, 2016, our gas segment had revenues of US$526 million and US$270 million, respectively, representing 78% and 99%, respectively, of our total consolidated revenues, and Adjusted EBITDA of US$367 million and US$212 million, respectively, representing 94% and 98%, respectively, of our total Adjusted EBITDA. After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the six months ended June 30, 2016, our gas segment had pro forma revenues of US$408 million, representing 95% of our total pro forma consolidated revenues for the period, and Pro Forma Adjusted EBITDA of US$270 million, representing 93% of our total Pro Forma Adjusted EBITDA for the period.

Power Segment

Natural Gas-Fired Power Generation Business

We own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with our Gasoducto Rosarito pipeline system that allows it to receive regasified LNG from our LNG terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility 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 and 2015, this facility received clean industry certificates for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to California's Independent System Operator power grid at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California. The Termoeléctrica de Mexicali plant generates revenues by selling electricity to consumers in California's Independent System Operator power grid, and our U.S. affiliate Sempra Generation acts as marketing and scheduling agent for these sales. While the entire output of the plant is currently provided to the U.S. grid, the physical interconnection may be modified so that a portion or all of the plant's output could be delivered to the Mexican Federal Electricity Commission's system in Mexico at the La Rosita substation, if an approximately two kilometer transmission line is built and the necessary permits are obtained.

In February 2016, our board of directors approved a plan to market and sell our Termoeléctrica de Mexicali power plant. As a result, beginning in 2016, the results of Termoeléctrica de Mexicali are included in our consolidated financial statements under discontinued operations, net of income tax. See "Summary—Recent Developments—Termoeléctrica de Mexicali Power Plant Impairment."

Wind Power Generation Business

We are also developing our Energía Sierra Juárez wind power generation operation in phases. This project is located along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico, which is one of the strongest wind resources on the west coast of North America. The initial phase of this project consists of 47 wind turbines (approximately 155 MW) and is located about 70 miles from San Diego, just south of the Mexico—U.S. border and commenced operations in June 2015. We developed the initial phase with a joint venture partner, InterGen. The project interconnects to the East County Substation of the transmission line known as the Southwest Powerlink, owned by an affiliate of San Diego Gas & Electric Company, in eastern San Diego County via a cross-border transmission line. Future phases could potentially also connect directly with the Mexican power grid. The full amount of electricity from the initial phase will be purchased by our U.S. affiliate San Diego Gas & Electric Company under a 20-year power purchase agreement.

In addition, in September 2016, we entered into an agreement to acquire the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million. See "Summary—Recent Developments—Ventika Acquisition."

In September 2016, we participated in the second auction for energy, power and clean energy certificates issued by CENACE in May 2016, with a portfolio of solar energy projects. We were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our EnergÍa Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes. We estimate that total investment for these projects will be approximately US$150 million.

For the year ended December 31, 2015, our power segment had revenues of US$143 million. During the six months ended June 30, 2016, our power segment had no reportable revenues. For the year ended December 31, 2015 and the six months ended June 30, 2016, our power segment had Adjusted EBITDA of US$25 million and US$3 million, respectively, representing 6% and 1% of our total Adjusted EBITDA for each period, respectively. After giving pro forma effect to the GdC Acquisition and the Ventika Acquisition, for the six months ended June 30 2016, our power segment had pro forma revenues of US$19 million, representing 5% of our total pro forma consolidated revenues for the period, and Pro Forma Adjusted EBITDA of US$20 million, representing 7% of our total Pro Forma Adjusted EBITDA for the period.

Solar Energy Generation Business

In May 2016, CENACE launched a second renewable energy, capacity and clean energy certificate auction. The purpose of this auction was to continue securing renewable energy generation options, through the execution of long-term agreements with private parties for the sale of energy, with the goal of achieving the targets set by the Mexican Energy Transition Law (*Ley de Transición Energética*), the General Climate Change Law (*Ley General de Cambio Climático*), the National Program for Sustainable Energy Use (*Programa Nacional para el Aprovechamiento Sustentable de la Energía*) and the Transition Strategy for Promoting the Use of Cleaner Technologies and Fuels *(Estrategia de Transición para Promover el Uso de Tecnologías y Combustibles más Limpios)*. These goals include achieving minimum percentages of clean energy generation in Mexico of 25% in 2018, 30% in 2021 and 35% in 2024. The auction targeted 10.6 TWh, which is equivalent to a range of 2,500 to 3,000 MW of new infrastructure capacity.

In September 2016, we were awarded two projects, the Rumorosa Solar project and the Tepezalá II Solar project, as a result of our bids in this auction. We intend to develop, build and operate the approximately 41 MW Rumorosa Solar project near our Energía Sierra Juarez wind farm in Baja California. The approximately 100 MW Tepezalá II Solar project will be located in Aguascalientes and will be developed by us and Trina Solar, a company involved in the photovoltaic solar panel and solar energy optimization system industries, through a joint venture in which we will have a 90% interest. Both projects will include long-term contracts (20 years for the clean energy certificates and 15 years for the capacity and energy agreements) with the Mexican Federal Electricity Commission, partially denominated in U.S. dollars. We estimate that the commercial operation date for both projects will occur during the second quarter of 2019 and that total investment for these projects will be approximately US$150 million.

Our Strengths

We believe the following competitive strengths distinguish us from our competitors and are critical to the continued successful execution of our strategy.

- ***Proven development capability and extensive experience operating diverse energy assets***. With over 20 years of experience in Mexico, we have developed the necessary skills and relationships to successfully build, own and operate critical energy infrastructure in Mexico. Over this time, we have 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, highlighted by our acquisition of Pemex TRI's remaining 50% interest in Gasoductos de Chihuahua for US$1.14 billion in cash, plus the assumption of existing indebtedness of approximately US$388 million and our pending acquisition of the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million. We made our first investment in Mexico in 1996, when we won the first private natural gas distribution permit awarded in Mexico, and subsequently developed our Ecogas business into a model natural gas distribution company. Our largest project to date is the investment of US$1.2 billion in our LNG terminal. Other notable projects include our approximately US$350 million investment to construct our natural gas-fired combined-cycle power plant in Mexicali, Baja California, our 2010 acquisition of US$300 million of Mexican energy infrastructure assets from El Paso Corporation, which included our joint venture with Pemex TRI, and our US$200 million investment in expanding our Gasoducto Rosarito pipeline system and TGN pipeline. In addition, we recently completed the first segment of the Sonora pipeline, which, when fully completed, will represent a total investment of approximately US$1.0 billion, and our joint venture with Pemex TRI completed the Los Ramones I pipeline, the Los Ramones Norte pipeline, our Ethane pipeline and LPG terminal, which represented an aggregate investment (including the Sonora pipeline) by ourselves and our partners of approximately US$3 billion (on a 100% completion basis). We believe that our experience in the energy sector positions us to take advantage of possible investment opportunities with developers looking for divisions/spin-offs, in projects nearing completion, in companies seeking strategic partners and in companies under financial distress and seeking liquidity through the sale of assets.
- ***Financing capacity to pursue new opportunities in the energy sector.*** After giving pro forma effect to the Transactions and assuming that the Ventika Acquisition will be financed with a portion of the proceeds of this offering and through debt financing (See "—Recent Developments—Ventika Acquisition"), we had pro

forma net debt of approximately US$1.543 billion and US$1.577 billion as of December 31, 2015 and June 30, 2016, respectively, and a pro forma net debt-to-LTM Pro Forma EBITDA ratio of 3.1 times for the twelve months ended June 30, 2016, which provides us with the financial flexibility to competitively pursue acquisitions, organic growth opportunities and new greenfield opportunities. In August 2015, we secured a committed revolving credit facility from a syndicate of five lenders for which Sumitomo Mitsui Banking Corporation serves as administrative agent, which permits borrowings up to US$600 million through August 21, 2020, which we refer to as the Revolving Credit Facility. We are currently contemplating an increase in the amount of borrowing capacity under the Revolving Credit Facility of up to US$1.2 billion, subject to market conditions. In addition, we have demonstrated an ability to successfully access the capital markets, having raised US$599 million in public equity markets and US$408 million in debt markets in 2013. Intercompany loans from subsidiaries of Sempra that are our affiliates have been, and are expected to continue to be, a source of financing. As a result, after giving pro forma effect to the GdC Acquisition (including the Bridge Loan and its repayment from the net proceeds from this offering) and the Ventika Acquisition, as of June 30, 2016, our pro forma cash and cash equivalents were US$185 million and our pro forma total shareholders' equity was US$4.2 billion.

- ***Demonstrated ability to execute wide-ranging growth strategy.*** We have managed to consistently grow our business by implementing a diversified growth strategy through new businesses and expanding our customer base and positioning ourselves as a key player in the fast-growing energy sector in Mexico. We continue to successfully navigate public-sector pipeline tender processes, having recently been awarded contracts by the Mexican Federal Electricity Commission for the development and operation of the Ojinaga—El Encino natural gas pipeline project in November 2014, the San Isidro—Samalayuca natural gas pipeline project in July 2015, the Empalme Lateral natural gas pipeline project in May 2016 and the South of Texas—Tuxpan natural gas pipeline project in June 2016, and we are well-positioned to take advantage of the announced expansion of Mexico's National Pipeline System, estimated to require investments of approximately US$8.5 billion by the end of 2019. We also continue to compete for the acquisition of privately-held assets, most recently having entered into an agreement to purchase the 252 MW Ventika I and Ventika II wind power generation facilities for an estimated purchase price of US$852 million, and to compete in public auctions, such as the recently concluded auction conducted by the Mexican National Energy Control Center (*Centro Nacional de Control de Energía*), or CENACE, in which we were awarded the approximately 41 MW Rumorosa Solar project and the approximately 100 MW Tepezalá II Solar project.

- ***Cash flow stability and visibility through long-term contracts.*** We have contracted a substantial portion of the capacity of our assets across our business segments under long-term agreements under which our customers are required to pay us regardless of whether they actually use their contracted capacity, which provides us with steady and predictable long-term cash flows. Substantially all of these contracts are with stable, creditworthy, private counterparties and the Mexican Federal Electricity Commission, among others, and are U.S. dollar-denominated. In addition to enhancing the stability of our cash flows, these firm capacity supply agreements also minimize our direct exposure to commodity price risk. The current fee structure of our long-term contracts minimizes our market risk in that the rates, some of which are regulated by the Mexican Energy Regulatory Commission, are adjusted regularly to account for inflation or fluctuations in exchange rates.

- ***Diversification of energy assets covering wide market opportunity set.*** Our assets are diversified across a significant part of the energy infrastructure value chain that is open to private investment in Mexico, including pipelines, LNG, natural gas distribution and power generation. Given our scale, geographic position and diverse asset base, we believe we are ideally positioned to continue to expand and build out our platform of energy infrastructure assets. Due to our track record as pioneers in private energy infrastructure investment in Mexico and our relationships with key players in the industry, we are well-positioned to expand into new energy sectors as opportunities for private investment arise. In addition, as the majority of our energy infrastructure assets are located across northern Mexico, we are strategically positioned to be a key player in the growing demand for the import and transportation of hydrocarbons across the Mexico—U.S. border.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses.*** We have worked closely with the Mexican Energy Regulatory Commission and other Mexican energy regulatory bodies over the past 20 years and have developed a deep understanding of the regulatory process regarding the Mexican energy sector. We believe our cooperation and close coordination with the relevant regulatory bodies in Mexico are key strengths of our business, and we intend to continue to nurture and build upon these positive relationships. Moreover, these relationships have been built on the expertise we have developed while operating in Mexico. We also have long-term contractual relationships with government-controlled energy companies and entities (The National Center of Control of Natural Gas (*Centro Nacional de Control de Gas Natural*), or CENAGAS, Pemex and the Mexican Federal Electricity Commission), as well as permits and authorizations to develop and operate our energy assets in Mexico.
- ***Experienced management team.*** Our management team has extensive experience in the energy infrastructure sector. The members of our senior management team have an average of over 20 years of experience operating and developing assets in the Mexican energy sector. We believe we have the knowledge and skills necessary to successfully and safely manage all of our assets and operations and the development expertise necessary to expand our existing footprint and enter into new energy sectors as opportunities arise. We further believe our management team is one of our principal competitive strengths relative to our industry peers.
- ***World-class parent company.*** We also benefit from the strong support of our indirect controlling shareholder, Sempra Energy, which has a long history of building diversified energy services companies on a global scale and owns, immediately prior to the Global Offering, approximately 81% of our common stock. Based in San Diego, California, Sempra Energy is an NYSE-listed (NYSE: SRE) Fortune 500 company providing energy services, with revenues of approximately US$10 billion in 2015. Sempra Energy companies employ nearly 17,000 people and provide energy-related products and services to more than 32 million consumers worldwide. For the year ended December 31, 2015, Sempra Energy had earnings of US$1.35 billion. As of June 30, 2016, Sempra Energy had a market capitalization of US$28.5 billion and total assets of US$42.9 billion. Through our relationship with Sempra Energy, we expect 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. We believe this access should, among other things, continue to maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.

Our Strategy

We expect to continue our strategy of investing in a combination of diversified energy assets in Mexico that are capable of generating stable and predictable long-term cash flows. We believe Mexico's energy reforms, which became law in August 2014, will provide significant and increased opportunities for growth in our existing business lines, and we may expand into new energy sectors that we anticipate could open to private investment as a result of the reforms and ensuing changes to Mexican regulations. We seek to grow by investing capital at attractive rates of return in existing brownfield and new greenfield projects, building out our position in existing businesses or acquiring new businesses, establishing partnerships or joint ventures in strategic projects and expanding our customer base. We generally focus on businesses that have contracts that produce long-term, stable cash flows. We have contracted out a substantial portion of our existing capacity under long-term agreements with predominantly stable, creditworthy counterparties who are obligated to pay us regardless of whether they actually use their contracted capacity. We focus on investments that either provide operational control of the asset or the ability to exert significant influence over the day-to-day operations and strategic direction of the investment. We are building upon our position as one of the leaders in Mexico's energy industry by continuing a strong and disciplined growth strategy primarily focused on the below:

- ***Mergers and acquisitions and strategic partnerships.*** We are seeking opportunities to acquire projects from companies that are under financial stress, that are funding growth through divestitures or that have projects near completion. We are also seeking strategic partnerships with companies that can complement our expertise or execution capacity. Recent examples of the implementation of this strategy include our acquisition of the remaining 50% interest we did not own in Gasoductos de Chihuahua from Pemex TRI, our pending acquisition of the Ventika wind power generation facilities and our joint venture with TransCanada, Infraestructura Marina del Golfo, S. de R.L. de C.V., or IMG, which is developing the South of Texas—Tuxpan pipeline.

- ***Asset optimization.*** We are seeking new clients of our existing pipeline systems and we continue to assess the potential conversion of our Energía Costa Azul regasification terminal into a liquefaction facility.
- ***New opportunities with private sector companies***. We believe we have opportunities to provide delivery, transportation and storage services to private sector oil and gas exploration and production companies in Mexico, as well as to sellers of refined energy products. We also expect that large industrial companies will seek a more efficient power and gas supply.
- ***New business opportunities with Pemex and the Mexican Federal Electricity Commission.*** Mexico's energy reforms, as well as financial constraints, are expected to lead the Mexican Federal Electricity Commission and Pemex to focus on their core businesses. They may seek to monetize non-core assets, as was in the case of the GdC Acquisition, or establish partnerships with private companies.
- ***Government bids.*** The current Mexican government is expected to continue policies that will foster the development of renewable energy resources in order to meet Mexico's clean energy goals, such as auctions for power generation or transmission development projects. We were recently awarded our first two solar energy projects, Tepezalá II Solar and Rumorosa Solar, as a result of such auctions, and we intend to continue our efforts to grow our renewable energy generation portfolio.

We believe that we have the opportunity to diversify our asset portfolio to participate in new energy industry activities that are now open to private investment, such as power transmission and infrastructure for crude oil and refined products. Currently, private sector companies are taking a more active role in the market to serve new customers in areas such as the transportation and sale of gas, renewable energy and LNG transportation and storage.

We have invested more than US$4.1 billion in Mexican energy infrastructure projects across our business segments. Over the past three years we have invested an average of approximately US$332 million annually on maintenance and growth projects throughout our system. During 2017, 2018 and 2019, we anticipate making annual capital investments of US$625 million, US$268 million and US$147 million, respectively, in our existing projects. We are constantly looking to expand our existing system in a profitable manner and to serve a diverse customer base. We are currently developing the following projects:

Asset	Length of Pipeline (km)	Capacity (MMcfd)/(MMThd)	Expected Commercial Operation Date
Sonora Pipelines:			
Second segment (Guaymas—El Oro)(1)	330	510/5.3	First Quarter 2017
Ojinaga—El Encino Pipeline	220	1,356/14.1	First Quarter 2017
San Isidro—Samalayuca Pipeline	23	1,135/11.8	First Quarter 2017
Empalme Lateral Pipeline	20	226/2.4	Second Quarter 2017
South of Texas—Tuxpan Pipeline(2)	800	2,600/27.0	Fourth Quarter 2018

(1) The Guaymas—El Oro segment is expected to commence commercial operation in the first quarter of 2017.
(2) Under development through Infraestructura Marina del Golfo, S. de R.L. de C.V., or IMG, our joint venture with TransCanada, in which we own a 40% interest and TransCanada owns a 60% interest.

Primary Customers

We have several commercial customers. As of June 30, 2016, our four main customers represented approximately 80% of our consolidated revenues, as follows (in thousands of US$, except percentages):

Customer	As of June 30, 2016	Sales Percentage	As of December 31, 2015	Sales Percentage
Customer 1	$ 78,246	29%	$197,559	30%
Customer 2 (U.S. related party)	34,257	13%	$142,329	21%
Customer 3	44,093	16%	89,037	13%
Customer 4 (U.S. related party)	53,799	20%	51,683	8%
Customer 5	—	0%	49,138	7%
Others	95,838	35%	141,957	21%
Held for sale	(34,257)	(13)%	—	—
Total consolidated revenues	**$271,976**	**100%**	**$671,703**	**100%**

Segment Overview—Gas Segment

Our gas segment includes (1) our pipelines business, which owns and operates systems for receiving, transporting, storing and delivering natural gas, ethane and LPG, (2) our 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 116,460 residential, commercial and industrial customers in Northern Mexico. A more detailed description of each of the businesses within our gas segment follows.

Pipelines Business

Overview

Our pipelines business owns and operates systems for receiving, transporting, storing and delivering natural gas, ethane and LPG, which includes more than 2,900 km of natural gas pipelines (including approximately 1,393 km under construction), of which 1,584 km are in operation, 224 km of ethane pipeline, 190 km of LPG pipeline, ten natural gas compression stations in operation and four under construction with an aggregate of over 586,310 horsepower, and a 80,000 Bbl (4.4 MMTh) LPG storage facility near Guadalajara, located throughout the states of Baja California, Chiapas, Chihuahua, Durango, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz. Our natural gas pipelines have an aggregate designed transportation capacity of over 16,501 MMcfd (171.6 MMThd), the ethane pipeline has a designed transportation capacity of up to 33 MMcfd (0.6 MMThd) for the first segment, up to 100 MMcfd (1.8 MMThd) for the second segment and up to 106 MMcfd (1.9 MMThd) for the third segment and our LPG pipeline has a designed transportation capacity of 34,000 Bbld (1.9 MMThd). Our pipelines assets include our Gasoducto Rosarito pipeline system, TGN pipeline, Aguaprieta pipeline and Naco compression station. Our pipelines business also includes 100% of the assets held by our former joint venture with Pemex TRI, Gasoductos de Chihuahua, in which we held a 50% interest prior to September 27, 2016 when we aquired the remaining 50% interest from Pemex TRI. See "Summary—Recent Developments—Gasoductos de Chihuahua Acquisition." Gasoductos de Chihuahua owns the San Fernando pipeline, the Samalayuca pipeline, the ethane pipeline, the TDF pipeline system, the Los Ramones I pipeline, the Gloria a Dios compression station and the Guadalajara LPG storage facility and, through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture, the Los Ramones Norte pipeline. Upon their completions, our pipelines business will also include (1) our Sonora pipelines project, which will add to our assets approximately 835 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of 770 MMcfd (8.0 MMThd) for its first segment (Sásabe—Puerto Libertad—Guaymas) and 510 MMcfd (5.3 MMThd) for its second segment (Guaymas—El Oro) along with two compression stations, (2) the Ojinaga—El Encino pipeline project, which will add to our assets approximately 220 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of approximately 1,356 MMcfd (14.1 MMThd). (3) the San Isidro-Samalayuca pipeline, which will add to our assets approximately 23 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of approximately 1,135 MMcfd (11.8 MMThd) along with a 46,000 horsepower compression station, (4) the South of Texas—Tuxpan pipeline, which will add to our assets approximately 800 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of approximately 2.6 Bcfd (27.0 MMThd) and (5) the Empalme Lateral pipeline, which will add to our assets approximately 20 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of approximately 226 MMcfd (2.4 MMThd).

The majority of our pipelines and compression stations, and our LPG storage facility, have long-term fixed-capacity contracts with leading industry players, including Shell, Gazprom, the Mexican Federal Electricity Commission, InterGen, TransCanada and CENAGAS, as assignee of Pemex TRI.

The following table summarizes both operating assets and assets under development of our pipelines business as of June 30, 2016, including those in which we have an interest through our joint ventures.

Assets	Ownership Interest	Length of Pipelines (km)	Design Capacity (MMcfd)	% of Capacity Under Long-Term Contract(1)(2)	Available Compression (Horsepower)	Commercial Operation Date
Natural Gas Systems						
Gasoducto Rosarito Pipeline System	100%	302(3)	1,434(3)	71%(11)	30,000	August 2002(4)
TGN Pipeline	100%	45	940	100%	8,000	June 2000(5)
Aguaprieta Pipeline	100%	13	200	25%(12)	N/A	November 2002
Naco Compression Station	100%	N/A	90	100%	14,340	September 2001
Sonora Pipelines	100%	835	770	100%	21,000	December 2014(6)
			510	100%	11,000(7)	First Quarter 2017(6)
San Fernando Pipeline(9)	100%	114	1,460	100%	95,670	November 2003
Samalayuca Pipeline(9)	100%	37	400	50%	N/A	December 1997
Gloria a Dios Compression Station(9)	100%	N/A	60	100%	14,300	October 2001
Los Ramones I Pipeline(9)	100%	116	2,100	100%	123,000	December 2014
Ojinaga—El Encino Pipeline	100%	220	1,356	100%	N/A	First Quarter 2017
Los Ramones Norte Pipeline(9)	25%	452	1,420	100%	123,000	February 2016
San Isidro—Samalayuca Pipeline	100%	23	1,135(8)	100%	46,000(7)	First Quarter 2017
South of Texas—Tuxpan Pipeline(13)	40%	800	2,600	100%	100,000	Fourth Quarter 2018
Empalme Lateral Pipeline	100%	20	226	100%	N/A	Second Quarter 2017
Ethane System						
Ethane Pipeline(9)	100%	226	238	100%	N/A	December 2015
LPG System						
TDF Pipeline(9)	100%	190	34,000 Bbld(10)	100%	N/A	December 2007
LPG Storage Facilities						
Guadalajara LPG Storage Facility(9)	100%	N/A	80,000 Bbl(10)	100%	N/A	December 2013

(1) We define long-term capacity contracts as firm capacity contracts 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 amounts in this offering circular in both volume and heating value amounts 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 percentage of capacity under contract.

(3) The Gasoducto 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 and an aggregate system capacity of these three pipelines as calculated by the Mexican Energy Regulatory Commission.

(4) The Gasoducto Rosarito pipeline system includes the Algodones compression station, the Rosarito Mainline segment, the LNG Spur segment and the Yuma Lateral segment, which began commercial operations between 2002 and 2010.

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

(6) We have completed construction of the Sásabe—Puerto Libertad—Guaymas section of our Sonora pipelines. The Guaymas—El Oro segment is expected to begin commercial operation in the first quarter of 2017. For further information with respect to the Guaymas—El Oro segment and the Bácum community, see "Risk Factors—Risks Relating to Our Business and Our Industry—Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments."

(7) Requisite horsepower; subject to adjustment upon completion of the installation of the compression stations.

(8) The San Isidro—Samalayuca pipeline will have a capacity of 1,135 MMcfd (11.8 MMThd), a 46,000 horsepower compression station and includes a distribution header with a capacity of up to 3,000 MMcfd (31.2 MMThd) that will interconnect to various pipeline systems.

(9) Assets formerly owned under our 50% joint venture with Pemex TRI. Prior to our purchase of the remaining 50% of this joint venture from Pemex TRI on September 27, 2016, we did not consolidate this joint venture and instead recognized equity earnings under the equity method.

(10) In barrels of LPG. The figures for the TDF LPG pipeline represent 34,000 Bbld of designed transportation capacity for the pipeline, and an additional 40,000 Bbl of capacity at the delivery terminal connected to the west end of the pipeline.

(11) Of the agreements through which the Gasoducto Rosarito pipeline system's capacity was initially contracted on a long-term firm basis, 71% are now contracted on a long-term basis.

(12) 25% of the capacity is contracted on a long-term basis. Including additional agreements which are not long-term, the contracted capacity of the Aguaprieta pipeline is 61%.

(13) To be developed through IMG, our joint venture with TransCanada.

Pipelines Firm Transportation Services Agreements

We have entered into long-term firm transportation services agreements with various customers with respect to all of our pipelines, which are the key revenue generating contracts for our pipelines business. Pursuant to these contracts we are obligated to provide to our customers, and our customers are required to pay us for, natural gas transportation service for up to certain maximum daily quantities of natural gas or LPG, as applicable. 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 account for the substantial majority of our revenues 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 Mexican Energy Regulatory Commission to be charged to parties generally. The Mexican Energy Regulatory Commission establishes (and periodically adjusts) the maximum rates that we may charge to users that have not agreed upon a lower rate with us. For agreements that reflect the maximum rate allowed by the Mexican Energy Regulatory Commission, 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 Mexican Energy Regulatory Commission.

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 contract. 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 pursuant to interruptible transportation agreements. While we have entered into interruptible transportation services agreements with some customers, such contracts have historically been immaterial to our business and results of operations.

Our Pipelines Operating Assets

Gasoducto Rosarito Pipeline System

Our Gasoducto Rosarito pipeline system in Baja California is comprised of three pipelines of approximately 302 km in aggregate length, as well as a 30,000 horsepower compression station. This fully bi-directional pipeline system starts at an interconnection point with the North Baja Pipeline, an affiliate of TransCanada, 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 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 225 km, with a capacity of 534 MMcfd (5.6 MMThd).
- *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 72 km and a capacity of 2,600 MMcfd (27.0 MMThd).
- *Yuma Lateral*. This system was completed in 2010 to supply the power generation market in Arizona, and is comprised of a twelve-inch diameter pipeline with a length of approximately five km and a capacity of 190 MMcfd (2.0 MMThd).

This pipelines system also includes our 30,000 horsepower Algodones compression station installed on the Rosarito Mainline in Algodones, Baja California, which increases the system's capacity but does not directly generate revenues.

We have entered into 14 firm transportation services agreements with the Gasoducto Rosarito pipeline system's customers, which have 3,782 MMcfd (39.3 MMThd) of aggregate maximum daily quantity, or 71% of the system's designed transportation capacity (including compression), contracted on a fixed-capacity basis. The following table sets forth certain characteristics of firm transportation services agreements with certain of the Gasoducto Rosarito pipeline system's key customers:

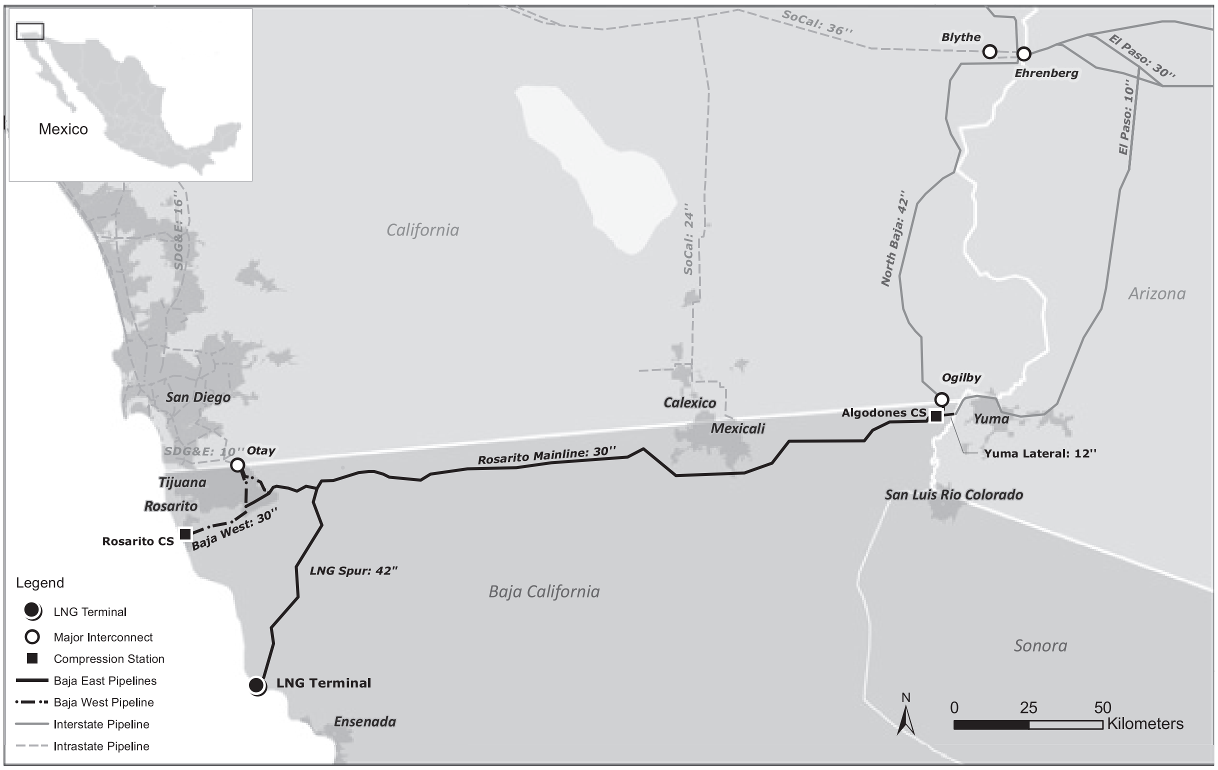
Customer	Purpose and Characteristics	Execution Date	Term	Contracted Capacity(1)	Weighted Average Remaining Contract Length
Shell	Transportation of natural gas from our LNG terminal to the interconnection point of the Rosarito Mainline with the North Baja pipeline at the international border with the United States.	June 19, 2008	20 years	1,104 MMcfd maximum daily quantity	12 years
IEnova Marketing (our subsidiary)(2)	Transportation of natural gas from our LNG terminal to the interconnection point of the LNG Spur and the Rosarito Mainline in Tecate, Baja California.	May 1, 2008	20 years	1,240 MMcfd maximum daily quantity	12 years
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 at the international border with the United States.	April 14, 2009	20 years	135 MMcfd maximum daily quantity	12 years
IEnova Marketing (our subsidiary)(2)	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja pipeline at the international border in Los Algodones, Baja California to an interconnection point with our TGN pipeline near Tijuana, Baja California.	April 1, 2014(4)	20 years	379 MMcfd maximum daily quantity	6 years
InterGen	Transportation of natural gas from an interconnection point of the Rosarito Mainline and the North Baja pipeline at the international border in Los Algodones, Baja California to a point near Las Palmas, Mexicali, Baja California.	February 28, 2002	26 years	128 MMcfd maximum daily quantity	12 years
Termoeléctrica de Mexicali (our subsidiary)(3)	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja pipeline at the international border in 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	100 MMcfd maximum daily quantity	7 years

(1) In certain cases, the contracted capacity presented in this table may exceed the system's design capacity due to connection or other limitations in the different components of the Gasoducto Rosarito pipeline system.

(2) Our indirect controlling shareholder Sempra Energy has provided credit support with respect to IEnova Marketing's obligations under its contracts with our Gasoducto Rosarito pipeline system in an aggregate amount of US$125.8 million. IEnova Marketing is currently utilizing its contracted capacity to transport natural gas that it supplies to its customers and the Mexican Federal Electricity Commission's 1,300 MW Presidente Juárez power plant. See "—Segment Overview—Gas Segment—Liquefied Natural Gas Business—LNG and Natural Gas Purchase and Sale Operations."

(3) Our indirect controlling shareholder Sempra Energy has provided credit support with respect to Termoeléctrica de Mexicali's obligations under this contract in the amount of US$29.4 million. Termoeléctrica de Mexicali currently utilizes its contracted capacity to transport gas to our Termoeléctrica de Mexicali natural gas-fired combined-cycle power plant for operation of its generators.
(4) The original services agreement was dated as of February 15, 2002, and the last amendment to such agreement was dated as of April 1, 2014.

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



MEX_GasoductoRosarito_20120914

TGN Pipeline

Our TGN pipeline transports natural gas to the Presidente Juárez power plant owned by the Mexican Federal Electricity Commission, 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 45 km of 30-inch diameter pipeline and has a capacity of 940 MMcfd (9.8 MMThd), interconnects with our Gasoducto 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 Mexican Federal Electricity Commission's 1,300 MW Presidente Juárez power plant in Rosarito, Baja California. This pipeline system includes our 8,000 horsepower Rosarito compression 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 transportation 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 Special Characteristics	Execution Date	Term	Contracted Capacity	Weighted Average Remaining Contract Length
IEnova Marketing (our subsidiary)(1)	Transportation of natural gas from an interconnection point of 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	512 MMcfd maximum daily quantity	13 years
Shell	Transportation of natural gas from an interconnection point of 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	380 MMcfd maximum daily quantity	13 years

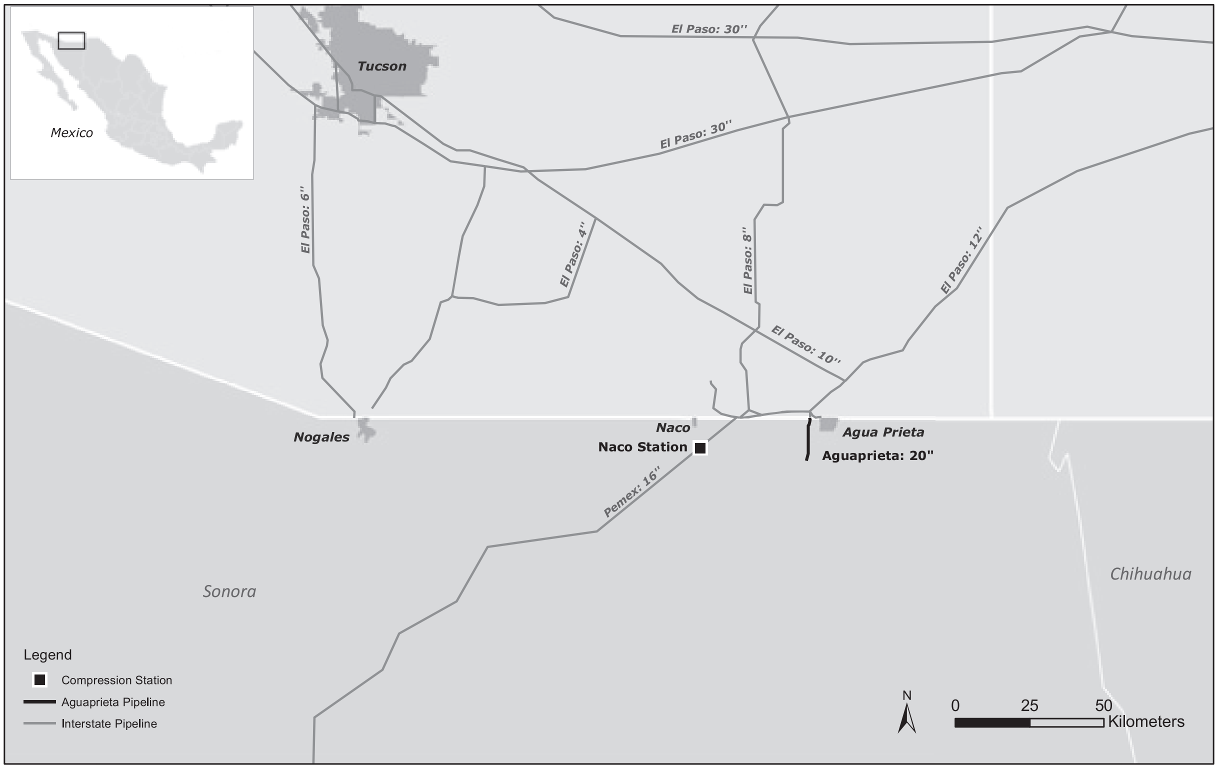
(1) Our indirect controlling shareholder Sempra Energy has provided credit support with respect to IEnova Marketing's obligations under this contract in the amount of US$45.6 million. IEnova Marketing currently utilizes its contracted capacity to transport natural gas it provides to its customers and the Mexican Federal Electricity Commission's 1,300 MW Presidente Juárez power plant. In addition, under the contract with the Mexican Federal Electricity Commission, IEnova Marketing 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—LNG and Natural Gas Purchase and Sale Operations."

Aguaprieta Pipeline

Our Aguaprieta pipeline transports natural gas for its main customer, Kinder Morgan, from the interconnection of Kinder Morgan's Willcox Lateral pipeline, located at the Mexico—U.S. border, to the interconnect point with the Fuerza y Energía Naco—Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the Mexican Federal Electricity Commission. This system is comprised of approximately 13 km of 20-inch diameter pipeline and has a designed transportation capacity of 200 MMcfd (2.1 MMThd).

Our existing firm transportation services agreements with the Aguaprieta pipeline's customers cover 122 MMcfd (1.3 MMThd), or 61% of the system's designed transportation capacity. These agreements include a firm transportation services agreement with the Mexican Federal Electricity Commission entered into in September 2013 for 67 MMcfd (0.7 MMThd), which is renewed annually following an initial two-year term. This agreement will serve the Agua Prieta II gas-fired combined-cycle generation plant, which we expect to begin commercial operation in the first quarter of 2017. In addition, in October 2013 we entered into a six-year firm transportation services agreement with El Paso Marketing for 2 MMcfd (0.3 MMthd) of capacity. This pipeline system was built in anticipation of two power plants in the area which the Mexican Federal Electricity Commission intended to construct (one of which is Agua Prieta II).

The following map shows the route of the Aguaprieta pipeline and the location of the Naco compression station:



MEX_Aguaprieta_20120907

Naco Compression Station

Our Naco compression station consists of a 14,340 horsepower compressor installed on Pemex TRI's Naco—Hermosillo natural gas pipeline in Naco, Sonora. The existing compression services agreement with Pemex TRI has 90 MMcfd (0.9 MMThd) of firm compression services, or 100% of the system's designed capacity, contracted on a firm basis until 2021. Pemex TRI pays us 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 is extendable for a five-year period at Pemex TRI's option. If that agreement is terminated because of a *force majeure* event, Pemex TRI may purchase the compression station at the greater of (1) book value plus an agreed markup or (2) fair market value (as determined by an independent valuator).

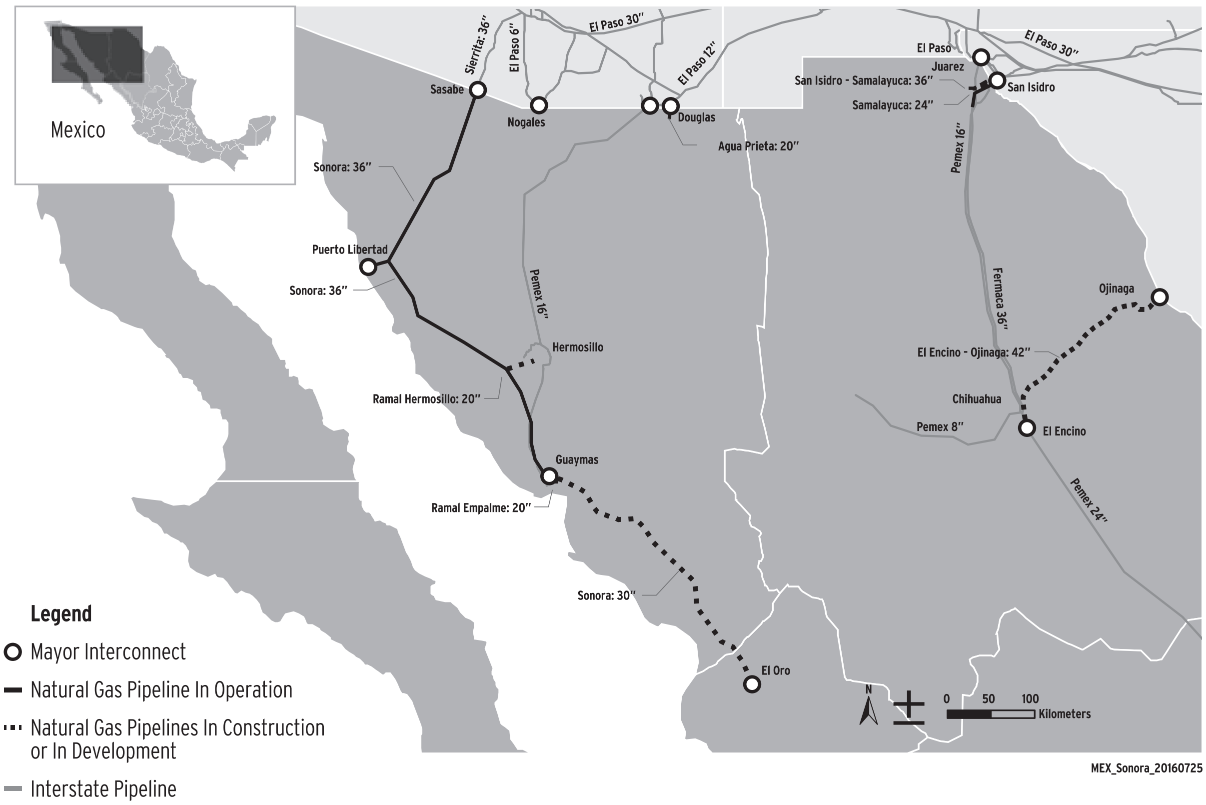
The location of this compression station can be seen in the map above.

Sonora Pipelines

In October and November 2012, we entered into two natural gas transportation services agreements with the Mexican Federal Electricity Commission. Under these agreements, we are developing the Sonora pipelines along with two compression stations, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km. The first segment of this project (Sásabe—Puerto Libertad—Guaymas) is an approximately 505 km, 36-inch diameter pipeline with 770 MMcfd (8.0 MMThd) of transportation capacity, and the second segment (Guaymas—El Oro) is an approximately 330 km, 30-inch pipeline with 510 MMcfd (5.3 MMThd) of transportation capacity. We have completed construction of the first segment, Sásabe—Puerto Libertad—Guaymas of our Sonora pipelines project and have begun commercial operations on this segment. The

Guaymas—El Oro segment is expected to begin commercial operation in the first quarter of 2017. For further information regarding the completion of the Guaymas—El Oro segment of the Sonora pipelines, see "Risk Factors—Risks Relating to Our Business and Our Industry—Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments." The Mexican Federal Electricity Commission 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:

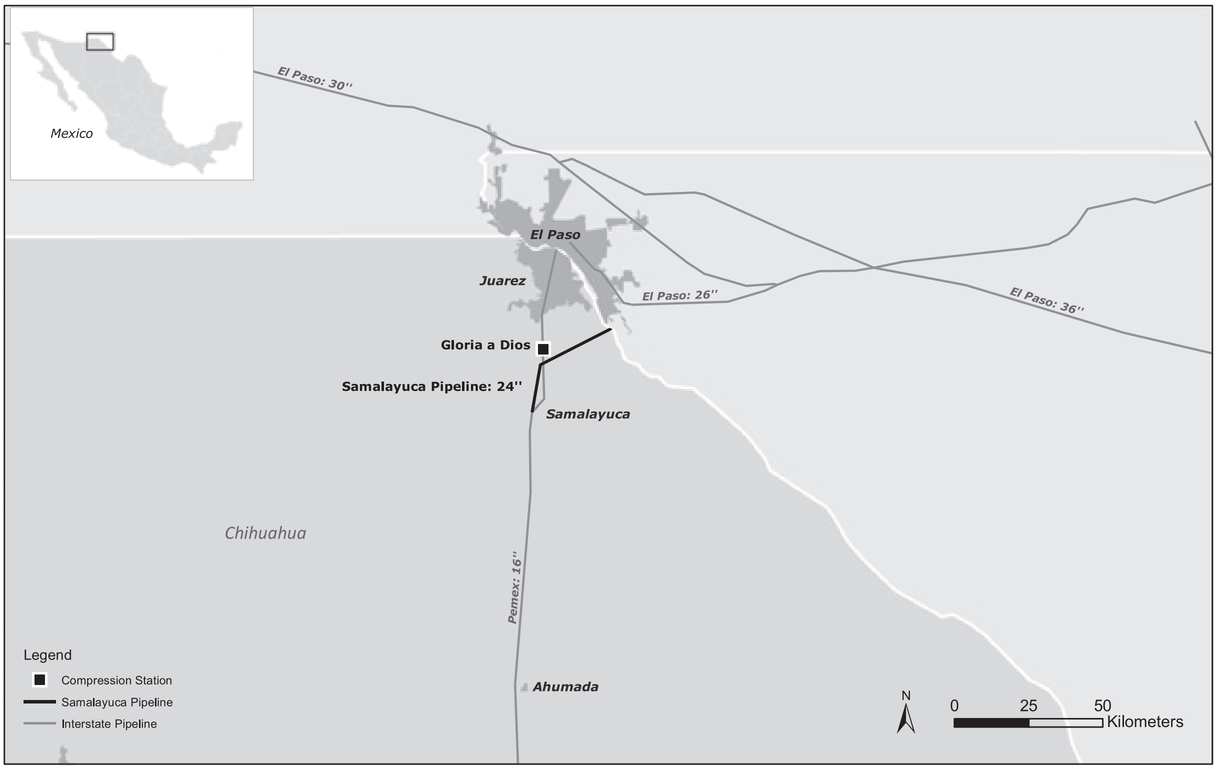


Ojinaga—El Encino Pipeline

In December 2014, we executed a natural gas firm transportation services agreement with the Mexican Federal Electricity Commission to construct and operate an approximately 220 km, 42-inch diameter pipeline with a designed transportation capacity of 1,356 MMcfd (14.1 MMThd) which will transport natural gas from Ojinaga to El Encino in the state of Chihuahua. The Mexican Federal Electricity Commission is the sole customer of this pipeline under a 25-year firm transportation services agreement. We expect this pipeline to begin commercial operations in the first quarter of 2017. We estimate that the investment for the Ojinaga—El Encino Pipeline will be approximately US$300 million. The following map shows the route of the Ojinaga—El Encino Pipeline:

San Isidro—Samalayuca Pipeline

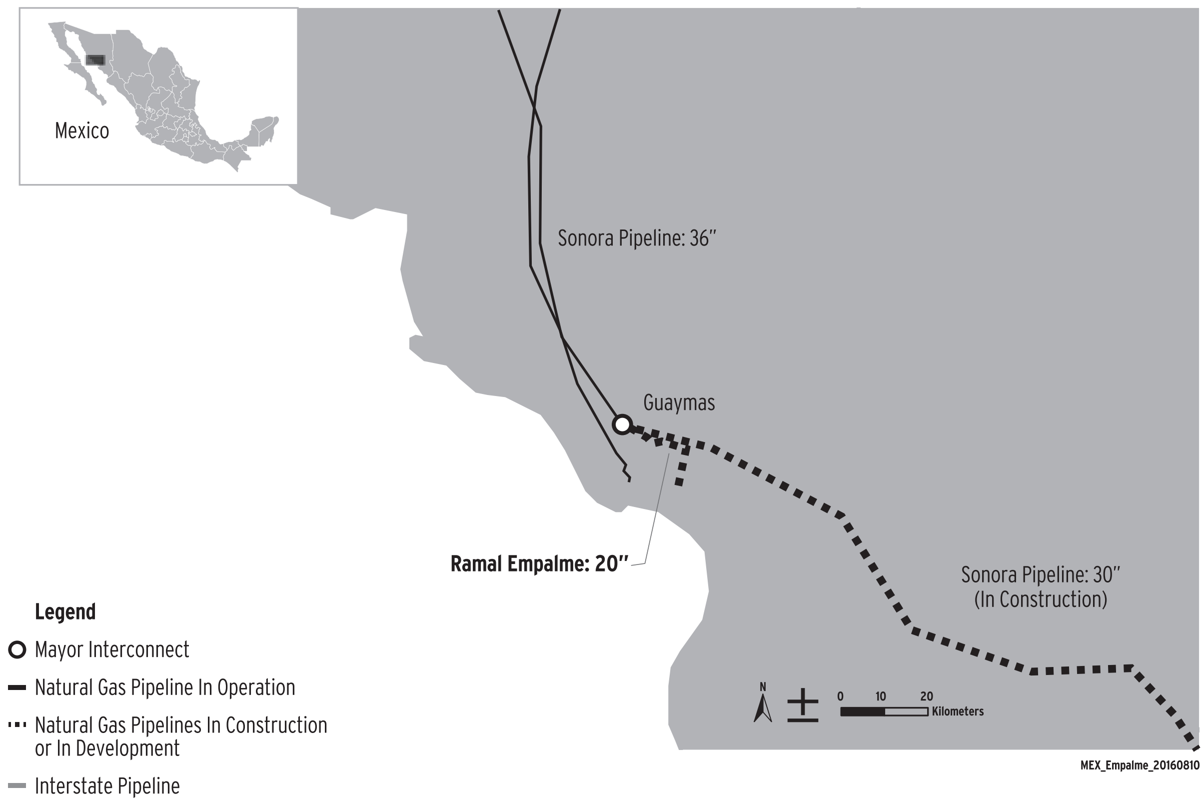
In July 2015, the Mexican Federal Electricity Commission awarded us with a 25-year transportation services agreement for an approximately 23 km pipeline, a compression station and a distribution header with a capacity of 3,000 MMcfd (31.2 MMThd) that will serve as an interconnection point for several other pipeline systems. The pipeline will have a designed transportation capacity of approximately 1,135 MMcfd (11.8 MMThd) and a 46,000 horsepower compression station. Our transportation services agreement with the Mexican Federal Electricity Commission covers 100% of the system's designed transportation capacity on a firm basis. The system will be located in Ciudad Juárez, Chihuahua and is scheduled to start commercial operation in the first quarter of 2017. We estimate the capital expenditures for the San Isidro-Samalayuca pipeline to be approximately US$108.9 million. The following map shows the route of the San Isidro—Samalayuca pipeline:



MEX_Samalayuca_20120907

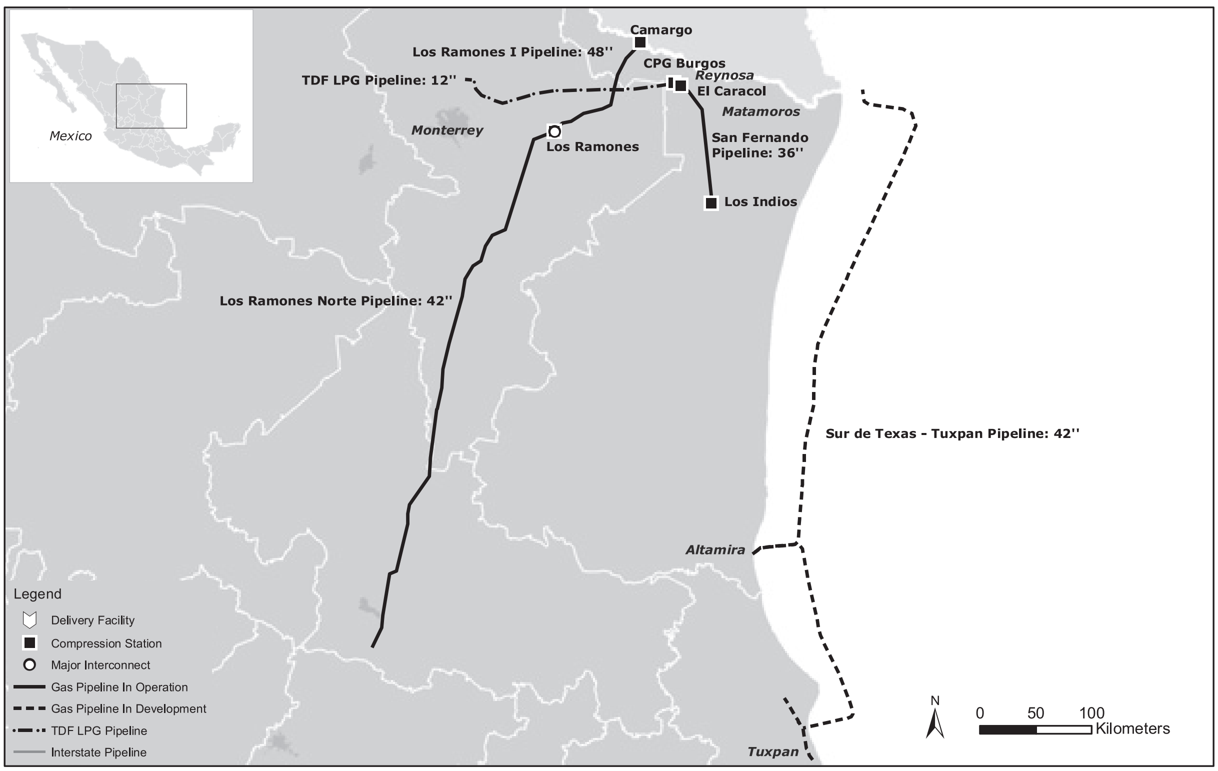
Empalme Lateral Pipeline

In May 2016, we were awarded a natural gas pipeline from the Mexican Federal Electricity Commission with respect to the Empalme Lateral in the State of Sonora. This 20-inch natural gas pipeline with capacity of 226 MMcfd (2.4 MMThd) will run approximately 20 km between Empalme and Guaymas, where it will interconnect with our Sonora pipeline project, and will be developed by us pursuant to a 21-year firm transportation services agreement entered into between us and the Mexican Federal Electricity Commission. Pursuant to this agreement, we shall be responsible for the development, engineering, procurement, construction, operation and maintenance of the pipeline. We expect to commence commercial operation of this pipeline during the second quarter of 2017. We estimate the capital expenditures for the Empalme Lateral pipeline to be approximately US$12 million. The following map shows the route of the Empalme Lateral pipeline:



South of Texas—Tuxpan Pipeline

In June 2016, we, through IMG, our joint venture with TransCanada in which we hold a 40% equity interest, entered into a 25-year agreement with the Mexican Federal Electricity Commission to provide natural gas transportation services through the South of Texas—Tuxpan pipeline. Pursuant to this agreement, IMG is responsible for the development, engineering, procurement, construction, operation and maintenance of a 42-inch natural gas pipeline with capacity of 2,600 MMcfd (27 MMThd), running approximately 800 kilometers from the south of Texas to Tuxpan. We and TransCanada have agreed to provide credit support to IMG's suppliers and other counterparties, including the Mexican Federal Electricity Commission and Mitsui & Co, Ltd., among others, in connection with the development of this pipeline. We estimate the capital expenditures for the South of Texas—Tuxpan pipeline to be approximately US$2.1 billion, of which we will assume US$840 million (in proportion to our ownership). We expect the South of Texas—Tuxpan pipeline to begin commercial operations during the fourth quarter of 2018. The following map shows the route of the South of Texas—Tuxpan pipeline:



MEX_LosRamones_20160725

Gasoductos de Chihuahua

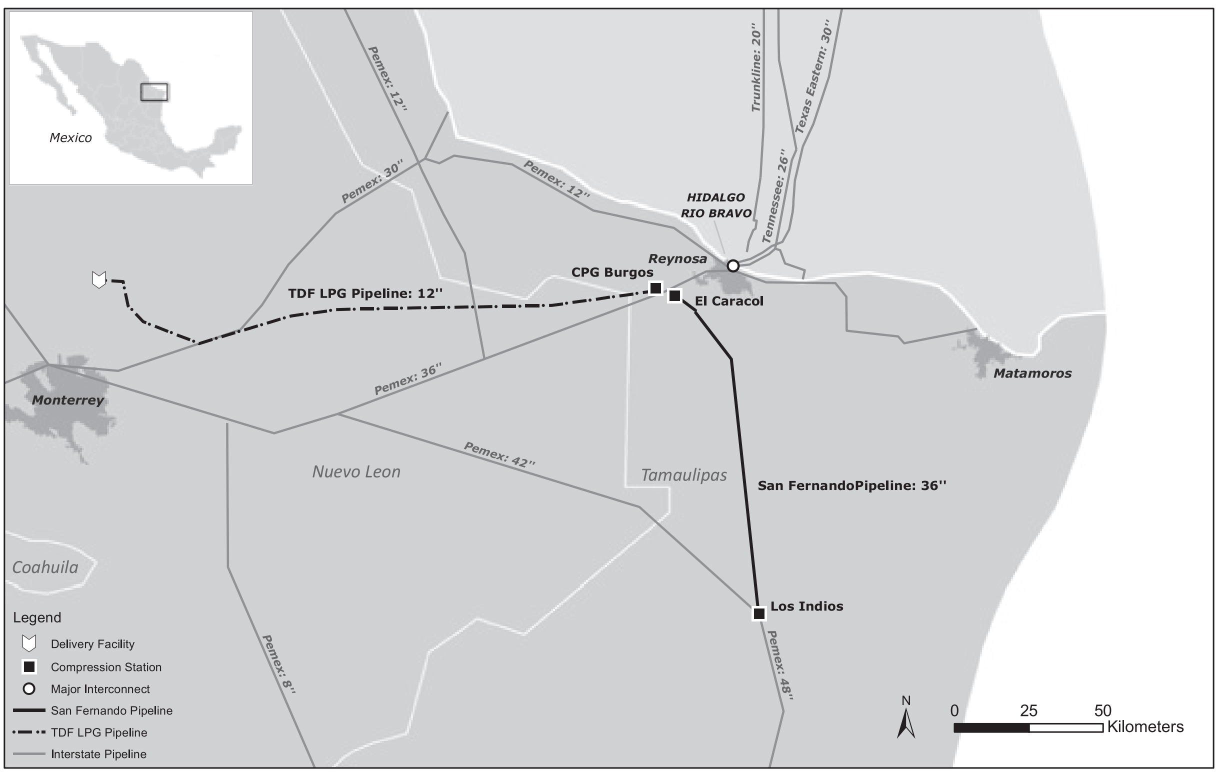
Gasoductos de Chihuahua owns the San Fernando pipeline, the Samalayuca pipeline, the ethane pipeline, the TDF pipeline system, the Los Ramones I pipeline and the Gloria a Dios compression station. In addition, Gasoductos de Chihuahua owns the Guadalajara LPG storage facilities and, through Ductos y Energéticos del Norte's interest in the TAG Norte joint venture, a 25% indirect interest in the Los Ramones Norte pipeline. We acquired a 50% interest in Gasoductos de Chihuahua from El Paso Corporation in April 2010 and operated it as a 50/50 joint venture with Pemex TRI until we acquired the remaining 50% interest from Pemex TRI on September 27, 2016. Gasoductos de Chihuahua's operations include a total 267 km of natural gas pipelines, as described below.

San Fernando Pipeline

Gasoductos de Chihuahua's San Fernando pipeline consists of approximately 114 km of 36-inch diameter pipeline and two compression stations with an aggregate of 95,670 horsepower. It has a transportation capacity (including compression) of 1,460 MMcfd (15.2 MMThd). The pipeline runs from its El Caracol compression station in Reynosa, Tamaulipas to its Los Indios compression station in San Fernando, Tamaulipas. This bi-directional pipeline increases the capacity and improves the reliability of Pemex TRI's natural gas system. The San Fernando pipeline system is operated by Pemex TRI under an operation and maintenance agreement with Gasoductos de Chihuahua.

The San Fernando pipeline's sole customer, Pemex TRI, has 100% of the system's designed transportation capacity, contracted on a firm basis. Pemex TRI also uses the extra compression capacity on this pipeline pursuant to an interruptible transportation services contract. The firm transportation services agreement with Pemex TRI 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 customer's option. On January 1, 2016, Pemex TRI assigned its rights under the San Fernando Pipeline transportation agreement and the operation and maintenance services agreement to CENAGAS.

The following map shows the routes of the San Fernando pipeline and the TDF pipeline system:



MEX_SanFernando_20120907

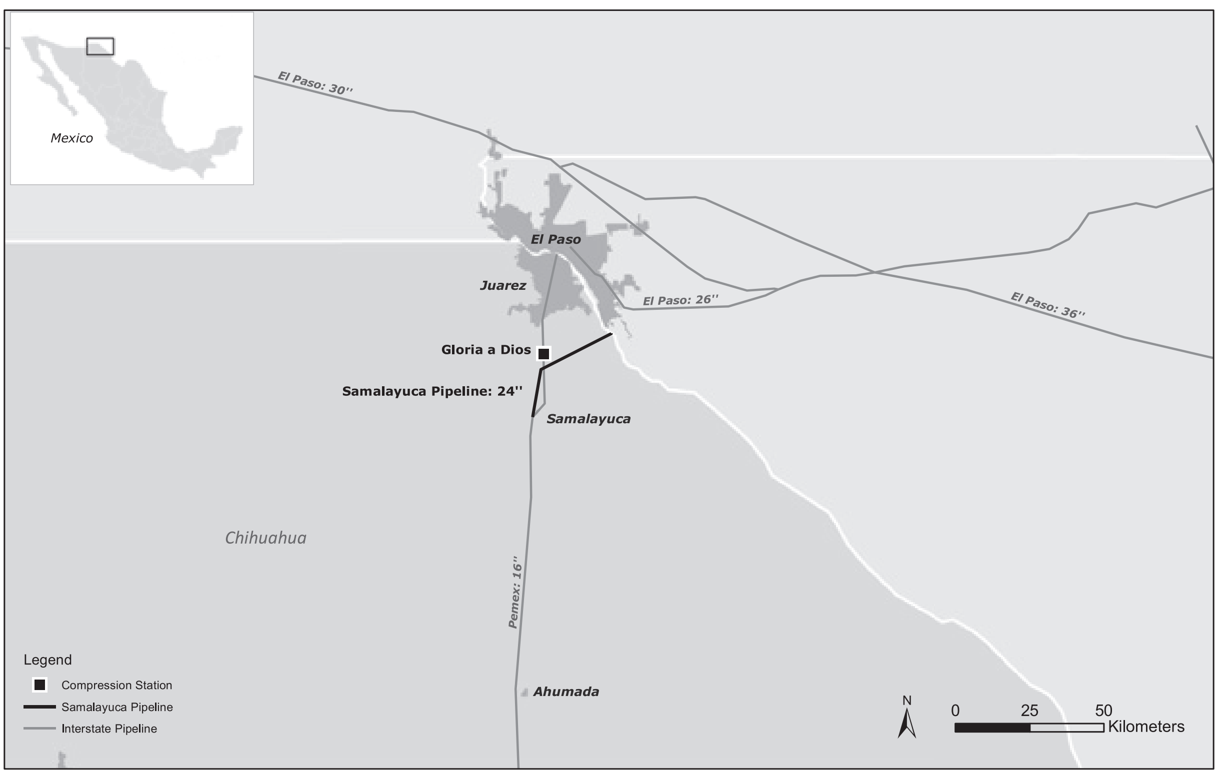
Samalayuca Pipeline

Gasoductos de Chihuahua's Samalayuca pipeline consists of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd). 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 Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex TRI, which runs from Ciudad Juárez to Chihuahua. The Samalayuca pipeline is operated by Pemex TRI under an operation and maintenance agreement between Pemex TRI and Gasoductos de Chihuahua.

The existing firm transportation services agreements with the Samalayuca pipeline's customers have 140 MMcfd (1.5 MMThd) contracted on a firm basis. The following table sets forth certain characteristics of the Samalayuca pipeline's firm transportation services agreements:

Customer	Purpose and Special Characteristics	Execution Date	Term	Contracted Capacity
Pemex TRI	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with Pemex TRI's pipeline system.	December 11, 2009	Annual renewal	40 MMcfd maximum daily quantity
Mexican Federal Electricity Commission	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with the Mexican Federal Electricity Commission's Samalayuca I and II and Chihuahua III pipeline systems.	December 11, 2009	Annual renewal	100 MMcfd maximum daily quantity

The following map shows the route of the Samalayuca pipeline and the location of the Gloria a Dios compression station:



MEX_Samalayuca_20120907

Gloria a Dios Compression Station

Gasoductos de Chihuahua's Gloria a Dios compression station consists of a 14,300 horsepower compressor installed at the interconnection point of our Samalayuca pipeline and Pemex TRI's Ciudad Juárez—Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. Under a compression and transportation services agreement with the Mexican Federal Electricity Commission, the compression station's sole customer, we have 60 MMcfd (0.6 MMThd) of compression services contracted on a firm basis. The Mexican Federal Electricity Commission pays for these services based on a rate established by the Mexican Energy Regulatory Commission.

Pursuant to this agreement the Gloria a Dios compression station provides compression services for the Chihuahua II power plant in the state of Chihuahua, and transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico—U.S. border and delivers the compressed gas to the Gloria a Dios interconnection of the Samalayuca pipeline and Pemex TRI's pipeline system. The agreement was executed in November 2011 and has a term of 20 years, with a five-year extension at the Mexican Federal Electricity Commission's option.

Ethane Pipeline

In December 2012, Gasoductos de Chihuahua executed an ethane transportation services agreement with Pemex TRI to construct and operate an approximately 224 km pipeline with a designed transportation capacity of up to 33 MMcfd (0.6 MMThd) in the first segment, up to 100 MMcfd (1.8 MMThd) in the second segment and up to 106 MMcfd (1.9 MMThd) in the third segment that supplies ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene and polyethylene plant located in the state of Veracruz. The initial segment of this pipeline began commercial operation in January 2015, the second segment began commercial operation in July 2015 and the third segment began commercial operation in December 2015. Pemex TRI is the sole customer of this pipeline under a 21-year U.S. dollar-denominated take-or-pay capacity agreement, which is indexed to inflation. The Etileno XXI plant is owned by Braskem IDESA, S.A.P.I. de C.V. and formally commenced commercial operations in June 2016.

TDF Pipeline System

Gasoductos de Chihuahua's TDF pipeline system consists of approximately 190 km of twelve-inch diameter pipeline with a designed transportation capacity of 34,000 Bbld (1.9 MMThd) of LPG, a pumping station near the pipeline's point of reception and a delivery facility with two storage tanks, with a combined capacity of 40,000 Bbl (2.2 MMTh). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex TRI'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 TRI under an operation and maintenance agreement with Gasoductos de Chihuahua. The existing firm transportation services agreement with the TDF pipeline's sole customer, Pemex TRI, has 30,000 Bbld (1.6 MMThd) of aggregate average daily quantity, which is equal to the system's designed transportation capacity, 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 TRI's option.

The location and route of the TDF pipeline system can be seen in the map on page 159.

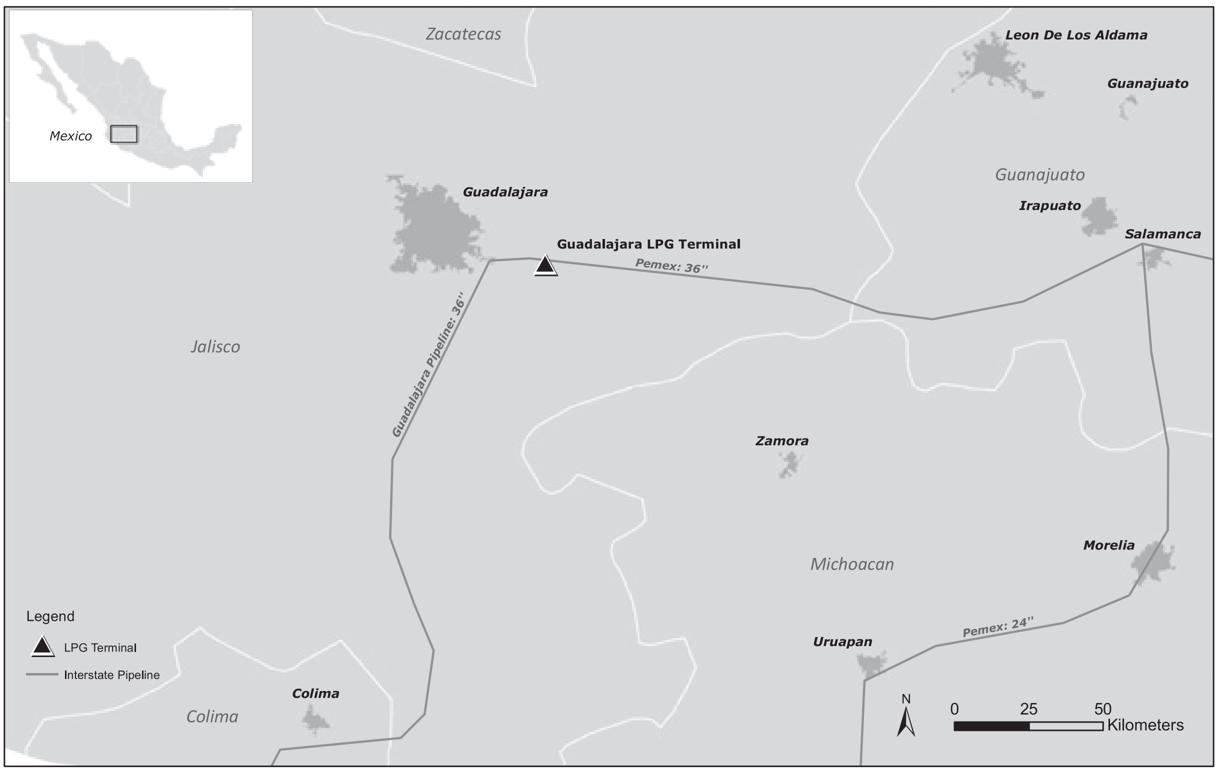
Los Ramones I Pipeline

In July 2013, Gasoductos de Chihuahua executed a natural gas firm transportation services agreement with Pemex TRI to construct and operate an approximately 116 km, 48-inch diameter pipeline with a designed transportation capacity of 2,100 MMcfd (21.8 MMThd) and two compression stations, which 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 Los Ramones in the State of Nuevo León. It includes two compression stations (the Frontera station, located near Camargo City, Tamaulipas, with approximately 82,000 horsepower, and the Ramones station, located near Los Ramones, Nuevo León, with approximately 41,000 horsepower) that began operations in December 2015. In addition, compression services commenced in December 2015. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline under a 25-year firm transportation services agreement. We finished construction of the Los Ramones I pipeline in December 2014 and it entered into commercial operation during the same month.

Guadalajara LPG Terminal

Gasoductos de Chihuahua's 80,000 Bbl (4.4 MMTh) LPG storage facility near Guadalajara, Jalisco consists of four storage tanks, each with a capacity of 20,000 Bbl (1.1 MMTh), ten loading bays and an interconnection to Pemex TRI's separately-owned LPG pipeline system. The facility was completed in December 2013 and replaced an LPG storage facility owned by Pemex TRI that was located within Guadalajara. The facility is operated by Pemex TRI and serves the Jalisco market. We have entered into an LPG Storage Services Agreement with Pemex TRI, as a counterparty, pursuant to which the joint venture provides storage services to Pemex TRI utilizing the full capacity of the terminal. Under the terms of this agreement Gasoductos de Chihuahua receives LPG from Pemex TRI at the terminal and delivers Pemex TRI's LPG as directed by Pemex TRI, in exchange for a monthly fee which contains a fixed component that Pemex TRI is required to pay regardless of the facility's use, 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 outside of Guadalajara:



MEX_GuadalajaraLPG_20120717

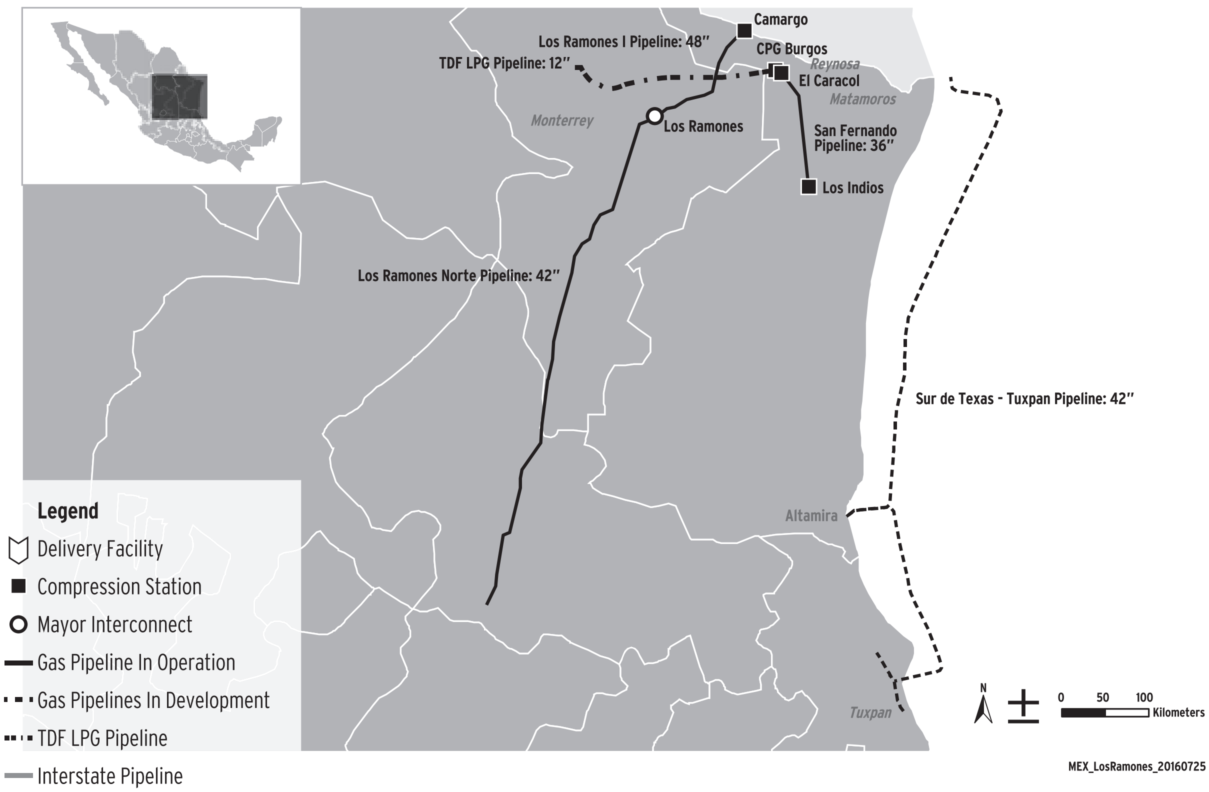
Los Ramones Norte Pipeline

In March 2014, Ductos y Energéticos del Norte entered into a shareholders' agreement with affiliates of Pemex to set up 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. In the same month, the TAG Norte joint venture executed a 25-year natural gas firm transportation services agreement with Pemex TRI to construct and operate an approximately 452 km, 42-inch diameter pipeline with a designed transportation capacity of 1,420 MMcfd (14.8 MMThd) and two compression stations, which connects with the Los Ramones I pipeline and the Los Ramones Sur pipeline in San Luis Potosí. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline.

Ductos y Energéticos del Norte has a 50% interest in the TAG Norte joint venture. Each joint venture partner has a right of first refusal and a tag-along right in the event another partner desires to transfer its interest to a third party. In December 2015, BlackRock and First Reserve acquired a 45% interest in the TAG Norte joint venture from P.M.I. Holdings B.V., an affiliate of Pemex. As a result of the completion of that transaction in December 2015, our Ductos y Energéticos del Norte joint venture continues to own 50%, Pemex TRI owns 5% and BlackRock and First Reserve jointly own 45% of the TAG Norte joint venture.

As of June 30, 2016, we have invested approximately US$350 million in the project through four four-year, U.S. dollar-denominated loans which accrue interest at a variable rate based on a 30-day LIBOR plus 450 basis points (4.97% at June 30, 2016). We estimate the total capital expenditures for the Los Ramones Norte pipeline to be approximately US$1.4 billion.

The following map shows the route of the Los Ramones Norte pipeline and the TDF Pipeline:



Corporate Governance of the TAG Norte Joint Venture

The corporate governance of our joint venture with Pemex TRI is conducted pursuant to the terms of the by-laws of Ductos y Energéticos del Norte, the entity that holds a 50% share in the TAG Norte joint venture. The following is a summary of the material terms of the by-laws of Ductos y Energéticos del Norte:

- Equity Quotas and Voting Rights. Quotas representing the contributed capital of the joint venture are divided in "A Series" equity quotas and "B Series" equity quotas. Both series entitle each holder to the same rights. Pemex Gas holds the "A Series" equity quotas and we hold the same amount of "B Series" equity quotas. The partners have the right to cast one vote for every Mexican peso of contributed capital by such partner.
- Management. The management of the business is carried out by a board of managers comprised of six members. Each partner has the right to appoint three members and their corresponding alternates. If at

any moment one of the partners holds more than 50% of contributed capital in the joint venture, such partner will have the right to appoint an additional member and its alternate. The board of managers will appoint the president, vice president and the secretary of the board on an annual basis. The positions of president and vice president are alternated between the managers appointed by the “A Series” partners and the “B Series” partners. If at any moment one of the partners holds more than 50% of paid capital in the joint venture, such partner will have the right to appoint the president, the vice president and the secretary of the board of managers. The board of managers has the right to appoint and remove the high level officers of the joint venture.

In general terms, as long as we and Pemex TRI each hold 50% of the joint venture, the resolutions of the partners’ meeting and board of managers (including regarding whichever capital contributions) will only be valid if the representatives of both partners are present at the partners’ meeting and in the board of managers meetings. However, if at any time the “A Series” or “B Series” equity quotas represent more than 50% of contributed capital in the joint venture, the resolutions will be valid when adopted by the majority of votes, provided that the resolutions regarding capital stock increases, the issuance of corporate obligations, modification of corporate purpose or nationality of the joint venture, dissolution of the joint venture, transformation to another type of entity, merger or modification of bylaws will only be valid when adopted by an affirmative vote of the majority of the capital stock.

In the event that the partners do not reach a unanimous agreement with respect to a determined matter, such matter will be presented before a Mexican court.

- Transfer of Interest. Sale, assignment, transfer or encumbrance of an ownership interest in the joint venture requires the prior written consent of the other partners. In addition, each partner has a right of first offer in the event any other partner desires to transfer its interest to a third party.

Corporate Governance of our TAG Norte Joint Venture with Pemex TRI

In March 2015, Ductos y Energéticos del Norte, Pemex TRI and TETL JV Mexico Norte, S. de R.L. de C.V. (which is jointly owned by BlackRock and First Reserve) entered into an agreement, or the TAG Norte Agreement, regarding their participation in TAG Norte and the Los Ramones Norte pipeline. The following is a summary of the material terms of the TAG Norte Agreement.

Voting Rights: The parties to the agreement have one vote for every Ps.1.00 of capital they contribute. Meetings require a quorum of 50% of the joint venture interests and actions require at least 50% of the joint venture interests for general matters and 75% of such interests for extraordinary matters, such as approval of an amendment to the bylaws.

Management: The board of managers consists of six proprietary members and their alternates. Each partner has the right to appoint one member for each 16.5% of equity they hold in TAG Norte. Notwithstanding the foregoing, as long as Pemex holds 100% of the equity of TAG Pipelines, S. de R.L. de C.V., or TAG Pipelines (either directly or indirectly), and TAG Pipelines holds at least 5% of equity of TAG Norte, Pemex has the right to appoint one member of the board. If at any time one of the partners holds more than 50% of the equity in TAG Norte, then the board will consist of five members and the other partners that hold 17% of the equity in TAG Norte will each have the right to appoint a member. Half of the members of the board of managers constitute a quorum, and actions may be taken by a majority vote, or by agreement of 75% of the board members for extraordinary matters, such as amending the annual budget and entering into agreements that provide for payment obligations higher than US$1 million.

Compliance Committee: The TAG Norte partnership members must create a compliance committee which supervises the actions of the board of managers, ensuring compliance with applicable corporate practices and laws which TAG Norte is subject to. The committee must consist of four members. Each partner that holds 25% of the equity in TAG Norte can appoint one member. Notwithstanding the foregoing, as long as Pemex holds

100% of the equity in TAG Pipelines (either directly or indirectly) and TAG Pipelines holds at least 5% of the equity of TAG Norte, Pemex has the right to appoint one member of the committee. If at any time one of the partners holds more than 50% of the equity in TAG Norte, then the committee will consist of five members and the other partners that hold 17% of the equity in TAG Norte will each have the right to appoint a member. A majority of the members constitutes a quorum, and actions may be taken by a majority of members who are present.

Transfer of Interest: Any sale, assignment, transfer or encumbrance of an ownership interest in the joint venture by its partners requires the prior written consent of the other partners, unless the transferee is an affiliate or a permitted assignee and there is no change in the ultimate beneficial owner. In addition, each partner has a right of first offer in the event any other partner desires to transfer its interest to a third party.

Subsidiary Related Matters: The matters approved by TAG Norte will also be adopted by its subsidiaries.

Corporate Governance of our IMG Joint Venture with TransCanada

The corporate governance of our joint venture with TransCanada is conducted pursuant to the terms of the bylaws of IMG, the special purpose company that was formed to hold the joint venture's assets, and a members' agreement with TransCanada. The following is a summary of the material terms of the bylaws and members agreement.

Equity Quotas and Voting Rights. Quotas representing the contributed capital of the joint venture entitle each holder to the same rights. Partners are entitled to cast one vote for every Mexican peso of contributed capital by such partner. TransCanada holds a 60% equity interest and we hold a 40% equity interest.

Management. The joint venture is managed by a board of managers composed of five members. TransCanada has the right to appoint three members and their respective alternates and we have the right to appoint two members and their respective alternates. In the event the relative equity ownership percentages in the joint venture are modified, the allocation of managers and their alternates shall also be modified to as to match the relative ownership percentage of the capital stock of IMG. TransCanada has the right to appoint the chairman and non-member secretary of the board of managers. Certain matters must be approved by unanimous vote of the board of managers or by a supermajority (representing 66 2/3%) of the board of managers, while other matters may be approved by a simple majority.

In the event of a dispute between us and TransCanada, such dispute shall be referred to the senior executives of the member entities designated for such purpose. If such executives fail to settle such dispute, the matter shall be referred to arbitration under the Rules of Arbitration of the International Chamber of Commerce, governed by Mexican law.

Transfers of Interest in the Joint Venture. Subject to certain exceptions, including transfers among affiliates, any sale, assignment, transfer or encumbrance of ownership interest in the joint venture by its partners is subject to a right of first refusal of the non-transferring member to acquire the equity interests of the transferring member.

Costs/Risks. The parties have agreed to share among them, pursuant to their corresponding share in IMG, the financial obligations of the joint venture regarding the development of the project.

Surveillance and Maintenance Services. The partners have agreed that an affiliate of TransCanada will assume the obligations regarding the surveillance of the construction and operation of the project.

Liquefied Natural Gas Business

Overview

Our LNG business consists of two related operations. The first of these is our 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 our Gasoducto Rosarito pipeline system. Our LNG terminal provides its customers with a secure delivery point for LNG and the option value of access to the Mexican and Southern California markets for natural gas.

The second operation is IEnova Marketing, our subsidiary which has contracted 50% of the capacity of our LNG terminal. This subsidiary has contracted to purchase LNG, which it stores in our LNG terminal until it is regasified and used to serve its customers, including the Mexican Federal Electricity Commission's Presidente Juárez power plant, our Termoeléctrica de Mexicali power plant and other consumers.

Our LNG Terminal

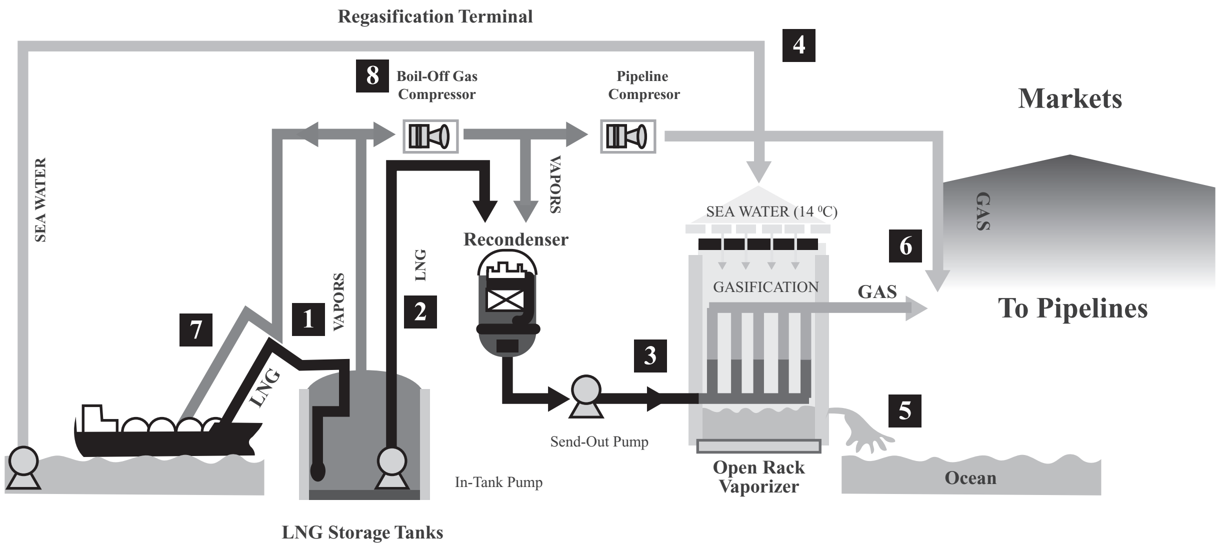
LNG is natural gas that has been cooled to approximately -160° Celsius in order to condense the gas into a liquid. Liquefaction of natural gas reduces its volume by a factor of 600, making it more feasible to transport by ship or truck.

Our 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 of 320,000 m^3 (73.3 MMTh) of storage capacity; 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.

Our LNG terminal has a maximum send-out capacity of 1,300 MMcfd (13.52 MMThd) of natural gas. Our LNG terminal can also be expanded to accommodate an additional marine berth and two additional LNG storage tanks in the future.

Operation of Our LNG Terminal. The diagram below illustrates the operation of our LNG terminal. First, our customers deliver LNG from cryogenic LNG tankers to the terminal for storage in our LNG tanks (see 1 below), where they maintain ownership of the LNG that we store on their behalf. When our customers request natural gas from us, we move LNG from our storage tanks through a send-out pump (see 2 below) to open rack vaporizers (see 3 below), where the LNG is regasified using heat drawn from ambient-temperature seawater that we pump through our vaporizers (see 4 below). After flowing through our vaporizers, the sea water used to regasify the LNG is returned to the ocean (see 5 below) at an average temperature of only 2° Celsius less than when it entered the LNG facility, in compliance with local and international standards. When the LNG regasification process is complete, we deliver our customers' resulting natural gas to our Gasoducto 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 our customers' cryogenic LNG marine tankers, if they are still in our marine berth (see 7 above), or sent to a boil-off gas compressor (see 8 above). Once the gas passes through the boil-off gas compressor, it can be delivered to our Gasoducto Rosarito pipeline system.

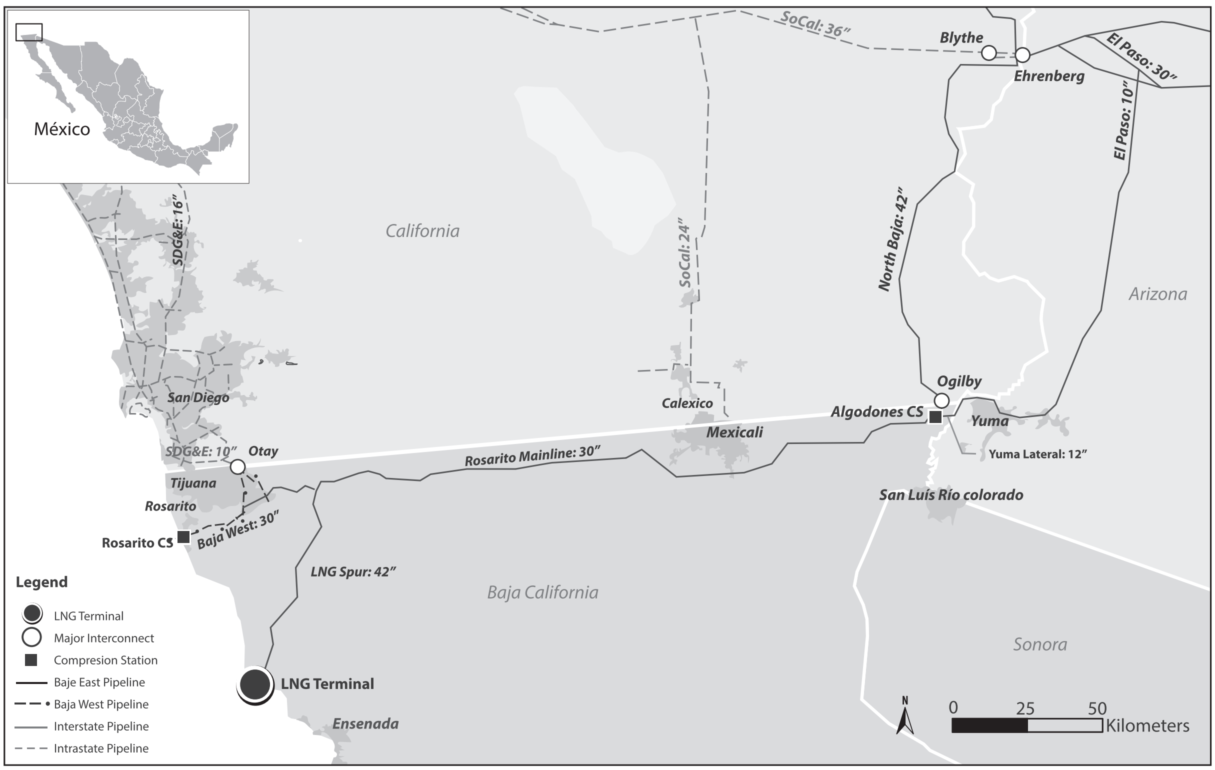
All electricity required for the operation of our LNG terminal is generated on-site through five gas-fired combustion turbine generators, which are powered by a small amount of natural gas resulting from boil off and/ or regasification, which all of our customers provide to us at no charge whenever they store LNG in the terminal. Our 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 firm send-out capacity while conducting maintenance on, or experiencing an unplanned outage of, those components.

Internal Temperature of Our LNG Storage Tanks

In order for our LNG terminal to be operational, and in order to prevent equipment damage that could be caused by the thermal expansion of certain components during warming, the internal temperature of our 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, we must constantly maintain a 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, our subsidiary IEnova

Marketing, has delivered LNG cargoes to the terminal, which it purchases from one of our U.S. affiliates, Sempra Natural Gas, pursuant to a long-term LNG purchase and sale agreement. Sempra Natural Gas has agreed to make a limited number of LNG cargoes available to IEnova Marketing for purchase each year for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. IEnova Marketing has agreed to use reasonable efforts to deliver minimum quantities of LNG to our LNG terminal. Our LNG terminal's customers are not otherwise obligated under the terms of their firm storage services agreements to supply minimum quantities of LNG. If we are unable to obtain sufficient volumes of LNG from the capacity holders to maintain the minimum required internal temperature of our LNG terminal, we will need to secure such volumes in the open market. See "Risk Factors—Risks Relating to Our Business and Our Industry—We may be exposed to high costs to acquire LNG in order to maintain the operations of our LNG terminal."

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



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Our LNG Terminal's Customers and Customer Arrangements

Our LNG terminal's primary revenue stream is generated through its long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, IEnova Marketing. Each of our customers must pay for its full contracted LNG storage capacity, natural gas send-out capacity and nitrogen facility capacity regardless of whether it actually delivers LNG to our LNG terminal. Our customers also pay us variable usage charges and fuel in-kind charges based on their actual use of the LNG terminal and the nitrogen facility. Our customers maintain ownership of the LNG they store at our LNG terminal and the natural gas that we deliver to our Gasoducto Rosarito pipeline system on their behalf.

Our LNG terminal's LNG storage and natural gas send-out capacity is fully contracted through 2028 under firm storage services agreements with these customers. The obligations of Shell are currently backed by standby letters of credit from BNP Paribas in the aggregate amount of US$132.2 million, the obligations of Gazprom are currently backed by standby letters of credit from BNP Paribas and Barclays Bank plc in an aggregate amount of US$85.3 million, and the obligations of IEnova Marketing are currently backed by a financial guarantee from Sempra Energy, our indirect controlling shareholder, in the amount of US$282 million. The amount of credit support required for Shell decreases over the life of the contract. Our customers have also contracted for 100% of the firm nitrogen facility capacity of 12 MMcfd.

The terms of our firm storage services agreements with our customers, which are substantially similar, have been filed with the Mexican Energy Regulatory Commission and are governed by our storage permit and the gas storage general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Natural Licuado*), which may be amended by our LNG business from time to time if approved by the Mexican Energy Regulatory Commission as part of the natural gas storage permit issued to us. For a description of the gas storage general terms and conditions, see "Regulatory, Permits and Environmental Matters—Laws Applicable to Natural Gas Activities—Gas Storage General Terms and Conditions."

Currently, 50% of our LNG terminal's storage and send-out capacity is under contract with Shell and Gazprom, collectively, and the remaining 50% of our LNG terminal's storage and send-out capacity is under contract with our subsidiary IEnova Marketing. We believe that the size and creditworthiness of these global energy companies serve to enhance the security and predictability of our LNG terminal's future cash flows. Our existing customers can assign their LNG terminal capacity and/or nitrogen facility capacity to each other on a temporary basis, though the assigning customer remains liable for all payments, credit requirements and other obligations to us. Shell and Gazprom have also agreed to coordinate shipments, storage and gas send-out, and to share their contracted LNG storage capacity, since neither customer has contracted for sufficient storage capacity to unload a standard-sized LNG marine tanker. Shell and Gazprom continue to pay their own monthly LNG storage rate, but can reallocate their joint LNG storage and natural gas send-out capacity between them. If we expand our LNG terminal's capacity, we are required to conduct an open season process to allow any potential customer to contract for the additional capacity. Based on current market conditions, we do not anticipate any near-term expansions of the terminal's capacity.

In the event that we experience a *force majeure* event and are unable to provide a contracted and requested service as a result, our failure to perform will be excused. However, payments from customers are suspended during any *force majeure* event that we experience to the extent that service is made unavailable, and our customers can terminate their firm storage services agreements if we experience a *force majeure* event that materially affects their service and lasts for two consecutive years. If any of our customers experience a *force majeure* event they must continue to make monthly storage capacity payments.

We are required to pay a termination fee to any customer that terminates its firm storage services agreement for cause under the agreement. The termination fee is equal to two years of storage capacity payments or, if termination occurs after 2023, one year of storage capacity payments. Our agreement with Shell also provides that if we fail to pay the required termination fee, Shell will have the right to purchase our LNG terminal for an amount equal to its fair market value less the amount of the unpaid termination fee.

LNG and Natural Gas Purchase and Sale Operations

Through our subsidiary IEnova Marketing we sell natural gas to third parties within Mexico and to our U.S. affiliate Sempra Natural Gas at the Mexico—U.S. border. Currently, we have contracts to sell a total of between 120 MMcfd (1.2 MMThd), and 300 MMcfd (3.1 MMThd) of natural gas to these customers, including the Mexican Federal Electricity Commission, for supply to its Presidente Juárez power plant in Rosarito, Baja California and our Termoeléctrica de Mexicali power plant. Through IEnova Marketing we have contracted to purchase LNG from Sempra Natural Gas and deliver it to our LNG terminal, where IEnova Marketing has contracted firm capacity for storage and regasification. IEnova Marketing also has firm capacity contracted to transport the resulting natural gas to its customers through our pipelines under long-term contracts. We can fulfill our natural gas delivery obligations to our customers by delivering regasified LNG from our LNG terminal, or by purchasing natural gas in the open market and arranging for its delivery to our customers. To the extent our supply of regasified LNG is insufficient to meet our obligations to the Mexican Federal Electricity Commission and our Termoeléctrica de Mexicali power plant, we purchase cover gas from Sempra Natural Gas, which sells the gas to us at rates that make us economically indifferent as to whether we purchase cover gas or receive LNG from Sempra Natural Gas.

We deliver natural gas to the Mexican Federal Electricity Commission at the Presidente Juárez power plant in Rosarito, Baja California, pursuant to 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 Mexican Federal Electricity Commission. In addition to payments for natural gas delivery, the Mexican Federal Electricity Commission also pays us a fixed monthly fee to cover transportation capacity obligations under a transportation agreement between our IEnova Marketing business and our TGN pipeline system. This natural gas supply agreement terminates in 2022; however, each of the Mexican Federal Electricity Commission and the Mexican Public Administration Ministry (*Secretaría de la Función Pública*) may also terminate the agreement if it determines that doing so would be in the general public interest (*interés público*) by providing evidence that compliance with the agreement would result in losses and damages to Mexico or if, for justified cause, the Mexican Federal Electricity Commission 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 Our U.S. Affiliate

As described above, we purchase LNG from our U.S. affiliate, Sempra Natural Gas. This affiliate has agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to us annually. If our U.S. affiliate delivers less than this amount for reasons other than a *force majeure* event, it is required to make payments to us to compensate us for our fixed capacity costs under IEnova Marketing's agreements with our LNG terminal and our pipelines business. In January 2013, we terminated the prior agreement under which we purchased LNG from Sempra Natural Gas and replaced it with a new long-term LNG sale and purchase agreement with Sempra Natural Gas. While the material terms of the new agreement are substantially similar to those of the prior agreement, it does differ in two material respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG cargoes available to us for purchase each year for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. Second, the new agreement corrected unintended economic consequences that resulted in larger payments being made by Sempra Natural Gas to us under the prior agreement when the number of cargoes delivered annually under the prior agreement was substantially lower than had been anticipated when the prior agreement had been entered into. This new LNG purchase and sale agreement with Sempra Natural Gas expires in August 2029. During the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our U.S. affiliate paid approximately US$90.8 million, US$90.8 million, US$101 million and US$53.8 million, respectively, to us to compensate us for delivering less than the full contract volume of LNG.

In turn, our U.S. affiliate, Sempra Natural Gas, purchases LNG from suppliers, including pursuant to a long-term contract with the Tangguh partners (a consortium of companies that produce LNG in the Tangguh LNG Project in Indonesia) which have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than this U.S. affiliate. Having non-divertible cargoes available under our U.S. affiliate's agreement with the Tangguh partners increases the likelihood that our LNG terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that we will be able to satisfy at least some portion of our natural gas customer commitments by selling natural gas that has been regasified at our LNG terminal. Our U.S. affiliate's agreement with the Tangguh partners expires in 2029, and we are a party to the agreement solely with respect to the scheduling of delivery of LNG cargoes and to coordinate the parties' rights with respect to the use of our marine terminal.

Potential Liquefaction Project

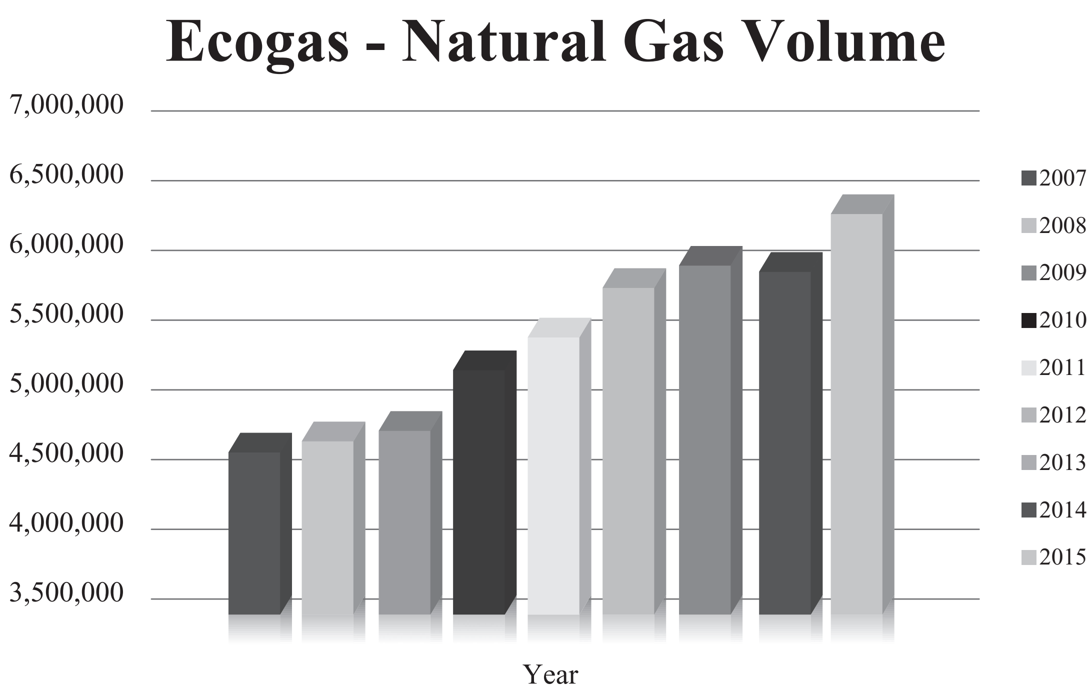
In the first half of 2015, we, Sempra LNG and an affiliate of Pemex entered into agreements for cooperation and coordination in exploring the development of a potential natural gas liquefaction project at the site of our LNG regasification terminal. We expect to coordinate preliminary engineering and design and environmental studies in support of permit filings with respect to this potential project and will look to engage in commercial development discussions with potential partners and customers.

Natural Gas Distribution Business

Overview

Our subsidiary Ecogas was awarded the first distribution permit under the 1995 natural gas regulation given to a private company to build and operate a natural gas distribution system in Mexico. Through its approximately 3,709 km of pipelines, the Ecogas distribution system currently serves approximately 116,460 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 distribution permit under the 1995 natural gas regulation, we became the first private distribution company to meet its build-out obligations to the Mexican government in terms of amount of investment and number of customers. Since the Ecogas distribution system became operational, we have endeavored to market natural gas as a better alternative to LPG for industrial, commercial and residential consumption in our markets. The following chart shows the growth in volume of natural gas sold by our distribution business over the last nine years.



Our natural gas distribution business includes the following key activities:

- Purchasing natural gas from our suppliers;
- Receiving natural gas into our system and transporting it through our distribution network, including the maintenance of our pipelines and other equipment;
- Connecting our customers to the Ecogas system;

• Delivering natural gas into our customers' homes and businesses;

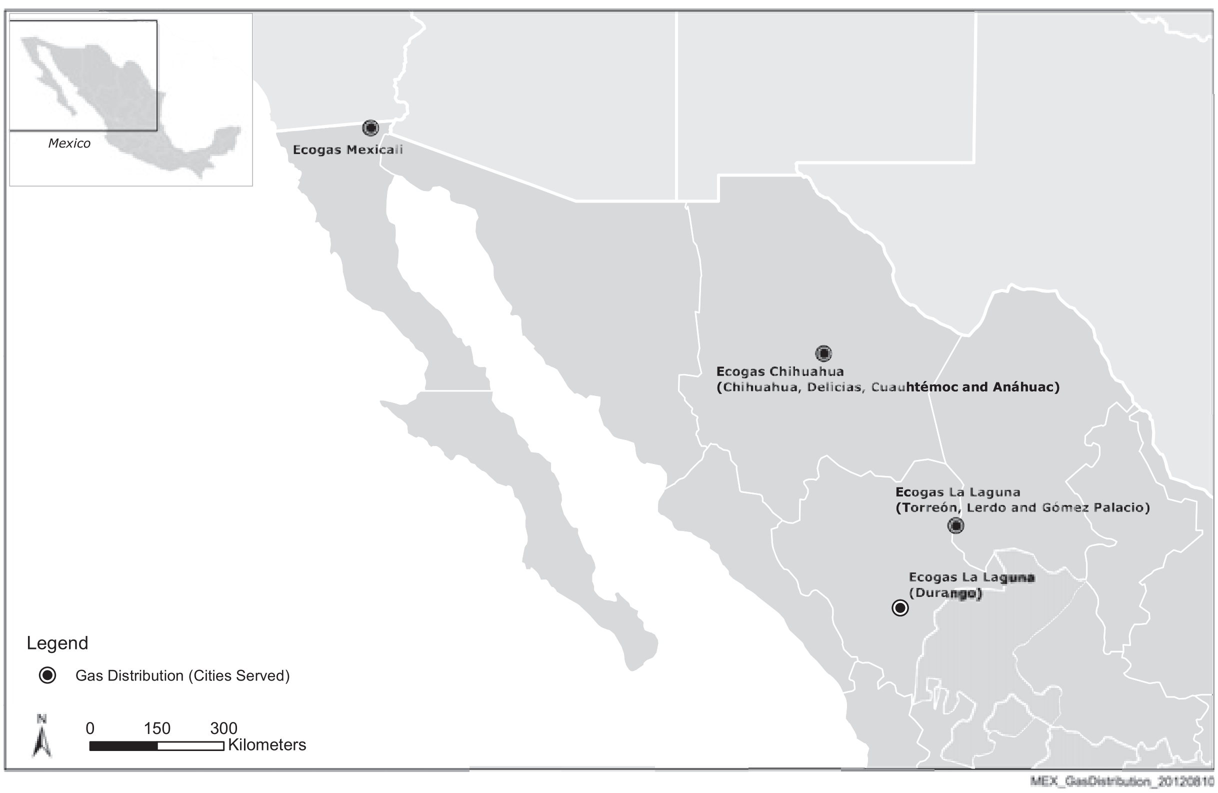
• Metering, invoicing and collecting payment for gas delivered;

• Customer service activities for our existing customers; and

• Marketing activities to increase our customer base.

Our revenues are derived from service and distribution fees charged to our customers through monthly invoices. The price we pay to purchase natural gas, which is based on international price indexes, is passed through directly to our customers. Even so, we undertake certain hedging activities on these prices in order to reduce potential volatility in the price for natural gas that our customers ultimately pay. The service and distribution fees charged by our Ecogas business are regulated by the Mexican Energy Regulatory Commission, which performs a review of rates every five years and monitors prices charged to end-users. 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 distribution rates.

The following map shows the service territory and the geographic 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, as of June 30, 2016, the main characteristics of the Ecogas service areas:

	Mexicali	Chihuahua	La Laguna – Durango	Total
Distribution System Length (km)	551	2,152	1,004	3,707
Number of Customers:				
Residential	15,316	68,855	29,463	113,634
Commercial/Industrial	312	1,786	728	2,826
Throughput (MMcfd):				
Residential throughput	0.57	4.76	0.95	6.28
Commercial/Industrial throughput	24.45	34.78	9.67	68.9

Natural Gas and Our Market Opportunity

We believe that our customer service at each stage of the natural gas service cycle has led to high levels of customer satisfaction and differentiates our business from traditional Mexican LPG distributors, which historically have held a strong position in the Mexican gas market, in particular with respect to residential heating. We believe our excellent customer service and quick response time are key competitive advantages that have helped us establish a reputation for quality and build customer loyalty.

Natural Gas Customer Arrangements

Our residential customers comprise substantially all of our customers (in terms of number of accounts), and contribute 53% of the profit margin of our distribution business as of June 30, 2016. We do not typically enter into long-term agreements with our residential customers, and they pay the rates for our distribution services that are established by the Mexican Energy Regulatory Commission. We invoice these customers on a monthly basis and their service can be terminated by them or us at any time.

Our commercial and industrial customers together comprise approximately 2% of our customers (in terms of number of accounts), but are responsible for approximately 92% of our systems' aggregate throughput volume and over 47% of the profit margin of our distribution business as of June 30, 2016. We have entered into long-term supply agreements with certain of these customers; while the Mexican Energy Regulatory Commission sets the maximum rate we can charge for our distribution service, we may negotiate a rate that is at a discount to the maximum authorized rate, in exchange for a long-term obligation from these customers to purchase contractual minimum volumes. In certain cases our customers are required to provide us with guarantees in the form of letters of credit or cash deposits.

Segment Overview—Power Segment

Our power segment includes a natural gas-fired, combined-cycle power generation facility and a wind power generation operation. A more detailed description of the businesses within our power segment follows.

Natural Gas-Fired Power Generation Business

Termoeléctrica de Mexicali

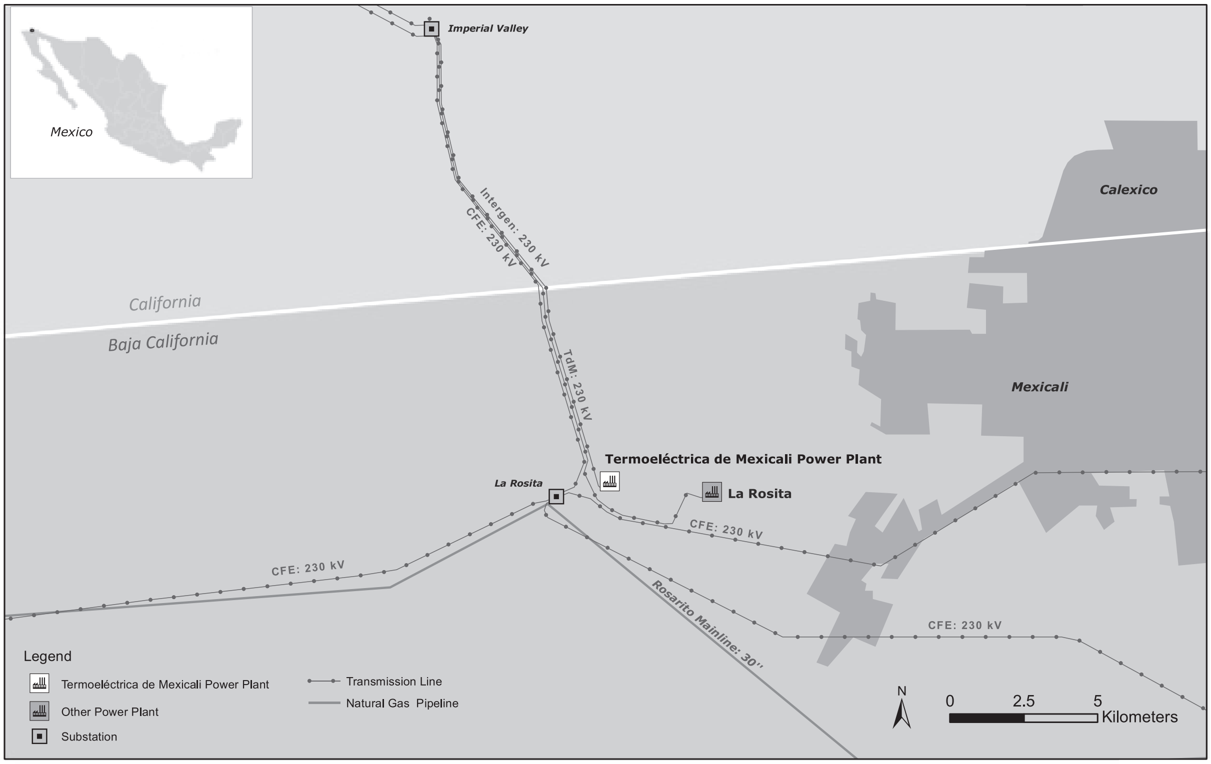
We own and operate the Termoeléctrica de Mexicali power plant in the vicinity of Mexicali, Baja California, adjacent to the Mexico—U.S. border. This 625 MW, natural gas-fired, combined-cycle power generation facility commenced commercial operation in June 2003 and is well-positioned to access both the United States and Mexican electricity grids. The power plant is connected to our Gasoducto Rosarito pipeline system which allows it to receive regasified LNG from our 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 California utilities, California municipalities, energy service providers and financial institutions.

This facility is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and California, including General Electric MS7241FA gas turbines, inlet chilling and evaporative cooling components. 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 13 km from the site. The sewage water is received in the facility's water treatment plant and 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 irrigation canal (*Río Nuevo*).

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 at the Imperial Valley substation and is capable of providing energy to a wide range of potential 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 Mexican Federal Electricity Commission system in Mexico at the La Rosita substation if an approximately two km transmission line is built and the necessary permits, including from the Mexican Energy Regulatory Commission, are obtained.

The U.S. markets currently served by our Termoeléctrica de Mexicali power plant have been impacted by lower gas prices and increased renewables generation. Over the last few years, this situation has contributed to increased volatility of our financial results. As such, we have determined that this asset is no longer a strategic fit to our portfolio of assets. As a result, we announced our intention to sell our Termoeléctrica de Mexicali power plant (including its U.S. transmission line that interconnects the plant to the Imperial Valley substation and related assets) in February 2016. We cannot predict when or if the sale will be consummated. Any such sale will depend, among other factors, on regulatory approvals both in Mexico and the United States, and we may change our intention depending on market and other conditions. We intend to continue to operate and provide maintenance to the plant in the ordinary course while the sale process in ongoing.

The following map shows the location of the Termoeléctrica de Mexicali power generation facility:



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Termoeléctrica de Mexicali Key Agreements

Power Purchase Agreements

We are parties to an energy management services agreement with our affiliate, Sempra Generation, with respect to the electricity generated at our Termoeléctrica de Mexicali power plant. Pursuant to this agreement, which was effective as of January 1, 2012, Sempra Generation has marketed and served as scheduling coordinator for our electricity sales and performed other related administrative, hedging and U.S. regulatory support tasks on our behalf. Under this agreement, we reimburse Sempra Generation's expenses in connection with these services and pay Sempra Generation an annual energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant (depending on, among other factors, 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 us for the natural gas required for electricity generation at the power plant, under the current energy management services agreement we bear the cost of the natural gas used to fuel the power plant, and we sell the electricity generated by the power plant on a merchant basis, which creates greater volatility in the income generated by this facility.

Natural Gas Purchase Agreement

We supply between 67 MMcfd (0.7 MMThd) and 101 MMcfd (1.1 MMThd) of natural gas to the Termoeléctrica de Mexicali power generation facility with natural gas purchased directly from our subsidiary IEnova Marketing. Because our previous agreement with JPM Ventures Energy for this supply of natural gas provided for JPM Ventures Energy to sell natural gas to us at a price that was less than the rate we would otherwise have paid to have natural gas delivered to the facility, our costs have increased as a result of the expiration of this agreement in September 2014.

Wind Power Generation Business

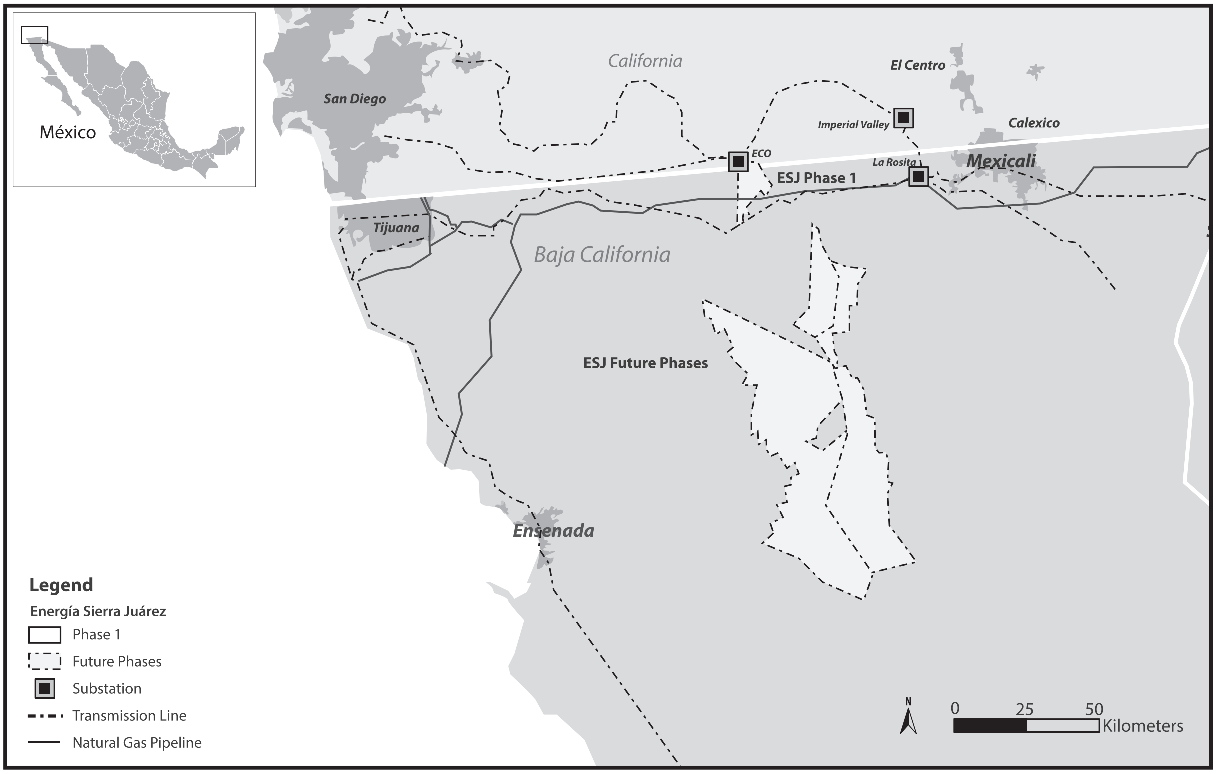
Energía Sierra Juárez

We have commenced operation of a wind power generation operation, Energía Sierra Juárez, along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico. This region is one of the strongest wind resources on the west coast of North America. The initial phase of this project is located about 70 miles from San Diego and just south of the Mexico—U.S. border. The project interconnects to the East County Substation of the transmission line known as the Southwest Powerlink, owned by an affiliate of San Diego Gas & Electric Company, in eastern San Diego County via a cross-border transmission line, and future phases could potentially also connect directly with the Mexican power grid.

The initial phase of Energía Sierra Juárez generates up to 155 MW from 47 wind turbines and was completed in June 2015 through a 50% joint venture that we entered into with InterGen in July 2014. 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 electricity generated from the initial phase of this project will be sold entirely to our affiliate San Diego Gas & Electric Company, pursuant to a 20-year power purchase agreement. Future expansion of Energía Sierra Juárez will depend, among other factors, on the ability to obtain additional power purchase contracts.

We believe that utilities located throughout California are potential customers for the power generated by this project, provided that prices that can be provided by us are competitive with U.S. markets. Moreover, if there are auctions for long-term opportunities, we may have the potential to also sell this power to the Mexican Federal Electricity Commission. California is one of the most politically supportive regions in the United States for renewable power generation development, with a legislated target for renewable energy generation of 33% of retail sales by 2020. Mexico is also politically supportive of renewable energies, and wind farms in particular, as they play a key role in the achievement of legislative goals to elevate electricity generation from renewable sources from the 56 terawatt-hours produced in 2011 to 156 terawatt-hours in 2026.

The following map shows the approximate locations of the sites of the Energía Sierra Juárez wind power generation development:



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Energía Sierra Juárez Key Agreements

Power Purchase Agreement

All of the electricity generated from the initial phase of this project will be supplied to San Diego Gas & Electric Company, pursuant to a purchase agreement entered into in April 2011. The power purchase agreement with San Diego Gas & Electric Company has a term of 20 years from the date we first deliver electricity, and provides for a fixed payment per megawatt-hour, with adjustments for “time-of-day” factors.

Equity Purchase and Sale Agreement

In April 2014, we entered into an equity purchase and sale agreement with InterGen pursuant to which we sold a 50% interest in the first phase of the Energía Sierra Juárez project to InterGen, thereby creating a 50/50 joint venture between us. We account for this joint venture under the equity method. As a condition to the sale of this equity interest we and InterGen entered into the joint venture agreements described below. In addition, the joint venture assumed the remaining obligation to us on a previous intercompany loan to the Energía Sierra Juárez project, which had a principal balance and interest outstanding at June 30, 2016 of US$17.1 million plus 637.5 basis points (6.84% as of June 30, 2016).

Project Financing

In June 2014, Energía Sierra Juárez, S. de R. L. de C. V., our joint venture in charge of developing the first phase of the Energía Sierra Juárez wind power generation operation, entered into a US$239.8 million project financing facility. The project financing facility was entered into with a syndicate of financial entities formed by Mizuho Bank, Ltd., as coordinating lead arranger, the North American Development Bank as technical and modeling bank, and Nacional Financiera, S.N.C. Institución de Banca de Desarrollo, Norddeutsche Landesbank Girozentrale, New York Branch and Sumitomo Mitsui Banking Corporation as lenders and bears interest at LIBOR plus an applicable margin. The loan is secured by the project and has been converted to an 18-year term loan. The project finance facility matures on June 30, 2033, with payments due on a semi-annual basis (June 30 and December 30), starting on December 30, 2015. We entered into floating-to-fixed interest rate swaps for 90% of the loan amount to partially moderate the interest rate exposure.

Joint Venture Agreements

In July 2014, we 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 upon 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 material terms of the joint venture agreements between us 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 participation 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.

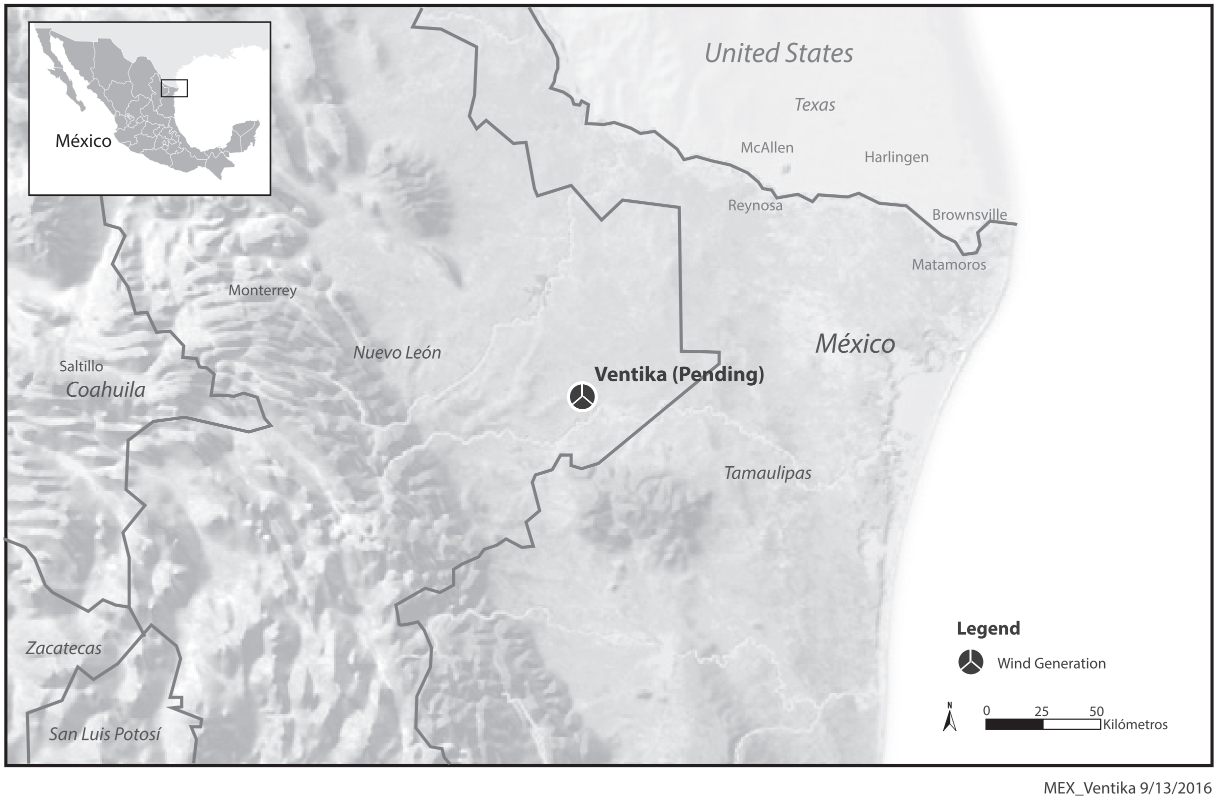
Distributions. The joint venture agreements provide that any cash not required to service debt or otherwise pay the costs of the joint venture will be distributed to the members on a monthly basis.

Transfers of Interests in the Joint Venture. The members may transfer their equity interests and interest in loans made by the members to the joint venture, provided that such member must transfer its entire interest to a single party if it effects 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.

Ventika

In September 2016, we entered into an agreement to acquire 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in the 252 MW Ventika I and Ventika II wind power generation facilities. See "Summary—Recent Developments—Ventika Acquisition." The Ventika facilities are adjacent wind farms powered by a total of 84 turbines, providing an aggregate of up to 252 MW of generating capacity, and which together makes Ventika one of the largest wind farms in Mexico and Latin America. Substantially all of the facilities' generation capacity is contracted under long-term, U.S. dollar denominated power purchase agreements with stable credit worthy private off-takers. The Ventika facilities are located in the General Bravo municipality in the State of Nuevo Leon approximately 34 miles from the U.S. border.

The following map shows the approximate location of the Ventika facilities:



Fisterra Energy, a portfolio company of Blackstone Energy Partners and the current majority shareholder of Ventika, and Cemex, a global building supplies company, jointly developed the Ventika facilities, which began commercial operations in April 2016. For a description of the financing for the construction of Ventika, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Ventika Credit Facilities." Following our completion of the Ventika Acquisition, we expect that an affiliate of Acciona Energía, S.A. a global leader in the development and administration of renewable energy assets, will continue to provide the facilities with operation and maintenance services pursuant to operation and maintenance agreements with five-year terms, which automatically renew for equal periods until reaching 20 years of service. Asset management services are provided to the facilities by Cemex pursuant to asset management services agreements with five-year terms, which automatically renew for an equal period.

Substantially all of the Ventika facilities' generation capacity is contracted under power purchase agreements with 20-year terms with stable creditworthy private off-takers. Customers for Ventika's wind power include subsidiaries, affiliates and/or related parties of each of Fomento Económico Mexicano, S.A.B. de C.V., Cemex, Deacero, S.A. de C.V., Fiat Chrysler Automobiles, N.V., and the Instituto Tecnológico y de Estudios Superiores de Monterrey. The power purchase agreements are U.S. dollar denominated at fixed prices, with certain agreements featuring annual increases.

Competition

Gas Segment

Pipelines Business

While the substantial majority of our natural gas pipeline capacity is contracted under long-term, firm capacity transportation services agreements, in the event that we bid for new natural gas pipeline projects, we may face competition for customers from other large, well-capitalized providers of energy infrastructure services, such as TransCanada, Kinder Morgan, Elecnor, Engie, Fermaca, Grupo Carso and Enagás. In addition, we may also face competition from state-owned or controlled entities.

The market for 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 we provide to our customers.

Liquefied Natural Gas Business

Our LNG terminal does not currently experience competition because it is fully subscribed with long-term contracts that generate revenues from customers whether or not cargoes are delivered to the terminal. In the event that we did have uncontracted storage capacity at our terminal, we would compete for customers that would like to provide 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 Engie and Codelco) and LNG Quintero in Chile (owned by BG Group, ENAP, Endesa Chile and Metrogas), and these terminals serve markets in which we do not compete.

Natural Gas Distribution Business

The main competitors of our natural gas distribution business are distributors of LPG that deliver the LPG directly to customers, usually in trucks, to be stored on the customers' property. The price of the natural gas we sell 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. To the extent that we are not successful in obtaining natural gas that is priced competitively to the subsidized price of the LPG against which we compete, this will place our distribution business at a competitive disadvantage. Our 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, does not need to be stored by our customers for use, we believe 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, we believe 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.

We may also face competition from other distributors of natural gas in our distribution zones, as the twelve-year exclusivity period that applied to our distribution zones expired in 2011. As a result of the expiration of our exclusivity period, other distributors of natural gas are now legally permitted to build natural gas distribution systems within our distribution zones and compete with us within our distribution zones for customers, though clear rules regarding this potential competition have not been established by the Mexican Energy Regulatory Commission. To the extent that other distributors of natural gas overcome existing structural barriers to entry to expand or construct distribution systems in our 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. To the extent that any such self-supply associations are developed within our distribution zones, we would also compete against such self-supply associations to service their constituents.

Our ability to compete in the natural gas distribution market is also subject to limitations based on the regulatory environment in which we operate. For example, in order to obtain the favorable opinion of the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia*) in connection with a permit we required for the operation of our Gasoducto Rosarito pipeline system, we were required to agree to divest ourselves of the Mexicali components of our Ecogas natural gas distribution system. We have been subject to this obligation since 2000 and have made good faith efforts to comply with the obligation to divest ourselves of our Mexicali gas distribution system, but have not yet located a purchaser for these assets. See "Risk Factors—Risks Relating to Our Business and Our Industry—We operate in a highly regulated environment, and our profitability depends on our ability to comply with various laws and regulations on a timely and efficient basis."

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 producer, export, small scale, and captive/self-supply. 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 "Regulatory, Permits and Environmental Matters—Laws Applicable to Electricity Generation." The Termoeléctrica de Mexicali power plant was originally conceived as a U.S.-export-only facility. Currently, CENACE holds annual auctions for the award of long-term electricity supply contracts with the Mexican Federal Electricity Commission. To the extent we seek to provide electricity to the Mexican Federal Electricity Commission in the future, we would face competition from other developers, including Gas Natural Fenosa, EDF, Enel, InterGen and Iberdrola, among others, who have made significant investments in Mexico in the past and are likely to compete with us in the future. With respect to our Energía Sierra Juárez wind power generation operation, all of the electricity to be generated by the initial phase of this project is contracted to our U.S. affiliate under a long-term supply contract. See "—Segment Overview—Power Segment—Wind Power Generation Business—Energía Sierra Juárez Key Agreements—Power Purchase Agreement." For U.S.-based clients, we mainly face competition from other generation facilities and the spot market in general. In terms of sales to U.S.-based clients, our sales and, through our affiliates, marketing, of electric power compete directly with other generators and marketers serving the market areas. Competitors can include government-owned electric generation companies, local distribution companies with self-generation capability and other privately-owned electric generation and marketing companies. Since our indirect controlling shareholder Sempra Energy, through our U.S. affiliates, also participates in the electricity generation sector, we may face competition with such affiliates. The principal elements of competition are price and availability, terms of service, flexibility and reliability of service. General economic activity, conservation, legislation, governmental regulations, weather, additional generation capacities and other factors affect the supply and demand for electricity.

Real Property and Land Use Rights

Gas Segment

Pipelines Business

The real property of our pipelines 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, rents, usufructs and/or owned properties, used mainly to install above ground facilities, such as main line valves, metering stations and compression stations. We believe that we have satisfactory title to those portions of the land we own. We have leased our 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 we believe that we have satisfactory leasehold estates to such lands. We have no knowledge of any material challenge to the underlying title of any material lease, easement, right-of-way, permit or usufruct held by us, and we believe that we have satisfactory title to all of our material leases, rights-of-way, permits and usufructs.

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 marine facilities include a single jetty and berth with provision to install a second jetty and berth. The berth is protected from the open ocean by a 648 meter long breakwater, which is 38 meters wide and extends 4.5 meters above the mean low water level, and consists of twelve caissons. The water depth is 25 meters and the marine facilities have been approved by the Mexican Energy Regulatory Commission to accept LNG ships that have a capacity of 70,000 m^3 to 217,000 m^3 (16.0 MMTh to 49.7 MMTh). A portion of this land has been leveled and graded for the potential expansion of the facility to include two additional LNG storage tanks. We also hold a 30-year concession for the occupation and use of federal maritime terrestrial zone adjacent to our property, which is subject to periodic renewals. Such concession title covers a jetty and berth, among other infrastructure ancillary to the LNG terminal. We are currently facing certain lawsuits related to the real property on which our LNG terminal is located. See "—Legal, Administrative and Arbitration Proceedings—LNG Terminal—Matters Challenging Ownership of LNG Terminal Real Property."

Natural Gas Distribution Business

The real property of our natural gas distribution business principally consists of easements, rights-of-way, permits, licenses and leases from governmental authorities or private property owners. The pipelines of our natural gas distribution system typically run along public roads and in such instances we pay the local municipality for the right to maintain and operate our distribution system along such roads. Where the pipelines of our distribution system enter the property of our customers, we have easements allowing us to access their property, as well as to maintain and operate our distribution system. In the case of our La Laguna—Durango and Chihuahua distribution zones, we also lease some rights-of-way from Pemex. Approximately 96% of the total length of our pipelines network is underneath public roads. We have no knowledge of any material challenge to (1) any material easement, right-of-way, permit, license or lease held by us, or (2) our title to any material 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, we lease an aggregate of approximately 190,000 square feet of office and commercial space in Chihuahua, Torreón and Mexicali, for approximately US$0.3 million per year.

Power Segment

The Termoeléctrica de Mexicali power plant owns approximately 30.6 hectares (75.6 acres) of real property located approximately 15 km west of Mexicali, Mexico and five km south of the Mexico—U.S. border. The plant and ancillary assets, including the sewage-water treatment plant, are located on owned property. We also have 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. We 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 operation, the initial phase of which commenced operations in June 2015, we have entered into three lease agreements with various landowners, for approximately 219,000 hectares (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 Jacume Ejido, a group of approximately 74 individual landowners, for the lease of approximately 5,000 hectares, and it is on this land that we constructed the initial phase of this project. We 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 141,000 hectares. We entered into the last of these leases in August 2009 with the Sierra de Juárez Ejido, a group of approximately 67 individual landowners, for the lease of approximately 73,000 hectares. Under each of these leases all structures and fixtures remain our property and can be removed when the lease is terminated, and if the lessors decide to sell the land, we hold 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 Jacume Ejido lease, we paid monthly rent equal to US$2,000 until commercial operations began and thereafter began paying rent equal to 4.0% of gross revenues from the operations on the land.

We made an initial payment under the Cordillera Molina Ejido lease of approximately US$0.8 million and we are obligated to make quarterly rent payments of US$30,000 for the first 10 years of the lease or until operations begin, whichever comes first. We will make an additional payment of US$1.5 million when ground is first broken for the facilities for the development of up to 250 MW of capacity, and US$0.3 million when ground is broken for each additional 100 MW of capacity. Once commercial operations begin, we will pay rent equal to 4% of gross revenues from the operations on the land. If we do 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 we have not begun construction of our facilities in the first ten years of the lease then the lease will automatically terminate. We may terminate the lease at any time during the first ten years of its term.

Under the Sierra de Juárez Ejido lease we made initial payments of approximately US$0.3 million and we are obligated to make quarterly rent payments of US$74,000 for the first 10 years of the lease or until operations begin, whichever comes first. We will make an additional payment of US$6,000 per affected landowner when ground is broken for the facilities and US$1,450 per affected landowner for additional construction milestones. Once commercial operations begin we will pay rent equal to the higher of (1) US$75,500 per affected landowner per month or (2) 3.5% of gross revenues from the operations on the land. If we have not begun construction of the facilities in the first ten years of the lease then the lease automatically terminates.

With respect to the Ventika wind power generation facilities, land use rights were negotiated directly with the owners of the 7,200 hectares of the facilities' development area. The land use rights consist of rights-of-way with indefinite terms and usufructs with 20-year terms which are subject to renewal for up to an additional 20 years in five year increments.

Insurance

We cover our operations and assets with insurance which we believe is consistent with that contracted by other companies engaged in similar commercial operations with similar type 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 expense, and (4) corporate liability insurance including coverage for directors and officers and employment practices liabilities. In addition, we maintain excess liability insurance providing limits in excess of the established primary limits for commercial general liability and automobile liability insurance.

All coverages are subject to industry accepted policy terms, conditions, limits, exclusions and deductibles comparable to those obtained by other energy companies with similar operations. Our insurance includes coverage both through our own insurance policies, and through certain global insurance policies of our indirect controlling shareholder which extend coverage to us.

Intellectual Property

We or our affiliates currently hold several registered trademarks in Mexico, including for the name and logos of "IEnova" in several classes, as well as the name and design of "Ecogas" in several classes. Such trademark registrations are current and we expect they will be renewed prior to their expiration in accordance with applicable laws. In Mexico, trademark registrations can generally be renewed indefinitely every ten years as long as they are being used. To our knowledge, there are no disputes regarding the ownership of our trademarks. To the extent we consider any trademarks owned by our affiliates to be material to our business, we may enter into licenses with our affiliates for their use. We have no patents for our business activities.

Employees

As of June 30, 2016, we had a total of 683 employees, 4.6% of which were unionized. The following table shows the number of our full-time employees by area of activity and business segment:

	Employees
By Activity	
Management	91
Operations	501
Construction and Engineering	91
By Business Segment	
Gas	521
Power	50
Corporate	112
Total employees	683

Unions and Labor Relations

The collective bargaining agreements that we have entered into with labor unions are subject to renegotiation by each facility on an annual basis with respect to wages, and otherwise on a bi-annual basis. We have not experienced any significant labor disruptions with our workforce. We believe that our relationships with the labor unions are satisfactory.

Seasonality

Our gas and power segments experience seasonal fluctuations. In the gas segment, in cold weather, the demand for natural gas distribution service is higher than during warm weather. In the power segment, the demand for electricity supply is higher in warm weather.

Legal, Administrative and Arbitration Proceedings

From time to time we may become involved in litigation and administrative proceedings relating to claims arising out of our 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, we believe that there are no material governmental, legal or arbitration proceedings against us which may have a material adverse effect on our business, financial condition, cash flows, prospects, results of operations and/or the market price of our Shares.

LNG Terminal

Matters Challenging LNG Terminal Permits and Authorizations

Castro, Valdez and Palafox Appeals of the LNG Terminal Environmental Authorization. In May 2003, Hiram Castro Cruz and Roberto Valdez Castañeda in one proceeding, and Mónica Fabiola Palafox in another, filed administrative appeals with the Mexican Environmental Protection Ministry challenging the issuance of the environmental authorization for the LNG terminal granted to us in April 2003. The Mexican Environmental

Protection Ministry dismissed the appeals. The claimants appealed the dismissals, and the Mexican Federal Tax and Administrative Court issued judgments nullifying the Mexican Environmental Protection Ministry's dismissals and ordering the Mexican Environmental Protection Ministry to issue new resolutions in compliance with the judgments. In the Castro and Valdez case, the Mexican Environmental Protection Ministry considered the appeal, and in January 2012 it issued a new resolution confirming the validity of the environmental authorization. In March 2012, Valdez appealed the Mexican Environmental Protection Ministry's resolution before the Mexican Federal Tax and Administrative Court in an annulment claim. The ruling in the annulment proceeding is pending. In the Palafox case, the Mexican Environmental Protection Ministry has not yet issued its new ruling on whether or not it will consider the appeal concerning the environmental authorization.

Sánchez Ritchie *Amparo*. In June 2010, Ramón Eugenio Sánchez Ritchie, or Sánchez Ritchie, filed an *amparo* claim in a federal district court in Baja California, Mexico. The suit challenges all of the permits and authorizations issued for the construction and operation of our LNG terminal, or the LNG terminal permits. Sánchez Ritchie's suit was filed against 17 different government agencies, including the Mexican Environmental Protection Ministry, the Mexican Energy Regulatory Commission, and the Municipality of Ensenada, among others. Although the primary permits for the LNG terminal were 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 and that the LNG terminal permits therefore were granted in violation of his rights (all of which we dispute). Sánchez Ritchie requested injunctive relief and demanded for the court to order the applicable government agencies to revoke the LNG terminal permits. On June 17, 2010, the federal district court issued a provisional order calling for the various authorities to suspend the LNG terminal permits, but that provisional order was reversed by a federal circuit court on June 24, 2010 before any governmental authority responded. In February 2015, the a federal district court in the State of Baja California dismissed Sánchez Ritchie's *amparo* claim on the grounds that the evidence provided by Sánchez Ritchie was insufficient to prove his ownership over the portion of land allegedly affected by the issuance of the LNG terminal permits. Sánchez Ritchie appealed the *amparo* ruling by filing a motion for review and, consequently, we filed an additional motion for review (known as *recurso de revocación adhesiva*) in order to strengthen the considerations of the *amparo* proceeding's judgment. In September 2016, the First Collegiate Court of the Fifteenth Circuit unanimously reaffirmed the federal district court's decision, resulting in a definitive dismissal of Sánchez Ritchie's *amparo* claim.

Inmuebles Baja Pacífico Challenge to the LNG Terminal Environmental Authorization. In May 2006, Inmuebles Baja Pacífico, S.A. de C.V. filed a claim (known as *denuncia popular*) against the Mexican Environmental Protection Enforcement Agency (Procuraduría Federal de Protección al Ambiente), alleging that the conditions and mitigation measures imposed in the environmental authorization are inadequate and that our operations cause damage to the environment, seeking an order to modify or nullify the environmental authorization. The proceeding was concluded in November 2006 without consequences for us or the environmental authorization. Inmuebles Baja Pacífico filed an administrative appeal before the Mexican Environmental Protection Enforcement Agency, which was ruled upon by the issuing authority's hierarchical superior, who ordered the reissuance of the resolution, the evaluation of Inmuebles Baja Pacífico's evidence and the delivery of a verdict on our compliance with environmental legislation. The Mexican Environmental Protection Enforcement Agency inspected the LNG terminal and by official communication dated May 18, 2010, the Mexican Environmental Protection Enforcement Agency notified Inmuebles Baja Pacífico that our operations comply with the mitigation measures imposed in the environmental authorization and do not cause damage to the environment. Inmuebles Baja Pacífico appealed this determination before the Mexican Federal Tax and Administrative Court via an annulment claim. In August 2013, the Mexican Federal Tax and Administrative Court annulled the Mexican Environmental Protection Enforcement Agency resolution and ordered the Mexican Environmental Protection Enforcement Agency to reissue the resolution considering Inmuebles Baja Pacífico's evidence and to reanalyze the applicable legislation and the authorization. Both Inmuebles Baja Pacífico and Energía Costa Azul subsequently filed *amparo* claims. In February 2015, Inmuebles Baja Pacifico's *amparo* claim was dismissed on the basis that Inmuebles Baja Pacífico lacked any legal standing to challenge the resolution to the "*denuncia popular*" through a nullity claim, though Energía Costa Azul's claim was determined to have merit. The Mexican Federal Tax and Administrative Court was accordingly ordered to issue a new resolution, which it issued in July 2015 dismissing Inmuebles Baja Pacifico's annulment claim. In November 2015, the Mexican Federal Tax and Administrative Court certified that its July 2015 resolution is final**.**

Matters Challenging Ownership of LNG Terminal Real Property

Agrarian Court Action. In February 2006, Salomón Arya Furst and Abraham Hanono Raffoul filed an annulment action in the Federal Agrarian Court in Ensenada naming the Ministry of Agrarian Reform (*Secretaría de la Reforma Agraria*), us, and 20 other defendants. The claimants seek the annulment of property titles granted by the National Agrarian Registry for parcels on which the LNG terminal is situated. They also seek the restitution of a parcel that allegedly sits in the same place, arguing that the property titles issued in favor of the owners that preceded us, were unduly issued without taking into account prior existing property rights in the parcel. In September, 2011 a definitive hearing was held in this regard, whereby the claimants offered evidence in order to extend their claim. The judge did not accept the evidence and before a resolution was adopted, the claimants filed an *amparo* claim challenging the contrary holding by the judge regarding the admission of evidence. The actions by the judge have been suspended as a result of the *amparo*. The claimants have amended the original claim and named additional defendants. A hearing date is set for November 3, 2016, on which expert witnesses will perform a review of the contesting titles and land survey over the disputed claims. Currently, notices and subpoenas have been delivered in preparation of such hearing.

Chavez Complaint. In January 2013 we were notified of a lawsuit in an Ensenada court by María del Refugio García Sánchez de Chávez and Notary Public number 5 in Ensenada. She seeks annulment of the sale and purchase agreement whereby she and her son, Manuel Chávez García, sold property on which a portion of our LNG facility is located. She also seeks title to the land, agrarian rights, punitive damages, and legal costs. Mrs. Chávez alleges that we induced her to sell her property at a much lower price than its true value and that we manipulated the value of the property set by the appraiser. This proceeding is in the discovery phase and several intermediate appeals and remedies are pending.

Sánchez Ritchie Agrarian Trials. In 1993 Sánchez Ritchie initiated a purchase proceeding regarding a government-owned piece of land before the Ministry of Agrarian Reform (*Secretaría de la Reforma Agraria*, or SRA). In 1996 the SRA declared the expiration of this proceeding without authorizing the sale of the piece of land to Sánchez Ritchie. In 2013, Sánchez Ritchie tried to reactivate this proceeding by bringing two different agrarian proceedings. In Agrarian Trial 148/2013, Sánchez Ritchie sought the annulment of the official communication issued by the Ministry of Agrarian, Territorial and Urban Development (*Secretaría de Desarrollo Agrario, Territorial y Urbano*, or SEDATU), previously known as the SRA, which had ordered the 1993 purchase proceeding's conclusion. The annulment was granted to Sánchez Ritchie in November 2013, through Agrarian Trial (148/2013). We and SEDATU challenged the ruling of the Agrarian Court by means of an *amparo* claim. Both *amparo* claims are pending resolution before the Sixth Collegiate Court of the XV Circuit.

In the second proceeding, Agrarian Trial 7/2013, Sánchez Ritchie solicited the granting of a property title over the piece of land called "Las Brisas," in Ensenada, Baja California (we were summoned to this trial as an interested third party). In November 2013, the court ordered SEDATU to issue the property title to Sánchez Ritchie. We and SEDATU appealed the judgment by filing *amparo* claims, which are now being reviewed by the First Collegiate Court of the XV Circuit.

Additional LNG Terminal Legal Matter

Criminal Investigation. In or about May 2009, Sánchez Ritchie filed with the state District Attorney in Ensenada a complaint alleging that "Sempra affiliates," several LNG terminal employees, and former members of the District Attorney's office committed the crime of procedural fraud in connection with a criminal prosecution we initiated against Sánchez Ritchie in 2006 relating to a dispute over the possession of property to which we hold title that is adjacent to the LNG terminal. In particular, we 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 we 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. The hearing on the merits of the *amparo* was postponed several times during 2013 and 2014. The evidence and allegation hearing was held in October 2015.

Energía Sierra Juárez

In November 2011, Terra Peninsular, A.C., a Mexican environmental organization, filed an administrative appeal with the Mexican Federal Tax and Administrative Court in Mexico City challenging the Mexican Environmental Protection Ministry's issuance of an environmental authorization to Energía Sierra Juárez for the construction and operation of a wind power generation operation. Terra Peninsular alleges that it was not notified of the resolution granting the environmental authorization and that the environmental authorization was not evaluated in compliance with applicable law, and further alleges that had the Mexican Environmental Protection Ministry done so, it would have denied the environmental authorization. However, Terra Peninsular does not specify which laws or regulations were not properly applied. Terra Peninsular 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. The Mexican Federal Tax and Administrative Court in Mexico City denied a provisional injunction sought by Terra Peninsular, but admitted Terra Peninsular's complaint. We and the Mexican Environmental Protection Ministry filed our responses to Terra Peninsular's complaint in June 2012, contending that Terra Peninsular's challenge is not timely and that the environmental authorization was validly issued. The court has admitted experts appointed by the parties. All experts have submitted their reports. Terra Peninsular's request for a final injunction was also denied, and Terra Peninsular challenged such denial. We are currently waiting for the Mexican Federal Tax and Administrative Court to grant a fifteen day period for all parties to submit their written closing arguments.

In December 2012, Backcountry Against Dumps, Donna Tisdale and the Protect Our Communities Foundation challenged the presidential permit issued by the Department of Energy, or DOE, for Energía Sierra Juárez's cross-border generation tie-line connecting the wind power generation plant in Mexico to the electric grid in the United States, alleging violations of the National Environmental Policy Act, or NEPA, the Endangered Species Act, the Migratory Bird Treaty Act and the Bald and Golden Eagle Protection Act. In September 2015, the Court ruled in favor of the plaintiffs on one of the NEPA claims, that the "purpose and need" statement in the DOE's environmental impact statement, or EIS, was too narrowly drawn and foreclosed consideration of alternatives. Regarding another NEPA claim, whether the EIS's assessment of alleged extraterritorial impacts of the generation tie-line in the United States on the environment in Mexico was inadequate, the court ruled against both plaintiffs and the DOE and Energía Sierra Juárez. The court ruled against the plaintiffs and in favor of the DOE and Energía Sierra Juárez on all other issues. In October 2015, all parties sought clarification and reconsideration of the extraterritorial impacts issue. In June 2016, the court denied both parties' motions for clarification and reconsideration but ordered additional briefing on the extraterritorial impacts issue. The additional briefing is expected to be completed in November 2016. The court has not yet made a decision on the ultimate remedy and a final judgment has not been entered. We do not expect a remedy decision that would vacate the presidential permit or stop the project from operating. However, that remedy is within the court's discretion.

Litigation Summary

The operations at our LNG terminal and our Energía Sierra Juárez wind power generation operation 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 us on any of these claims could have a material adverse effect on the operations of the LNG terminal and our Energía Sierra Juárez wind power generation operation, and in turn, on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For a description of certain risks to our business relating to the legal and administrative matters described above, see "Risk Factors—Risks Relating to Our Business and Our Industry—The outcome of pending litigation against us or affecting our permits or property rights in connection with our LNG terminal and wind power generation operation through Energía Sierra Juárez could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares."

REGULATORY, PERMITS AND ENVIRONMENTAL MATTERS

As holders of LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas distribution permits and electric power generation permits, our activities in Mexico are governed by the Mexican Constitution together with a diverse body of laws, regulations, general provisions, guidelines and official technical standards.

In addition to the existing regulations that allow us to participate in the natural gas midstream and downstream industry, amendments to the Mexican Constitution and the overall energy legal framework have allowed the Mexican government to carry out the exploration and extraction of hydrocarbons in Mexico through contracts with private sector enterprises, such as us. The new regime also allows private sector enterprises to obtain permits to participate in processing, refining, commercialization, transportation, storage, importation and exportation of hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, distribution, commercialization and retail of natural gas, the transportation, storage, distribution, commercialization and retail of oil products, the transportation (through pipelines) and storage (pipeline associated) of petrochemicals and the generation and commercialization of electricity in the wholesale electricity market, as well as to enter into contracts for the financing, installation, maintenance, procurement, operation and expansion of electricity network infrastructure.

We are subject to Mexican legislation governing the following principal midstream and downstream natural gas and LPG activities of our business:

- ***Storage***: Includes receiving, storing and delivering natural gas, LNG or LPG with respect to facilities other than pipelines.
- ***Regasification***: The process through which natural gas in a liquefied form is changed to a gaseous form.
- ***Transportation***: Includes building, operating and owning pipeline systems for receiving, transporting and delivering natural gas, LPG or ethane in routes authorized by the Mexican Energy Regulatory Commission, excluding commercialization of such gas.
- ***Distribution***: Includes receiving, transporting and delivering natural gas via pipelines within defined geographical zones authorized by the Mexican Energy Regulatory Commission for commercialization or final use.
- ***Commercialization***: Encompasses activities related to the marketing of hydrocarbons, including purchases and sales of natural gas and LPG and brokerage or intermediary value-added services for the benefit of end-users.

Activities in the midstream and downstream natural gas, LPG and ethane industry are currently subject to the provisions of the Mexican Hydrocarbons Law, the Mexican Energy Sector Coordinated Regulatory Agencies Law (*Ley de los Órganos Reguladores Coordinados en Materia Energética*), the Mexican National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law (*Ley de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), the Mexican Hydrocarbon General Regulations (*Reglamento de la Ley de Hidrocarburos*) and the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbons Law (*Reglamento de las actividades a que se refiere el Título Tercero de la Ley de Hidrocarburos*). Directives and General Rules and General Rules (*Disposiciones Administrativas de Carácter General*) issued by the Mexican Energy Regulatory Commission, Mexican Official Standards (*Normas Oficiales Mexicanas*) and terms and conditions set forth in related permits also regulate our activities. See "Risk Factors—We cannot predict the impact that the recent reforms to the energy legal framework will have on our business."

Building and operating natural gas and LPG storage facilities, pipelines and distribution systems also require governmental permits and authorizations from federal and local authorities, principally a permit from the

Mexican Energy Regulatory Commission, that in some cases may require a favorable opinion from the Mexican Federal Economic Competition Commission, environmental permits issued by SEMARNAT and the Mexican National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency, social authorizations issued by the Mexican Ministry of Energy, real estate rights-of-way, municipal land-use permits, municipal construction permits and other authorizations. These permits are granted in accordance with the Mexican Hydrocarbons Law, the Mexican Energy Sector Coordinated Regulatory Agencies Law, the Mexican National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law, the Mexican Hydrocarbon General Regulations, the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbons Law and applicable environmental, civil and urban development laws, among other applicable regulations. Permits issued by the Mexican Energy Regulatory Commission also impose a series of regulatory obligations and specific terms and conditions commonly referred to as "general terms and conditions" (*Términos y Condiciones Generales*).

Laws Applicable to Natural Gas Activities

Article 27 of the Mexican Constitution sets forth the general principles that regulate activities involving petroleum and other hydrocarbons in Mexico, including natural gas. Historically, Article 27 prohibited the Mexican government from entering into agreements or granting concessions with respect to hydrocarbons, and specified that certain activities involving petroleum and other hydrocarbons were exclusively reserved to the Mexican government under a vertical integration system.

In 1995, the Mexican Congress passed a bill allowing private sector participation (Mexican or foreign) in transportation, storage, distribution and commercialization of natural gas in Mexico. The Mexican Natural Gas Regulations were also published in 1995.

In December 2013, certain provisions of the Mexican Constitution related to the hydrocarbon sector were amended, and the legal framework applicable to, among others, the upstream and midstream sectors was modified in August 2014 and October 2014 with the promulgation of new laws and the enactment of implementing regulations, allowing the Mexican government to grant contracts to private sector entities in the upstream sector through public tenders. These amendments also allow private sector entities to obtain permits for processing, refining, commercialization, transportation, storage, importation and exportation of hydrocarbons including the processing, compression, liquefaction, regasification, transportation, distribution, commercialization and retail of natural gas, the transportation, storage, distribution, commercialization and retail of oil products, and the transportation (through pipelines) and related storage of petrochemicals.

Mexican Hydrocarbons Law

The new legislation enacted on August 11, 2014, including the Mexican Hydrocarbons Law, maintains the concept of state ownership over hydrocarbons while located in the subsoil, and opens the hydrocarbon sector to the participation of private enterprises, subject to certain regulatory requirements.

The Mexican Hydrocarbons Law allows private sector entities holding a permit granted by the Mexican Energy Regulatory Commission to store, transport, distribute, commercialize and carry out direct sales of natural gas, as well as to own and operate pipelines and liquefaction, regasification, compression and de-compression stations or terminals, and related equipment in accordance with technical and other regulations. In addition, private sector entities may import or export hydrocarbons, including natural gas, subject to a permit from the Mexican Energy Ministry. Permits granted prior to the enactment of the Mexican Hydrocarbons Law, such as several of our permits, including their general terms and conditions, will remain in force during their original term, and rights held by permit-holders will not be affected by the new laws and regulations. However, certain new permits, such as commercialization permits granted by the Mexican Energy Regulatory Commission and import and export permits granted by the Mexican Energy Ministry may be required in connection with our operations. We are currently evaluating the legal process and requirements set forth in these new regulations in order to apply for and obtain any new required permits within the statutory time period.

Pursuant to the Natural Gas Regulations (under which we obtained several of our permits but which was repealed by the Mexican Hydrocarbons Law and its regulations), there were two types of natural gas storage and transportation permits: open-access (to provide services in a way similar to a utility) and self-use (granted exclusively to end-users or a group of end-users organized in a special purpose vehicle or company, and such systems/facilities will not provide services to third parties). Our transportation systems are open-access pipelines, and our LNG terminal is an open-access storage facility; while a self-use natural gas pipeline serves our Termoeléctrica de Mexicali power generation facility. These pipelines and facilities are regulated by our existing permits and supervised by the Mexican Energy Regulatory Commission. Under the Mexican Hydrocarbons Law, distribution, transportation and storage systems that provide services to third parties are subject to open access obligations. Pursuant to the Natural Gas Regulations, these entities are required to grant open access on a reasonable basis to any shipper that requests the service, provided there is available capacity in the system/facility and the parties reach an agreement on the subject matter, as set forth under the applicable general rules to be issued by the Mexican Energy Regulatory Commission. Open-access permit-holders are heavily regulated and supervised by the Mexican Energy Regulatory Commission. Although it is still early in the process, at this time, we do not foresee any relevant impacts from the Mexican Hydrocarbons Law on our LNG terminal and open access pipelines.

Midstream and downstream services are subject to "maximum regulated rates" that will be determined by the Mexican Energy Regulatory Commission. Permit holders may grant discounts or reach specific agreements with respect to rates subject to general rules that will be issued by the Mexican Energy Regulatory Commission. These agreements must be registered with the Mexican Energy Regulatory Commission, which will allow for public access of the agreements.

The Mexican Hydrocarbons Law requires a permit from the Mexican Energy Regulatory Commission to commercialize natural gas. As a result, commercialization activities carried out by our subsidiary, IEnova Marketing, will now be subject to a permit. Pursuant to the Mexican Hydrocarbons Law and other applicable laws, IEnova Marketing has obtained the required permits from the Mexican Energy Regulatory Commission to continue to carry out activities commercializing natural gas. Vendors or marketing companies are bound to retain, directly or through third parties, transportation, distribution or storage services from other permit-holders. In addition, with certain exceptions set forth in the law, storage and open-access transportation permit-holders are generally banned from commercializing natural gas stored in their facilities or transported through their systems.

For example, the Mexican Hydrocarbons Law provides cross-shareholding restrictions with respect to vendors and open-access transportation or storage permit-holders. However, cross-shareholding may be allowed by the Mexican Energy Regulatory Commission, with the previous approval from the Mexican Federal Economic Competition Commission, provided that such cross-shareholding does not affect competition, market efficiency or effective open-access. Compliance with these requirements may be met by guaranteeing independent operations or by establishing legal and corporate mechanisms to prevent intervention in operations and management. According to the applicable rules, the following may be required: (1) the strict legal unbundling of permitted activities or a functional, operational and accounting separation, (2) participation limitations in a company's share capital, (3) maximum participation limitations for economic agents in the commercialization market and (4) the reservation of capacity in storage facilities and pipelines. Notwithstanding these changes, the Mexican Hydrocarbons Law provides that permits issued prior to the enactment of the law, such as our permits and their terms and conditions, will remain in force. We do not expect that these new restrictions will affect our operations while our permits are still in force.

New rules applicable to permit-holders of activities such as transportation, storage, distribution, retail and merchandising of hydrocarbons, petroleum products and/or petrochemicals issued by the Mexican Energy Regulatory Commission, with input from the Mexican Federal Economic Competition Commission, are likely to promote the development of competitive markets in these industries of the hydrocarbons sector.

In accordance with such rules and the terms of the Midstream and Downstream Regulations, permit holders subject to open access obligations that have available capacity will have to hold open seasons to allocate such capacity to third parties. Available capacity is deemed to exist when (1) a new system is developed, (2) the capacity of an existing system is increased in view of operational efficiencies or of an extension of infrastructure, (3) existing capacity has not been allocated by means of a services contract or if having been contracted by a third party, it is not actually used, or (4) the end user transfers the capacity through the permit-holder.

Gas Storage General Terms and Conditions

The LNG and LPG storage general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Natural Licuado* and the *Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Licuado de Petróleo*) that form part of our LNG and LPG storage permits apply to all of our services agreements for the receipt and storage of LNG and LPG and delivery of natural gas. The LNG and LPG storage general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission.

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

Services. We are required to provide storage services for our customers by receiving LNG or LPG at our storage facilities, providing storage (and, with respect to LNG, regasification) services and delivering the resulting product to our customers at any authorized point of delivery.

Access to Available Storage Capacity. We are required to provide customers with reasonable access to the available storage capacity at our LNG terminal not yet under contract pursuant to a firm storage services agreement. Customers can access such capacity by executing a relevant services agreement, provided that they have the necessary pipeline connection to our facilities at the points of delivery specified in the services agreement. In addition, customers must provide a financial guarantee covering compliance with their obligations under the services agreements and the LNG or LPG general terms and conditions.

Firm Storage Services. Firm storage services consist of storing LNG or LPG delivered at the receipt 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 services agreement. Our firm storage services may not be subject to reductions or interruptions, with exceptions specified in the LNG or LPG general terms and conditions and the relevant services agreement.

Interruptible Storage Services. Interruptible storage services consist of storing LNG up to the maximum storage quantity specified in the relevant services agreement. Our customers have the right to request this service while the services agreement is in effect. However, interruptible storage services are subject to any available capacity remaining after fulfilling the firm storage services obligations.

Interruption of Services. Customers are not entitled to receive storage services if they are not in compliance with any of their storage services payment obligations, subject to an exception for customers that provide a satisfactory guarantee to cover the overdue payment, with our consent.

Creditworthiness. Customers must be solvent or provide evidence of creditworthiness within 30 days after our request to be eligible to receive LNG or LPG storage services. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee securing their obligations under the LNG or LPG general terms and conditions.

Suspension, Reduction or Modification of the Storage Service. If customers fail to comply with their obligations under their services agreements, we may suspend LNG and LPG storage services. Subject to a cure period, we may terminate the relevant services agreement. The services agreement will terminate automatically in the event of a customer's insolvency, and we will have the right to make a claim under any financial guarantee granted by such customer. If we suspend LNG or LPG storage services without a justified cause, we will provide a credit equal to five times the rate of the LNG or LPG storage service that would have been available for such customer during the suspension, to be calculated in accordance with the terms of the LNG general terms and conditions.

Miscellaneous Purchases and Sales. We are not obligated to execute a services agreement at a lower rate than the regulated rate.

Payment. If customers breach their payment obligations, the overdue amounts accrue interest at a daily rate calculated pursuant to the LNG or the LPG general terms and conditions. Failure to pay within a certain period of time provided in the LNG or the LPG general terms and conditions may result in suspension of service.

Responsibility, Warranty and Assignments. We are deemed to be in control of and responsible for any stored LNG or LPG from the time of receipt until delivery to customers. Customers are deemed to be in control of and responsible for LNG or LPG prior to our receipt thereof, or after delivery.

Storage services 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 our rights and obligations to lenders for purposes of securing financing and to any entity that acquires the LNG or LPG terminals from us, with prior authorization of the Mexican Energy Regulatory Commission.

Our liability to customers is limited to damages suffered directly as a result of our failure to perform our obligations under a storage services agreement (suspension or interruption of delivery of LNG or LPG at the point of delivery). Customers must ensure that their vessels are fully covered by insurance (including environmental insurance) and manned and maintained in accordance with applicable national and international standards.

Force Majeure. A *force majeure* event is any event, foreseeable or unforeseeable but unavoidable, that hinders or prevents the affected party from complying with its obligations under a storage services 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 are 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 LNG or LPG terminals, our customers' obligation to make storage capacity payments under the services agreement will be suspended or, if applicable, reduced *pro rata* for the level of storage services provided. We may also suspend, restrict or modify deliveries of gas to customers to the extent affected by such event.

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 amount owed by them at the time the *force majeure* event occurred.

Gas for the Operation of the LNG Terminal. We require a certain amount of natural gas for the operation of the LNG terminal and provision of storage services, and are entitled to retain and use, at no cost or charge, our customers' available stored LNG for such purposes.

Dispute Resolution. Any disputes will be resolved through arbitration.

Assignment of Shipper's Capacity. Any customer may temporarily or permanently assign all or a portion of its supplied quantity of natural gas to another customer with prior notice to us. Any such transfers of contractual rights must be approved by us and are subject to the creditworthiness requirements.

Connection Policy. We have an obligation to allow any entity to connect to our LNG or LPG terminals and related pipelines, subject to certain conditions related to available capacity and technical viability, provided that the party seeking the connection must bear all connection and other costs.

Gas Transportation Pipeline General Terms and Conditions

The gas pipeline general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Transporte de Gas Natural*, *Términos y Condiciones Generales para la Prestación del Servicio de Transporte de Gas Licuado de Petróleo,* and *Términos y Condiciones Generales para la Prestación del Servicio de Transporte de Gas Licuado de Etano*) included in our natural gas, LPG and ethane transportation permits regulate transportation services agreements executed in connection with gas pipelines and are self-executing provisions that form part of such agreements. The gas pipeline general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission with respect to each gas transportation permit that it grants.

Although the general terms and conditions for each of our gas transportation permits are substantially similar, there may be certain provisions that vary between each permit and its related agreement. Below is a summary of the principal provisions that are common to the general terms and conditions for each of our gas transportation permits and their related agreements:

Term. The gas pipeline general terms and conditions are in effect for the term of the corresponding permit granted by the Mexican Energy Regulatory Commission.

Increase of Capacity. In the event that requests for pipeline services exceed our pipelines' available capacity, we must build additional facilities to increase our pipelines' available capacity to fulfill such requests if technically and economically viable.

Pipeline Services Agreements. We may only render pipeline services to customers that have executed a pipeline services agreement based on forms prescribed by the gas pipeline general terms and conditions and after the customer fulfills all of the requirements provided in the gas pipeline general terms and conditions. We enter into agreements after a full analysis of the services requests received from potential customers.

Orders. During the term of a pipeline services agreement, our customers prepare and deliver 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 order start and end dates.

Creditworthiness. Under the gas pipeline general terms and conditions, we are not obligated to provide pipeline services to customers with outstanding balances with us or impaired creditworthiness. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee securing their obligations under the gas pipeline general terms and conditions.

Assignment. Gas pipeline capacity may be assigned with our prior written consent, provided that the assignee complies with the gas pipeline general terms and conditions, including providing a required guarantee.

Payments. If customers breach their payment obligations, the overdue amounts accrue interest at a daily rate. Failure to pay within the grace period, which pursuant to each of the general terms and conditions may vary from ten to ninety days, may result in suspension of service and termination of the agreement.

Interruption of Services. Most of the general terms and conditions specifically provide that we are not liable for interruptions of pipeline services if there is a *force majeure* event, in the event of failure of a customer's facilities, in the event interruption is required for the maintenance or adjustment of our facilities, or in case of breach of obligations by the customer. Under some of the general terms and conditions and under certain circumstances, customers are required to pay the corresponding capacity fee during the interruption period. A service interruption, other than as described above, requires us to provide a premium to the affected customer equivalent to five times the amount of natural gas that would have been available during the interruption period as if such interruption had not occurred.

In the event of an interruption attributable to a *force majeure* event that lasts more than five business days, we must file a corrective plan with the Mexican Energy Regulatory Commission.

A *force majeure* event is any event, foreseeable or unforeseeable but unavoidable, that hinders or prevents the affected party from complying with its obligations under a pipeline services agreement. After a certain term, which may vary in each of the general terms and conditions, from such *force majeure* event, the affected party may terminate the services agreement.

Indemnification. Customers must indemnify us and our officers, agents, employees and contractors for any damage or loss suffered in connection with any breach of the customer's obligations under their pipeline services agreements.

Dispute Resolution. Any disputes will be resolved through arbitration. If a customer is deemed a consumer for purposes of the Mexican Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), any disputes will be resolved in accordance with such law.

Rates. We are allowed to negotiate lower rates than the ones provided in the relevant list of rates approved by the Mexican Energy Regulatory Commission. In any case, rates for interruptible services or common use must be lower than rates for firm services. We must publish any regulated rates annually in the Mexican Federal Official Gazette and in the official gazettes of the states in which we provide distribution services.

Natural Gas Distribution General Terms and Conditions

The natural gas distribution general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Distribución de Gas Natural*) included in our natural gas distribution permits regulate the receipt, delivery and marketing of natural gas. The gas distribution general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission with respect to each natural gas distribution permit that it grants for certain geographic zones.

Although the general terms and conditions for each of our gas distribution permits are substantially similar, there may be certain provisions that vary between each permit. Below is a summary of the principal provisions that are common to the general terms and conditions for each of our gas distribution permits:

Services. We provide firm and interruptible distribution services by delivering natural gas to our customers at different delivery points in our pipeline system. In the event we must interrupt, restrict or modify our services, the firm services will have priority over the interruptible services. In the event that we interrupt services without cause, we must compensate our customers in an amount equivalent to five times of the amount of natural gas that would have been available for such customers if interruption had not occurred.

Interconnection. After expiration of the exclusivity periods granted to us by the Mexican Energy Regulatory Commission for each geographic zone, we must allow other concessionaires to connect to our pipeline system as long as we have sufficient available capacity and if such connection is economically viable. Any connection fees will be agreed by us and the other concessionaires.

Rates. We are allowed to negotiate lower rates than the ones provided in the relevant list of rates approved by the Mexican Energy Regulatory Commission. In any case, rates for interruptible services must be lower than rates for firm services. We must publish any regulated rates annually in the Mexican Federal Official Gazette and in the official gazettes of the states in which we provide distribution services.

Capacity of the System. In order to calculate the maximum daily use of our distribution system we are required to use the "Stoner Workstation" simulation model, which is the international standard in our industry to calculate pipeline flows. If the requested capacity exceeds our available capacity, our residential and commercial services have priority, and we must consult with our industrial customers regarding reduction or interruption of their industrial service.

Credit, Deposits and Guarantees. Our customers must comply with at least one of the following creditworthiness requirements: (1) make a cash deposit in our favor equivalent to three times the monthly consumption estimated for such customer; (2) obtain a joint obligor, a letter of credit or a bond to guaranty the payment of the invoices; or (3) comply in a timely manner with the payment of all invoices for twelve consecutive months.

Safety Obligations. If there is an occurrence that may cause a risk to public health and safety, we must provide an immediate notice to the Mexican Energy Regulatory Commission and to the appropriate local authorities, informing them also of the measures adopted to resolve the problem. We are also obligated to use equipment, materials and systems that comply with the specifications provided by the Mexican Official Standards or, in the absence of such provisions, with the specifications internationally adopted in our industry. Likewise, we are obligated to train our personnel to prevent and remedy accidents, as well as to provide any needed assistance to government authorities in case of emergencies or disasters. In addition, we must acquire and keep in full force the insurance required by the relevant permits to cover any liabilities that may arise.

Liabilities. We will be liable for the damages that may be caused while rendering the services up to the delivery point, except in case of willful misconduct or negligence of the damaged party. After the delivery point, the customers will be liable for any damages suffered by such customer or any third parties.

Interruption of the Services. We may interrupt the services without any liability in the following cases: (1) if we determine that the system or equipment of a customer represents a significant danger or risk; or (2) by written order issued by a competent authority stating that the system of the customer represents a danger or risk or that it does not comply with applicable legal provisions. We are also entitled to suspend service in the event that customers fail to pay more than one invoice that is due.

In addition, we will not be liable for the interruption of the services as consequence of (1) acts of God or *force majeure* event; (2) failures of the systems of the customer due to operator error; (3) maintenance, extension or modification work on the systems, if we provide prior notice to the customers; or (4) breach by the customers of their obligations under the services agreements.

Termination. Any customer may terminate a services agreement with us by providing us with at least two days advance notice before the termination date.

Dispute Resolution. Disputes arising in connection with the services will be resolved through arbitration. The disputes in which the customer is considered a consumer in terms of the Federal Law for the Protection of Consumers will be resolved in accordance with such law.

Mexican Energy Sector Coordinated Regulatory Agencies Law

As a holder of LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas and ethane distribution permits and electric power generating permits, the Mexican Energy Regulatory Commission is our main supervising authority.

Mexican Natural Gas Regulations

On October 31, 2014, two sets of regulations for the Mexican Hydrocarbons Law were enacted: (i) the Mexican Hydrocarbon General Regulations and (ii) the Mexican Upstream, Midstream and Downstream Regulations. Given our business, we will be primarily regulated by the Mexican Upstream, Midstream and Downstream Regulations.

The current Mexican Natural Gas Regulations will continue to regulate Mexico's natural gas market with regards to permits for self-use, such as the permit for our Termoeléctrica de Mexicali power generation facility, to the extent that such regulations do not contravene the new legal framework, and the General Administrative Rules issued by the Mexican Energy Regulatory Commission.

The Mexican Upstream, Midstream and Downstream Regulations establish the following with respect to natural gas storage, transportation and distribution permits:

- technical requirements applicable to the operations of permit-holders, such as efficiency, frequency, safety, continuity and uniformity in the supply of natural gas;
- open access obligations;
- the rules applicable to the term, duration and renewal of the permits;
- the rules applicable to the modification, transfer, cancellation and revocation of permits;
- the requirements to be met for the receipt of permits;
- the procedures for the granting of permits;
- the rules related to the provision of the different services, including specific obligations of permit-holders; and
- the regulation of rates and terms of the service.

Distribution permits are granted to supply the commodity within a designated geographic zone determined by the Mexican Energy Regulatory Commission with input from the Mexican Energy Ministry and other authorities with jurisdiction, such as those with powers over urban development matters. Distribution permits are commonly granted for 30 years and may be extended for a single subsequent period of 15 years. Nonetheless, the permit holder may apply for a new permit, a year before the expiration date of the permit. We currently operate three natural gas distribution systems in the areas of Mexicali, Chihuahua and La Laguna—Durango, and have distribution permits for these geographic zones.

Transportation companies are not obligated to provide transportation services in any predetermined geographic zone; however, transportation permits refer to a determined capacity and a specific route within Mexican territory. Natural gas transportation permits are granted by the Mexican Energy Regulatory Commission on a non-exclusive basis.

The Mexican Upstream, Midstream and Downstream Regulations provide that permit holders subject to open-access obligations that permanently have available capacity must carry out open seasons to allocate such capacity. Available capacity is deemed to exist when (1) a new system is developed, (2) the capacity of an existing system is increased in view of operational efficiencies or of an extension of infrastructure, (3) existing capacity has not been allocated by means of a services contract or if having been contracted by a third party, it is not actually used, or (4) the end user transfers the capacity through the permit-holder.

Furthermore, subject to technical and financial feasibility, carriers, vendors and storage providers subject to open-access obligations are obligated to extend their systems upon the request of any interested party. Similar obligations were provided for under the pre-reform energy framework (such as the Natural Gas Regulations) under which we obtained the majority of our current permits. Therefore, we do not expect that these provisions will affect our operations under our current permits.

National Center of Control of Natural Gas

CENAGAS is a newly created agency of the Mexican Federal government (*organismo público descentralizado*) tasked with taking over the following activities:

- management, administration and operation of the Integrated National System of Transportation and Storage of Natural Gas (*Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural*) which was previously carried out by Pemex;
- monitor compliance by permit-holders with their open access obligations, without affecting their reserved capacity rights;

- transportation and storage services that were previously provided directly by Pemex, and the transfer of the transportation and storage systems used for public service and owned by Pemex to CENAGAS; and
- management and administration of capacity agreements that have been executed by Pemex and the Mexican Federal Electricity Commission.

As a consequence, we will be required to abide by any instruction that CENAGAS may issue in connection with our open access infrastructure that is part of the Integrated National System of Transportation and Storage of Natural Gas. With respect to our joint venture with Pemex TRI, we will be required to allow CENAGAS the management and administration of the transportation services agreements entered into by the joint venture in connection with open access matters, without affecting the joint venture's rights under such agreements.

Mexican Official Standards and Directives 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 Official Standards issued by the Mexican Energy Ministry and ASEA in connection with technical matters of our business, such as natural gas quality and technical specifications related to the design, construction, safety, operation and maintenance of our transportation, storage and distribution systems and facilities, and (2) the Directives issued by the Mexican Energy Regulatory Commission that regulate economic matters applicable to our business such as prices and rates and accounting and insurance matters. In addition, it is expected that new Mexican Official Standards for the hydrocarbons sector related to environmental protection and industrial safety will be issued by ASEA.

Laws Applicable to Liquefied Petroleum Gas Activities

Mexican Hydrocarbons Law

The Mexican Hydrocarbons Law, subject to permitting requirements, allows private sector entities to store, transport, distribute, directly sell and commercialize petroleum products, including LPG, as well as to import and export petroleum products. Such permits are issued by the Mexican Energy Regulatory Commission and the Mexican Energy Ministry. Permits granted prior to the enactment of the Mexican Hydrocarbons Law, such as our permit for the Guadalajara LPG terminal and transportation pipeline, will remain in full force during their original term.

Liquefied Petroleum Gas Regulations

The Mexican Hydrocarbon General Regulations and the Mexican Upstream, Midstream and Downstream Regulations are also applicable to LPG activities, including transportation, storage, distribution and retail sale of LPG, which are activities exclusively under federal jurisdiction. These activities may be carried out by the public and private sectors, which may construct, operate and own pipelines, alternatives to pipelines for transportation, facilities and equipment, in accordance with the terms of such regulations.

A 2007 reform brought the introduction of reception, keeping and delivery installations (*instalaciones de recepción, guarda y entrega*, or IRGEs). This type of system gives transportation permit-holders (this system technically works as an extension of a regular transportation permit issued by the Mexican Energy Regulatory Commission) the chance to have a small-scale LPG terminal strictly for intermediary transport purposes such as filling tanker trucks for further transport. However, the IRGE system does not allow LPG to be sold to third parties, and cannot be used for self-supply storage either. Different permits are required for those activities.

Other Authorities

The Mexican Federal Economic Competition Commission, an independent body of the Mexican government, has a joint jurisdiction in the activities of natural gas, LPG and ethane concerning the prevention of, and enforcement against, monopolistic practices and economic concentrations. With the approval of the Mexican Federal Economic Competition Commission, the Mexican Energy Regulatory Commission may issue new regulations to develop competitive markets in the hydrocarbons sector, which may include bundling restrictions, shareholder limitations, and caps in economic operators' participation in marketing activities.

There are several other permits and/or licenses which may be required by the three different levels of government (municipal, state or federal) for the development, construction and operation of natural gas and LPG systems. These include environmental permits, social permits, zoning permits, construction permits, concessions over and/or crossing of federal areas such as rivers, streams and maritime zones for a dry dock, among others.

Certain key environmental permits required for the development of works or activities by the hydrocarbons sector, including environmental impact and risk, forestry land use change, air emissions and remediation of polluted sites, will be issued by the Mexican National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency, a new body under the umbrella of SEMARNAT, with technical and management independence. This new agency has also been granted regulatory, inspection and sanction authority in matters related to industrial and operational safety and environment for the oil and gas industry. This new agency began its activities, including permitting, in March of 2015.

Other Relevant Provisions

Our business operations are subject to other standards that may affect our business, including state and municipal laws, and regulations related to zoning, construction and civil protection.

Laws Applicable to Electricity Generation

Given the amendment to the Mexican Constitution in December 2013 and the enactment of the Mexican Electric Industry Law, which repealed and replaced the former Mexican Electric Power Public Utility Law (*Ley del Servicio Público de Energía Eléctrica*), private entities are allowed to obtain permits for the generation and commercialization of electricity in the wholesale market, and to participate in the construction, operation and administration of power plants. The Mexican State will carry out the transmission and distribution of electricity through the Mexican Federal Electricity Commission or other state-owned companies, but it may enter into contracts with private companies related to such activities, including contracts for the financing, installation, maintenance, procurement, operation and expansion of the electric network infrastructure. Planning and control of the grid falls under the exclusive authority of the Mexican Federal government and will be carried out through CENACE, a governmental body that will be in charge of managing the national electrical grid and will act as an independent system operator for the wholesale electricity market.

In terms of the Electricity Market Rules, private generators of electricity may participate in a new wholesale open market to be operated by CENACE by selling energy and associated products to the Mexican Federal Electricity Commission or to "qualified users." Within such market, only entities who become "qualified users" (i.e. entities that register with the Mexican Energy Regulatory Commission and that have a yearly demand of at least 5 MW and a yearly energy intake of at least 20 GWh) will be able to purchase electricity and associated products through long-term power coverage agreements or in a spot market either from the Mexican Federal Electricity Commission or from other third parties.

Under the Mexican Electric Industry Law, power stations with an installed capacity of 0.5 MW or more as well as those represented by a generator in the wholesale market (regardless of the installed capacity) will require an energy generation permit. Power stations with an installed capacity of less than 0.5 MW will not require a permit but will need a supplier acting on their behalf to sell their energy and associated products in the wholesale market.

Permits granted prior to the enactment of the Mexican Electric Industry Law (such as the 2001 export permit for our Termoeléctrica de Mexicali power generation facility and the 2013 export permit for our Energía

Sierra Juárez wind power generation operation) will continue to be effective, and rights held by permit-holders will not be affected by the new laws and regulations.

Pursuant to the Mexican Electric Industry Law and implementing regulations, certain clean energy usage obligations (for the reduction of air emissions) are applicable to participants in the electric energy market. Such participants include energy suppliers, "qualified users," final users whose source of energy results from a self-supply (*abasto aislado*) scheme and load points in grandfathered interconnection agreements. These usage obligations will be credited by Clean Energy Certificates (*Certificados de Energías Limpias)*, or CELs, and will be required starting in 2018 in the proportion to the actual energy consumption that the Ministry of Energy determines each year, which is 5% for 2018 and 5.8% for 2019

As of 2018, CELs will be issued to "clean energy generators." Electric power generators will be entitled to receive a CEL per MW/hr generated at clean power plants (such as wind and solar farms, geothermal energy projects and cogeneration power plants). These CELs will be negotiable through the spot market, long-term power coverage agreements in the wholesale electricity market or through private power coverage agreements between market participants.

On December 24, 2015, the Mexican Energy Transition Law was published. This new law, which repeals a former renewable energy statute, aims to regulate the use of sustainable energy and obligations regarding clean energy and reduction of polluting air emissions in the electricity industry. Consequently, the Mexican government must implement strategies and programs to achieve specific goals regarding clean energy; at present, such goals consist of generating at least 25% of the electricity in Mexico from clean sources by 2018, 30% by 2021 and 35% by 2024. The national goals that have been established in the Mexican Energy Transition Law will be achieved by means of several mechanisms, including voluntary agreements between private entities and SENER, voluntary certification awards, and the aforementioned obligation to use clean energy and acquire CELs.

As facilities interconnected to the grid controlled by the California Independent System Operator, the Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind power generation operation are subject to the electric reliability standards promulgated by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council pursuant to Section 215 of the Federal Power Act.

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 generation operation into the United States. A company engaged in the wholesale sale of electricity for resale in interstate commerce is subject to regulation under the Federal Power Act by FERC. FERC regulation under the Federal Power Act includes regulations establishing the rates, terms and conditions under which electricity generators are able to sell electricity at wholesale, as well as other ongoing regulation regarding requirements to file electronic quarterly reports, periodic market power reports and, in the event that an issuer or an affiliate acquires ownership or control of additional energy assets, to notify FERC of these acquisitions, and to comply with applicable FERC requirements, including with respect to securities issuances, transfers of FERC-jurisdictional facilities, reliability standards, market behavior and manipulation, and accounting requirements.

The Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind power generation operation are subject to the U.S. Public Utility Holding Company Act of 2005, or 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 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 FERC regulation of certain affiliate transactions and certain disclosure, accounting and cost-allocation matters. State utility regulatory commissions in some instances also 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 only by virtue of their direct or indirect ownership of (1) "qualifying facilities" under the Public Utility Regulatory Policies Act of 1978, (2) Exempt Wholesale Generators (as defined in PUHCA), or EWGs, or (3) "foreign utility companies," as defined in PUHCA. In addition, FERC regulations provide that an EWG is exempt from FERC regulation under PUHCA, other than the procedures for obtaining EWG status. In order to be an EWG, a project company must be exclusively engaged in owning or operating, or both owning and operating, an "eligible facility" and selling electricity at wholesale. An "eligible facility" is a generation facility used exclusively for the sale of electricity at wholesale.

Other Laws in the Mexican Energy Sector

In addition to the Mexican Hydrocarbons Law, the Mexican Energy Sector Coordinated Regulatory Agencies Law establishes the authorities of the Mexican Energy Regulatory Commission as well as its structure and internal organization. The Mexican Energy Regulatory Commission is an agency of the Mexican government that has technical, operating and management autonomy, and is the sole body responsible for granting storage, transportation and distribution permits to participants in the natural gas, LPG and ethane sectors in Mexico. Additionally, the Mexican Energy Regulatory Commission is responsible for granting energy-related permits to generators and qualified users, as well as permits for the importation and exportation of such energy, and for supervising, monitoring and inspecting such generators' and users' operations and full performance of the corresponding permits.

Pursuant to the Mexican Energy Sector Coordinated Regulatory Agencies Law, the Mexican Energy Regulatory Commission has broad powers and authority to regulate natural gas, LPG and ethane storage, regasification, transportation, distribution, processing, liquefaction, compression, decompression, marketing, import and export activities, such as the issuance of terms and conditions that shall govern such services provided by the public and private sectors and the issuance of guidelines to calculate the rates applicable to such services. It also has the authority to oversee the operations of the wholesale electricity market and to issue regulations and general rules to foster the generation and use of clean energies.

The Mexican Federal Economic Competition Commission, an independent body of the Mexican government, has a joint jurisdiction in the activities of natural gas, LPG and ethane concerning the prevention of, and enforcement against, monopolistic practices and economic concentrations. With the approval of the Mexican Federal Economic Competition Commission, the Mexican Energy Regulatory Commission is expected to issue new regulations to develop competitive markets in the hydrocarbons sector, which may include bundling restrictions, shareholder limitations, and caps in economic operators' participation in marketing activities.

There are several other permits and/or licenses which may be required by the three different levels of government (municipal, state or federal) for the development, construction and operation of natural gas, LPG and ethane systems, as well as for other activities in the energy sector. These include environmental permits, zoning permits, construction permits, concessions over and/or crossing of federal areas such as rivers, streams and maritime zones for a dry dock, among others.

Certain key environmental permits required for the development of works or activities by the hydrocarbons sector, including environmental impact and risk, forestry land use change, air emissions and remediation of polluted sites, will be issued by the Mexican National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency, a new body under the umbrella of SEMARNAT, with technical and management independence. This new agency has also been granted regulatory, inspection and sanction authority in matters related to industrial and operational safety and environment for the oil and gas industry. This new agency began its activities, including permitting, in March of 2015.

Mexican Federal Anticorruption Law in Public Contracting

On June 12, 2012, the Mexican Federal Anticorruption Law became effective. The Mexican Federal Anticorruption Law sets forth liabilities and penalties applicable to both Mexican and foreign individuals and legal entities that participate in corrupt practices in federal public contracting, as well as to those Mexican individuals and legal entities that participate in corrupt practices in commercial international contracting with the public sector of a foreign state, or the granting of permits and concessions thereby. We are subject to the Mexican Federal Anticorruption 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 bid process, or the contracting with a federal governmental entity.

The Mexican Federal Anticorruption Law states that an individual or legal entity will be liable when, in federal public contracting or the granting of permits or concessions by federal governmental authorities, it directly or indirectly promises, offers, or delivers money or any other gift to a public servant or a third party, in exchange for such public servant's performance or abstinence from performing an act related to his/her duties or those of another public servant, with the intent of obtaining or maintaining a benefit or advantage, regardless of whether the money or gift was accepted or received or the result was obtained. The Mexican Federal Anticorruption Law also applies to similar conduct related to international commercial contracting with the public sector of a foreign state.

The Mexican Federal Anticorruption Law provides for the investigation of possible infringers and includes an administrative procedure to address claims. The Ministry of Public Administration (*Secretaría de la Función Pública*) is the authority in charge of investigating and penalizing infringement of the Anticorruption Law. Other authorities also have authority to penalize for infringement of the Mexican Federal Anticorruption Law within the scope of their duties.

Individuals and legal entities may be subject to fines of up to 50,000 times the daily minimum wage and legal entities may be subject to fines of up to 2,000,000 times the daily minimum wage, with the possibility of being increased by an additional 50% when the benefit received exceeds the amount of the fine, among other reasons. Additionally, individuals may be penalized with prohibition from participating in federal public contracting for up to eight years and legal entities may be penalized with prohibition from participating in federal public contracting and the award of permits or concessions for up to ten years. The Mexican Federal Anticorruption Law includes a fine reduction regime ranging between 50% and 70% of the penalty if the conduct is spontaneously disclosed or "confessed" before the initiation of the administrative procedure and 50% of the penalty if the conduct is disclosed or "confessed" once initiated.

Mexican Data Protection Law

We are subject, and in particular the Ecogas distribution system is subject, to the provisions of the Mexican Data Protection Law (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*) that entered into effect in Mexico as of July 6, 2010. The Mexican Data Protection Law is applicable for natural persons or private legal entities that process personal data concerning Mexican citizens.

Pursuant to the Mexican Data Protection Law, the processing and transfer of personal data requires consent by the data owner prior to such processing or transfer. Consent can be obtained by means of a document referred to in the law as a "privacy notice," which informs the data owner of the personal data being collected, the purpose for the use of the personal data, any intended transfers and the data owner's rights of access, rectification, and cancellation or opposition to the processing of the personal data. A data owner grants consent for the use of the personal data if it does not oppose the privacy notice. The privacy notice can be delivered through printed, digital, visual, electronic or sonorous means or in any other format. According to the Mexican Data Protection Law, data owners are entitled to revoke their consent at any time. The Mexican Data Protection Law provides certain requirements for the transfer of personal data to third parties and certain exceptions for such requirements in which the transfer of information is permitted.

Mexican Ports Law

As holders of a concession for the use and occupation of a federal maritime zone for the construction and operation of a maritime terminal for our LNG Terminal, including a dry dock and ancillary maritime infrastructure, we are subject to the Mexican Ports Law (*Ley de Puertos*) and its regulations and to the jurisdiction of the federal government through the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*).

Pursuant to the Ports Law, the construction and operation of maritime infrastructure as well as dredging activities require specific authorizations from the Mexican Ministry of Communications and Transportation. Likewise, the use of federal maritime zones requires special personal authorizations known as concessions, which are exclusive to Mexican corporations.

Concessions may be granted for up to 50 years, subject to the characteristics and investment of the project in question, and are subject to renewal for a period of time equivalent to the one originally granted. A concession may be terminated by the Mexican Ministry of Communications and Transportation 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, our concession may be revoked in certain circumstances, including if we do not comply with our obligations under the permits, or if we experience partial or total interruption in the operation of the system or facility without 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, among others, to consumer protection and environmental law. Consequently, on August 30, 2011, the Mexican Federal Code of Civil Procedure, the Mexican Federal Consumer Protection Law and the Mexican General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*) were amended to incorporate class actions. Such amendments became effective on March 1, 2012, though as of the date of this offering circular, to our knowledge, only one class action has been brought before the federal courts in connection with environmental matters.

Mexican Federal Environmental Liability Law

The Mexican Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*) enacted on July 7, 2013 regulates environmental liability arising from damages to the environment including remediation and compensation. In the event of intentional and unlawful action or inaction, the responsible party will be fined up to approximately forty million Mexican pesos. This liability regime is independent from administrative, civil or criminal liability.

Environmental liability may be attributed to an entity for conduct carried out by its representatives, managers, directors, employees, or officers who have an operational domain of their activities. The statute of limitations to claim environmental liability is twelve years from the environmental damage. The law allows the interested parties to solve disputes by means of alternative dispute resolution mechanisms, provided the public interest or third party rights are not affected.

Mexican Federal Labor Law

On November 30, 2012, the Mexican Federal Labor Law (*Ley Federal del Trabajo*) was amended in order to incorporate, among other things, (1) labor principles recognized by the International Labor Organization regarding non-discrimination towards women and the disabled in the labor environment, (2) three new employment arrangements (the “initial training contract,” the “contract on trial” and the “seasonal discontinuous contract”), and (3) a new subcontracting regime providing a legal framework for the contracting of employees through third parties. While we do not expect these amendments to have a material impact on us, we cannot predict with certainty the potential effects from the application of this new law.

Recent Developments in Mexican Securities Issuer Regulations

On September 29, 2015, the Mexican Finance Ministry (*Secretaría de Hacienda y Crédito Público*) through the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) published the Fourth Resolution of Modifications to the Tax Miscellaneous Resolution for 2015 (*Cuarta Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2015*) in the Federal Official Gazette, providing the tax treatment applicable to a new type of tax-advantaged publicly traded vehicle, which we refer to as FIBRA E, similar to the master limited partnership, or MLP, structures that have been used in the United States with respect to certain energy assets. Such reform was subsequently modified on December 23, 2015 and April 1, 2016.

In general terms, investments in FIBRA Es would permit companies to raise capital at lower costs, when compared to more traditional sources of financing, by grouping assets that qualify as hydrocarbons, electricity and certain other eligible infrastructure assets, including pipeline, oil and petrochemical storage facilities, which generate stable cash flows. Investments in such vehicles would have certain tax advantages for investors. For example, the sale of securities issued by FIBRA Es would be exempt from taxation in Mexico, for both Mexican resident individuals and non-residents without a permanent establishment in Mexico, similar to the existing tax regulations applicable to real-estate FIBRAs: no income tax payable at FIBRA E and investment company levels, but only at the level of the unitholders when a FIBRA E distributes net taxable income; no income tax payable on dividend distributions and capital returns; no additional tax payable on dividend distributions; and FIBRA Es may shield net taxable income distributed by investment companies with the deduction of a deferred expense created when acquiring investment companies.

In addition, similar to MLPs, FIBRA Es allow the manager thereof (which is expected to be an affiliate of the sponsor) to maintain full control of both the FIBRA E and the respective investment companies, granting only minimum corporate rights to unitholders. A technical committee, comprised of a majority of independent members, would also have to be established to supervise the manager and to resolve any transactions that represent a conflict of interest with respect to the manager.

FIBRA Es are subject to the minimum requirements of corporate governance, including disclosure of voting agreements, compensation of administrators, minority rights, and supervision by committees, similar to the committees of boards of directors of corporations.

We cannot make any prediction regarding the timing or scope of such regulations nor of their effectiveness or success in bringing new capital or investors into Mexico's energy and other infrastructure markets. Finally, we can make no assurances that we or our assets will be able to take advantage of new opportunities arising from the enactment of these regulations. In fact, the effect of such regulations may be to increase the competition that we may face in raising capital efficiently, or bring new competitors into the market for energy infrastructure assets, which could make it more difficult for us to win or develop projects at attractive yields.

Permits

LNG Permits

LNG Storage Permit

We operate our LNG storage facility under an LNG storage permit granted by the Mexican Energy Regulatory Commission on August 7, 2003. This permit allows us to provide LNG storage and regasification services through 2033, and requires that we allocate LNG storage and regasification capacity on a non-discriminatory basis and in accordance with open access principles. In addition, the permit requires that operation and maintenance of the storage facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable regulations.

Assignment and transfer of this permit is only permitted if the permit is transferred together with the LNG storage facility. Any modification of the permit requires prior approval by the Mexican Energy Regulatory

Commission. The permit is subject to revocation in the event that (1) there is an interruption of storage service without justified cause or without the authorization of the Mexican Energy Regulatory Commission, (2) we engage in unduly discriminatory practices or infringe the rates authorized by the Mexican Energy Regulatory Commission, (3) we assign, transfer, convey or modify the permit in violation of its terms, or (4) we do not comply with the obligations set forth in the permit.

In October 2007, the Mexican Energy Regulatory Commission approved the expansion of the terminal's peak send-out capacity to 2,600 MMcfd (27.0 MMThd) and the addition of up to two additional LNG storage tanks. The LNG storage general terms and conditions (as amended from time to time by us and approved by the Mexican Energy Regulatory Commission as part of the natural gas storage permit issued by the Mexican Energy Regulatory Commission) require an open bidding process in the event that we wish to expand the capacity of the terminal.

Power Generation Permit

We conduct our electrical power generation activities at our LNG terminal under a self-use power generation permit granted by the Mexican Energy Regulatory Commission on February 2, 2005. This permit allows us to engage in power generation activities at the terminal for an indefinite term for our own use or for the use by our self-sufficient partners. In addition, the permit requires that 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 regulations.

Assignment and transfer of this permit is only permitted if the permit is transferred together with the power generation facility and the Mexican Energy Regulatory Commission has previously approved the transfer. The permit is subject to revocation in the event that we (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for selling, reselling, or in any other way transferring the electricity generated in violation of the permit, (2) generate electricity in violation of the conditions established in the permit, (3) make an assignment, transfer or modification to the permit without the authorization of the Mexican Energy Regulatory Commission, or (4) otherwise fail to comply with the terms and conditions of the permit.

Transportation Permits

Each of our transportation systems holds a separate transportation permit issued by the Mexican Energy Regulatory Commission allowing it to engage in its natural gas transportation operations. Each of these permits has a term of 30 years and their expiration dates range from 2028 to 2046.

These permits provide that allocation of pipeline capacity must be conducted on a non-discriminatory basis in accordance with open access principles. 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. Any modification of these permits requires the prior approval of the Mexican Energy Regulatory Commission and these permits can only be assigned if the applicable transportation system is transferred together with the permit.

A transportation system permit can be revoked in the event that (1) there is an interruption of transportation service without cause or the authorization of the Mexican Energy Regulatory Commission, (2) we engage in unduly discriminatory practices or charge rates in excess of those authorized by the Mexican Energy Regulatory Commission, or (3) we assign, transfer, convey or modify the permit in violation of the permit's requirements.

Distribution Permits

The Ecogas distribution system holds separate distribution permits for each of its three distribution zones, allowing it to conduct natural gas distribution services in those locations. Each of these permits has a term of

30 years and their expiration dates range from 2026 to 2029. These permits provide that allocation of distribution services should be granted in an efficient way and in accordance with principles of uniformity, homogeneity, regularity, safety and continuity. In addition, the allocation of distribution service capacity must be conducted on a non-discriminatory basis in accordance with open access principles. Operation and maintenance of the distribution systems must be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations. These permits can only be assigned if the applicable distribution system is transferred together with the permit.

Power Generation Permits

Termoeléctrica de Mexicali Permits

Our Termoeléctrica de Mexicali power plant holds two-way electric power permits issued by the Mexican Energy Regulatory Commission. Under the first of these we are able to produce and export up to 679.7 MW of electric power to the United States, with the term of the permit running through August 2031. In June 2001 we also received a permit to import 12.0 MW of electricity from the United States to power the generation station, with an indefinite term. The export permit requires that 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 regulations.

Assignment, transfer or modification of either of these permits requires previous approval from the Mexican Energy Regulatory Commission. Additionally, with respect to our export permit, its assignment or transfer is only permitted if the permit is transferred together with the power generation facility.

The permits are subject to revocation in the event that we: (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for impermissibly selling, reselling, or in any other way transferring the electricity generated or the generation capacity or importing electric energy in violation of applicable law or our permits, (2) assign, transfer or modify either permit without the authorization of the Mexican Energy Regulatory Commission and without following the requirements provided in the permit to that effect, or (3) seriously, repeatedly or continuously fail to comply with the legal terms and conditions of applicable law or our permits, Mexican Official Standards or applicable technical and operational specifications.

Energía Sierra Juárez Permits

Our Energía Sierra Juárez wind power generation operation is scheduled to be developed in phases over several years. The first phase commenced operation in June of 2015 and was constructed under an environmental impact authorization, granted for all phases of the project, and an initial change of forestry to industrial use of land permit, granted for the first phase (for an area of 171.8 hectares). Both permits were granted by SEMARNAT. In addition, we obtained a state environmental impact authorization specifically for the opening and conditioning of access roads to the project.

The SEMARNAT environmental impact authorization, covering an up to 1,200 MW wind generation project and the removal of 5,120 hectares of forest and forest-like vegetation, was issued in July 2010, with a 20-year term for the site preparation and project construction and a 60-year term for the operational stage.

The wind power generation operation is operated under two electric power permits granted in June 2012 by the Mexican Energy Regulatory Commission: (1) an electric energy import permit which allows the import of electric power to Mexico from the United States exclusively to cover the needs of the wind power generation operation, with an indefinite term; and (2) an electric energy export permit which enables us to produce electric power under an independent power producer scheme with an installed capacity of 155 MW for a 30-year term, subject to renewals under certain conditions. Under these permits, electricity is imported and exported through a transmission line interconnected with San Diego Gas & Electric Company's East County substation. Assignment or transfer of these permits requires the prior approval of the Mexican Energy Regulatory Commission. Further phases of the project will also require Mexican Energy Regulatory Commission permits for the power to be generated and sold pursuant to such phases.

The permits are subject to termination in the event that we: (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for impermissibly selling, reselling, or in any other way transferring the power capacity or electricity in violation of applicable laws or our permits, (2) assign, transfer or modify the permits without the prior authorization of the Mexican Energy Regulatory Commission, (3) repeatedly fail to make payments of governmental charges regarding supervision services related to these permits, or (4) seriously, repeatedly or continuously fail to comply with applicable law, Mexican Official Standards or applicable technical and operational specifications.

Ventika Permits

The Ventika I and Ventika II wind power generation facilities have self-supply permits granted pursuant to the Mexican Electric Power Public Utility Law for alternative energy generation. The permits are valid for 20 years and are renewable. Under the terms of the Mexican Electric Industry Law, the Ventika I and Ventika II self-supply permits remain governed by the Mexican Electric Power Public Utility Law and, therefore, would permit us, upon completion of the Ventika Acquisition and becoming the owners of Ventika I and Ventika II, to enter into "grandfathered" interconnection contracts for up to 20 years. In addition, these permits grant various benefits that may not be available to holders of permits granted under the Mexican Electric Industry Law, such as fixed transmission and distribution tariffs and savings of excess energy for future sales, among others. Self-supply permits granted pursuant to the Mexican Electric Power Public Utility Law, such as those granted to Ventika I and Ventika II, are no longer available from the Mexican Energy Regulatory Commission.

Environmental Matters

Environmental Regulations

Our Mexican operations are subject to federal, state and local environmental authorities, laws, regulations, Mexican Official Standards and other technical standards. The distribution of jurisdiction over environmental matters among governmental authorities at the federal, state and municipal levels is based on a "residual formula" provided in the Mexican Political Constitution which establishes that those matters which are not expressly reserved to 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 may fall under state or municipal jurisdiction.

The primary federal environmental laws in Mexico applicable to our business are: the Mexican General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*); the Mexican General Law for the Prevention and Comprehensive Management of Wastes (*Ley General para la Prevención y Gestión Integral de los Residuos*); the Mexican National Waters Law (*Ley de Aguas Nacionales*); the Mexican General Law for Sustainable Forestry Development (*Ley General de Desarrollo Forestal Sustentable*); the Mexican Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*) and the Mexican General Law of National Assets (*Ley General de Bienes Nacionales*). Pursuant to these laws, rules and regulations have been promulgated concerning environmental impact and risk matters, noise emissions, emissions into the atmosphere, water extraction and wastewater discharges, waste handling, etc., to which our businesses are also subject. Our businesses may also be subject to other laws, regulations and technical requirements relating to the protection of the environment such as the Mexican General Health Law (*Ley General de Salud*) and the Mexican Federal Regulations on Safety, Hygiene and Work 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; revocations of authorizations, concessions, licenses, permits or registries; administrative arrests; seizure of contaminating equipment; and in certain cases, temporary or permanent closure of facilities and even imprisonment, when environmental violations are classified as criminal offenses as well as in remediation, reparation or compensation obligations in matters of civil or environmental liability.

Our projects operate under licenses, permits, authorizations, concessions and registrations issued under these environmental laws. We believe that we have all material permits, licenses, registrations, concessions and/or authorizations for the facilities and projects that we operate, and that we are in substantial compliance with applicable environmental laws and the respective permits. There are currently no material legal or administrative proceedings pending against us with respect to any environmental matters, except for the matters described in "Business—Legal, Administrative and Arbitration Proceedings—LNG Terminal—Matters Challenging LNG Terminal Permits and Authorizations" and "Business—Legal, Administrative and Arbitration Proceedings—Energía Sierra Juárez."

We follow internal policies and procedures to ensure compliance with applicable laws, regulations and our permits. From time to time we update our permits, authorizations, licenses, concessions and registrations and make periodic assessments in connection with their validity, including the amendment, renewal, extension or termination of such 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, we undertake the necessary actions to maintain the effectiveness thereof.

Regulatory and Supervising Authorities

SEMARNAT is the primary environmental agency responsible for environmental policies and management and is empowered, among other things, to grant federal environmental impact and risk authorizations and federal air emissions licenses and to issue Mexican Official Environmental Standards. ASEA has recently become the key environmental, as well as industrial and operational safety, regulator in the oil and gas sector.

There are four administrative departments within SEMARNAT (which are dependent on SEMARNAT and act on its behalf), including ASEA and two decentralized administrative departments (with legal standing and economic autonomy from the Mexican Environmental Protection Ministry) under the coordination of the Mexican Environmental Protection Ministry, which oversee specific areas of environmental law. The Mexican Environmental Protection Enforcement Agency is the enforcement branch of the Mexican Environmental Protection Ministry, while ASEA has been entrusted with this authority in the hydrocarbons sector. The Mexican Environmental Protection Enforcement Agency is responsible for investigating and inspecting facilities (including through the voluntary environmental audit program described below), imposing sanctions, as well as presiding over administrative appeals filed by persons who have been sanctioned for failure to comply with the law, and ASEA has been granted powers to undertake inspections and impose sanctions related to the matters regulated by such agency.

The Mexican National Water Commission (*Comisión Nacional del Agua*) is in charge of the management of national waters, surface and ground, 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 federal receptor bodies. The Mexican National Water Commission has its own enforcement department, independent from the Mexican Environmental Protection Enforcement Agency.

Environmental Certifications, Policies and Programs

Clean Industry or Environmental Quality Certifications

Several of the businesses in our gas and power segment participate in voluntary environmental audit programs sponsored by the Mexican Environmental Protection Enforcement Agency and ASEA, and these businesses currently hold renewed clean industry certificates. Our goal is that all of our other businesses participate in this program and obtain the corresponding certificates.

As part of these voluntary environmental audit programs, companies agree to conduct biannual environmental audits of their own facilities and operations through an authorized third party consultant. Based on the audit findings, the consultant prepares and proposes to the company a corrective and/or improvement action plan and, depending on the certification process, advises the Mexican Environmental Protection Enforcement Agency or ASEA, as the case may be, on 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, the Mexican Environmental Protection Enforcement Agency or ASEA, as the case may be, enters into an agreement with the audited company for the implementation of the action plan.

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 prudent engineering and operational practices for the relevant business. The certificate is valid for a two-year period and can be continuously renewed for similar periods as long as the company continues to prove that it has maintained or improved the environmental compliance conditions present at the time when the certificate was first awarded.

Corporate Environmental Policies

We conduct our business in compliance with our Corporate Environmental Policy. This policy is communicated to our employees and contractors and applied in new projects and the operation and maintenance of our facilities and processes. We intend to continue following this or similar policies in the future. The commitments stated in this policy include:

- minimizing and controlling the environmental impact from our operations and the services provided by us;
- sustainably managing our resources and constantly monitoring our operations and environmental management;
- optimizing and reviewing our environmental performance report on our consumption of water, combustibles and energy, conforming to our objectives and environmental goals, which are verified on an annual basis;
- encouraging the development and use of efficient, clean and cost-effective technologies, by helping our clients satisfy their energy needs in an environmentally responsible manner;
- decreasing our environmental impact through activities such as recycling and minimization of waste;
- complying with applicable environmental laws, regulations and norms and the best practices in the industry;
- reviewing existing operational and management results and practices to allow continual improvement; and
- conducting work consistently with environmental policies.

We often impose internal standards beyond Mexican regulatory requirements.

Environmental Programs for the Conservation of Biodiversity

We have several ongoing environmental programs to conserve biodiversity as well as construction projects and operations that are focused on conservation, protection and restoration of species of flora and fauna.

We do not believe that we will incur material costs and liabilities related to environmental matters with respect to our current projects, based on our existing clean industry certificates, the implementation of our corporate environmental policies and ongoing compliance monitoring programs. However, we cannot assure that future costs and liabilities associated with our projects could not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to our bylaws, we are managed by a board of directors. We are also subject to certain corporate governance and management rules established in our bylaws and the Mexican Securities Market Law, as discussed below. This discussion does not purport to be complete and is qualified by reference to our bylaws, and the applicable provisions of the Mexican Securities Market Law, Mexican corporate law and the regulations of the CNBV and of the Mexican Stock Exchange.

Board of Directors

Our board of directors currently consists of nine members and is responsible for the management of our business. Each director is appointed for a term of one year, may be re-elected and must remain in office until a successor has been appointed and has assumed office. Further, such members may be reelected and removed from office at any time by a decision of our shareholders at a general shareholders' meeting. The members of the board of directors are elected by our shareholders. Our board of directors meets at least once quarterly, and can meet extraordinarily as necessary.

Pursuant to Mexican law, at least 25% of the members of the board of directors must be "independent," as such term is defined in the Mexican Securities Market Law. Our bylaws provide for an alternate director to serve in place of an elected director if such director is unable to attend a meeting of the board of directors.

The current members of our board of directors were elected or reelected, as applicable, on April 29, 2016 in an ordinary general meeting of shareholders.

The following table sets forth certain information regarding the current members of our board of directors as of June 30, 2016:

Name	Age	Title	Original Date of Appointment
Carlos Ruiz Sacristán	66	Chairman	June 2012
Mark A. Snell	60	Member	June 2012
Joseph A. Householder	61	Member	March 2013
Mile Cacic Enríquez	66	Member	April 2015
Arturo Infanzón Favela	45	Member	December 2012
Luis Eduardo Pawluszek	53	Member	December 2012
Andrés Conesa Labastida	47	Member*	March 2013
Jeffrey Davidow	72	Member*	March 2013
Aarón Dychter Poltolarek	63	Member*	March 2013
María Angélica Espinosa Sánchez	39	Secretary (non-member)	April 2015
Rene Buentello Carbonell	48	Alternate Secretary (non-member)	June 2012
Rodrigo Cortina Cortina	48	Alternate Secretary (non-member)	June 2012

* *Indicates independent directors pursuant to Mexican Securities Market Law standards.*

The following is a summary of the experience and principal business interests of the current members of our board of directors:

Carlos Ruiz Sacristán. Carlos Ruiz Sacristán is our Chairman of the Board and Chief Executive Officer. From 2007 until his appointment as Chairman of the Board in June 2012, when he assumed responsibility for all of Sempra Energy's operations in Mexico, he served on Sempra Energy's board of directors. He currently serves on the boards of directors of Southern Copper Corporation, Banco Ve por Más, S.A. de C.V., and Grupo Creatica, S.A. de C.V. From 1994 to 2000 Mr. Ruiz served as Mexico's Secretary of Communications and Transportation during the administration of President Ernesto Zedillo, where he oversaw the restructuring of

Mexico's communications and transportation sectors to increase investment, broaden competition and improve infrastructure. Previously, from 1974 to 1988 he held various positions at Banco de México and, from 1988 to 1992, at the Mexican Ministry of Finance and Public Credit, and at Petróleos Mexicanos in 1994. Mr. Ruiz holds a Bachelor's Degree in Business Administration from Universidad Anáhuac in Mexico City and an M.B.A. from Northwestern University.

Mark A. Snell. Mark A. Snell is a member of our board of directors and the president of Sempra Energy. In that position, Mr. Snell oversees the company's infrastructure and international businesses. From 2005 to 2011, Mr. Snell was Executive Vice President and Chief Financial Officer of Sempra Energy and prior to 2005 he served as Group President of Sempra Global. In that position, Mr. Snell oversaw all aspects of Sempra Global in competitive energy markets, including energy trading, electric 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 previously 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, integrated 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. Mr. Snell is a member and Chairman of the board of directors of San Diego State University's College of Business Administration, and a member of the board of trustees of Hubbs-SeaWorld Research Institute and Rady Children's Hospital and Health Center. He holds a Bachelor's Degree in Accounting from San Diego State University and is a Certified Public Accountant.

Joseph A. Householder. Joseph A. Householder is a member of our board of directors and 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, and tax functions for Sempra Energy and 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 national tax office. From 1986 to 1999, he served in a number of legal and financial roles at Unocal, including ultimately as Vice President of Corporate Development and Assistant Chief Financial Officer, where he was responsible for worldwide tax planning, financial reporting and forecasting, and 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 Association 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.

Mile Cacic Enríquez. Mile Cacic Enríquez was appointed to our board of directors in April 2015 and has been Chief Executive Officer of Luz del Sur, S.A.A. in Peru since 1999. Previously, Mr. Cacic held various positions at Banco de Crédito de Peru and Atlantic Security Bank. He has been a member of the managing board of Peru's National Mining, Oil and Energy Society (*Sociedad Nacional de Minería, Petróleo y Energía*) since 2000 and served as its Vice Chairman from 2003 to 2005. He also served on the managing board of the National Confederation of Private Business Institutions (*Confederación Nacional de Instituciones Empresariales Privadas*) from 2003 to 2006, and the Association for the Furtherance of the National Infrastructure (*Asociación para el Fomento de la Infraestructura Nacional*) from 2001 to 2007, and on the board of directors of the American Chamber of Commerce in Peru in 2002 and the Energy Capital Fund in 2010. Mr. Cacic holds a Bachelor's Degree in Economics from Universidad del Pacífico in Peru, an M.B.A. from Katholieke Universiteit

Leuven in Belgium and from the Instituto de Administración in Caracas, Venezuela, and a Diploma in Information Technology from Harvard University.

Arturo Infanzón Favela. Arturo Infanzón is a member of our board of directors and our Chief Financial Officer. 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 PricewaterhouseCoopers 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 our board of directors and Vice President of Asset Development for Sempra LNG & Midstream, where he is responsible for all development, permitting and localization activities associated with reception, storage and liquefaction terminals. Previously, he was Vice President of South American Operations for Sempra International, where he was responsible for the operations of Chilquinta Energía in Chile and Luz del Sur in Peru, and their respective subsidiaries. Prior to joining Sempra, Mr. Pawluszek served in various positions at AEI Houston, including as Chief Financial Officer. Before that, he was Chief Executive Officer at Emgasud and EDEN, the Argentinian subsidiaries of AEI Houston. Mr. Pawluszek has served on the board of directors of various leading energy companies in Peru, Chile, Colombia and Argentina. He also served as Director of Finance at Transportadora Gas del Sur, where he was responsible for financial management and investor relations. He previously served as Representative for Royal Bank of Canada in Argentina and Chile, where we was responsible for the corporate clients business. Mr. Pawluszek currently serves on the board of directors of Chilquinta Energía, S.A. and Luz del Sur, S.A.A., which are controlled by Sempra Energy, and previously served on the board of directors of Emgasud and EDEN. He holds a Bachelor's Degree in Public Accounting from Universidad Nacional de Buenos Aires and a Master's Degree in Finance and Capital Markets from Escuela Superior de Economía y Administración de Empresas.

Andrés Conesa Labastida. Dr. Andrés Conesa Labastida is a member of our board of directors and the Chief Executive Officer of Aeroméxico since 2005. Dr. Conesa has held several positions in the Mexican public sector, including those of Advisor to the Secretary of the Economic Cabinet of the Office of the President of Mexico from 1991 to 1993, Chief Advisor to the Undersecretary of Finance and Public Credit from 1997 to 1998, Director of International Financial Affairs at the Mexican Ministry of Finance and Public Credit from 1998 to 2000, General Director of Economic Policy from 2000 to 2003, and Deputy Undersecretary for Public Credit from 2003 to 2004, when he was appointed Chairman of the Board of CINTRA, the holding company of Aeroméxico and Mexicana. He has been a member of the Board of Governors of the International Air Transport Association since 2008 and served as Chairman of the board from 2015 to 2016. Dr. Conesa holds a Bachelor's Degree in Economics from Instituto Tecnológico Autónomo de México and a Ph.D. in Economics from Massachusetts Institute of Technology, where he was both a Fulbright and a Ford-MacArthur Scholar. In 1997 was the recipient of the National Award for Economic Research.

Jeffrey Davidow. Jeffrey Davidow is a member of our board of directors and has extensive diplomatic experience in both Latin America and 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, Ambassador Davidow 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. From 2003 to 2011, Ambassador Davidow served as President of the Institute of the Americas in San Diego. He currently serves as Senior Advisor for the Cohen Group, an international business consultancy based in Washington, D.C. Ambassador Davidow has published articles in Foreign Policy and Foreign Affairs and authored two books, one on international negotiations and the other, "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, the Trilateral

Commission, the Woodrow Wilson Center, the Pacific Council, the Chinese Academy of Social Sciences and the InterAmerican 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.

Aarón Dychter Poltolarek. Dr. Aarón Dychter Poltolarek is a member of our board of directors and the President and Founder of ADHOC Consultores Asociados, S.C., providing consulting services in infrastructure, transportation and energy investment projects. From December 1994 to December 2006, Dr. Dychter was Undersecretary of Transportation in the Mexican Ministry of Communications and Transportation. In that capacity, he led privatization processes for railways and airports in Mexico, as well as the creation of the first suburban train system for Mexico City. Previously, he held various positions at the Mexican Ministry of Finance and Public Credit, the Mexican Ministry of Programming and Budget and the Mexican Energy Ministry. He served as Chairman of the Mexican National Steering Committee for the Normalization of Ground Transportation (*Comité Consultivo Nacional de Normalización del Transporte Terrestre*), a member of the board of directors and Deputy Chairman of the Nominating and Compensation Committee of Grupo Aeroportuario del Sureste, and a member of the board of directors of Grupo Aeroportuario del Centro Norte, Grupo Aeroportuario del Sureste, Grupo Aeroportuario Centro Norte, Grupo Aeroportuario del Pacífico, Grupo Aeroportuario de la Ciudad de México, and Empresas ICA. He currently serves as an advisor to the project management team for the development of the new Mexico City airport. Dr. Dychter is a graduate of Universidad de las Américas in Mexico and holds a Master's Degree and a Ph.D. in Economics from George Washington University.

Actions of the Board

The board of directors is our legal representative and is authorized to take any action, as a collegiate body, in connection with our operations not expressly reserved to our shareholders.

The board of directors must approve, among other matters:

- our general strategy;
- with the prior opinion from the audit and corporate practices committees, on an individual basis: (1) transactions with related parties, subject to very limited exceptions, (2) the election of our chief executive officer, his compensation and removal for just cause and policies for the description and comprehensive remuneration of other members of our senior management, (3) the guidelines on our internal control and internal audit and those of our subsidiaries; (4) our financial statements and those of our 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 our consolidated assets or (b) the giving of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of our consolidated assets, and (6) contracts with external auditors;
- calling shareholders' meetings and acting on their resolutions;
- creation of special committees and granting them the power and authority, provided that the committees will not have the authority which, by law, or under our bylaws is expressly reserved for the shareholders or our board of directors;
- the opinion to be submitted to our general shareholders' meeting with respect to the report prepared by our Chief Executive Officer (which includes our audited annual financial statements) and a report to be submitted to our general shareholders' meeting with respect to the accounting policies and criteria used for the preparation of our financial statements;
- policies for disclosure of information;
- the opinion to be rendered on the offering price of the Shares through the Global Offering;

- determinations with respect to action to be taken regarding irregularities; and
- the exercise of our general powers in order to comply with our corporate purpose.

Meetings of the board of directors will be validly convened and held if a majority of our members are present. Resolutions at the meetings will be valid if approved by a majority of the directors present, unless our bylaws require a higher number. The chairman of the board of directors has a tie-breaking vote. Notwithstanding the board's authority, at all times our shareholders, pursuant to decisions validly taken at a shareholders' meeting, may override a decision made by the board.

Meetings of our board of directors may be called by (1) 25.0% of our 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 of the board of directors.

The Mexican Securities Market Law imposes a duty of care and a duty of loyalty on our directors. For further information see "The Mexican Securities Market—The Mexican Securities Market Law."

Members of the board and, if applicable, the secretary of the board, with a conflict of interest must abstain from participating and being present during the deliberation and voting of the matter at the relevant board or committee meeting, without this affecting the necessary quorum for that particular meeting.

Members of the board of directors and the secretary of the board, will breach their duty of loyalty to us and be liable for damages to us and, if applicable, our subsidiaries if they have a conflict of interest and they vote or make a decision with respect to us or our 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

Our board of directors has established an audit committee and a corporate practices committee to provide particular focus on the oversight of important parts of our business.

Audit Committee

The Mexican Securities Market Law requires us to have an audit committee, which must be comprised of at least three independent members appointed by the board of directors.

The members of our audit committee members are Aarón Dychter, Andrés Conesa and Jeffrey Davidow. The current members of the audit committee were ratified at our shareholders' meeting held on April 30, 2015. We believe that all of the members of the audit committee are independent pursuant to Mexican Securities Market Law standards and at least two of the members qualify as financial experts. Standards for independence and financial expertise under the Mexican Securities Market Law, however, differ from New York Stock Exchange, NASDAQ or U.S. securities law standards, which our audit committee members are not required to meet.

The audit committee's principal duties are the following:

- make recommendations to our board of directors about which external auditor to appoint and provide recommendations about any removal of such external auditor;
- supervise our external auditors and analyze their reports;
- analyze and supervise the preparation of our financial statements;
- inform the board about our internal controls and their adequacy;

- request reports from the members of our senior management whenever the committee deems appropriate;
- assist our board of directors in the preparation of a report about the operations and activities in which the board of directors has intervened pursuant to the Mexican Securities Market Law;
- inform the board of directors about any irregularities that the committee may encounter;
- receive and analyze recommendations and observations received from the shareholders, members of the board of directors, the members of our senior management, our external auditors or any third party and take the necessary actions based on such recommendations or observations;
- call shareholders' meetings;
- ensure that transactions executed with related parties comply with applicable laws;
- oversee the execution by our chief executive officer of resolutions by the shareholders or the directors in accordance with the instructions provided by the shareholders or the directors in such resolutions; and
- provide an annual report of its activities to the board of directors.

The chairman of the audit committee has the responsibility to prepare an annual report to our board of directors with respect to the findings of the committee, which shall include, among other things (1) the status of our internal controls and internal audits and any deviations and deficiencies thereof, taking into consideration the reports of external auditors and independent experts, (2) the results of any preventive and corrective measures taken based on results of investigations with respect to non-compliance with operating or financial policies, (3) the evaluation of our external auditors, (4) the main results from the review of our financial statements and those of our subsidiaries, (5) the description and effects of changes to accounting policies, (6) the measures adopted as a result of observations of shareholders, directors, the members of our senior management and third parties relating to accounting, internal controls, and internal or external audits, (7) compliance with shareholders' and directors' resolutions, (8) observations with respect to relevant directors and officers, and (9) the remunerations paid to our directors and officers.

Corporate Practices Committee

The members of our corporate practices committee are Aarón Dychter, Andrés Conesa, Jeffrey Davidow and Arturo Infanzón. The current members of our corporate practices committee were ratified at our shareholders' meeting held on April 29, 2016. In accordance with the provisions of the Mexican Securities Market Law, the majority of the members of our corporate practices committee are independent from our indirect controlling shareholder, who owns at least 50% of our capital stock and at least one of them is a financial expert. The independent members are Jeffrey S. Davidow, Aarón Dychter and Andrés Conesa.

The corporate practices committee's principal duties are the following:

- provide opinions and recommendations to our board of directors;
- provide assistance to our board of directors in the preparation of reports about the main accounting and information guidelines used in the preparation of financial information;
- provide assistance to our board of directors in the election of our chief executive officer compensation and comprehensive remuneration of the other members of our senior management;
- provide assistance to the board of directors in the preparation of reports for the annual shareholders' meeting;
- request and obtain opinions and recommendations from independent experts;
- provide opinions with respect to transactions with related parties; and
- call shareholders' meetings.

The chairman of the corporate practices committee has the responsibility to prepare an annual report to our board of directors with respect to: (1) observations regarding the development of the members of our senior management, (2) transactions executed between related parties, describing the main characteristics of the relevant transactions, (3) the remuneration paid to our directors and the members of our senior management, and (4) evaluating any waivers granted to directors or the members of our senior management for taking of corporate opportunities.

Senior Management

The following table sets forth certain information regarding the current members of our senior management as of June 30, 2016:

Name	Age	Position
Carlos Ruiz Sacristán	66	President and Chief Executive Officer
Tania Ortiz Mena López Negrete	46	Senior Vice President of Development
Arturo Infanzón Favela	45	Senior Vice President of Finance
Juan Rodríguez Castañeda	52	Senior Vice President of Corporate Affairs and Human Relations
Jesús Córdoba Domínguez	56	Senior Vice President of Engineering and Construction
Carlos Barajas Sandoval	48	Chief Operating Officer
René Buentello Carbonell	48	Executive Vice President and General Counsel
Gerardo de Santiago Tona	45	Senior Vice President of Strategic Planning
Manuela Molina Peralta	44	Vice President of Finance
Roberto Rubio Macías	44	Vice President, Controller
Jorge Molina Casellas	47	Vice President of Commercial
Juancho Eeckhout Smith	40	Vice President of Development
Sue Bradham	47	Director of Investor Relations and M&A

The following is a summary of the experience and principal business interests of our current senior management members (biographical information with respect to Mr. Ruiz and Mr. Infanzón is set forth above under " —Board of Directors"):

Tania Ortiz Mena López Negrete. Tania Ortiz has been our Senior Vice President of Development since July 2014. She served as our 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 our General Manager from 2000 to 2002. Before joining Sempra Energy in 2000, Ms. Ortiz 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 holds a Bachelor's Degree in International Relations from the Universidad Iberoamericana and a Master's Degree in International Relations from Boston University. Ms. Ortiz 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.

Juan Rodríguez Castañeda. Juan Rodríguez has been our Senior Vice President of Corporate Affairs and Human Capital since July 2014. From 2014 to 2016, Mr. Rodriguez acted as our Vice President of Corporate Affairs and Human Capital. Before joining us, he spent ten years in the aviation industry, where he served as Chief Corporate & Industry Affairs Officer from 2013 to 2014 and Chief Human Resources Officer from 2010 to 2013 at Aeroméxico. Over the course of 2010 and 2011, Mr. Rodríguez served as President of the National Association of Air Transportation. Previously he served as Chief Executive Officer at SEAT (currently Aeroméxico Servicios) in 2010 and Chief Executive Officer at Aeromexpress (currently Aeroméxico Cargo) from 2004 to 2010. Mr. Rodríguez also served in the Mexican Federal Government from 1988 to 2004, where he held several positions within the Secretary of Finance and Public Credit, the Secretary of Communication and Transportation, Pemex, as well as the Office of the President of Mexico. His most relevant positions were Chief of Staff of three Secretaries and General Coordinator of Planning at the Ministry of Communication and Transportation. He holds a Bachelor´s Degree in Economics from the Instituto Tecnológico Autónomo de México.

Jesús Córdoba Domínguez. Jesús Córdoba has been our Senior Vice President of Engineering and Construction since May 2016. From 2012 to 2016, Mr. Córdoba acted as our Vice President of Engineering and Construction. From 2010 to 2012 he served 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.

Carlos Barajas Sandoval. Carlos Barajas has been our Senior Vice President of Operations since May 2016. From 2013 to 2016, Mr. Barajas acted as Vice President of Operations. Previously, from June 2013 to February 2014, Mr. Barajas was our Vice President for Gas. Before joining us, 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. Mr. Barajas holds a Bachelor's Degree in Civil Engineering from the Instituto Politécnico Nacional, a Master's Degree in Engineering from the University of British Columbia, and a Master's Degree in Economics from Universidad Anáhuac.

René Buentello Carbonell. René Buentello has been our Executive Vice President and General Counsel since May 2016, and our Deputy Secretary since 2010. From 2010 to 2016, Mr. Buentello acted as Vice President and General Counsel from 2010 to 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.

Gerardo de Santiago Tona. Gerardo de Santiago has been our Senior Vice President of Strategic Planning since May 2016. Mr. de Santiago was previously Executive Vice President of Operations and Construction from 2010 to 2016. He was also 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 Mexican Federal Electricity Commission from 1992 to 1997. Mr. de Santiago holds a Bachelor's Degree in Industrial Engineering from the Universidad Autónoma del Noreste and a Master's Degree in Business Administration from the Universidad Autónoma de Nuevo León.

Manuela Molina Peralta. Manuela ("Nelly") Molina has been our Vice President of Finance since July 2010. Prior to joining our Company, Ms. Molina was Vice President of Finance at El Paso Corporation in Mexico from 2001 to 2010, and General Manager of Kinder Morgan (Mexico), the first distributor of natural gas in Hermosillo, Sonora, from 1997 to 2001. Ms. Molina holds a Bachelor's Degree in Accounting from Universidad de Sonora and a Master's Degree in Finance from Instituto Tecnológico de Estudios Superiores de Monterrey. She served as President of the Mexican Institute of Finance Executives (*Instituto Mexicano de Ejecutivos de Finanzas*) in 2015 and was a founding member of NatGas Querétaro.

Roberto Rubio Macías. Roberto Rubio has been our Vice President and Controller since May 2016. From 2012 to 2016, Mr. Rubio acted as our Controller. From 2001 to 2012, he was Foreign Investments Accounting Manager at Sempra San Diego, Internal Auditing Manager at Luz del Sur (a subsidiary of Sempra Energy in

Lima, Peru), Financial Reporting Manager at IEnova in Tijuana, Comptroller of Termoeléctrica de Mexicali, and Accounting Manager and Comptroller at Ecogas in Chihuahua. Prior to joining Sempra Energy in 2001, Mr. Rubio served as Administrative Manager at Denimtex, a textile manufacturer with more than 800 employees, from 1998 to 2001, Regional Administrative Supervisor at British American Tobacco from 1996 to 1998, and Senior Auditor at Galaz, Yamazaki, Ruiz Urquiza (Deloitte) in Chihuahua from 1993 to 1996. Mr. Rubio holds a Bachelor's Degree in Accounting from Universidad Autónoma de Chihuahua. He has been registered as a certified public accountant with the Mexican Institute of Public Accountants (Instituto Mexicano de Contadores Públicos) since 2001.

Jorge Molina Casellas. Jorge Molina has been our Vice President of Commercial since May 2016. From 2012 to 2016, Mr. Molina acted as our Business Director and has occupied managing positions in the commercial, finance, projects, regulation and operations areas and in various business units since joining us in 1997. Prior to joining us, Mr. Molina served as a financial advisor at Bancomer from 1993 to 1997. Mr. Molina holds a Bachelor's Degree in Business Administration and a Masters Degree in Corporate Finance from Centro de Enseñanza Técnica y Superior Campus Mexicali.

Juancho Eekhout Smith. Juancho Eekhout has been our Vice President of Development since August of 2016. Previously, Mr. Eekhout held various roles in the family of companies of Sempra Energy. From 2014 to 2016, Mr. Eekhout acted as Senior Director of Commercial Development at Sempra LNG. From 2010 to 2013, Mr. Eekhout worked at San Diego Gas & Electric as Organization Director and afterwards as Strategic Planning Director. Juancho Eekhout started his career at Sempra in 2008, in the corporate department, as M&A Director. Prior to joining us, Mr. Eekhout worked for BP for eight years in the oil trading, refinery and fuel commercialization segments. Mr. Eekhout holds a Bachelor's Degree in Economics from Universidad Católica Andres Bello and a Masters in Public Policy From University of Chicago.

Sue Bradham. Sue Bradham has been our Director of Investor Relations and Mergers & Acquisitions since June 2016. From August 2002 to June 2016, she served in various commercial and strategic roles across Sempra International, Sempra LNG, and Sempra U.S. Gas & Power. Before joining Sempra Energy in 2002, Ms. Bradham worked as a management consultant at Booz Allen & Hamilton and as an engineer in project development and operations roles at ExxonMobil. Ms. Bradham holds a Bachelor's Degree in Mechanical Engineering from Stevens Institute of Technology and a Master's Degree in Business Administration from the Wharton School at the University of Pennsylvania. She is a registered Professional Engineer in the state of Texas.

Actions of Senior Management

Our chief executive officer and the other members of our senior management are required to focus their activities on creating value for us. Our chief executive officer and senior management may be held liable for damages to us, our subsidiaries and others for: (1) favoring a single group of shareholders, (2) approving transactions between us, or our subsidiaries, with "related persons" without complying with legal disclosure requirements, (3) taking advantage for him or herself of our or our subsidiaries' assets against company policy (or authorizing a third party to do so), (4) making inappropriate use of our, or our subsidiaries', non-public information, or (5) knowingly disclosing or revealing false or misleading information.

Our chief executive officer and the members of our senior management are required, under the Mexican Securities Market Law, to act for our benefit and not that of a particular shareholder or group of shareholders. Our chief executive officer is required, principally, to (1) implement the instructions of our shareholders' meeting and our board of directors, (2) submit to the board of directors for approval the principal strategies for the business, (3) submit to the audit and corporate practices committees proposals for the systems of internal control, (4) disclose all material information to the public, and (5) maintain adequate accounting and registration systems and mechanisms for internal control. Our chief executive officer and the members of our senior management are also subject to the same fiduciary duty obligations as are our directors.

As of the date of this offering circular, our directors and members of our senior management own approximately 0.0001% of our common stock.

Internal Control

We have internal control policies and procedures designed to provide reasonable assurance that our transactions and other aspects of our operations are carried out, recorded and reported pursuant to guidelines set forth by our management using IFRS, applied in conformity with available interpretive guidance thereunder. In addition, our operational processes are subject to periodic internal audits, and our internal control systems are subject to an annual review by our external auditors as part of their audit of our financial statements; however, that review is not for the purpose of expressing an opinion on the effectiveness of our internal control over financial reporting.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid by us to the members of our senior management was US$8.9 million for the year ended December 31, 2015. We continuously review our salary, bonus and other compensation plans to offer competitive compensation arrangements for our management.

Our director compensation plan covers only independent, non-employee directors. Each of our independent directors receives (i) an annual fee of US$21,000, payable in four equal quarterly payments and (ii) an annual fee of US$33,900 for their performance as board and committee members, payable in four equal quarterly payments. Additionally, our independent directors receive compensation that is tied to the performance of our stock. These values will be convertible once a year, pursuant to the terms determined by the special delegates appointed for such purpose, and subject to such director continuing to exercise his or her duties as of the conversion date. Non-independent directors do not receive any compensation for their services as directors or members of our audit or corporate governance committees.

In addition, our independent directors receives additional "phantom stock" compensation the value of which varies based on the performance of our shares. This phantom stock vests annually on the anniversary of its grant date, subject to the independent director remaining in service on such date. The terms of this phantom stock compensation are determined by a committee of our board of directors composed entirely of non-independent directors.

Also, as of June 30, 2016 and December 31, 2015, our accrued amount for pension, retirement or similar plans that correspond to members of the board, relevant directors and other related parties was US$0.79 million and US$0.63 million, respectively.

Executive Restricted Grants

In addition to salary, members of our senior management team annually receive time and performance-based restricted grants. Performance-based grants are based upon the performance of our stock and other performance metrics. Both time-based and performance-based grants are paid in cash and vest after three years, subject to continued service on the payment date.

Seniority Compensation Plan

Pursuant to Mexican Federal Labor Law, we grant seniority fees to employees under certain circumstances. These benefits consist of a one-time payment equivalent to twelve days of salary for each year of employment (based on the last salary of the employee, but not higher than twice the minimum legal wage). This fee is paid to all employees with 15 years or more of service and when we unilaterally sever employment.

External Auditors

Our independent auditors are Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, whose offices are located in Mexico City, Mexico. Our independent auditors were appointed by our audit committee, taking into consideration their expertise, professionalism and quality.

Galaz, Yamazaki, Ruiz Urquiza, S.C., has served as our external auditor since fiscal year 1996. In the last three years, they have not issued a qualified opinion or a negative opinion, nor have they refrained from giving an opinion on our financial statements.

Our audited financial statements included in this offering circular were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C.

Business Address of the Members of our Board of Directors and Senior Management Members

The business address of the members of our company's board of directors and the members of our senior management is: care of Infraestructura Energética Nova, S.A.B. de C.V., Torre New York Life, Paseo de la Reforma No. 342, Floor 24, Col. Juárez, 06600 Ciudad de México.

Family Relationships

There are no family relationships among our directors and the members of our senior management or among our directors and the members of our senior management and our indirect controlling shareholder.

Proceedings Involving Our Board of Directors and Senior Management Members

As of the date of this offering circular, there are no material judicial or administrative proceedings involving our directors and/or the members of our senior management.

CONTROLLING SHAREHOLDER

The table below sets forth certain information regarding the ownership of our shares (1) prior to the Global Offering, and (2) after giving effect to the Global Offering.

			Shares owned after the Global Offering			
	Shares owned prior to the Global Offering		No exercise of over-allotment options		Exercise of over-allotment options	
Name of Shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Semco Holdco S. de R.L. de C.V	935,913,312	81.10%	1,019,038,312	67.98%	1,019,038,312	66.43%
Investing public.	218,110,500	18.90%	479,917,764	32.02%	514,985,500	33.57%
Total	1,154,023,812	100.00%	1,498,956,076	100%	1,534,023,812	100%

Semco is controlled by Sempra Energy. No person or entity "controls" or has "significant influence" on Sempra Energy, as such terms are defined in the Mexican Securities Market Law.

In addition, Semco, our controlling shareholder, has indicated an interest in purchasing, an aggregate of approximately US$350.7 million in shares of our common stock in this offering at the public offering price, which is reflected in the tables above. However, because indications of interest are not binding agreements or commitments to purchase, Semco may determine to purchase fewer Shares than it indicated an interest in purchasing or not to purchase any Shares in this offering. It is also possible that Semco could indicate an interest in purchasing more Shares of our common stock. In addition, since no preference shall be granted to Semco or its affiliates, the underwriters could determine to sell to Semco or its affiliates fewer shares than it indicated an interest in purchasing.

As of June 30, 2016, our directors and members of our senior management owned approximately 0.0001% of our common stock.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2013 to which we have been a party, in which the amount involved exceeds US$120,000, and in which one or more of our directors, the members of our senior management or our indirect controlling shareholder, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unaffiliated third parties.

In the ordinary course of our business we engage in a number of transactions with our indirect controlling shareholder and with companies that are owned or controlled, directly or indirectly, by our indirect controlling shareholder or an affiliate thereof.

Intercompany Loan Agreements

Bridge Loan

On September 26, 2016, we received the US$1.15 billion Bridge Loan from Sempra Global and Semco to finance the GdC Acquisition. Borrowings under the Bridge Loan are unsecured, bear interest at a rate of LIBOR plus 1.10% per annum and have a maturity date of two months after the completion of the GdC Acquisition. The Bridge Loan contains customary events of default and other terms and conditions. We have made all the corresponding interest payments under the Bridge Loan and have the right to prepay the loans at any time without premium or penalty, and intend to repay the Bridge Loan with the proceeds of this offering. See "Use of Proceeds."

With respect to the obligations set forth in the Bridge Loan, we have agreed to prepay the loan in the event of an offering of equity or debt.

Loans from Related Parties (Outstanding as of June 30, 2016)

We have revolving credit facilities in place with several affiliates of our indirect controlling shareholder as lenders. We may prepay all or part of the outstanding amount under each loan without penalty. The following table summarizes the key terms of these credit facilities as of June 30, 2016. We prepaid a loan from Sempra Energy Holdings XI C.V. in the amount of US$120 million in August 2016, with borrowings under the Revolving Credit Facility.

Lender	Loan Limit	Principal Outstanding	Interest Rate	Maturity Date
Sempra Energy Holdings XI BV	US$219.6 million	US$219.6 million	Libor plus 0.17%	December 31, 2016
Inversiones Sempra Latin America Limitada	US$90.0 million	US$90.0 million	1.75%	December 15, 2016
Inversiones Sempra Limitada	US$30.0 million	US$30.0 million	1.75%	December 15, 2016
Sempra Oil Trading Suisse	US$100.0 million	US$38.5 million	3.76% (U.S. Treasury mid-term AFR + 200 basis points)	March 18, 2017

In March 2015, we entered into the Sempra Chile Loans: one for US$90.0 million with Inversiones Sempra Latin America Limitada and one for US$30.0 million with Inversiones Sempra Limitada. These credit facilities are denominated in U.S. dollars and initially had a fixed rate of 1.98%. In December 2015, we extended the term of the credit facilities to December 15, 2016, and the rate was adjusted to a fixed rate of 1.75%. The intended use of proceeds is to cover working capital needs and for general corporate purposes.

On January 1, 2013, we had an intercompany loan payable balance of US$38.5 million with Sempra Oil Trading Suisse. The principal balance under the credit facility with Sempra Oil Trading Suisse as of June, 30, 2016 was US$38.5 million. From January 1, 2013 to June 30, 2016, we accrued US$0.7 million of accumulated interest on the Revolving Credit Facility.

Loans from Related Parties (Repaid in Full as of June 30, 2015)

We received the following loans from affiliates of our indirect controlling shareholder since January 1, 2013, each of which has been repaid in full:

- On December 31, 2012, we received a long-term loan from Sempra Chile for US$215 million, which accrued interest of US$0.9 million. We repaid this loan and interest in full during 2013. The loan accrued variable interest based on the six-month LIBOR plus 250 basis points.
- We received loans from Sempra Global for US$122.0 million during 2012, which we repaid in 2013. The loans accrued variable interests based on the federal rate for medium-term certificates issued by the United States Treasury.

Loans to Related Parties

We made the following loans to affiliates of our indirect controlling shareholder since January 1, 2013:

- We extended a line of credit to Sempra Servicios México, which is currently in dissolution and is likely to be liquidated, in June 2011, denominated in Mexican pesos, which bore a variable interest rate based on the 28-day Mexican Interbank Equilibrium Interest Rate plus 178 basis points. The credit facility had a limit of Ps.10.0 million (US$0.8 million) and was paid off at its maturity on January 30, 2013. During this period we received payments totaling Ps.3.7 million in principal and Ps.0.4 million in interest on this loan.
- We extended loans to Sempra Servicios México for US$0.4 million in 2012, which bore a variable interest rate based on the 28-day Mexican Interbank Equilibrium Interest Rate plus 178 basis points and were paid off at their maturity on January 31, 2013.

Guarantees and Letters of Credit

Our indirect controlling shareholder Sempra Energy provides credit support (including direct guarantees and letters of credit issued by third parties which are to be drawn on the account of Sempra Energy) for certain of our obligations, including the following:

Obligor	Beneficiary of Guaranty/Letter of Credit	Secured Obligations	Maximum Amount of Guaranty/Letter of Credit
Termoeléctrica de Mexicali	Gasoducto Rosarito pipeline system	Firm transportation services agreement dated February 26, 2002	US$29.4 million guaranty
IEnova Marketing	Gasoducto Rosarito pipeline system	Interruptible transportation services agreement dated December 18, 2009	US$3.9 million guaranty
IEnova Marketing	Gasoducto Rosarito pipeline system	Firm transportation services agreement dated May 01, 2008	US$59.6 million guaranty
IEnova Marketing	Gasoducto Rosarito pipeline system	Firm transportation services agreement dated February 15, 2002	US$62.3 million guaranty

Obligor	Beneficiary of Guaranty/Letter of Credit	Secured Obligations	Maximum Amount of Guaranty/Letter of Credit
IEnova Marketing	Transportadora de Gas Natural de Baja California	Firm transportation services agreement dated May 01, 2008	US$45.6 million guaranty
IEnova Marketing	Energía Costa Azul	Firm storage services agreement dated November 29, 2004	US$282.0 million guaranty
Energía Costa Azul	Shell	Firm storage services agreement dated April 17, 2009	Unlimited guaranty
Energía Costa Azul	Gazprom	Firm storage services agreement dated April 17, 2009	Unlimited guaranty
Energía Sierra Juárez	Ejido Cordillera Molina	Lease agreement dated June 10, 2007	US$5.0 million guaranty
IEnova	Mexican Federal Electricity Commission	Letter of credit from Banco Santander (México), dated October 31, 2012, in favor of the Mexican Federal Electricity Commission	US$85.0 million guaranty
IEnova Marketing	Mexican Federal Electricity Commission	Electricity supply agreement dated January 21, 2005	US$85.0 million letter of credit
IEnova Marketing	Mexican Federal Electricity Commission	Letter of credit from BBVA (México), dated December 5, 2014, in favor of the Mexican Federal Electricity Commission	US$90.0 million letter of credit

Power Purchase Agreements

In January 2013 we entered into an electricity management agreement with our U.S. affiliate, Sempra Generation, an affiliate of our indirect controlling shareholder. Pursuant to this agreement, which is effective as of January 1, 2012, Sempra Generation has marketed and served as scheduling coordinator for our electricity sales and performed other related administrative, hedging and U.S. regulatory support tasks on our behalf. Under this agreement, we reimburse Sempra Generation's expenses in connection with these services and pay Sempra Generation an annual energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant (depending on, among other factors, the amount of energy scheduled and sold by Sempra Generation). The term of this agreement runs through 2017. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013 we paid Sempra Generation an aggregate of US$2.9 million, US$6.6 million, US$6.6 million and US$6.5 million, respectively, under this agreement. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, Sempra Generation paid to Termoeléctrica de Mexicali approximately US$34.2 million, US$143.1 million, US$222.5 million and US$168.3 million, respectively, under this agreement.

Natural Gas Purchase and Sale Agreement

In January 2013, we entered into a scheduling agreement with Sempra Generation, an affiliate of our indirect controlling shareholder, which became effective September 1, 2014. Pursuant to this agreement, Sempra Generation provides scheduling and coordination services relating to delivery of natural gas to our customers, including the Mexican Federal Electricity Commission, and to our Termoeléctrica de Mexicali facility. These scheduling and coordination services replaced those provided pursuant to an agreement with JPM Ventures Energy which expired in September 2014, at similar prices. We paid Sempra Generation US$2.1 million and

US$2.1 million for scheduling and coordination services under this agreement for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively. The agreement with Sempra Generation will expire on December 31, 2022.

Transportation Services Agreements and Pipeline Improvements

We have entered into a firm transportation services agreement with Southern California Gas Company, an affiliate of our indirect controlling shareholder, whereby Southern California Gas Company transports natural gas for our distribution business from the United States to the Mexico – U.S. border near Mexicali. We pay for these transportation services based on applicable rate provisions filed with the California Public Utilities Commission. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, we paid approximately US$0.7 million, US$1.0 million, US$1.1 million and US$1.4 million, respectively, for transportation services provided by Southern California Gas Company pursuant to this agreement.

Southern California Gas Company has also entered into several contracts with us for natural gas transportation services on an interruptible basis on our Gasoducto Rosarito pipeline system and our TGN pipeline. These interruptible transportation services agreements renew monthly and are terminable by either party on 30 days' notice. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, we received US$120,000 for transportation services provided to Southern California Gas Company pursuant to these agreements.

LNG Purchase and Sale Agreement with Sempra Natural Gas

Our subsidiary IEnova Marketing previously purchased LNG from Sempra Natural Gas, an affiliate of our indirect controlling shareholder, pursuant to an LNG purchase and sale agreement which terminated in January 2013. Pursuant to the terms of this agreement, Sempra Natural Gas agreed to sell and IEnova Marketing agreed to purchase up to 8.2 million m^3 (1,880 MMTh) of LNG annually. To the extent that Sempra Natural Gas delivered to IEnova Marketing less than 8.2 million m^3 (1,880 MMTh) per year, Sempra Natural Gas made payments to IEnova Marketing pursuant to this agreement to cover terminal and pipeline capacity fixed costs associated with each cargo not delivered, unless Sempra Natural Gas's failure to schedule such deliveries resulted from a *force majeure* event.

In January 2013, IEnova Marketing and Sempra Natural Gas terminated the prior LNG sale and purchase agreement and entered into a new long-term LNG sale and purchase agreement. While the material terms of the new agreement are substantially similar to those of the prior agreement, it does differ in two material respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG cargoes available to IEnova Marketing for purchase each year for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. Second, the new agreement corrected unintended economic consequences that resulted in larger payments being made by Sempra Natural Gas to IEnova Marketing under the prior agreement when the number of cargoes delivered annually under the prior agreement was substantially lower than had been anticipated when the prior agreement had been entered into. The term of this new agreement expires in August 2029. Had the new agreement been entered into as of January 1, 2012, our Adjusted EBITDA for 2012 would have declined by an immaterial amount.

In July 2015, we and Sempra LNG International Holdings, LLC entered into a deed of indemnity pursuant to which the payments owed to us in the event that Sempra Natural Gas fails to deliver to us 8.2 million m^3 (1,880 MMTh) of LNG per year will be made by Sempra LNG International Holdings, LLC. On the same date, and in order to induce us to enter into this deed of indemnity, Sempra Global issued a guarantee pursuant to which it guaranteed the payment obligations of Sempra LNG International Holdings LLC under the deed of indemnity.

During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, under this agreement, IEnova Marketing paid Sempra Natural Gas approximately US$61.1 million, US$181.8 million, US$332.6 million and US$224.2 million, respectively, for purchases of natural gas and LNG, and Sempra Natural Gas made payments to IEnova Marketing in the amount of approximately US$53.8 million, US$101.0 million, US$90.9 million and US$90.8 million, respectively. We purchase natural gas from Sempra Natural Gas in order to meet the natural gas delivery obligations of our subsidiary, IEnova Marketing, to its other customers in the event IEnova Marketing does not have sufficient regasified LNG to meet those obligations. The rate we pay Sempra Natural Gas makes us economically indifferent as to whether we purchase this cover gas or receive LNG under our LNG Purchase and Sale Agreement with Sempra Natural Gas.

Amended and Restated LNG Sale and Purchase Agreement with the Tangguh Partners

Our affiliate Sempra Natural Gas purchases LNG from suppliers, including pursuant to a long-term contract with the Tangguh partners (a consortium of companies who produce LNG in the Tangguh LNG Project in Indonesia) who have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than Sempra Natural Gas. Having non-divertible cargoes available under Sempra Natural Gas's agreement with the Tangguh partners increases the likelihood that our LNG terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that we will be able to satisfy at least some portion of our natural gas customer commitments by selling natural gas that has been regasified at our LNG terminal. Sempra Natural Gas's agreement with the Tangguh partners expires in 2029, and we are a party to the agreement solely with respect to the scheduling of delivery of LNG cargoes and to coordinate the parties' rights with respect to the use of our marine terminal.

Natural Gas Sale and Purchase Agreement with Sempra Natural Gas

We entered into a base contract for sale and purchase of natural gas with Sempra Natural Gas in April 2008. Pursuant to this agreement, when IEnova Marketing has regasified natural gas in excess of the amount it is obligated to deliver to its other customers, we can sell this excess natural gas to Sempra Natural Gas.

Pursuant to this same agreement, we purchase natural gas from Sempra Natural Gas in order to meet the natural gas delivery obligations of our subsidiary, IEnova Marketing, to its other customers in the event IEnova Marketing does not have sufficient regasified LNG to meet those obligations. The rate we pay Sempra Natural Gas makes us economically indifferent as to whether we purchase this cover gas or receive LNG under our LNG Purchase and Sale Agreement with Sempra Natural Gas. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, IEnova Marketing paid Sempra Natural Gas approximately US$61.1 million, US$190.5 million, US$335.0 million and US$224.2 million, respectively, for purchases of natural gas and LNG pursuant to this agreement.

In January 2013, we entered into a separate agreement with Sempra Natural Gas which replaced the previous Natural Gas Sale and Purchase Agreement with Sempra Natural Gas, effective September 1, 2014. This new agreement, which will expire on December 31, 2022, provides that the rate we pay for natural gas equals then-current market rates plus a markup of 1%.

Services Agreements

We have contracted with various affiliates of our indirect controlling shareholder for certain services provided to us in the ordinary course of our business, including financial, marketing, commercialization, regulatory, engineering, technical and information systems services, as well as operational and management support. These agreements generally provide for reimbursement for expenses incurred plus a 5% to 7.5% markup, and are terminable by either party upon 30 days' notice. The following is a summary of these transactions:

- Sempra Servicios México, which is currently in dissolution and is likely to be liquidated, provides services to our gas and power segments, including administrative and operational services, and other services related to the operations in our Mexican corporate offices. During the years ended December 31, 2015, 2014 and 2013, we paid approximately US$0.5 million, US$0.7 million and $US1.4 million, respectively, for these services.

- Sempra Services Company, which is currently in dissolution and is likely to be liquidated, provides services to our gas and power segments, including administrative services. During the years ended December 31, 2015, 2014 and 2013, we paid approximately US$0.1 million, US$0.9 million and US$1.7 million, respectively, for these services.
- Sempra Global provides general administrative services to our corporate segment. During the year ended December 31, 2013 amounts paid for these services were less than US$120,000.
- Sempra US Gas & Power provides services to our corporate segment, including certain software and information technology services. During the years ended December 31, 2015, 2014 and 2013, we paid approximately US$6.7 million, US$7.1 million and US$7.1 million, respectively, for these services.
- Sempra International provides services to our corporate segment, including certain support services. During the years ended December 31, 2015, 2014 and 2013, we paid approximately US$5.8 million, US$7.3 million and US$6.7 million, respectively, for these services.

Gas Control and Monitoring Agreements

We have entered into gas dispatch and transportation services agreements with Sempra Midstream, an affiliate of our indirect controlling shareholder. Pursuant to these agreements, Sempra Midstream provides monitoring and gas control services, using electronic monitoring and control systems owned by us, in order to optimize pipeline capacity and operations and enable us to timely respond to operational events or emergencies affecting our Gasoducto Rosarito pipeline system, TGN pipeline, Aguaprieta pipeline and Naco compression station. The agreements were entered into on January 1, 2011 and have a term of 10 years. Sempra Midstream may terminate these agreements if we and Sempra Midstream cease to be under the common control of our indirect controlling shareholder. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, in the aggregate, we paid approximately US$0.4 million, US$0.7 million, US$0.4 million and US$0.5 million, respectively, to Sempra Midstream for gas control services under these agreements. The amounts that we pay Sempra Midstream for these services will be adjusted for inflation in future years.

Other Related Party Transactions

Our indirect controlling shareholder and its affiliates pay us fees for certain administrative services and for the use of our facilities. During the six months ended June 30, 2016 and the years ended December 31, 2015, 2014 and 2013, we had revenues of approximately US$0.8 million, US$1.7 million, US$1.7 million and US$1.7 million, respectively, relating to these transactions.

DESCRIPTION OF OUR CAPITAL STOCK AND BYLAWS

Set forth below is a description of our capital stock and a brief summary of certain significant provisions of our bylaws and Mexican law. This description does not purport to be complete and is qualified in its entirety by reference to our bylaws and the relevant provisions of Mexican law.

General

We were incorporated in Mexico City, Federal District, on April 2, 1996 under the name "Enova de México, S.A. de C.V." and subsequently on April 25, 2008 became a limited liability company (*sociedad de responsabilidad limitada*) organized pursuant to the Mexican Corporations Law and changed our name to "Sempra Energy México, S. de R.L. de C.V." On December 3, 2008 we changed our name to "Sempra México, S. de R.L. de C.V." On February 15, 2013, we transformed into a variable capital stock corporation (*sociedad anónima de capital variable*), which transformation became effective on February 20, 2013. On March 1, 2013, we changed our name to "Infraestructura Energética Nova, S.A. de C.V." Through a unanimous resolution on March 6, 2013, our shareholders approved amending and restating our bylaws to conform them to the provisions of the Mexican Securities Market Law applicable to public companies, to adopt the form of a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) and to change our name to "Infraestructura Energética Nova, S.A.B. de C.V." A copy of our current bylaws is available for review at www.bmv.com.mx and at our website, www.ienova.com.mx.

The duration of our corporate existence is indefinite. We are a holding company and conduct all of our operations through our subsidiaries.

Capital Stock

Because we are a variable capital stock corporation, our capital stock must have a fixed portion and may have a variable portion. As of the date of this offering circular, our issued and outstanding capital stock consists of 1,154,023,812 shares of common stock, without stated par value, of which 5,000 represents Class I shares of common stock, representing fixed capital, and 1,154,018,812 represents Class II shares of common stock, representing variable capital. In addition, there are 380,000,000 shares held in treasury for use in connection with this offering. Immediately after giving effect to this offering, assuming the initial purchasers and the Mexican underwriters do not exercise their over-allotment options to purchase additional Shares from us, 1,498,956,076 Shares will be issued and outstanding. Our Shares may be issued to and held by both Mexican and non-Mexican investors.

Capital Stock Variations

During the years ended December 31, 2015, 2014 and 2013, our capital stock has been increased on the following two occasions. At our shareholder's meeting on February 15, 2013, an increase of our capital stock in the amount of Ps.1.00 by Sempra Energy Holdings XI, B.V. and our transformation into a variable capital stock corporation (*sociedad anónima de capital variable*) was approved. Through a unanimous resolution on March 6, 2013, our shareholders approved a capital increase of Ps.2.339 billion and the issuance of up to 233,978,328 shares of our Class II common Stock. In connection with our initial public offering, we issued 218,110,500 shares of our Class II common stock at an initial price of Ps.34.00 per share for an aggregate amount of Ps.7.4 billion (US$598 million using the exchange rate of Ps.12.3841 to US$1.00, as reported by Banco de México on March 21, 2013).

In connection with the Global Offering, on October 7, 2016, our shareholders approved a capital increase of up to Ps.3.8 billion and the issuance of up to 380,000,000 shares of our Class II common Stock which will be offered as part of the Global Offering.

Voting Rights and Shareholders' Meetings

All of our shares have full voting rights. Each share entitles the holder to one vote at any meeting of our shareholders.

Under our current bylaws, we may hold two types of shareholders' meetings: ordinary and extraordinary. Ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings. An ordinary shareholders' meeting must be held at least once each year within the first four months following the end of our fiscal year to discuss, among other things, the approval of our financial statements, the report prepared by the board of directors on our financial statements, the appointment of members of the board of directors and the determination of compensation for members of the board of directors.

Extraordinary shareholders' meetings are those called to consider any of the following matters, among other things:

- an extension of our duration;
- our dissolution;
- an increase or decrease in our capital stock;
- a change in our corporate purpose or nationality;
- any transformation, merger or spin-off involving us;
- any stock redemption or issuance of preferred stock;
- redemption of our shares using retained earnings;
- the issuance of bonds, debentures, obligations, debt or capital instruments or any similar instrument;
- the delisting of our shares on the RNV or any stock exchange;
- amendments to our bylaws; and
- any other matters for which applicable Mexican law or our bylaws specifically require an extraordinary meeting.

Shareholders' meetings are required to be held in the same city as our corporate domicile, which is in Tijuana, Baja California. The chairman of the board of directors, the chairman of the audit committee, the chairman of the corporate practices committee, the secretary or a Mexican court of competent jurisdiction may call shareholders' meetings. In addition, any shareholder holding at least 10% of our outstanding capital stock has the right to request that the board of directors, the audit committee and the corporate practices committee call a shareholders' meeting to discuss the matters indicated in the relevant request.

Notices of shareholders' meetings must be published in one of the newspapers of general circulation in Mexico City and in the Registry of Publications of Commercial Companies of the Mexican Ministry of Economics at least 15 calendar days prior to the date of the meeting. Each notice must set forth the place, time and agenda for the meeting and must be signed by the person convening the meeting. From the date on which a notice is published until the date of the corresponding meeting, all relevant information regarding the meeting must be made available to the shareholders.

To be admitted to any shareholders' meeting, shareholders must present evidence that they own stock certificates deposited with a financial institution, brokerage house or deposit institution at least one day prior to the shareholders' meeting. We will then issue certificates that can be used to gain admission to the meeting. Shareholders may appoint one or more attorneys-in-fact to represent them pursuant to general or special powers of attorney or by a proxy signed before two witnesses in the form distributed by us 15 days prior to the meeting.

Quorums

Ordinary meetings are legally convened on a first notice when over 50% of our outstanding shares are present or duly represented. Resolutions at ordinary meetings of shareholders pursuant to a first notice are valid when approved by the holders of the majority of the voting shares present at such meeting. At meetings called by a second notice, any number of shares represented at an ordinary meeting of shareholders constitutes a quorum and resolutions are valid when approved by the holders of a majority of the shares represented at the meeting.

Extraordinary shareholders' meetings and special shareholders' meetings are legally convened on a first notice when at least 75% of our outstanding shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders or special shareholders' meetings pursuant to a first notice are valid when adopted by the holders of over 50% of our outstanding voting shares. At extraordinary shareholders' meetings called by a second or subsequent notice, meetings are legally convened when over 50% of our outstanding shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders called pursuant to a second or subsequent notice are valid when adopted by the holders of shares representing over 50% of our outstanding voting shares.

Approval from the shares representing 95% of our capital stock, with or without voting rights, is required to make a request to the CNBV that the registration of the shares on the RNV be cancelled, as indicated by the terms of the Mexican Securities Market Law and all other applicable laws.

Dividends and Distributions

Typically, at an annual ordinary shareholders' meeting, the board of directors submits our financial statements for the previous fiscal year to the shareholders for approval. Once shareholders approve the financial statements, they determine the allocation of our net profits for the preceding fiscal year. By statute, prior to any distribution of dividends, we are required to allocate 5% of our net profits to a legal reserve fund until the legal reserve fund equals 20% of our paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts allocated to a reserve for the repurchase of shares. The remaining balance, if any, may be distributed as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been restored.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution. If and when we declare dividends, we will distribute through Indeval cash dividends for shares held through Indeval. Any cash dividends on shares evidenced by physical certificates will be paid upon surrendering to us the relevant dividend coupon registered in the name of its holder. See "Dividends and Dividend Policy."

Changes to Our Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted by our shareholders in an extraordinary shareholders' meeting, provided that our bylaws are concurrently amended to reflect the increase or decrease in capital stock. The variable portion of our capital stock may be increased or decreased by our shareholders in an ordinary shareholders' meeting without the amendment of our bylaws.

Increases or decreases in the fixed or variable portion of our capital stock must be recorded in our registry of capital variations, which we are required to maintain under the Mexican Corporations 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 the issuance have been paid in full, except in certain limited circumstances.

Share Repurchases

We may choose to acquire our own shares through the Mexican Stock Exchange on the following terms and conditions:

- the acquisition must be carried out through the Mexican Stock Exchange;
- the acquisition must be carried out at market price, unless a public tender offer or auction has been authorized by the CNBV;
- the acquisition must be carried out against our net worth (*capital contable*) without adopting a reduction in capital stock or against our capital stock, and the shares so acquired will be held as treasury stock without any requirement to adopt a reduction in capital stock. No shareholder consent is required for such purchases;
- the amount and price paid in all share repurchases must be made public;
- the maximum amount to be spent in the fiscal year for the repurchase of shares must be determined by our shareholders at the annual meeting;
- we may not be delinquent on payments due on any outstanding debt issued by us that is registered with the RNV National Securities Registry;
- any acquisition of shares must be in conformity with the requirements of Article 54 of the Mexican Securities Market Law; and
- we must maintain a sufficient number of outstanding shares to meet the minimum trading volumes required by the stock markets on which our shares are listed.

The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which we own such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting.

Ownership of Capital Stock by Subsidiaries

Our subsidiaries may not, directly or indirectly, invest in our shares, except for shares acquired as part of an employee stock option plan and in conformity with the Mexican Securities Market Law.

Redemption

In accordance with our bylaws, shares representing our capital stock are subject to redemption in connection with either (1) a reduction of capital stock, or (2) a redemption with retained earnings, which in either case must be approved by our shareholders. In connection with a capital reduction, the redemption of shares must be made pro rata among the shareholders. In the case of a redemption with retained earnings, such redemption shall be conducted (a) by means of a tender offer conducted on the Mexican Stock Exchange at prevailing market prices, in accordance with Mexican law and our bylaws, (b) pro rata among the shareholders, or (c) if the redemption is at a price different from the prevailing market price, shares to be redeemed shall be selected by lot.

Dissolution or Liquidation

In the event of our dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up our business and affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any liquidation proceeds.

Registration and Transfer

Our shares have been registered with the RNV, as required under the Mexican Securities Market Law and regulations issued by the CNBV. Shares are evidenced by certificates issued in registered form, which are to be deposited with Indeval at all times. Our shareholders may only hold their shares in book-entry form through participants that have accounts with Indeval. Indeval is the holder of record with respect to all of the shares. Accounts may be maintained at Indeval by brokers, banks and other Mexican and non-Mexican financial institutions and other entities authorized by the CNBV to be participants at Indeval. In accordance with Mexican law, only persons listed in our stock registry and holders of certificates issued by Indeval or by Indeval participants will be recognized as our shareholders. Such shareholders may exercise rights with respect to those shares at meetings of shareholders or otherwise. Transfers of shares must be registered through book entries on the records of Indeval.

Preemptive Rights

Under Mexican law and our bylaws, our shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time periods set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 days following the publication of notice of the issuance in the Mexican Federal Official Gazette and in a newspaper of general circulation in Mexico City.

Under Mexican law, shareholders cannot waive their preemptive rights in advance, and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. Preemptive rights will not apply to (1) shares issued by us in connection with mergers, (2) shares issued in connection with the conversion of convertible securities, the issuance of which was approved by our shareholders, (3) shares issued in connection with the capitalization of accounts specified in our statements of financial position, (4) the resale by us of shares held in our treasury as a result of repurchases of shares conducted by us on the Mexican Stock Exchange, and (5) shares to be placed in a public offering pursuant to Article 53 of the Mexican Securities Market Law, which permits the non-applicability of preemptive rights in connection with public offerings by existing public companies, if the issuance of those shares was approved at a general shareholders' meeting.

Certain Minority Protections

Pursuant to the Mexican Securities Market Law and the Mexican Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that allow holders of at least 10%, jointly or severally, of our outstanding shares entitled to vote (including voting in a limited or restricted manner):

- to request that a shareholders' meeting be called;
- to request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and
- to appoint or revoke the appointment of one member of our board of directors and one alternate member of our board of directors.

The minority protections include provisions that also allow holders of at least 20%, jointly or severally, of our outstanding share capital to oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend any resolution adopted at a shareholders' meeting if the claim is filed within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; however, these provisions have seldom been invoked in Mexico, and, as a result, it is uncertain how a competent court may enforce such provisions.

The minority protections include provisions that also allow holders of at least 5% of our outstanding shares to initiate an action for civil liabilities against some or all of our directors in a shareholder derivative suit for our benefit, for violations of their duty of care or their duty of loyalty, in an amount equal to the damages or losses caused to us. Any such actions have a five-year statute of limitations.

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or indirect controlling shareholders than it would be for shareholders of a company in the United States or certain other countries.

Anti-Takeover Protections

We have included anti-takeover protections in our bylaws. Generally, these provisions require board approval for acquisitions of our shares at thresholds that are different than the statutory tender offer rules described in the section below entitled "The Mexican Securities Market—Tender Offers."

General

Subject to certain exceptions, our bylaws provide that any person who, individually or together with other related persons, wishes to acquire our shares or the beneficial ownership of our shares, directly or indirectly, in one or more transactions, regardless of the time of each transaction or the percentage of shares maintained by such person individually or together with related persons prior to the acquisition, that result in such person holding individually, or together with such other related persons, shares representing 10% or more of our outstanding capital stock, must (1) obtain the prior written approval of our board of directors before undertaking the transaction, and (2) where such acquisition would result in a 20% participation, a 40% participation or a change of control, fulfill additional requirements as set forth below.

The term "20% participation" means the ownership, individually or jointly, directly or indirectly through any entity or association, of 20% or more of our common shares. The term "40% participation" means the ownership, individually or jointly, directly or indirectly through any entity or association, of 40% or more of our common shares.

We will not recognize the ownership of shares acquired without approval or in violation of our anti-takeover provisions, nor will we record such shares in our stock registry, even if the acquirer holds other shares of our common stock. Furthermore, a person that is deemed to have acquired our shares in violation of the anti-takeover provisions of our bylaws will not be able to vote such shares or exercise any corporate rights associated with them (other than dividend and other economic rights). In addition, a person that acquires shares in violation of our bylaws is obligated to sell those shares through one or more transactions in the Mexican Stock Exchange within 90 days of the date on which such shares are acquired.

Board of Directors Requirements and Approvals

A potential acquirer must obtain the prior approval of our board before undertaking any of the transactions described above. To obtain such approval, the potential acquirer must deliver to the board a written authorization request that contains certain details about the transaction, the acquirer and the source of the funds. In determining whether to approve a request, our board may take into account certain factors set forth in our bylaws, as well as consider any prior approvals of governmental authorities applicable to such acquisition, including antitrust or other regulatory approvals. For example, in certain circumstances an investor acquiring 10% or more of our voting capital stock may need to obtain the prior approval of the U.S. Federal Energy Regulatory Commission. If the board of directors does not approve the request in the manner and within the time periods provided in our bylaws, the authorization request will be deemed to be denied.

Mandatory Tender Offers in the Case of Certain Acquisitions

If our board of directors authorizes an acquisition of our shares that results in the acquisition of a 20% participation but less than a 40% participation, regardless of the authorization, the acquirer must make a cash tender offer for the greater of (1) the percentage of our outstanding capital stock that it is expected to acquire, or (2) 10% of our outstanding capital stock, provided that such acquisition would not result in a 40% participation or a change of control. In the event that our board of directors authorizes an acquisition that results in a 40% participation or a change of control, regardless of the authorization, the acquirer must make a cash tender offer for 100% of our outstanding capital stock at a price which cannot be lower than any of the following: (i) the book value of the shares as reported on the last quarterly income statement approved by the board of directors; (ii) the highest closing price of the shares on any stock exchange during any of the 365 days preceding the date of the board resolution approving the acquisition; or (iii) the highest price paid for any shares, at any time, by the acquirer. Furthermore, all shareholders must be paid the same price for shares tendered during the offer. The mandatory tender offer provisions of our bylaws generally are more stringent than similar provisions contained in the Mexican Securities Market Law. We believe the provisions of our bylaws are more protective of minority shareholders than the current Mexican Securities Market Law. ***Exceptions***

Certain transactions are exempt from the anti-takeover provisions of our bylaws, including, among others, direct or indirect acquisitions or transfers through inheritance, acquisitions or transfers by a person or persons controlling us, such as our indirect controlling shareholder, Sempra Energy (including transfers resulting in a change of control of the person or persons controlling us), acquisitions or transfers by us, our subsidiaries, our affiliates or any trust created by us or any of our subsidiaries, or acquisitions or transfers authorized by our board of directors or at a meeting of our shareholders.

Legend and Registry of Anti-Takeover Provisions

Our anti-takeover provisions must be printed on any share certificates representing our shares, and any amendments to these anti-takeover provisions must be registered with the Public Registry of Commerce.

Additional Matters

Variable Capital

We are permitted to issue shares representing fixed capital and shares representing variable capital. The issuance of variable-capital shares, unlike the issuance of fixed capital shares, does not require an amendment of our bylaws, although it does require a majority vote of our shareholders. A holder of variable capital shares that wishes to effect a total or partial withdrawal of such shares is required to notify us in writing to that effect. If a notice of withdrawal is received prior to the last quarter of the fiscal year, the withdrawal becomes effective at the end of the fiscal year in which the notice was given. Otherwise, the withdrawal becomes effective at the end of the following fiscal year.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that any non-Mexican shareholders will be treated like Mexican citizens with respect to shares held by them, and with respect to, property rights, concessions, participations and interests, and rights and obligations derived from any agreements we have with the Mexican government. Non-Mexican shareholders will be deemed to have agreed not to invoke the protection of their own government with respect to such matters, and the breach of such deemed agreement may result in the forfeiture to the Mexican government of such interest or participation. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless the bylaws prohibit ownership of shares by non-Mexican persons.

Conflicts of Interest

Pursuant to the Mexican Corporations Law, none of our shareholders may participate in any deliberation of, or vote on, any business transaction in which its interest conflicts with ours. Violation of this law may result in the shareholder being liable for damages, but only if the transaction would have not been approved without the shareholder's vote.

Appraisal Rights

Pursuant to the Mexican Corporations Law, whenever our shareholders approve a change in our corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter is entitled to withdraw its shares and receive the book value of such shares, as set forth in the financial statements last approved by our shareholders. This appraisal right may only be exercised within 15 days following the adjournment of the meeting at which the relevant change was approved.

THE MEXICAN SECURITIES MARKET

The information concerning the Mexican securities market set forth below has been prepared based on materials obtained from public sources, including the CNBV, the Mexican Stock Exchange, Banco de México and information made public by market participants. The following summary does not purport to be a comprehensive description of all of the material aspects related to the Mexican securities market.

Our Capital Stock

Our shares are registered with the RNV and listed on the Mexican Stock Exchange under the symbol "IENOVA."

We cannot predict the future trading volumes for our shares in Mexico, the United States or elsewhere. If the trading volume of our shares on the Mexican Stock Exchange falls below certain levels, the price for our Shares may be affected and our Shares may be delisted or deregistered in that market.

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange commenced operations in 1907 and is the only stock exchange in Mexico. The Mexican Stock Exchange is organized as a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*). Securities trading on the Mexican Stock Exchange occurs each business day from 8:30 a.m. to 3:00 p.m., Mexico City time, subject to adjustments to operate during times in which markets in the United States are open.

Since January 1999, all trading on the Mexican Stock Exchange has been electronic. The Mexican Stock Exchange may impose a number of measures to promote an orderly and transparent trading price of securities, including mechanisms of automatic suspension of trading in shares of a particular issuer, and, in times of extreme fluctuations of the Mexican Stock Exchange generally, when price fluctuations exceed certain limits.

The period for settlement of the sale of shares on the Mexican Stock Exchange is three business days following the sale. Deferred settlement is not permitted without the prior approval of the Mexican Stock Exchange. The certificates representing most securities traded on the Mexican Stock Exchange, including our Shares, are deposited with Indeval, an institution in charge of acting as a securities clearinghouse, depositary and custodian, as well as an agent for settlement, transfer and registration of Mexican Stock Exchange transactions, eliminating the need for the physical transfer of securities.

Settlement of transactions through the Mexican Stock Exchange must be done in pesos although, under certain limited circumstances, settlement in foreign currencies may be permitted.

Although the Mexican Securities Market Law provides for the existence of an over-the-counter market, no such market for securities in Mexico has developed.

Shares issued by foreign entities may be traded by brokerage firms and lending institutions through the International Foreign Trading System (*Sistema Internacional de Cotizaciones*, or SIC), pursuant to the Mexican Securities Market Law. These securities may be listed through the SIC provided that (1) they are not already listed on the RNV, (2) the home market of the company issuing the shares has received, based on its characteristics, recognition from the CNBV, and (3) they satisfy the in-house requirements of the applicable stock exchange.

The trading in shares of a particular issuer may be suspended by the Mexican Stock Exchange when there is unusual price or volume volatility or when changes in the trading pattern of the relevant shares are not consistent with the historic performance of the shares of the issuer in question and such volatility or changes may not be explained solely through information made publicly available pursuant to the CNBV's Mexican Securities Issuer Regulations (*Circular Única de Emisoras*).

Market Regulation and Registration Standards

The Mexican Banking Commission (*Comisión Nacional Bancaria*) was established in 1925 with the purpose of regulating banking activity and, in 1946, the CNBV was established to regulate stock market activity. In 1995, the CNBV was created as a result of the merger of these two governmental agencies.

The CNBV is in charge of regulating the public offering and trading of securities as well as participants in the Mexican securities market and has authority to impose sanctions for insider trading and other violations of the Mexican Securities Market Law. The CNBV also supervises and regulates the Mexican securities market, the Mexican Stock Exchange, and brokerage firms through its staff and a board of governors composed of 13 members.

The Mexican Securities Market Law

Publicly traded companies are principally regulated by the provisions of the Mexican Securities Market Law and supplementally regulated by the Mexican General Corporation Law (*Ley General de Sociedades Mercantiles*). The Mexican Securities Market Law was enacted and published in the Mexican Federal Official Gazette on December 30, 2005, became effective on June 28, 2006 and was most recently amended on January 10, 2014. The Mexican Securities Market Law changed the then current Mexican securities regulation in various material respects, introducing reforms aiming to bring the Mexican regulatory framework applicable to the securities market and publicly traded companies up to international standards.

The Mexican Securities Market Law, among other relevant aspects, (1) sets forth that public companies and the entities controlled by them (e.g., majority and wholly owned subsidiaries) are considered a single economic unit, (2) sets forth the rules for tender offers, dividing them into voluntary and mandatory categories, (3) establishes standards for disclosure of shareholder holdings in public companies, (4) expands and strengthens the role of the board of directors of public companies, (5) defines the responsibility and standards applicable to the board of directors and the duties of the board, each director, its secretary, the chief executive officer and the other members of senior management, (6) provides that publicly traded companies must have an audit committee, a corporate practices committee and external auditors, (7) provides the rights of minority shareholders relating to legal remedies and access to company information, (8) regulates and defines concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, (9) defines applicable sanctions for violations of the Mexican Securities Market Law, including punitive damages, (10) provides rules relating to types of equity securities that may be offered by public companies, (11) sets forth rules for share repurchases, and (12) specifies requirements for anti-takeover measures.

Under the Mexican Securities Market Law, public companies must have a board of directors comprised of no more than 21 members, of which at least 25% must be independent. Independent board members must be selected at the issuer's general ordinary shareholders' meeting based on their experience, ability and reputation, among other factors. The conclusion as to whether a director is independent is made by the issuer's shareholders, and such determination may be challenged by the CNBV. As a departure from legislative precedents, the Mexican Securities Market Law permits current members of the board of directors, under certain circumstances, to appoint, on a temporary basis, new members of the board of directors. The Mexican Securities Market Law permits the designation of provisional directors without shareholders' meeting approval when a substitute for the relevant director has not been designated, or the designee has not accepted such position, or when a director's membership is revoked pursuant to the terms of Article 155 of the Mexican General Corporation Law. In the event provisional directors have been designated, the next following shareholders' meeting must consider ratifying such appointments or designate substitute directors. The Mexican Securities Market Law provides concepts such as the duty of care, duty of loyalty and certain safe harbors, in connection with the performance of the members of the board.

Broadly defined, the duty of care calls for the members of the board to obtain sufficient information and be sufficiently prepared to support their decisions, and to act in the best interests of the public company. The duty of care is principally complied with when a director requests and obtains from the issuer or officers of the issuer, as the case may be, all information that may be necessary to participate in discussions requiring the presence of such director, and by requesting and obtaining information from third-party experts, as well as by attending board meetings and disclosing material information in possession of such board member. Failure of a director to act pursuant to the duty of care would make the relevant director jointly and severally liable for damages and losses caused to the company and its subsidiaries, which may be limited (other than in the case of bad faith, willful misconduct and illegal acts) under the company's bylaws or by resolution of a shareholders' meeting. Liability for a breach of the duty of care may also be covered by indemnification provisions and director and officer liability insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of a director's duties and abstaining from discussing or voting on matters where the board member has a conflict of interest. Additionally, the duty of loyalty is breached where a director knowingly favors the interests of a shareholder or group of shareholders without the express approval of the board of directors, and when a director takes advantage of a corporate opportunity. The duty of loyalty further implies not disclosing information that is false or misleading, or omitting to register any such information in the issuer's minute books and other corporate records. The duty of loyalty is also breached if the director uses corporate assets or approves the use of corporate assets in violation of an issuer's policies, discloses false or misleading information, orders or causes an incorrect entry of any transaction in an issuer's records that could affect its financial statements, or causes material information not to be disclosed or to be modified. The violation of the duty of loyalty makes the relevant directors jointly and severally liable for damages and losses caused to the company and its subsidiaries. This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by the breaching board member. As opposed to the duty of care, liability for breach of the duty of loyalty may not be limited by the company's bylaws, by resolution of the shareholders' meeting or otherwise.

Claims for liability of the breach of the duty of care and the duty of loyalty may be made solely for the benefit of an issuer (as a derivative suit) and may only be made by the issuer or directly by shareholders holding shares of any class representing at least 5% of the aggregate amount of such issuer's outstanding capital stock.

As a safe-harbor for directors, the liabilities described above do not arise if the director acted in good faith and (1) complied with applicable law and the bylaws of the issuer, (2) the decision was made based on information provided by officers, external auditors or third-party experts, the capacity and credibility of which were not subject to reasonable doubt, (3) adverse effects of such decision were not reasonably foreseeable, and (4) the actions were taken in compliance with resolutions adopted at the shareholders' meeting.

Under the Mexican Securities Market Law, an issuer's principal executives are also required to act for the benefit of the public company and not for the benefit of any shareholder or group of shareholders. Principal executives are required to submit major business strategies to the board of directors for approval, submit proposals for internal controls to the audit committee, disclose all material information to the public and maintain adequate accounting and registration systems and mechanisms for internal control.

The Mexican Securities Market Law requires that public companies have audit and corporate practices committees. The audit committee must consist of at least three members appointed by the board of directors, and each member must be independent. The principal activities of the audit committee are to (1) supervise the external auditors of the company and analyze their reports, (2) inform the board of directors of matters relating to the company's controls, (3) supervise related party transactions, (4) request the members of the issuer's senior management to prepare all reports as may be necessary, (5) report any financial irregularities to the board of directors, (6) supervise the activities of the issuer's executives, and (7) provide an annual report to the board of directors. The activities performed by the audit committee, together with certain obligations now entrusted to the board of directors, replace the statutory auditor (*comisario*), a position previously required for public companies by the Mexican Corporations Law.

The corporate practices committee must consist of at least three members appointed by the board of directors. Each member of a corporate practices committee of a company must be independent, except for corporations controlled by a person or group holding 50% or more of the outstanding capital stock of the related company, in which case only the majority of the members of the committee in charge of corporate practice functions must be independent. The corporate practices committee is in charge of corporate practice functions and is required to (1) provide corporate practice opinions to the board of directors, including opinions with respect to related party transactions, (2) request and obtain opinions from independent third-party experts (primarily with respect to transactions with related parties and securities transactions), (3) call shareholders' meetings, (4) provide assistance to the board of directors in connection with the preparation of annual reports, and (5) provide an annual report to the board of directors.

The Mexican Securities Market Law also requires that any transaction or series of transactions which in the aggregate represent 20% or more of the consolidated assets of a public company during any fiscal year be approved at a shareholders' meeting.

In addition, the Mexican Securities Market Law provides minority shareholders' rights, including (1) certain rights granted to shareholders representing 5% or more of the outstanding capital stock of the issuer to initiate a shareholder derivative suit for the benefit of the issuer in an amount equal to the damages or losses incurred by the issuer against directors for a breach of the duty of care or the duty of loyalty, (2) the right of shareholders representing at least 10%, jointly or severally, of the outstanding voting shares of the issuer to appoint a board member, call a shareholders' meeting and request that a vote on matters of which they were not sufficiently informed be postponed, and (3) rights of holders of at least 20% of the outstanding voting shares of the issuer to judicially oppose resolutions that were passed by a shareholders' meeting and file a petition for a court order to suspend the resolution under certain circumstances.

Limited or Non-voting Shares

Under the Mexican Securities Market Law, a public company may not allow for its common shares and limited- or non-voting shares to be jointly traded or offered to public investors, unless (1) the limited- or non-voting shares are convertible into common shares within a period of no more than five years, or (2) if the voting rights of the shares or the securities representing such shares are limited solely as a result of the nationality of the holder and compliance with foreign investment laws. The aggregate amount of shares with limited or non-voting rights that are not convertible may not exceed 25% of the aggregate amount of publicly traded shares. The CNBV may authorize an increase of this 25% limit, provided that the limited- or non-voting shares exceeding 25% of the aggregate amount of publicly held shares are convertible into common shares within five years of their issuance.

Disclosure of Shareholders' Agreements

Shareholders of a public company must notify the issuer within five business days following the execution of any shareholders' agreements (1) containing non-compete clauses, (2) governing the sale, transfer or exercise of preemptive rights (as set forth under article 132 of the Mexican General Corporation Law), or (3) which allow for the sale and purchase of shares, voting rights, and sale of shares in a public offering. The public company is then required to disclose the existence of any such agreement to investors through the stock exchanges on which its securities are traded and to disclose such agreements in an annual report prepared by the company. These agreements are required to be available for the public to review at the company's offices. These shareholders' agreements are not enforceable against the company and their breach will not affect the validity of the vote at shareholders' meetings, and will only be effective between the parties until they have been disclosed to the public.

Regulations Applicable to Issuers, Brokerage Firms and Other Market Participants

In March 2003, the CNBV issued the Mexican Securities Issuer Regulations applicable to issuers and other securities market participants. Such regulations, which repealed several previously enacted CNBV regulations (*circulares*), provided a single set of rules governing issuers and issuer activity, among other things. In September 2006, these general regulations were amended to give effect to the provisions of the then recently enacted Mexican Securities Market Law, and have been amended from time to time thereafter by the CNBV. These amendments included the requirement in 2009 for publicly traded companies to prepare their financial statements in accordance with IFRS, the inclusion in 2012 of certain rules related to the implementation of IFRS and the presentation of financial information, and the amendment of the information requirements to conduct a public offering in 2013.

Additionally, in September 2004, the CNBV issued general rules applicable to brokerage firms, (*Circulares Aplicables a Casas de Bolsa*, or Mexican Brokerage Firm Regulations), as amended from time to time. The Mexican Brokerage Firm Regulations now provide a single set of rules governing, among other things, participation of Mexican underwriters in public offerings.

Registration and Listing Standards

Only securities that have been registered with the RNV pursuant to the CNBV's approval may be listed on the Mexican Stock Exchange, although the CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV.

To offer securities to the public in Mexico, an issuer must comply with certain qualitative and quantitative requirements set forth in the general regulations issued by the CNBV. Generally, the general regulations provide that the Mexican Stock Exchange must adopt and implement minimum requirements for issuers to maintain the listing of their securities in Mexico related to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, among others. The CNBV may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each class of shares of the relevant issuer.

The Mexican Stock Exchange will review compliance with the requirements described above and other requirements on an annual, semi-annual and quarterly basis, and may also do it at any other time.

The Mexican Stock Exchange must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the listing requirements, the Mexican Stock Exchange will request that the issuer propose a plan to comply with such requirements. The Mexican Stock Exchange will temporarily suspend the trading of the relevant series of shares, on the Mexican Stock Exchange, if the public company (1) fails to propose a plan, (2) the plan is not satisfactory to the Mexican Stock Exchange, or (3) an issuer does not make substantial progress with respect to the corrective measures. If an issuer further fails to propose a plan or ceases to follow the plan once proposed, the CNBV may cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100% of the outstanding shares of the issuer, in accordance with the tender offer rules discussed below.

Reporting Obligations

Public companies with listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as certain periodic reports, with the CNBV and the Mexican Stock Exchange, as follows:

- an annual report prepared in accordance with the Mexican Securities Issuer Regulations by no later than April 30 of each year;
- quarterly reports within 20 business days following the end of each of the first three quarters and 40 business days following the end of the fourth quarter;
- reports disclosing material events promptly upon their occurrence;

- reports regarding corporate restructurings such as mergers, acquisitions, splits or assets sales approved by shareholders' meetings or the board of directors;
- details of agreements among shareholders; and
- reports regarding the policies and guidelines with respect to the use of the company's (or its subsidiaries') assets by "related persons."

Pursuant to the CNBV's Mexican Securities Issuer Regulations, the internal rules of the Mexican Stock Exchange were amended to implement an automated electronic information transfer system known as *Sistema Electrónico de Comunicación con Emisoras de Valores*, or EMISNET, for information required to be filed with the Mexican Stock Exchange. Issuers of listed securities must prepare and disclose their financial information and any other required information via EMISNET. Immediately upon its receipt, the Mexican Stock Exchange makes the financial or other required information submitted via EMISNET by the issuer available to the public.

The CNBV's Mexican Securities Issuer Regulations and the rules of the Mexican Stock Exchange require issuers of listed securities to file information through EMISNET that relates to any material act, event or circumstance that could influence an issuer's share price (*eventos relevantes*). If listed securities experience unusual price volatility, the Mexican Stock Exchange will immediately request that the issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect. In addition, the Mexican Stock Exchange will immediately request that the issuer disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct the issuer to clarify information when necessary. The Mexican Stock Exchange may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The Mexican Stock Exchange must immediately inform the CNBV of any such requests.

The CNBV may also make any of the informational requests directly to an issuer. An issuer may defer the disclosure of material events under certain circumstances, so long as (1) the issuer implements adequate confidentiality measures (including maintaining records of persons or entities in possession of material non-public information), (2) the information is related to incomplete transactions, (3) there is no misleading public information relating to the material event, and (4) no unusual price or volume fluctuation occurs.

If an issuer's securities are traded on both the Mexican Stock Exchange and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the Mexican Stock Exchange.

Suspension of Trading

In addition to the authority of the Mexican Stock Exchange under its internal regulations as described above, pursuant to the rules of the CNBV, the CNBV and the Mexican Stock Exchange may suspend trading in an issuer's listed securities (1) if the issuer does not disclose a material event, or (2) when there is price or volume volatility or when changes in the trading pattern of the relevant shares are not consistent with the historic performance of the shares of the relevant issuer and such volatility or changes may not be explained solely through information made publicly available pursuant to the Mexican Securities Issuer Regulations. Any such suspension must be immediately disclosed by the Mexican Stock Exchange to the CNBV and the general public. An issuer may request that the CNBV or the Mexican Stock Exchange resume trading, provided that the issuer demonstrates that the causes triggering the suspension have been resolved and, if applicable, that it is in full compliance with the reporting requirements under applicable law. The Mexican Stock Exchange may reinstate trading in suspended shares when it deems that the material events have been adequately disclosed to investors, when it deems that the issuer has adequately explained the reasons for the price and volume volatility or when the events affecting the share price have ceased to exist. If an issuer's request is granted, the Mexican Stock Exchange will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose through EMISNET the causes that resulted in the suspension and reasons why it is now authorized to resume trading, before trading may resume.

In cases where the relevant securities are simultaneously traded on stock exchanges located outside of Mexico, the Mexican Stock Exchange may consider the measures adopted by other non-Mexican stock exchanges to suspend and/or resume trading in an issuer's shares.

Insider Trading, Trading Restrictions and Disclosure Requirements

Specific regulations regarding insider trading are set forth in the Mexican Securities Market Law, including:

- the requirement that persons in possession of information deemed privileged abstain (1) from trading, directly or indirectly, in any relevant issuer's securities whose trading price could be affected by such information, (2) from making recommendations to third parties to trade in such securities (except for those entitled to such information due to their role or employment position), and (3) from trading in options and derivatives of the underlying security issued by such authority; and
- the requirement that the following persons must notify the CNBV of any transactions undertaken as with respect to a listed issuer's stock: (1) members of a listed issuer's board of directors, (2) shareholders controlling 10% or more of a listed issuer's outstanding share capital, (3) groups controlling 25% or more of a listed issuer's outstanding share capital, and (4) other insiders.

In addition, under the Mexican Securities Market Law, insiders must abstain from purchasing or selling securities of the issuer within 90 days from their last sale or purchase, respectively. Subject to certain exceptions, any acquisition of a public company's shares that results in the acquirer owning between 10.0% and 30.0% of an issuer's outstanding capital stock must be publicly disclosed to the CNBV and the Mexican Stock Exchange by no later than one business day following the acquisition.

Any acquisition by an insider that results in the insider holding an additional 5% or more of a public company's outstanding capital stock must also be publicly disclosed to the CNBV and the Mexican Stock Exchange no later than one business day following the acquisition. Certain insiders must also notify the CNBV of share purchases or sales that occur within any three-month or five-day period and that exceed certain value thresholds. The Mexican Securities Market Law requires that convertible securities, warrants and derivatives be settled in kind and be taken into account in the calculation of share ownership percentages.

Tender Offers

Provisions relating to public tender offers in Mexico are set forth in the Mexican Securities Market Law. Tender offers may be voluntary or mandatory. Voluntary tender offers and mandatory tender offers are each subject to the prior approval of the CNBV and must comply with general legal and regulatory requirements. Any intended acquisition of a public company's shares that results in the buyer owning 30% or more, but less than a percentage that would result in the buyer acquiring control of the company, requires the buyer to make a mandatory tender offer for the greater of (1) the percentage of the capital stock intended to be acquired, or (2) 10% of the company's outstanding capital stock. Any acquisition of a public company's shares that is undertaken to obtain voting control requires the potential buyer to make a mandatory tender offer for 100% of the company's outstanding capital stock. The CNBV may, however, permit a tender offer for less than 100% under certain circumstances.

A tender offer must be made to all shareholders of any classes of shares at the same price. The board of directors, with the advice of the audit committee, must issue its opinion with respect to any tender offer resulting in a change of control, which opinion must consider minority shareholder rights. This opinion may be accompanied by an independent fairness opinion.

All tender offers must be open for at least 20 business days and purchases thereunder are required to be made pro rata among all tendering shareholders. Pursuant to the Mexican Securities Market Law, the payment of certain amounts to controlling shareholders over and above the offering price are permitted, if such amounts are fully disclosed, approved by the board of directors and paid in connection with non-compete or similar obligations of such controlling shareholders. The Mexican Securities Market Law also provides certain exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with tender offer rules (e.g., suspension of voting rights, possible annulment of purchases, among others) and other rights available to former shareholders of the issuer.

Additionally, pursuant to the Mexican Securities Market Law, any convertible securities, warrants and derivatives that can be settled in kind representing underlying listed securities, are required to be taken into account in the calculation of the individual or group of individuals that, directly or indirectly, intends to acquire shares of a public company.

Anti-Takeover Protections

The Mexican Securities Market Law allows public companies to include anti-takeover provisions in their bylaws, provided that such provisions:

- are approved by a majority of the shareholders, without the opposing vote of shareholders representing 5% or more of the capital stock present at the meeting; and
- do not (1) exclude any shareholders or group of shareholders, (2) preclude a change of control, or (3) contravene legal provisions related to tender offers or have the effect of disregarding the economic rights of the shares held by the acquiring party.

Recent Developments in Mexican Securities Issuer Regulations

On September 29, 2015, the Mexican Finance Ministry (*Secretaría de Hacienda y Crédito Público*) through the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) published the Fourth Resolution of Modifications to the Tax Miscellaneous Resolution for 2015 (*Cuarta Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2015*) in the Federal Official Gazette, providing the tax treatment applicable to a new type of tax-advantaged publicly traded vehicle, which we refer to as FIBRA E, similar to the master limited partnership, or MLP, structures that have been used in the United States with respect to certain energy and other infrastructure assets, which publication was further modified on December 23, 2015 through the Tax Miscellaneous Resolution for 2016 (*Resolución Miscelánea Fiscal para 2016*) and April 1, 2016 through the First Resolution of Modifications to the Tax Miscellaneous Resolution for 2016 (*Primera Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2016*).

In general terms, investments in FIBRA Es would permit companies to raise capital at lower costs, when compared to more traditional sources of financing, by grouping qualifying energy and certain other eligible infrastructure assets that generate stable cash flows, including pipeline, oil and petrochemical storage facilities, that generate stable cash flows. Investments in such vehicles would have certain tax advantages for investors. For example, the sale of securities issued by FIBRA Es would be exempt from taxation in Mexico, for both Mexican resident individuals and non-residents without a permanent establishment in Mexico, similar to the existing tax regulations applicable to real-estate FIBRAs: no income tax payable at FIBRA E and investment company levels, but only at the level of the unitholders when a FIBRA E distributes net taxable income; no income tax payable on dividend distributions and capital returns; no additional tax payable on dividend distributions; and FIBRA Es may shield net taxable income distributed by investment companies with the deduction of a deferred expense created when acquiring investment companies.

In addition, similar to MLPs, FIBRA Es allow the manager thereof (which is expected to be an affiliate of the sponsor) to maintain full control of both the FIBRA E and the respective investment companies, granting only minimum corporate rights to unitholders. A technical committee, comprised of a majority of independent members, would also have to be established to supervise the manager and to resolve any transactions that represent a conflict of interest with respect to the manager.

FIBRA Es are subject to the minimum requirements of corporate governance, including disclosure of voting agreements, compensation of administrators, minority rights, and supervision by committees, similar to the committees of boards of directors of corporations.

We cannot make any prediction regarding the timing or scope of such regulations nor of their effectiveness or success in bringing new capital or investors into Mexico's energy and other infrastructure markets. Finally, we can make no assurances that we or our assets will be able to take advantage of new opportunities arising from the enactment of these regulations. In fact, the effect of such regulations may be to increase the competition that we may face in raising capital efficiently, or bring new competitors into the market for energy infrastructure assets, which could make it more difficult for us to win or develop projects at attractive yields.

TAXATION

The following summary contains a description of certain Mexican and U.S. federal income tax consequences of the acquisition, ownership and disposition of our Shares. It is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase, hold or dispose our Shares, it is not applicable to all categories of investors, some of which may be subject to special rules, and it does not specifically address all of the Mexican and U.S. federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Mexico and the United States in effect as of the date of this offering circular, which are subject to change, possibly with retroactive effect, and to differing interpretations. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality or municipality or taxing jurisdiction other than certain federal laws of Mexico and the United States of America.

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective holders of our Shares. This summary includes a discussion of certain provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering circular as the Treaty, all of which are subject to change. Mexico has also entered into or is negotiating several other income tax treaties with various countries, which may have an impact on the tax treatment of the purchase, ownership or disposition of our Shares. Prospective purchasers should consult their tax advisors concerning the Mexican, U.S. federal, state, local and other foreign tax consequences of an investment in our Shares.

Certain Mexican Tax Considerations

The following summary contains a description of certain tax consequences, under the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) of the acquisition, ownership and disposition of our Shares by a holder of such Shares that is a non-Mexican holder (as described below), and it does not purport to be a comprehensive description of all of the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. In addition, this summary does not address any United States or other country or Mexican state or municipal tax considerations that may be relevant to any non-Mexican holder.

This summary is intended to be for general information purposes only, and is based upon the Mexican Income Tax Law as in effect on the date of this offering circular, which is subject to change. Prospective investors in our Shares should consult their own tax advisors as to the United States, Mexican or other tax consequences of the purchase, ownership and disposition of our Shares including, in particular, the effect of any foreign, state or local tax laws, and their entitlement to the benefits, if any, afforded by the income tax treaty between Mexico and the United States (Treaty) and other tax treaties to which Mexico may be a party and which are in effect.

For purposes of this summary, the term "non-Mexican holder" shall mean a holder that is not a resident of Mexico for tax purposes, and that will not hold our Shares, or a beneficial interest therein through a permanent establishment for tax purposes in Mexico to which the holding of the Shares is attributable for tax purposes.

For purposes of Mexican taxation:

- Individuals are residents of Mexico for tax purposes if they have established their domicile in Mexico or, if they also have a domicile outside Mexico, if their center of vital interests (*centro de intereses vitales*) is located within Mexican territory. This will be deemed to occur if (1) more than 50% of their aggregate annual income derives from Mexican source, or (2) the main center of their professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which their income is subject to a preferential tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years;

- Unless proven differently, a Mexican national individual shall be deemed a Mexican resident for tax purposes. An individual will also be considered a resident of Mexico for tax purposes if such individual is a state employee, regardless of the location of the individual's center of vital interests; and
- A legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business, or the place of effective management, in Mexico. Non-residents of Mexico who have or are deemed to have a permanent establishment in Mexico for tax purposes, shall be subject to Mexican tax laws, and all income attributable to such permanent establishment regardless of its source will be subject to Mexican taxes in accordance with the Mexican Income Tax Law.

Mexican Income Tax

Taxation on Dividends

Pursuant to the provisions of the Mexican Income Tax Law, dividends paid to non-Mexican holders, as well as holders who are Mexican resident individuals, with respect to our Shares, are currently subject to a 10% withholding tax. This tax cannot be credited against any other tax in Mexico. However, dividends that correspond to profits that were subject to taxation at the corporate level prior to January 1, 2014 are not subject to this tax.

Dividends paid from distributable earnings that have not been subject to Mexican corporate income tax, are subject to a tax at the corporate level, payable by us, in addition to the withholding tax. This corporate tax on the distribution of earnings is not final and may be credited by us against income tax payable by us during the fiscal year in which the tax was paid and for the following two years. Dividends paid from distributable earnings, after corporate income tax has been paid on such earnings, are not subject to corporate income tax but are subject to withholding tax.

Taxation on Capital Gains

Gains on the sale of our Shares by a non-Mexican holder will be subject to a 10% Mexican income tax, if the transaction is carried out through the Mexican Stock Exchange or other stock exchange or securities market approved by the Mexican Finance Ministry. Such tax must be withheld by the broker-dealer through which the sale is made. However, non-Mexican holders that are resident in a country that has a treaty for the avoidance of double taxation are eligible for an exemption of such tax, if such holder provides an affidavit to the broker-dealer stating, under oath, that it has such tax residence status and provides a tax identification number. Additionally, to be eligible for the 10% tax or the exemption, several other requirements must be fulfilled, including that the non-Mexican holder must (i) have purchased and sold the Shares in the Mexican Stock Exchange or other recognized securities market, (ii) not hold 10% or more of our total outstanding Shares nor transfer 10% or more of our total outstanding Shares in one or several transaction within a twenty four month period, (iii) not transfer control of us by transferring the Shares, and (iv) not transfer the Shares in a cross-trade or any other transaction that is not considered a market transaction.

Gains on the sales of our Shares not carried out through the Mexican Stock Exchange or other stock exchange or securities market approved by the Mexican Finance Ministry will generally be subject to a 25% income tax rate on gross income. Nevertheless, where certain requirements are met, a 35% income tax rate on the gain may be applicable. However, the benefits of a treaty for the avoidance of double taxation may reduce or altogether eliminate such tax. To be entitled to this reduced tax or exemption, the non-Mexican holder will be subject to compliance with certain requirements by the non-Mexican holder, including certain filings before the Mexican tax authority.

Under the Treaty, a non-Mexican holder that is eligible to claim the benefits under such Treaty may be exempt from Mexican taxes on gains realized from a sale or other disposition of Shares issued by a Mexican entity in a transaction that is or is not conducted through the Mexican Stock Exchange or such other approved securities market, to the extent such holder did not own, directly or indirectly, generally 25% or more of the outstanding shares of the issuer at any time during the twelve-month period preceding the date of the sale or disposition, and provided that certain formal requirements set forth by the Mexican Income Tax Law are also complied with. Notwithstanding, the Treaty specifically excludes this benefit in the case of Shares issued by an entity whose main value derives from real estate located in Mexico.

Other Mexican Taxes

There is currently no Mexican estate, gift, inheritance or value-added tax applicable to the purchase, ownership or disposition of our Shares by a non-Mexican resident for tax purposes; however, gratuitous transfers of our Shares may, in certain circumstances, result in the imposition of Mexican federal income tax on the recipient. There is currently no Mexican stamp, issue, registration or similar tax or duty payable by a non-Mexican holder for tax purposes with respect to the purchase, ownership or disposition of our Shares.

Certain U.S. Federal Income Tax Considerations

The following discussion describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Shares. This discussion applies only to U.S. Holders that acquire Shares in this offering, hold such Shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the Internal Revenue Code of 1986, as amended and in effect on the date of this offering circular (the “Code”), and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this offering circular, as well as judicial and administrative interpretations thereof available as of such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. This summary does not address any estate, gift or other U.S. federal tax consequences (including the Medicare tax imposed at 3.8% on unearned income that may apply to dividends and capital gain on the Shares) or any state, local or non-U.S. tax consequences.

The following discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such holder’s particular circumstances or to U.S. Holders in special tax situations such as:

- banks;
- certain financial institutions;
- regulated investment companies and real estate investment trusts;
- insurance companies;
- broker-dealers;
- traders in securities that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- persons holding the Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction;
- persons that actually or constructively own 10% or more of the issuer’s voting stock;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons who acquired the Shares pursuant to the exercise of any employee share option or otherwise as compensation; or

- partnerships or other pass-through entities (or persons holding the Shares through partnerships or other pass-through entities).

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Share that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) the administration of the trust is subject to the primary supervision of a court within the United States and one or more U.S. persons have authority to control all substantial decisions of the trust, or (2) a valid election is in effect under applicable U.S. Treasury regulations to treat the trust as a U.S. person.

The tax treatment of a partner in a partnership or other entity taxable as a partnership for U.S. federal income tax purposes that holds Shares generally will depend on such partner's status and the activities of the partnership.

Dividends

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of distributions made by the issuer with respect to the Shares (including the amount of any foreign taxes withheld therefrom, if any) generally will be includable in a U.S. Holder's gross income, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes, as dividend income, but only to the extent that such distributions are paid out of the issuer's current or accumulated earnings and profits as determined under U.S. federal income tax principles. The dividends will not be eligible for the dividends-received deduction allowed to corporations with respect to dividends received from other U.S. corporations. With respect to non-corporate U.S. Holders, dividends may be "qualified dividend income," which is taxed at the lower applicable net capital gain rate provided that (1) the issuer is eligible for the benefits of the income tax treaty between the United States and Mexico (the "Treaty"), (2) the issuer is not a PFIC (as discussed below) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) the U.S. Holder satisfies certain holding period requirements, and (4) the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Shares.

The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency on the date such distribution is includible in income by the recipient, regardless of whether the payment is in fact converted into U.S. dollars at that time. Any gain or loss on a subsequent conversion or other disposition of the currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Foreign withholding tax (if any) paid on dividends on Shares at the rate applicable to a U.S. Holder (taking into account any applicable income tax treaty) will, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or, at such holder's election, eligible for deduction in computing such holder's U.S. federal taxable income. Dividends paid on Shares will generally constitute foreign source income and generally will be considered "passive category" income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. However, if the issuer is a "United States-owned foreign corporation," solely for foreign tax credit purposes, a portion of the dividends allocable to the issuer's U.S. source earnings and profits may be re-characterized as U.S. source. A "United States-owned foreign corporation" is any foreign corporation in which U.S. persons own, directly or indirectly, 50% or more (by vote or by value) of the stock. In general, United States-owned foreign corporations with less than 10% of earnings and profits attributable to sources within the United States are excepted from these rules. The issuer currently is a United States-owned foreign corporation. As a result, if 10% or more of the issuer's earnings and profits are attributable to sources within the United States, a portion of the dividends allocable to the issuer's U.S. source earnings and profits will be treated as U.S. source, and, as such, a U.S. Holder may not offset any foreign tax withheld as a credit against U.S. federal income tax imposed on that portion of dividends. The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex, and U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

Sale or Other Taxable Disposition of the Shares

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of Shares, a U.S. Holder will generally recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and its tax basis in such Shares. Any such gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder's holding period for such Shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

If the consideration received for the Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received translated at the spot rate of exchange on the date of disposition. A U.S. Holder may realize additional gain or loss upon the subsequent sale or disposition of such currency, which will generally be treated as U.S. source ordinary income or loss. If the Shares are treated as traded on an established securities market and the relevant holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Internal Revenue Service), such holder will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If the Shares are not treated as traded on an established securities market, or the relevant U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, such U.S. Holder will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of disposition (as determined above) and the U.S. dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder's initial tax basis in the Shares generally will equal the cost of such Shares. If a U.S. Holder used foreign currency to purchase the Shares, the cost of the Shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. If the Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such holder will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

The issuer would be classified as a PFIC for any taxable year if either: (1) at least 75% of its gross income for such year was passive income, or (2) at least 50% of the value of its assets (determined on the basis of a quarterly average) during such year was attributable to assets that produce or are held for the production of passive income. For this purpose, the issuer will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the anticipated market price of the Shares in this offering, the expected market price of the Shares following this offering and the composition of our income, assets and operations, we do not expect to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. This is a factual determination, however, that must be made annually after the close of each taxable year. Therefore, there can be no assurance that the issuer will not be classified as a PFIC for the current taxable year or for any future taxable year.

If the issuer were classified as a PFIC for any taxable year during which a U.S. Holder held Shares, such holder would be subject to special tax rules with respect to any "excess distribution" that it receives and any gain it realizes from a sale or other disposition (including a pledge) of the Shares, unless such holder makes a "mark-to-market" election as discussed below. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Shares;
- the amount allocated to the current taxable year, and any taxable year in such holder's holding period prior to the first taxable year in which the issuer became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

A U.S. Holder will be required to make an annual filing with the Internal Revenue Service if such holder holds the Shares in any year in which the issuer is classified as a PFIC.

If the issuer is a PFIC for any year during which a U.S. Holder holds the Shares, it generally will continue to be treated as a PFIC with respect to such holder for all succeeding years during which the holder holds the Shares. If the issuer ceases to be a PFIC, such a holder may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the Shares, as applicable.

If a U.S. Holder is eligible to and does make a mark-to-market election, such holder generally will include as ordinary income the excess, if any, of the fair market value of the Shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the Shares will be treated as ordinary income. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of the Shares.

A timely election to treat the issuer as a qualified electing fund under the Code would result in an alternative treatment. However, the issuer does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to the Shares and proceeds from the sale, exchange or redemption of the Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Foreign Financial Asset Reporting

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain threshold amounts are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non U.S. persons, (2) financial instruments and contracts held for investment that have non U.S. issuers or counterparties, and (3) interests in foreign entities. The Shares may be subject to these rules. Additionally, under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of this requirement to their ownership of the Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES UNDER THE INVESTOR'S CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Santander Investment Securities Inc., Goldman, Sachs & Co. and Banco BTG Pactual S.A.—Cayman Branch will act as initial purchasers with respect to the offering of Shares sold to investors located outside of Mexico. The Global Offering consists of the International Offering of Shares in the United States and in other countries outside of Mexico.

Pursuant to the terms and subject to the conditions set forth in the purchase agreement dated October 13, 2016, each of the initial purchasers has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the number of Shares set forth opposite such initial purchaser's name:

Initial purchasers	Number of Shares
Credit Suisse Securities (USA) LLC	72,328,768
J.P. Morgan Securities LLC	72,328,768
Santander Investment Securities Inc.	40,605,625
Goldman, Sachs & Co.	19,033,886
Banco BTG Pactual S.A.—Cayman Branch	19,033,886
Total	223,330,933

Banco BTG Pactual S.A.—Cayman Branch is a not broker-dealer registered with the SEC, and therefore may not sell the shares in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A.—Cayman Branch intends to sell the shares in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

In respect of the Mexican Offering, subject to the terms and conditions set forth in the Mexican underwriting agreement (*contrato de colocación*) dated October 13, 2016, the Mexican underwriters, in their capacity as leaders of the syndicate of underwriters in Mexico, have agreed to distribute, and we have agreed to deliver to the Mexican underwriters, the number of Shares set forth opposite such Mexican underwriter's name.

Mexican Underwriters	Number of Shares
Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México)	40,772,211
J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero	40,772,211
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México	22,889,663
Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex	8,583,623
Evercore Casa de Bolsa, S.A. de C.V.	8,583,623
Total	121,601,331

Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC are acting as global coordinators of the Global Offering. The purchase agreement and the Mexican underwriting agreement each provide that the obligations of the initial purchasers to purchase and the Mexican underwriters to distribute the Shares, are subject to approval of legal matters by counsel and to other conditions. The initial purchasers and the Mexican underwriters must purchase or distribute all the Shares (other than those covered by the initial purchasers' and the Mexican underwriters' options to purchase additional Shares described below) if they purchase any of the Shares.

The initial purchasers and Mexican underwriters have entered into an intersyndicate agreement, pursuant to which sales may be made between the initial purchasers and the Mexican underwriters of a number of Shares as may be determined jointly by the initial purchasers and the Mexican underwriters. To the extent that there are sales between the initial purchasers and the Mexican underwriters pursuant to the intersyndicate agreement, the number of Shares initially available for sale by the initial purchasers and the Mexican underwriters may be more or less than the amounts appearing on the cover page of this offering circular. The initial purchasers and the Mexican underwriters have agreed to coordinate their efforts to stabilize and, if discretionally decided by Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México) (the "Stabilizing Agent"), exercise the over-allotment options, in each case, on the terms and subject to the conditions set forth in the intersyndicate agreement and observing the applicable rules prescribed by the CNBV.

We expect that delivery of the Shares will be made to investors on or about October 19, 2016, in book-entry form through the facilities of Indeval. Delivery is expected to be made on the third Mexican business day following the date that the Shares are first traded on the Mexican Stock Exchange, regardless of whether the same number of business days has occurred in the United States or elsewhere.

The closing of the International Offering and the Mexican Offering are conditioned upon one another and will occur simultaneously. The Mexican Offering is being made pursuant to a separate Spanish-language prospectus prepared in accordance with Mexican law requirements that contains information that is substantially similar to the information included in this offering circular, except that the Mexican prospectus includes other information required by regulation in Mexico.

We have granted the initial purchasers an option, exercisable on one occasion within a period of 30 days from the date of this offering circular, to purchase up to an additional 22,705,067 Shares at the offering price, set forth on the cover of this offering circular less discounts and commissions. We have also granted the Mexican underwriters an option, exercisable on one occasion within a period of 30 days from the date of this offering circular, to purchase up to an additional 12,362,669 Shares at the offering price, set forth on the cover of this offering circular less discounts and commissions. To the extent an option is exercised, each initial purchaser and Mexican underwriter, as applicable, must purchase an additional number of Shares approximately proportionate to that person's initial commitment. Any Shares issued or sold under the options will be issued and sold on the same terms and conditions as the other Shares that are the subject of this offering. Each of the options granted to the initial purchasers and the Mexican underwriters may be exercised independently, in accordance with applicable law in the relevant jurisdiction; however, they are expected to be exercised in a coordinated fashion. The amount of additional Shares may be reallocated between syndicates in accordance with the provisions of the intersyndicate agreement.

The initial purchasers and the Mexican underwriters propose to resell or distribute, as the case may be, the Shares at the offering price set forth on the cover page of this offering circular. The initial purchasers propose to sell such Shares within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The purchase agreement further provides that if any of the Shares covered by such agreement are not so purchased, offered or resold, the initial purchasers are obligated, severally and not jointly, to purchase them on a firm commitment basis on the settlement date subject to certain conditions and exceptions contained therein. See "Transfer Restrictions."

The Shares have not been, and will not be, registered under the Securities Act, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S under the Securities Act. Resales of the Shares are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of the offering, an offer or sale of Shares within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than pursuant to Rule 144A.

The purchase agreement and the Mexican underwriting agreement provide that the obligation of the initial purchasers and the Mexican underwriters to purchase, offer and sell the Shares is subject to, among other conditions, the delivery of certain legal opinions by our legal counsel in Mexico and in the United States, as well as from our general counsel, and comfort letters from our independent accountants. The initial purchasers must purchase all the Shares (other than those covered by the initial purchasers' option to purchase additional shares described above) if they purchase any of the Shares. The Shares will initially be offered at the price indicated on the cover page of this offering circular and the Mexican prospectus, respectively, less the underwriting discounts and commissions. Purchasers of Shares outside of the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

We have agreed to indemnify the initial purchasers and the Mexican underwriters, under the terms of each of the purchase agreement and the Mexican underwriting agreement, against liabilities, including liabilities under the Securities Act and under the Mexican securities laws, and, in the case of the purchase agreement, to contribute to payments that they may be required to make in that respect, subject to limitations set forth in the purchase agreement with respect to indemnification and contribution and the Mexican underwriting agreement with respect to indemnification.

The Shares are listed on the Mexican Stock Exchange under the symbol "IENOVA." However, we cannot assure you that the prices at which the Shares will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Shares will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the Shares. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Shares at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Shares.

The initial purchasers and/or their affiliates may enter into derivative transactions in connection with the Shares, acting at the order and for the account of their clients. The initial purchasers and/or their affiliates may also purchase some of the Shares in this offering as a hedge for such transactions. These transactions may have an effect on demand, price or other terms of the Global Offering.

Semco, our controlling shareholder, has indicated that it intends to place an order for an aggregate of approximately US$350.7 million in shares of our common stock in the Mexican Offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, Semco may determine to purchase fewer shares than it indicated an interest in purchasing or not to purchase any shares in the Mexican Offering or this offering. It is also possible that Semco could indicate an interest in purchasing more shares of our common stock. In addition, since no preference shall be granted to Semco or its affiliates, the underwriters could determine to sell to Semco or its affiliates fewer shares than it indicated an interest in purchasing.

Lock-up Agreements

We, our indirect controlling shareholder (on behalf of itself and its controlled affiliates) (including Semco Holdco, S. de R.L. de C.V.) and its and our respective directors and officers have agreed that for a period of 90 days, subject to certain exceptions, we and they will not directly or indirectly, take any of the following actions with respect to any of the Shares, or any securities convertible into or exchangeable or exercisable for any of our Shares (except as discussed in the section "Controlling Shareholder" in connection with transfers between subsidiaries of our indirect controlling shareholder): (1) offer, sell, issue, contract to sell, pledge or otherwise dispose of our Shares, (2) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase our Shares, (3) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of our Shares, (4) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the

Exchange Act or (5) file with the SEC or the CNBV a registration statement relating to our Shares or, in each case, publicly disclose the intention to take any such action, without the prior written consent of the initial purchasers and the Mexican underwriters. We will not at any time directly or indirectly, take any action referred to under (1) through (5) above with respect to any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of our Shares.

Stabilization Transactions

In connection with the offering, the initial purchasers may purchase and sell Shares in the open market. Purchases and sales in the open market may include short sales and purchases to cover short positions, which may include purchases pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional Shares, and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of Shares than they are required to purchase in the offering.
  - "Covered" short sales are sales of Shares in an amount up to the number of Shares represented by the initial purchasers' option to purchase additional Shares.
  - "Naked" short sales are sales of Shares in an amount in excess of the number of Shares represented by the initial purchasers' option to purchase additional Shares. Mexican law does not permit naked short sales.
- Covering transactions involve purchases of Shares either pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional Shares or in the open market after the distribution has been completed in order to cover short positions.
  - To close a covered short position, the initial purchasers must purchase Shares in the open market after the distribution has been completed or must exercise their option to purchase additional Shares. In determining the source of Shares to close the covered short position, the initial purchasers will consider, among other things, the price of Shares available for purchase in the open market as compared to the price at which they may purchase Shares by exercising their option to purchase additional Shares.

Stabilizing transactions involve bids to purchase Shares so long as the stabilizing bids do not exceed a specified maximum. The Stabilizing Agent may purchase additional Shares or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Agent (or persons acting on behalf of any Stabilizing Agent) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or option to purchase additional Shares must be conducted by the relevant Stabilizing Agent (or person(s) acting on behalf of any Stabilizing Agent) in accordance with all applicable laws and rules.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Shares. They may also cause the price of the Shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers also may impose a penalty bid. This occurs when a particular initial purchaser repays to the initial purchasers a portion of the underwriting discount received by it because the initial purchasers have repurchased shares sold by or for the account of such initial purchaser in stabilizing or short covering transactions.

None of the Company, any of the initial purchasers or Mexican underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, any of the initial purchasers or Mexican underwriters makes any representation that the initial purchasers or Mexican underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Relationships Between Company and the Initial Purchasers and the Mexican Underwriters

The initial purchasers and the Mexican underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In addition to the commercial relationships arising from the Global Offering, from time to time, certain of the initial purchasers and the Mexican underwriters and their respective affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In the ordinary course of their various business activities, the initial purchasers and the Mexican underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours (except when such investments or transactions involving securities of ours are expressly prohibited by law). In the case of derivatives transactions on behalf of clients outside of Mexico, in connection with our Shares, the initial purchasers and the Mexican underwriters and their respective affiliates may also purchase some of the securities in the Global Offering as a hedge for such transactions, and these transactions may have an effect on the demand, price or other terms of the Global Offering. The initial purchasers and the Mexican underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views with respect to such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Except for the commissions and discounts to be received within the scope of the Global Offering, no other remuneration will be paid by us to the initial purchasers and the Mexican underwriters, or their respective affiliates.

Selling Restrictions

Other than with respect to the public offering of the Shares listed on the Mexican Stock Exchange, no action has been or will be taken in the United States, the United Kingdom or any country or jurisdiction by us, our indirect controlling shareholder, the initial purchasers or the Mexican underwriters that would permit a public offering of the Shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering circular does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering circular comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Shares, the distribution of this offering circular and resale of the Shares. See "Transfer Restrictions."

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the Shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of Shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or

(b) distribute or publish this offering circular or any other prospectus, disclosure document, offering material or advertisement relating to the Shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding monies lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Hong Kong

The Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Shares under section 275 except: (1) to an institutional investor under section 274 of the SFA or to a relevant person, or any person pursuant to section 275(1a), and in accordance with the conditions, specified in section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

China

The Shares may not be offered or sold directly or indirectly to the public in the People's Republic of China, or China, and neither this offering circular, which has not been submitted to the Chinese Securities and Regulatory Commission, nor any offering material or information contained herein relating to the Shares, may be supplied to the public in China or used in connection with any offer for the subscription or sale of the Shares to the public in China. The Shares may only be offered or sold to China-related organizations which are authorized to engage in foreign exchange business and offshore investment from outside of China. Such China-related investors may be subject to foreign exchange control approval and filing requirements under the relevant Chinese foreign exchange regulations.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented;
- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons per relevant Member State (other than qualified investors as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

For the purposes of this provision, the expression an "offer of Shares to the public," in relation to any Shares in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EC.

United Kingdom

Each of the initial purchasers has agreed that this document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

France

The offering circular has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des Marchés financiers* (the French financial markets authority, or the AMF) and therefore has not been submitted for clearance to the AMF. Consequently, the Shares may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Shares will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-2, D. 411-1 and D. 411-4 of the *Code of Monétaire et Financier*. Neither the offering circular nor any other offering material may be made available or be distributed to the public in France.

Italy

No action has been or will be taken which could allow an offering of the Shares to the public in the Republic of Italy. Accordingly, the Shares may not be offered or sold directly or indirectly in the Republic of Italy, and neither the offering circular nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to us or the Shares may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Shares cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.

Switzerland

The Shares may not and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland, and neither the offering circular nor any other solicitation for investments in the Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of articles 652a or 1156 of the Swiss Federal Code of Obligations or of Article 3 of the Federal Act on Collective Investment Schemes of June 23, 2006. This offering circular may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering circular is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 27 of the Listing Rules of the SIX Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the Shares on any Swiss stock exchange or other Swiss regulated market and this offering circular may not comply with the information required under the relevant listing rules. The Shares have not been and will not be approved by any Swiss regulatory authority. The Shares have not been and will not be registered with or supervised by the Swiss Federal Banking Commission, and have not been and will not be authorized under the Federal Act on Collective Investment Schemes of June 23, 2006. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Collective Investment Schemes of June 23, 2006 does not extend to acquirers of the Shares.

Spain

Neither the Shares nor this offering circular have been approved or registered in the administrative registries of the Spanish Comisión Nacional del Mercado de Valores (National Securities Exchange Commission). Accordingly, the Shares may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Portugal

This offering circular has not been nor will it be subject to the approval of the Portuguese Securities Market Commission, or the CMVM. No authorization has been made nor has been requested from the CMVM for the marketing of our Shares, therefore the same cannot be offered to the public in Portugal. Each initial purchaser and has represented, warranted and agreed, and each further initial purchaser appointed will be required to represent, warrant and agree that it has not offered or sold, and it will not offer or sell any of our Shares in Portugal or to residents of Portugal except in circumstances that will result in compliance with the rules concerning marketing of our Shares and with the laws of Portugal generally.

No action has been or will be taken that would permit a public offer of our Shares in Portugal. Accordingly, our Shares have not been or may not be offered or sold to unidentified addressees or to 100 or more addressees who are not qualified investors and no offer has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, publication of any promotional material or in any similar manner.

In particular, this offering circular and the offer of our Shares is only intended for qualified investors acting as final investors. Qualified investors within the meaning of the Securities Code (*Código dos Valores Mobiliários*) includes credit institutions, investment firms, insurance companies, collective investment institutions and their respective managing companies, pension funds and their respective pension fund-managing companies, other authorized or regulated financial institutions, notably securitization funds and their respective management companies and all other financial companies, securitization companies, venture capital companies, venture capital funds and their respective management companies, financial institutions incorporated in a state that is not a member state of the EU that carry out activities similar to those previously mentioned, entities trading in financial instruments related to commodities and regional and national governments, central banks and public bodies that manage debt, supranational or international institutions, namely the European Central Bank, the European Investment Bank, the International Monetary Fund and the World Bank, as well as entities whose corporate purpose is solely to invest in securities and any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts. It also includes high net worth individuals who request to be qualified as such, in case they comply with certain requirements and subsequently register with the CMVM.

Germany

The offer of the Shares is not a public offering in the Federal Republic of Germany. The Shares may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz—WpPG*), as amended, or the Securities Prospectus Act, the Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, and any other applicable German law. No application has been made under German law to permit a public offer of Shares in the Federal Republic of Germany. The offering circular has been approved for purposes of a public offer of the Shares and accordingly the Shares may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, the offering circular is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Shares will only be available to and each of the offering circular and any other offering material in relation to the Shares is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act. Any resale of the Shares in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

The Netherlands

This document has not been and will not be approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) in accordance with Article 5:2 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*). The Shares will only be offered in The Netherlands to qualified investors (*gekwalificeerde beleggers*) as defined in Article 1:1 of the Dutch Act on Financial Supervision.

Republic of Ireland

The Shares are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering circular may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Brazil

The offer of the Shares described in this offering circular will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under Comissão de Valores Mobiliários (CVM) Rule (Instrução) No. 400, of December 29, 2003, as amended. The offer and sale of the Shares have not been and will not be registered with the CVM in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Shares in Brazil is not legal without such prior registration. Documents relating to the offering of the Shares, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the Shares is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the Shares to the public in Brazil. This offering circular is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Chile

In Chile, the offer of the Shares began on October 3, 2016, and is governed by the NCG 336 of June 27, 2012, issued by the Chilean Superintendency of Securities and Insurance (“SVS”). The offer relates to securities not registered with the Securities Registry or the Registry of Foreign Securities of the SVS, so the shares are not subject to the oversight of the SVS. Since the shares are unregistered securities in Chile, the Company has no obligation to deliver in Chile public information regarding the shares. The shares may not be sold in a public offering in Chile until they are registered in the Securities Registry or the Registry of Foreign Securities of the SVS.

En Chile, la oferta de los valores comenzó el 3 de Octubre, 2016 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (“SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente de la SVS.

Argentina

We have not made, and will not make, any application to obtain an authorization from the National Securities Exchange Commission (Comisión Nacional de Valores or the “CNV”) for the public offering of the Shares in Argentina. The Shares have not been and will not be registered with the CNV under the Argentine Public Offering Law No. 26,831, as amended. Argentine insurance companies may not purchase the Shares.

Colombia

The Shares have not been and will not be registered in the Colombian National Registry of Securities and Issuers (Registro Nacional de Valores y Emisores) maintained by the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia) and may not be offered, sold or negotiated or otherwise be subject to brokerage activities in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Part 4 of Decree 2555 of 2010 to privately market and offer the Shares to their Colombian clients.

Peru

Neither the Shares nor this offering circular have or will be registered with or approved by the Peruvian Capital Markets Superintendency (Superintendencia del Mercado de Valores). Accordingly, the Shares cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among others, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

Panama

Neither our Shares, nor their offer, or the transactions related to them have been registered with the National Securities Commission. The exemption of registration is made based on numeral 3 of Article 83 of Decree- Law 1 of 1999 (institutional investors). In consequence, the fiscal system provided in Articles 269 to 271 of Decree-Law 1 of 1999 is not applicable to them. The Shares do not fall under the supervision of the National Securities Commission.

Qatar

This offering of the Shares does not constitute a public offer of the Shares in the State of Qatar under Law No. 5 of 2002 or the Commercial Companies Law. The Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in the Shares, or have sufficient knowledge of the risks involved in an investment in the Shares or are benefiting from preferential terms under a directed share program for directors, officers and employees. No transaction will be concluded in the jurisdiction of the State of Qatar.

United Arab Emirates

The Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates, or the U.A.E., other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this offering circular does not constitute a public offer of the Shares in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. This offering circular has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. If you do not understand the contents of this offering circular you should consult an authorized financial adviser. This offering circular is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

Dubai International Financial Center

This offering circular relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares should conduct their own due diligence on the Shares. If you do not understand the contents of this offering circular you should consult an authorized financial adviser. For the avoidance of doubt, the Shares are not interests in a "fund" or "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. l of 2006) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

Kuwait

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990, its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, as amended, have been given in relation to the marketing, of and sale of the Shares in Kuwait, these may not be offered for sale, sold nor may any marketing or solicitation or inducement to buy any Shares be made in Kuwait. Neither this offering circular, any related document, nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of Shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

Representations of Canadian Purchasers

By purchasing the Shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Shares without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106—*Prospectus Exemptions*,
- the purchaser is a "permitted client" as defined in National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations*,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

Conflicts of Interest

Canadian purchasers are hereby notified that the initial purchasers are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105—*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

Statutory Rights of Action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering circular (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Shares in their particular circumstances and about the eligibility of the Shares for investment by the purchaser under relevant Canadian legislation.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares.

The Shares have not been and will not be registered under the Securities Act or with any state or other jurisdiction except Mexico and, accordingly, may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Shares are being offered and sold only:

- in the United States to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and
- outside of the United States to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser (other than the initial purchasers) of Shares offered to U.S. persons, and therefore in reliance on Rule 144A, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico; and
- such Shares may not be offered, sold, pledged or otherwise transferred except (1) to a person whom the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in accordance with Regulation S under the Securities Act, including through the Mexican Stock Exchange or any other stock exchange outside of the Unites States on which the Shares or any beneficial interest therein may be listed and traded in accordance with Regulation S, or (3) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States.

Each purchaser (other than the initial purchasers) of Shares offered to non-U.S. persons outside the United States, and therefore in reliance on Regulation S, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico; and
- such securities may not be offered, sold, pledged or otherwise transferred prior to the expiration of 40 days after the date of this offering circular, except (1) in accordance with Regulation S under the Securities Act, including through the Mexican Stock Exchange or any other stock exchange outside of the Unites States on which the Shares or any beneficial interest therein may be listed and traded in accordance with Regulation S, or (2) to a person whom the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in either case in accordance with any applicable securities laws of any state of the United States.

ENFORCEMENT OF CIVIL LIABILITIES

As of the date of this offering circular, we are a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Most of our directors, the members of our senior management and our advisors named herein are non-residents of the United States and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have appointed CT Corporation System, New York, New York, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon United States federal or state securities laws. We have been advised by our special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case. See "Risk Factors—Risks Relating to Our Shares and to this Offering—Holders of our Shares may face difficulties in serving process on or enforcing judgments against us and other persons."

LEGAL MATTERS

Mijares, Angoitia, Cortés y Fuentes, S.C. will pass on certain Mexican legal matters for us in connection with this offering. Latham & Watkins LLP will pass on certain U.S. legal matters for us in connection with this offering. Creel, García-Cuellar, Aiza y Enríquez, S.C. will pass on certain Mexican legal matters for the initial purchasers and the Mexican underwriters in connection with this offering. Cleary Gottlieb Steen & Hamilton LLP will pass on certain U.S. legal matters for the initial purchasers in connection with this offering.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for each of the three years ended December 31, 2015, 2014 and 2013 have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Infraestructura Energética Nova, S.A.B. De C.V. and Subsidiaries
Consolidated Financial Statements

Unaudited Condensed Interim Consolidated Financial Statements

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, 2015, 2014 and 2013, and the consolidated statements of profit, 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 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control 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 whether the consolidated 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 Company'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 Company'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.

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, 2015, 2014 and 2013, and its financial performance 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

/s/ C.P.C. Omar Esquivel Romero
February 22, 2016

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)

	Notes	December 31, 2015	December 31, 2014	December 31, 2013
Assets				
Current assets:				
Cash and cash equivalents	4, 22	$ 40,377	$ 83,637	$ 103,880
Short-term investments	22	20,068	30,020	207,027
Trade and other receivables, net	5, 22	53,728	66,401	64,035
Due from unconsolidated affiliates	6, 22	27,608	26,601	24,860
Income taxes receivable	23	16,226	34,297	15,931
Natural gas inventories	8	4,628	9,375	3,836
Derivative financial instruments	22	1,926	4,709	9,188
Value added tax receivable		46,807	30,797	43,914
Carbon allowances	18	5,385	29,864	4,778
Other assets	10	8,576	9,918	20,679
Total current assets		225,329	325,619	498,128
Non-current assets:				
Due from unconsolidated affiliates	6, 22	111,766	146,775	331
Finance lease receivables	9, 22	14,510	14,621	14,700
Deferred income tax asset	23	78,965	85,758	106,227
Investments in joint ventures	11	440,105	401,538	366,288
Goodwill	12	25,654	25,654	25,654
Property, plant and equipment, net	13, 26	2,595,840	2,377,739	2,213,837
Carbon allowances	18	12,975	229	11,584
Other assets	10	1,938	2,285	5,159
Total non-current assets		3,281,753	3,054,599	2,743,780
Total assets		$3,507,082	$3,380,218	$3,241,908
Liabilities and Equity				
Current liabilities:				
Short-term debt	19, 22	$ 88,507	$ 195,089	$ —
Trade and other payables	14, 22	43,849	59,575	49,459
Due to unconsolidated affiliates	6, 22	352,650	14,405	3,655
Income tax liabilities	23	14,095	18,022	90,130
Derivative financial instruments	22	—	6,808	10,705
Other financial liabilities	16, 22	6,444	7,223	12,853
Provisions	20	1,293	1,619	1,945
Other taxes payable		13,881	11,247	7,815
Carbon allowances	18	5,385	29,864	4,778
Other liabilities	17	17,237	23,698	11,749
Total current liabilities		543,341	367,550	193,089
Non-current liabilities:				
Long-term debt	21, 22	299,925	350,638	394,656
Due to unconsolidated affiliates	6, 22	38,460	38,460	38,893
Deferred income tax liabilities	23	261,294	232,538	205,385
Carbon allowances	18	12,611	—	11,151
Provisions	20	34,236	38,250	26,430
Derivative financial instruments	22	133,056	100,449	53,208
Employee benefits	15	4,295	3,045	2,684
Total non-current liabilities		783,877	763,380	732,407
Total liabilities		1,327,218	1,130,930	925,496
Stockholders' equity:				
Common stock	24	762,949	762,949	762,949
Additional paid-in capital	24	973,953	973,953	973,953
Accumulated other comprehensive income		(103,944)	(64,331)	(24,273)
Retained earnings		546,906	576,717	603,783
Total equity attributable to owners of the Company		2,179,864	2,249,288	2,316,412
Total Stockholder's equity and liabilities		$3,507,082	$3,380,218	$3,241,908

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

	Notes	Year ended December 31, 2015	2014	2013
Revenues	22, 26	$ 671,703	$ 822,796	$ 677,836
Cost of revenues		(286,597)	(443,298)	(328,817)
Operating, administrative and other expenses	28	(104,213)	(98,384)	(99,685)
Depreciation and amortization	13, 26, 31	(67,682)	(61,943)	(61,164)
Interest income	26, 27	6,743	3,299	1,372
Finance (costs) income	26, 30	(10,103)	1,143	(5,035)
Other (losses) and gains	29	(11,575)	1,258	6,986
Profit before income tax and share of profits of joint ventures		198,276	224,871	191,493
Income tax expense	23, 26	(100,406)	(111,283)	(83,792)
Share of profits of joint ventures, net of income tax	11, 26	42,319	23,346	34,689
		(58,087)	(87,937)	(49,103)
Profit for the year	26, 32	$ 140,189	$ 136,934	$ 142,390
Earnings per share:				
Basic and diluted earnings per share:	32	$ 0.12	$ 0.12	$ 0.13

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 Other Comprehensive Income
(In thousands of U. S. Dollars)

	Notes	Years ended December 31, 2015	2014	2013
Profit for the year	32	$140,189	$136,934	$142,390
Other comprehensive income (loss):				
Items that will not be reclassified to profit or (loss):				
Actuarial (losses) gains on defined benefits plans	15	(1,793)	357	179
Deferred income tax relating to components of other comprehensive income		538	(107)	(54)
Total items that will not be reclassified to profit and loss		(1,255)	250	125
Items that may be subsequently reclassified to profit or (loss):				
Loss on valuation of derivative financial instruments held for hedging purposes		(6,604)	(1,822)	(18,381)
Deferred income tax on loss on valuation of derivative financial instruments held for hedging purposes		1,981	547	5,514
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		(5,362)	(19,936)	—
Deferred income tax on loss valuation of derivative financial instruments held for hedging purposes at joint ventures		1,608	5,981	—
Exchange differences on translating foreign operations		(29,981)	(25,078)	(1,927)
Total items that may be reclassified subsequently to profit and loss		(38,358)	(40,308)	(14,794)
Other comprehensive loss for the year		(39,613)	(40,058)	(14,669)
Total comprehensive income for the year		$100,576	$ 96,876	$127,721

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)

	Notes	Common shares	Additional paid-in capital	Other comprehensive (loss) income	Retained earnings	Total
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 of financial derivatives held for hedging purposes, net of income tax		—	—	(15,230)	—	(15,230)
Actuarial gains on defined benefits plans, net of income tax		—	—	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	25	—	—	—	(164,000)	(164,000)
Balance as of December 31, 2014		762,949	973,953	(64,331)	576,717	2,249,288
Profit for the year		—	—	—	140,189	140,189
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		—	—	(8,377)	—	(8,377)
Actuarial losses on defined benefits plans, net of income tax		—	—	(1,255)	—	(1,255)
Exchange differences on translating foreign operations		—	—	(29,981)	—	(29,981)
Total comprehensive income for the year		—	—	(39,613)	140,189	100,576
Payment of dividends	25	—	—	—	(170,000)	(170,000)
Balance as of December 31, 2015		$762,949	$973,953	$(103,944)	$ 546,906	$2,179,864

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, 2015	2014	2013
Cash flows from operating activities:				
Profit for the year	26, 32	$ 140,189	$ 136,934	$ 142,390
Adjustments for:				
Income tax expense	23, 26	100,406	111,283	83,792
Equity earnings of joint ventures, net of income tax	11	(42,319)	(23,346)	(34,689)
Finance costs (income)	26, 30	10,103	(1,143)	5,035
Interest income	26, 27	(6,743)	(3,299)	(1,372)
Loss on disposal of property, plant and equipment		3,601	624	5,391
Impairment loss (gain) recognized on trade receivables		30	(8)	9
Gain on sale of equity interest in subsidiary	29	—	(18,824)	—
Depreciation and amortization	13, 31	67,682	61,943	61,164
Net foreign exchange (gain) loss		(8,548)	9,057	2,303
Loss (gain) on valuation of derivative financial instruments		690	4,045	(19,000)
		265,091	277,266	245,023
Movements in working capital:				
Decrease (increase) in trade and other receivables		11,776	(4,020)	19,066
Decrease (increase) in inventories		4,747	(5,539)	5,437
Decrease (increase) in other assets		3,615	14,308	(54,057)
(Decrease) increase in trade and other payables		(17,081)	49,393	18,241
Decrease in provisions		(3,791)	(19,873)	(28,512)
(Decrease) increase in other liabilities		(33,638)	17,895	32,219
Cash generated from operations		230,719	329,430	237,417
Income taxes paid		(62,540)	(166,213)	(74,657)
Net cash provided by operating activities		168,179	163,217	162,760
Cash flows from investing activities:				
Proceeds from sale of equity interest, net of cash sold		—	24,411	—
Interest received		1,047	4	—
Acquisitions for property, plant and equipment	13	(300,090)	(325,484)	(369,672)
Loans to unconsolidated affiliates		(1,301)	(162,823)	(100)
Receipts of loans to unconsolidated affiliates		41,596	18,921	—
Short-term investments		9,952	177,007	(207,027)
Net cash used in investing activities		(248,796)	(267,964)	(576,799)
Cash flows from financing activities:				
Interest paid		(20,172)	(18,872)	(11,557)
Loans from unconsolidated affiliates		339,600	146	12,383
Loans payments from unconsolidated affiliates		—	(583)	(388,042)
Issuance of shares from initial public offering		—	—	598,812
Share issuance costs		—	—	(24,627)
Loans payment on bank lines of credit		(600,094)		
Proceeds from bank loans and bank financing		495,094	278,432	—
Proceeds from debt issuance		—	—	408,278
Debt issuance costs		(2,536)	(11,184)	(3,003)
Dividends paid	25	(170,000)	(164,000)	(156,000)
Net cash provided by financing activities		41,892	83,939	436,244
Net (decrease) increase in cash and cash equivalents		(38,725)	(20,808)	22,205
Cash and cash equivalents at the beginning of the year		83,637	103,880	85,073
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,535)	565	(3,398)
Cash and cash equivalents at the end of the year	4	$ 40,377	$ 83,637	$ 103,880

See accompanying notes to the consolidated financial statements.

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 located and incorporated in México. Their parent and ultimate holding company is Sempra Energy ("Parent") located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 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 in extraordinary 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, 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. The first placement was for $102.0 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 unconsolidated affiliates 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 $520,707.0

($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 $78,106.0 ($967 million Pesos), related to 28,449,196 shares at the placement price of $34.00 Pesos per share (Please refer to Note 24).

As a result of the Global Offering, the Company raised $574,185.0 ($7,118.4 million Pesos), net of issuance costs for $24,267.0 ($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 (Please refer to Note 24).

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, Petroleos Mexicanos ("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 started operation 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 first half of 2016. 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 (Company 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 in June 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 $35.0 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. *Sonora pipeline*

In October 2012, Gasoductos de Aguaprieta, S. de R. L. de C. V. ("GAP") was awarded two contracts by the Comisión Federal de Electricidad ("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 ("Northwest gas pipeline", also known as the "Sonora Pipeline") to the U.S. interstate pipeline. The Sonora 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.

On August 18, 2014, CFE granted a compliance certification for the Sasabe—Puerto Libertad segment construction. The first 220 Km, of the first segment were put into operation in the fourth quarter of 2014. The Company estimates the total cost of the Sonora pipeline will be approximately $1.0 billion. The capacity of the Sonora pipeline is contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

d. *Ojinaga—El Encino project*

In December 2014, GAP, 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 $300.0 million, which is expected to begin operations in the first half of 2017.

e. San Isidro to Samalayuca project

During 2015, the Company through its subsidary GAP, was declared winner of the CFE tender for a Natural Gas Transportation Contract through a pipeline from San Isidro to Samalayuca in the State of Chihuahua. Such project consists of a header facility with a capacity of 3 billion CFPD and a 23 km pipeline with a capacity of 1,135 Mmcfd of natural gas. The system will supply natural gas to the Norte III Combined Cycle Power Plant and will interconnect with the following systems: Gasoductos de Chihuahua, Tarahumara Pipeline and the Samalayuca-Sásabe pipeline. The estimated investment is USD $108.0 million and the project is expected to start in first quarter of 2017. The contract maturity with CFE will be for 25 years.

f. 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 $55.0 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. New relevant events for 2015

i. Financing with unconsolidated affiliates

a) In March 2015, IEnova entered into two related party revolving credit facilities for $90.0 million with Inversiones Sempra Latin America Limitada ("ISLA") and $30.0 million with Inversiones Sempra Limitada ("ISL"). The revolving credit facilities have the following characteristics:

- U.S. dollar-denominated
- Nine month term, with the option to be extended up to four years. At the year-end the term was renegotiated until December 2016.
- Financing to cover working capital needs and general corporate purposes.

b) On December 22 2015, IEnova entered into a related party revolving credit facility in the amount of $219.6 million with Sempra Energy Holding XI B.V. ("SEH"). The revolving credit facility has the following characteristics:

- U.S. dollar-denominated.
- Twelve-month term.
- Financing to cover working capital needs and general corporate purposes.

ii. Credit agreements

On August 21, 2015, IEnova as a debtor, entered into a revolving credit line of up to $400.0 million dollars with a syndicate group of four banks including, Santander, Bank of Tokyo Mitsubishi, The Bank of Nova Scotia and Sumitomo Mitsui Banking Corporation. The revolving credit has the following characteristics:

- U.S. dollar-denominated.
- Twelve month term, with an option to extend up to five years.
- Financing to repay and cancel the previous loans contracted in 2014 with Banco Santander (México), S.A., Institución de Banca Múltiple and Sumitomo Mitsui Banking Corporation, as well as to finance working capital and for general corporate purposes.

Restructuring of credit agreement and new credit agreement

On December 22, 2015 the Company entered into an amendment agreement, in connection with the existing unsecured revolving credit agreement with Banco Nacional de México, Sumitomo Mitsui Banking Corporation, as Administrative Agent, and the financial institutions party thereto, as Lenders, (the "Credit Agreement") whereby it agreed to increase the amount of the line of credit under the Credit Agreement to a maximum aggregate in the amount of $600.0 million dollars from the previously authorized maximum in the amount of $400.0 million dollar (refer to Note 19).

iii. Others matters

a) *Incorporation of new Partners in TAG Norte Holding, S. de R. L. de C. V. (Joint Venture)*

On March 26, 2015, Petróleos Mexicanos (PEMEX), through its affiliate P.M.I. Holdings, B. V. ("PMI"), announced the execution of an agreement with BlackRock and First Reserve in which BlackRock and First Reserve acquired a combined interest of 45% of TAG Norte Holding, S. de R. L. de C. V. ("TAG Norte Holding"). Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC"), an equity method investment of IEnova, holds a 50% interest in TAG Norte Holding which is currently constructing the project known as Los Ramones Norte.

b) *Liquefaction project*

During March 2015, the Company, together with its affiliate Sempra LNG, announced the execution of a "Memorandum of Understanding" ("Memorandum") with a subsidiary of PEMEX, for collaboration in the development of a natural gas liquefaction project at Energía Costa Azul, S. de R. L. de C. V. ("ECA"). ECA is a subsidiary of IEnova and is an LNG receipt, storage and regasification facility, located in Ensenada, Baja California, Mexico. The Memorandum defines partner participation in the liquefaction project, including the development, structuring and the terms under which PEMEX may become a client and/or investor.

c) *Beginning of commercial operation of the Energía Sierra Juarez wind generation project*

In April 2015, Phase I of the Energía Sierra Juárez wind project, operated by "ESJ", began commercial operations in Tecate, Baja California, México. Phase I of the project is the Company 50% joint venture with InterGen N. V. and has a 155-megawatts ("MW") capacity.

d) *Purchase agreement of remaining interest in GdC from PEMEX*

On July 31, 2015, the Company announced an agreement with PEMEX to purchase PEMEX's 50-percent equity interest in GdC in the amount of $1.325 billion. The assets involved in the acquisition include three natural gas pipelines; one ethane pipeline; one liquid petroleum gas (LPG) pipeline; and one LPG storage terminal. Under the terms of the agreement, PEMEX and IEnova will maintain their existing partnership in the Los Ramones II Norte pipeline project through the project holding company, Ductos Energéticos del Norte, S. de R. L. de C. V. ("DEN"). The partnership will provide a platform for PEMEX and IEnova to continue developing new projects in the future. The Company will execute a bridge loan to fund the closing and IEnova expects to repay the full amount of this loan through issuances of equity or debt as quickly as practicable.

On September 14, 2015 the Ordinary and Extraordinary Shareholders' Meeting approved the purchase of PEMEX's 50-percent equity interest hold in GdC.

Resolution from COFECE in connection with Purchase agreement of remaining interest in GdC from PEMEX

In December 2015, Mexico's Comisión Federal de Competencia Económica (COFECE) objected to the transaction to purchase Pemex's interest in Gasoductos de Chihuahua as proposed. The parties are in the process of restructuring the transaction so that Pemex can proceed in accordance with the COFECE ruling.

e) *Payment of financial derivatives held for hedging purposes*

In September 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings. In 2007, the original hedged items became probable of not occurring due to a change in the Company's external borrowing needs. As of December 31, 2014, there was one remaining interest rate swap agreement under which IEnova received a variable interest rate (three-month London Interbank Offered Rate "LIBOR") and paid a fixed interest rate of 5.0%. The original terms of the swap expire on December 15, 2027. On September 16, 2015, the Company, through an early termination clause, made a payment in the amount of $29.8 million and as a result, such derivative was cancelled.

f) Fundación IEnova, A. C.

During 2015, Fundación IEnova, A. C. (Fundación IEnova) was established as a non-profit organization. Fundación IEnova started operations in December 2015. At the year-end Fundación IEnova does not have material operations.

1.2.6. 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. At the end of 2015, the Mexican Energy Regulatory Commission had issued particular regulation (General Administrative Procedures) for the natural gas industry, including that regarding storage and transportation open access rules.

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

1.3. Activities

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, transportation 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, storing and regasifying LNG.

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and 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", 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, 2015, 2014 and 2013, ECO had over 113,000, 106,000 and 99,000 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 Km. 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 designed transportation capacity of 534 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 designed 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 designed 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", an unconsolidated affiliates in the U. S.) system at the Otay Mesa International border and southwest to the CFE's 600 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, S. de R. L. de C. V.) is engaged in the acquisition and subscription of any kind of participation in the capital stock of a variety 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 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 into IEnova Gasoductos México subsisting this last company.

g. 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 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, S. de R. L. de C. V.) is engaged in the acquisition and subscription of any participation in the share capital of various companies.

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

   During 2015, this company has been liquidated.

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 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 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, the agreement between IEnova LNG and JP Morgan Ventures Energy Corp (“JPM”) concluded and a new agreement for gas rendered. Please refer to Note 22.11.4.

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, 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, ESJ began construction on the 155-MW first phase of the wind generation project, which is fully contracted by SDG&E and started operational in June 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, $240.0 million loan to finance the construction project and withdraw $82.0 million under the loan agreement. The loan agreement also provides for a $31.7 million letter of credit facility. ESJ also entered into a separate Peso- denominated credit facility for up to $35.0 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.

c. Fundación IEnova was established as a non-profit organization.

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, 2014 present a liability for current carbon allowances as a separate line item. Accordingly, current carbon allowances for an amount liabilities of $4,778, for the year ended December 31, 2013, is 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, 2015 are as follows.

Company	Ownership percentage 2015
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. (formerly 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.	99.87
Fundación IEnova, A. C.	100.00

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.

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. Natural gas inventories

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 (refer to Note 2.16). 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, 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. Business combination

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share based payments at the acquisition date (as of December 31, 2015, 2014 and 2013 the Company does not have share-based payments); and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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 should 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.

2.16. 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.

2.17. 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. The Company presents net interest cost within finance costs in the consolidated statements of profit. 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 its initials 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.

2.18. 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.

2.19. 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) 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.

2.19.1. 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.

2.19.2. Fair value

Fair value is defined in subparagraph b of Note 2.2.

2.20. Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' "FVTPL", investments preserved at maturity financial assets 'available for sale' ("AFS") 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.

2.20.1. 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.

2.20.2. Financial assets at FVTPL

Financial assets are classified 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 revenues and in other gains and losses line items in the consolidated statements of profit. Fair value is determined in the manner described in Note 2.2b.

2.20.3. 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.

2.20.4. 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 unconsolidated affiliates) 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.

2.20.5. Impairment of financial assets

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 evidence 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.

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 consolidated statement of profit.

2.20.6. 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.

If a financial asset is derecognized, the difference between the book value of the asset and the compensation received is recognized in the consolidated statements of profit.

2.21. Financial liabilities and equity instruments

2.21.1. 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.

2.21.2. 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.

2.21.3. Financial liabilities

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

2.21.3.1 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.

2.21.3.2 Other financial liabilities

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

2.21.3.3. 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.

2.22. 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.

2.22.1. 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.

2.22.2. 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.

2.23. 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.

2.23.1. 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.

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. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit.

2.23.2. 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.

2.24. Taxation

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

2.24.1. 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 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 initials 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.

2.24.2. 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.

2.24.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit, 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 1.2.6, subparagraph a) the Company wrote off its deferred IETU tax asset, recognizing the effect in its consolidated statements of profit in 2013.

2.25. 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 initials in Spanish).

2.25.1. 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; and
- Power generation revenues are recognized when generated power is delivered.

2.25.2. 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; and
- Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.25.3. 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.

2.25.4. Rental income

The Company's policy for recognition of revenue from finance leases is described in Note 2.9.2.

2.26. Foreign currencies

The Company's functional currency is the U.S. Dollar, except for ECO, PEI and SDGN in its Gas segment, and Fundación IEnova in the corporate 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 amounts are translated at the rate of the transaction date, 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 of the accounting policies of the Company, which are described below, 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, 2015, 2014 and 2013 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.

3.1.6. Classification of the joint arrangement

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profits or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

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 2.14, 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 is 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. 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.

3.2.6. 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.

3.2.7. 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.

3.2.8. Measurement of defined benefit obligations: key actuarial assumptions

As described in Note 15, the Company uses actuarial valuations that include inputs that are based on published statistic and mortality tables. The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the benefit obligations.

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:

	12/31/15	12/31/14	12/31/13
Cash and bank balances	$32,177	$42,844	$ 92,333
Short term investments classified as cash equivalents	8,200	40,793	11,547
	$40,377	$83,637	$103,880

5. Trade and other receivables, net

	12/31/15	12/31/14	12/31/13
Trade receivables	$32,895	$47,340	$49,216
Allowance for doubtful accounts(a)	(147)	(194)	(202)
	32,748	47,146	49,014
Other receivables	20,980	19,255	15,021
	$53,728	$66,401	$64,035

(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

	12/31/15	12/31/14	12/31/13
31-120 days	$12	$12	$18
121-180 days	5	7	7
181-270 days	2	4	4
Total	$19	$23	$29
Average age (days)	29	36	56

5.2. Movement in the allowance for doubtful accounts

	12/31/15	12/31/14	12/31/13
Balance as of beginning of the year	$(194)	$(202)	$(193)
Impairment losses recognized on receivables	(30)	(78)	(57)
Amounts written off during the year as uncollectible	48	63	47
Foreign exchange translation gains (losses)	29	23	1
Balance as of end of the year	$(147)	$(194)	$(202)

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

	12/31/15	12/31/14	12/31/13
181-270 days	$ (9)	$ (15)	$ (16)
Over 270 days	(138)	(179)	(186)
Total	$(147)	$(194)	$(202)

6. Transaction and balances with unconsolidated affiliates

Balances and transactions between IEnova and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Company and unconsolidated affiliates are disclosed below.

6.1. Trading transactions

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

	Revenues Year ended		
	12/31/15	12/31/14	12/31/13
Sempra Generation, LLC ("SGEN")	$143,073	$222,471	$168,340
Sempra LNG International Holdings, LLC ("SLNGIH")	51,683	—	—
Sempra LNG International, LLC ("SLNGI")	49,138	90,871	90,842
Sempra International, LLC ("Sempra International")	1,711	1,739	1,248
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	1,676	—	—
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	526	—	—
Southern California Gas Company ("SoCalGas")	—	9	143
Sempra Global	—	—	434

	Cost of revenue, administrative and other expenses Year ended		
	12/31/15	12/31/14	12/31/13
SLNGI	$190,519	$335,025	$224,195
SGEN	32,014	31,702	31,953
Sempra International	5,822	7,311	6,759
Sempra U.S. Gas & Power, LLC	6,709	7,106	7,144
SoCal Gas	1,031	1,074	1,402
Sempra Midstream, Inc.	746	448	556
Sempra Services Company, S. de R. L. de C. V. ("Sempra Services Company")*	128	985	1,745
Sempra Servicios México, S. de R. L. de C. V. ("Sempra Servicios México")*	—	517	694
Sempra Global	—	—	65
San Diego Gas & Electric	—	—	28

(*) On December 15, 2015 these companies have been liquidated.

	Finance costs Year ended		
	12/31/15	12/31/14	12/31/13
ISLA	$1,455	$ —	$ —
Sempra Oil Trading Suisse ("SOT Suisse")	1,448	1,480	1,494
ISL	485	—	—
Sempra Energy Holdings XI, B. V. ("SEH" or "BVXI")	47	—	—
Sempra Chile, S. A. ("Sempra Chile")	—	—	903
Sempra Energy International Holdings, N. V. ("SEIH")	—	—	350
SGEN	—	4	7
Sempra Global	—	—	7
Sempra Services Company	—	—	1

	Interest income Year ended		
	12/31/15	12/31/14	12/31/13
DEN	$4,638	$1,828	$—
ESJ	1,450	826	—
SGEN	11	—	
Sempra Servicios México	2	—	3
Sempra Services Company	—	3	—

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

	Amounts due from unconsolidated affiliates Year ended		
	12/31/15	12/31/14	12/31/13
SGEN	$17,066	$23,949	$24,741
SLNGIH	9,685	—	—
SLNGEL	668	—	—
Sempra International	—	1,336	119
SESJ	138	626	—
ESJ	51	690	—
	$27,608	$26,601	$24,860

	Amounts due to unconsolidated affiliates Year ended		
	12/31/15	12/31/14	12/31/13
SEH(b)	$219,600	$ —	$ —
ISLA(a)	90,000	—	—
ISL(a)	30,000	—	—
SLNGI	12,220	14,228	3,031
Sempra International	470	—	—
SGEN	360	9	—
Sempra Services Company	—	85	291
SoCalGas	—	77	106
Sempra Servicios México	—	6	181
Sempra Midstream, Inc	—	—	46
	$352,650	$14,405	$3,655

(a) On March 2, 2015, IEnova entered into a $90.0 million and a $30.0 million of U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements are for nine month terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis at 1.98% of outstanding balances. On December 15, 2015, the Company signed an addendum modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2016. The interest rate applicable shall be computed each calendar quarter at the rate of 1.75% per annum.

(b) On December 22, 2015, IEnova entered into a $219.6 million of U.S. Dollar-denominated credit facility with SEH, to finance working capital and for general corporate purposes. The term of the agreement is for twelve months. Interest is payable on a quarterly basis at three-month Libor plus 0.17% of outstanding balances.

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 $350.0 million, respectively. The loan bore variable interest at the six-month LIBOR plus 250 bps (average annual rate of 3.12% during 2013 and 2012).

Transactions with unconsolidated affiliates as of 2014 and 2013, have been carried out in accordance with applicable transfer pricing requirements, as of December 31, 2015, and as of the date of this report, the nature and amount of transactions are consistent with previous years. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognized in the current or prior periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

Included in the operational transactions are administrative services from affiliates of $5.9 million, $8.0 million and $8.8 million for the year ended December 31, 2015, 2014 and 2013, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

6.2. Loans to unconsolidated affiliates

	12/31/15	12/31/14	12/31/13
DEN	$ 85,963	$123,867	$—
ESJ	25,142	22,693	—
SGEN	661	115	—
Sempra Servicios México	—	100	231
Sempra Services Company	—	—	100
	$111,766	$146,775	$331

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

6.3. Loans from unconsolidated affiliates

	12/31/15	12/31/14	12/31/13
SOT Suisse(a)	$38,460	$38,460	$38,460
SGEN(b)	—	—	433
	$38,460	$38,460	$38,893

(a) During 2013 the Company paid capital and interest in the amount of $53.2 million and $1.9 million respectively. 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 3.66%, 3.27% and 3.04% in 2015, 2014 and 2013, 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.

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 plus 250 bps (an average annual rate of 3.0% during 2013). 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

Total compensation paid to key management personal was $8.8 million, $6.5 million and $3.8 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

8. Natural gas inventories

	12/31/15	12/31/14	12/31/13
Liquefied natural gas	$4,628	$9,375	$3,836

The cost of inventories recognized within cost of revenues was $190,172, $327,110 and $230,966 for the years ended December 31, 2015, 2014 and 2013, respectively.

The cost of revenues recognized as expense was $-, $1.0 million and $- for years ended December 31, 2015, 2014, and 2013 respectively, due to write-downs of inventory to net realizable value. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

9. Finance lease receivables

	12/31/15	12/31/14	12/31/13
Current finance lease receivables	$ 156	$ 111	$ 81
Non-current finance lease receivables	14,354	14,510	14,619
	$14,510	$14,621	$14,700

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

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.

9.1. Amounts receivable under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Not later than one year	$ 5,137	$ 5,136	$ 5,136	$ 156	$ 111	$ 81
Later than one year and not later than five years	22,458	22,458	22,458	2,422	1,116	1,264
More than five years	29,531	34,667	39,376	11,932	13,394	13,355
	57,126	62,261	66,970	14,510	14,621	14,700
Less: unearned finance income	(42,616)	(47,640)	(52,270)	n/a	n/a	n/a
Present value of minimum lease payments receivable	14,510	14,621	14,700	14,510	14,621	14,700
	$ 14,510	$ 14,621	$ 14,700	$14,510	$14,621	$14,700

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 2015, 2014 and 2013.

The receivable under finance lease balance as of December 31, 2015, 2014 and 2013 is neither past due nor impaired.

10. Other assets

	12/31/15	12/31/14	12/31/13 (Note 2.3.)
Prepayments	$ 5,782	$ 5,629	$ 7,694
Accrued interest receivable	—	—	7,286
IMPAC recoverable	2,450	3,429	5,120
Pipeline interconnection rights	1,938	2,285	4,973
Land leases	101	54	371
Natural gas imbalance	243	806	207
Guarantee deposits	—	—	187
	$10,514	$12,203	$25,838
Current	$ 8,576	$ 9,918	$20,679
Non—current	1,938	2,285	5,159
	$10,514	$12,203	$25,838

11. Investment in joint ventures

11.1. GdC

The Company owns a 50% interest in GdC, a joint venture with PEMEX Gas Petroquímica Básica ("PGPB"). GdC operates two natural gas pipelines, one natural gas compression station, one propane system in Northern México, in the States of Chihuahua, Tamaulipas and Nuevo Leon, México; and one 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 project held at GdC's equity method investment in DENs. The ethane pipeline project has been concluded. As of December 31, 2015, there has been no change in 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:

	12/31/15	12/31/14	12/31/13
Cash and cash equivalents	$ 22,080	$ 74,931	$ 98,869
Short-term investments	10,780	58,233	12,805
Other current assets	55,383	94,086	47,713
Current assets	88,243	227,250	159,387
Finance lease receivables	952,201	346,314	—
Property, plant and equipment, net	320,079	673,714	508,023
Investments in joint venture	131,338	140,160	—
Other non-current assets	1,727	413	476
Deferred income tax asset	12,314	359	—
Non-current assets	1,417,659	1,160,960	508,499
Total assets	$1,505,902	$1,388,210	$667,886
Current liabilities	$ 133,730	$ 31,201	$ 16,345
Non-current liabilities	662,307	724,810	48,853
Total liabilities	796,037	756,011	65,198
Total members' equity	$ 709,865	$ 632,199	$602,688
Share of members' equity	$ 354,933	$ 316,100	$301,345
Goodwill and indefinite lived intangible assets	64,943	64,943	64,943
Carrying amount investment in GdC	$ 419,876	$ 381,043	$366,288

	Year ended		
	12/31/15	12/31/14	12/31/13
Revenues	$249,424	$ 496,789	$147,478
Expenses	(66,539)	(368,802)	(51,445)
Interest expenses, net	(28,673)	(26,973)	(396)
Share of loss of joint venture, net of income tax	(6,936)	(9,019)	—
Income tax	(64,307)	(42,456)	(26,260)
Net income	$ 82,969	$ 49,539	$ 69,377
Share of profits of GdC	$ 41,485	$ 24,770	$ 34,689

(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 LIBOR plus 200 to 275 base points ("basis points") 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 and, as of December 31, 2015, GdC has $406.0 million of outstanding borrowings.

(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 $19.0 million.

(c) On January 22, 2014, GdC entered into an interest rate swap 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 Holding: TAG Holding is owned by GdC through its subsidiary, DEN, and partners, TETL JV Mexico Norte, S. de R. L. de C. V. and TAG Pipelines, S. de R. L. de C. V. As of December 31, 2015, the contributions are as follows:

PGPB*	$ 85,963
IEnova*	85,963
	$171,926

* Includes interests.

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, 2015, and 2014 the amounts outstanding have generated interest of $4.6 million and $1.8 million respectively (Please refer to Note 6.2).

(e) On 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 $1.3 million. In additions TAG contracted a derivative instrument in order to cover the risk of interest rate.

In December 2015, TAG Pipelines Norte S. de R. L. de C. V. (subsidiary company of the GdC Joint Venture) contracted derivative instruments in order to cover the risk of exchange rate. The company entered into Par Forwards with five banks to exchange pesos for dollars of a portion of the revenues of 2016.

11.2 ESJ

On July 16, 2014, Controladora Sierra Juarez, S. de R. L. de C. V. ("CSJ"), a subsidiary of IEnova, completed the sale of a 50% interest in the first phase of ESJ to a wholly owned subsidiary of InterGen N. V. ("InterGen"). The net cash received by this transaction were $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, included within the other gains (losses) line item in the statements of profit.

The company started operations in June 2015.

As of December 31, 2015, the Company's remaining 50% interest in ESJ is accounted for under the equity method. ESJ condensed consolidated financial statements and the Company's equity method investment are summarized as follows:

	Year ended 12/31/15	Year ended 12/31/14
Cash and cash equivalents	$ 12,930	$ 4,784
Other current assets	21,937	6,339
Current assets	34,867	11,123
Property, plant and equipment, net	276,352	258,885
Other non-current assets	12,347	10,189
Deferred income tax	6,534	7,914
Non-current assets	295,233	276,988
Total assets	$330,100	$288,111
Current liabilities	$ 7,248	$ 11,815
Non-current liabilities	306,635	259,548
Total liabilities	313,883	271,363
Total members' equity	$ 16,217	$ 16,748
Share of members' equity	$ 8,108	$ 8,374
Goodwill and indefinite lived intangible assets	12,121	12,121
Carrying amount of investment in ESJ	$ 20,229	$ 20,495

ESJ condensed consolidated statement of profit is as follows:

	Year ended 12/31/15	For the period of 07/16/2014 to 12/31/14
Revenues	$ 29,227	$ —
Operating, administrative and other expenses	(13,491)	(571)
Interest (expense) income, net	(9,426)	67
Income tax	(4,642)	(2,343)
Net income (loss)	$ 1,668	$(2,847)
Share of profits (loss) of ESJ	$ 834	$(1,424)

a) ***Project financing for the ESJ project***. On June 12, 2014, ESJ entered into a $239.8 million project finance loan for the construction of the wind project with five banks: Mizuho Bank, Ltd. ("Mizuho") as coordinating lead arranger, the North American Development Bank ("NADB") as technical and modeling bank, 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.

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

Years	LIBOR applicable margin
0 – 1	2.375%
1 – 4	2.375%
5 – 8	2.625%
9 – 12	2.875%
13 – 16	3.125%
17 – 18	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion date (June 30, 2015). ESJ made total accumulated withdrawals from the credit facility in an amount of $236.6 million. The breakdown of the debt is as follows:

	Debt balance
Mizuho	$ 53,120
NAFINSA	38,633
NORD/LB	53,120
NADB	38,633
SMBC	53,120
	$236,626

b) ***Interest rate swaps.*** To partially mitigate its exposure to interest rate changes associated with the term loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014 and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

The cumulative loss recognized in other comprehensive income of $5.1 million of taxes was reclassified from equity to profit and loss upon deconsolidation of ESJ.

c) ***Financing of the project's value added tax ("VAT") with Santander.*** On June 12, 2014, ESJ entered into a line of credit with Santander and on February 23, 2015 there was an amendment to increase the line for up to $501.0 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 basis points 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 23, 2015, ESJ has withdrawn $472.6 million pesos of this line of credit. On such date the Company decided to repay and accordingly canceled the total credit facility.

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. The guarantees are immaterial as of December 31, 2015.

12. Goodwill

	12/31/15	12/31/14	12/31/13
Cost	$25,654	$25,654	$25,654

There are no accumulated impairment losses.

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 2015, 2014 and 2013, 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

	12/31/15	12/31/14	12/31/13
Carrying amounts of:			
Buildings and plants	$2,586,775	$2,287,706	$2,077,478
Equipment	86,965	64,572	52,960
Other assets	38,843	32,948	27,032
	2,712,583	2,385,226	2,157,470
Accumulated depreciation and amortization	(557,563)	(497,686)	(442,043)
Land	76,524	74,988	74,421
Properties under construction	364,296	415,211	423,989
	$2,595,840	$2,377,739	$2,213,837

Cost	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Balance as of January 1, 2013	$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
Additions	1,542	332,691	22,697	(50,048)	8,764	315,646
Disposals	—	(2,738)	—	—	(1,317)	(4,055)
Effect of foreign currency translation	(6)	(25,275)	(304)	(867)	(1,552)	(28,004)
Revisions and additions to decommissioning liability	—	(5,609)	—	—	—	(5,609)
Balance as of December 31, 2015	$76,524	$2,586,775	$ 86,965	$ 364,296	$ 38,843	$3,153,403
Accumulated depreciation						
Balance as of January 1, 2013	$ —	$ (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)
Eliminated on disposals of assets	—	870	(599)	—	183	454
Depreciation expense	—	(62,203)	(1,635)	—	(3,844)	(67,682)
Effect of foreign currency translation	—	6,269	173	—	909	7,351
Other	—	—	—	—	—	—
Balance as of December 31, 2015	$ —	$ (523,842)	$(10,606)	$ —	$(23,115)	$ (557,563)

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 initials in Spanish).

The additions to property, plant and equipment during 2015 and 2014 is comprised mainly of additions to construction in process, the Sásabe-Puerto Libertad section of the Sonora pipeline began operations in October 2014. The first segment was completed in stages, with (Puerto Libertad) section completed in the fourth quarter of 2014 and the final section completed in August 2015. The capacity is fully contracted by the CFE under two 25-year contracts denominated in U.S. dollars, in addition to related to Sonora Pipeline and ESJ Wind projects, (see subparagraph c of Note 1.2.4.).

The Company capitalized borrowing costs on qualifying assets of $15,099, $21,016 and $12,811 for the years ended December 31, 2015, 2014 and 2013, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.47%, 5.5%, respectively, for the periods ended December 31, 2015 and 2014 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

	12/31/15	12/31/14	12/31/13
Trade payables	$43,830	$41,436	$48,573
Other miscellaneous payables	19	38	886
Trading financial instrument payable(a)	—	18,101	—
	$43,849	$59,575	$49,459

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

In 2014 the Company entered 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 were denominated in Dollars (functional currency); however, they were 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. Such derivative financial instrument has been terminated in 2014.

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 the capital accumulated with the 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		
	12/31/15	12/31/14	12/31/13
Discount rates	8.00%	8.25%	8.00%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$17.20	$14.72	$12.78

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.

	12/31/15	12/31/14	12/31/13
Current service cost recognized in administrative and other expenses	$ 531	$381	$341
Interest on obligation recognized in finance costs	321	209	167
Actuarial (losses) gain recognized in OCI	(1,793)	357	179

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		
	12/31/15	12/31/14	12/31/13
Opening defined benefit obligation	$3,045	$2,684	$2,153
Current service cost	531	381	330
Interest cost (benefit)	321	(50)	(2)
Actuarial (gains) loss	(655)	357	178
Exchange differences on plans maintained by Mexican peso functional currency entities	1,102	(294)	52
Benefits paid	(49)	(33)	(27)
Ending defined benefit obligation	$4,295	$3,045	$2,684

16. Other financial liabilities

	12/31/15	12/31/14	12/31/13
Accrued interest payable(a)	$5,661	$6,561	$12,218
Customer deposits	783	662	635
Borrowing(b)	—	—	—
	$6,444	$7,223	$12,853

(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 basis points (average annual rate of 5.24% for 2012). As of December 31, 2012, the accrued interest was $51.0 million and the Company paid interest in the amount of $26.0. During 2013, the Company fully paid this loan.

17. Other liabilities

	12/31/15	12/31/14	12/31/13
Wages and benefits payable	$12,482	$11,964	$ 8,869
Other current liabilities	4,755	11,734	2,880
	$17,237	$23,698	$11,749

18. Carbon allowances

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

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

Carbon allowances are shown in the Statements of Financial Position as follows:

	Year ended		
	12/31/15	12/31/14	12/31/13
Assets:			
Current	$ 5,385	$29,864	$ 4,778
Non-current	12,975	229	11,584
	$18,360	$30,093	$16,362
Liabilities(a)			
Current	$ 5,385	$29,864	$ 4,778
Non-current	12,611	—	11,151
	$17,996	$29,864	$15,929

(a) Changes in the consolidated statements of financial position were recorded in cost of revenues in the amounts of $18.0 million, $13.9 million and $17.2 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

19. Short-term debt

As of December 31, 2015 and 2014**,** within other financial liabilities short-term debt includes the following:

	Year ended	
	12/31/15	12/31/14
Santander(a)	$ —	$145,346
SMBC(b) and, (c) for 2015	91,374	51,020
	91,374	196,366
Borrowing costs	(2,867)	(1,277)
	$88,507	$195,089

a) *Credit facility 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 was Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexico. Interest accrued based on the 3-month LIBOR plus 105 basis points. During July and August, 2015 the Company has withdrew $76.0 million and $25.0 million respectively. On August 26, 2015 the Company decided to repay the total credit facility. As a result, transaction costs were recorded in the Consolidated Statements of Profit.

b) *Credit facility with SMBC.* On August 25, 2014, the Company 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. Interest accrues based on the 3-month LIBOR plus 105 basis points. During July, 2015 the Company withdrew $34.0 million. On August 24, 2015 the Company decided to repay the total credit facility and cancelled this credit facility.

c) *Credit Agreement*. On August 21, 2015, the Company entered into an agreement for a $400.0 million, U.S. dollar-denominated, five-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lenders are Sumitomo Mitsui Banking Corporation, Banco Santander (México), S. A., Institución De Banca Múltiple, The Bank of Tokyo-Mitsubishi UFJ, LTD., and The Bank of Nova Scotia. Interest accrues based on the 3-month LIBOR plus 90 basis points. As of December 23, 2015, IEnova had $310.0 million of outstanding borrowings supported by the facility. On December 23, 2015 the Company decided to repay $219.0 million (principal) of such credit facility. On December 22, 2015, the Company renegotiated the credit line of such credit agreement for an amount up to $600.0 million, U.S. dollar-denominated. As of December 31, 2015 the available unused credit portion is $509 million.

20. Provisions

	Year ended		
	12/31/15	12/31/14	12/31/13
Decommissioning liabilities(a)	$34,236	$38,250	$26,430
Other(b)	1,293	1,619	1,945
	$35,529	$39,869	$28,375
Current	$ 1,293	$ 1,619	$ 1,945
Non-current	34,236	38,250	26,430
Total provisions	$35,529	$39,869	$28,375

	Asset retirement obligations	Others	Total
Balance as of January 1, 2013	$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
Additional provisions recognized			
Increase financial cost	1,596	—	1,596
Payments and other decreases in provisions recognized	—	(326)	(326)
Unwinding of discount and effect of changes in the discount rate	(5,610)	—	(5,610)
Balance as of December 31, 2015	$34,236	$ 1,293	$35,529

(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 4.66%, 4.14% and 4.98% at December 2015, 2014 and 2013, respectively.

(b) The balance of other provisions include 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%.

21. Long-term debt

	Year ended		
	12/31/15	12/31/14	12/31/13
CEBURES fixed rate(a)	$226,659	$264,981	$298,245
CEBURES variable rate(b)	75,553	88,327	99,415
	302,212	353,308	397,660
Cost of debt	(2,287)	(2,670)	(3,004)
	$299,925	$350,638	$394,656

On February 14, 2013, the Company entered into two public placements of Notes or Certificados Bursatiles ("CEBURES") 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 30basis ponts, with monthly interest payments of interest; maturing in 2018. The average annual rate as of December 31, 2015, 2014 and 2013 was 3.62%, 3.85% and 4.52%, respectively

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 4.16%.

(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. 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 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, 2015, 2014 and 2013 the Company had complied with the above requirements.

22.2. Categories of financial instruments

	12/31/15	12/31/14	12/31/13
Financial assets			
Cash and cash equivalents	$ 40,377	$ 83,637	$103,880
FVTPL			
Held for trading	21,994	34,729	216,215
Amortized cost			
Loans and receivables	193,102	239,777	89,226
Financial leasing	14,510	14,621	14,700
Financial liabilities			
FVTPL			
Held for trading	$133,056	$107,257	$ 63,913
Amortized cost	829,835	665,390	499,516

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.

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.

	Year ended		
VaR History (95%, one day) by risk type	**12/31/15**	**12/31/14**	**12/31/13**
Interest rate swap	$3,761	$4,606	$4,061
Natural gas purchase and sale	—	—	31
Total VaR exposure	$3,573	$4,376	$3,887

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		
	12/31/15	12/31/14	12/31/13
U. S. Dollar functional currency subsidiaries	$159,824	$174,435	$194,573
Mexican Peso functional currency subsidiaries	30,110	26,011	34,920

	Financial liabilities		
	12/31/15	12/31/14	12/31/13
U. S. Dollar functional currency subsidiaries	$585,062	$593,099	$695,450
Mexican Peso functional currency subsidiaries	31,713	37,531	38,188

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.

	12/31/15	12/31/14	12/31/13	02/22/2016
One U.S. Dollar	$17.2065	$14.7180	$13.0765	$18.1439

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		
	2015	2014	2013	2015	2014	2013
Profit or loss(i)	$27,061	$17,623	$31,874	$ 94	$ —	$ —
OCI	—	—	—	(5,692)	(4,731)	(208)

(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, 2015, 2014 and 2013 mainly due to income tax payments.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has decreased during the years ended December 31, 2015, 2014 and 2013 mainly due to lower intercompany loans with unconsolidated affiliates.

22.8. Interest rate risk management

In September 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of $450.0 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 $30.0 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 and 2013, there was one remaining interest rate swap agreement with a notional amount of $151,232 and $159,287 in U.S. Dollars under which IEnova received a variable interest rate (three-month LIBOR) and payed a fixed interest rate of 5.0%.

The original terms of the swap expire on December 15, 2027. On September 16, 2015, the Company, through an early termination clause, made a prepayment in the amount of $29.8 million and as a result, such derivative was cancelled. 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 amounted to $13.5 million, 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 believes that although a potential concentration of credit risk is present, 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 believes that although a concentration of credit risk may exist, this risk is mitigated based on the creditworthiness of its customers and the related party nature of one of its contractual arrangements.

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	12/31/15	12/31/14	12/31/13
Customer 1	Gas	$197,559	$242,581	$168,963
Customer 2	Power	142,329	222,471	168,340
Customer 3	Gas	89,037	91,625	95,571
Customer 4	Gas	51,683	—	—
Customer 5	Gas	49,138	90,871	90,842
Others*		141,957	175,248	154,120
		$671,703	$822,796	$677,836

* 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, 2015, 2014 and 2013, was $172.2 million $234.6 million and $157.9 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, amounting $27.0 as of December 31, 2013.

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, 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's current liabilities exceed its current assets mainly due to loan from unconsolidated affiliates. As explained in Note 19, the Company has $509 million of unused lines of credits with banks and $400 million available under the current authorized CEBURES program at the Mexican Stock Exchange.

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	1-3 years	3-5 years	5+ years	Total
December 31, 2015						
Non-interest bearing		$ 19,494	$ —	$ —	$ —	$ 19,494
Variable interest rate loans from unconsolidated affiliates	1.75	122,129	—	—	—	122,129
Variable interest rate loan from unconsolidated affiliates	1.54	223,029	—	—	—	223,029
Variable interest rate short term debt (Note 19)	1.28	92,523	—	—	—	92,523
Variable interest rate of long-term debt (Note 21)	4.52	3,439	6,879	6,879	85,610	102,807
Fixed interest rate of long-term debt (Note 21)	6.3	14,368	28,736	226,480	—	269,584
Variable interest rate loan from SOT Suisse	3.28	1,285	2,570	33,599	—	37,454
		$476,267	$38,185	$266,958	$ 85,610	$867,020
December 31, 2014						
Non-interest bearing	—	$ 76,717	$ —	$ —	$ —	$ 76,717
Variable interest rate short term debt (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	3.28	1,279	2,558	34,721	—	38,558
		$297,759	$44,196	$ 76,359	$352,083	$770,397

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
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 SGEN	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

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, 2015					
Net settled:					
—Interest rate swaps, exchange rate	$ 2,062	$(27,032)	$(1,661)	$(106,759)	$(133,390)
	$ 2,062	$(27,032)	$(1,661)	$(106,759)	$(133,390)

	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

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.

	12/31/15		12/31/14		12/31/13	
	Carrying amount	Fair value	Carrying amount	Fair Value	Carrying amount	Fair value
Financial assets						
Financial lease receivables	$ 14,510	$ 57,125	$ 14,621	$ 47,640	$ 14,700	$ 52,270
Financial liabilities						
Financial liabilities held at amortized cost:						
—Long-term debt (traded in stock exchange)	299,925	289,955	350,638	343,584	394,656	374,899
—Short- term debt (not traded in stock change)	88,507	90,035	195,089	193,119	—	—
— Loans from unconsolidated affiliates (not traded in stock exchange)	38,460	37,704	38,460	37,207	38,893	36,573
— Loans from unconsolidated affiliates (not traded in stock exchange)	339,600	334,431	—	—	—	—

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 determined the fair value of its long-term debt using prices quoted on recognized markets.
- For financial liabilities other than long-term debt, the Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount 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 as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, 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		
	12/31/15	**12/31/14**	**12/31/13**
Financial assets at FVTPL			
Short-term investments (Level 1)	$ 20,068	$ 30,020	$207,027
Derivative financial assets (Level 2)	$ 1,926	$ 4,709	$ 9,188
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	$133,056	$107,257	$ 63,913

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

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.

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, 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. This contract expired in 2014, therefore there is no notional for 2015.

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

23. Income taxes

The Company was subject to ISR and IETU, the last one until 2013. The income tax expense was the greater of ISR and IETU up to 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 by 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 in 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%.

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

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Current income tax:			
ISR	$ (75,085)	$ (72,848)	$(50,210)
ISR for deconsolidation*	—	—	(21,436)
IETU-IMPAC	(226)	—	—
	(75,311)	(72,848)	(71,646)
Deferred Income tax:			
Deferred income tax	(25,095)	(38,435)	(14,789)
IETU write-off		—	2,643
	(25,095)	(38,435)	(12,146)
Total taxes in the consolidated statements of profit and loss	$(100,406)	$(111,283)	$(83,792)

* Please refer to 1.2.6 a.

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

	Year ended 12/31/15	12/31/14	12/31/13
Profit before income taxes	$ 198,276	$ 224,871	$191,493
Income tax expense calculated at 30%	(59,483)	(67,461)	(57,448)
Effects of foreign exchange rate	25,023	(3,813)	(6,706)
Non-deductible expenses	(1,451)	(1,017)	—
Effect of unused tax losses not recognized as deferred income tax asset	(22)	(58)	5,979
Effects of inflation adjustment	(2,938)	(2,845)	(38)
Effect of exchange rate and inflation on the tax bases of property, plant and equipment	(62,116)	(39,252)	11,696
Adjustment to deferred tax attributable to the change in laws	—	—	(21,436)
Non-taxable revenues	1,279	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	(698)	(681)	(376)
Expense for income taxes recognized in the statement of profit	$(100,406)	$(111,283)	$ (83,792)

23.2. Income tax recognized directly in common stock and OCI

	Year ended 12/31/15	12/31/14	12/31/13
Recognized directly in common stock:			
Issuance or ordinary shares under IPO	$ 7,388	$ 7,388	$ 7,388
Recognized directly in OCI:			
Tax on financial instruments valuation held for hedging purposes	4,127	6,528	5,514
Total of income tax recognized directly in common stock and OCI	$11,515	$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		
	12/31/15	**12/31/14**	**12/31/13**
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	$132,973	$ 83,931	$ 54,697
Financial instruments	—	—	267
Accrued expenses and provisions	17,182	24,838	24,034
Effect of combining IEnova Gasoductos México	1,648	1,746	1,844
Employee benefits	4,245	4,106	2,392
Asset from dividends not distributed from net income tax account (“CUFIN”, by its initials in Spanish)	1,277	14,592	43,024
Inventories	1,839	3,733	2,086
Allowance for doubtful accounts	171	214	236
Deferred income tax assets for issuance or ordinary shares under IPO	7,388	7,388	7,388
Deferred income tax asset regarding financial instruments valuation held for hedging purposes	8,042	6,061	5,514
Others	(631)	638	20
Total deferred income tax assets	174,134	147,247	141,502
Deconsolidation effect(a)	(95,169)	(61,489)	(35,275)
Deferred income tax asset	$ 78,965	$ 85,758	$106,227

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Deferred income tax liabilities:			
Property, plant and equipment	$(340,549)	$(277,756)	$(227,121)
Finance leases	(4,353)	(4,386)	(4,410)
Prepaid expenses	(4,629)	(5,896)	(5,896)
Other	(6,932)	(5,989)	(3,233)
Total deferred income tax liabilities	(356,463)	(294,027)	(240,660)
Deconsolidation effect(a)	95,169	61,489	35,275
Deferred income tax liabilities	$(261,294)	$(232,538)	$(205,385)

(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, 2015, 2014 and 2013.

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		
	12/31/15	**12/31/14**	**12/31/13**
Assets	$ 78,965	$ 85,758	$ 106,227
Liabilities	(261,294)	(232,538)	(205,385)
	$(182,329)	$(146,780)	$ (99,158)

Given changes in circumstances considered for assessing the recoverability of tax-loss carryforward, a deferred income tax asset of $1.8 million was recognized with a benefit in the consolidated statement of profit.

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, 2015, are as follows:

Years	**Tax-Loss Carryforwards**	**IMPAC recoverable**
2016	$ —	$ 91
2017	399	91
2018	11,332	245
2019	1,657	245
2020	1,612	245
2021	52,664	245
2022	4,235	245
2023	39,145	245
2024	131,399	245
2025	200,800	245
Thereafter	—	308
	$443,243	$2,450

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $132,972 and $2,450, respectively.

23.5. Current tax receivable and payable

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Current tax assets:			
ISR receivable	$ 16,226	$ 34,297	$ 15,931
Current tax liabilities:			
ISR payable	$(14,095)	$(18,022)	$(90,130)

24. Stockholders' equity

	Year ended		
	12/31/15	12/31/14	12/31/13
Common stock	$ 762,949	$ 762,949	$ 762,949
Additional paid-in equity	973,953	973,953	973,953
	$1,736,902	$1,736,902	$1,736,902

24.1 Issued member's equity is comprised as follows:

		For the year ended at December 31, 2015, 2014 and 2013 (Mexican Pesos)			Total Social parts
Company stockholder's	Number of social parts	Fixed social parts	Variable social parts	Total	(Thousands of U.S. Dollar)
Semco Holdco, S. de R.L. de C. V.	935,913,312	50,000	9,359,083,120	9,359,133,120	$618,752
Private investors	218,110,500	—	2,181,105,008	2,181,105,008	144,197
	1,154,023,812	50,000	11,540,188,128	11,540,238,128	$762,949

Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, member's equity increased was approved at $1.00 Peso per share, which was subscribed and paid by BV11 an unconsolidated affiliate, 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 was 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 on this date, Semco was the new Parent Company of IEnova.

On March 21, 2013, the Company carried out a 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 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.

On September 14, 2015, the Ordinary and Extraordinary Shareholders' Meeting approved the proposal of an equity offering through a combined global offering which consists of a public offering in Mexico to the general public and a concurrent international offering as defined by Rule 144A and in Regulation S, under the United States Securities Act of 1933.

In addition an equity increase was approved for up to $3.3 billion Mexican Pesos Ordinary and Extraordinary Shareholders' Meetings; of which 330 million ordinary shares were issued. As of December 31, 2015, such shares have not been subscribed nor paid, and therefore no impacts have been reflected in the consolidated financial statements.

25. Declared dividends

During 2015, 2014 and 2013, pursuant to the resolution of Extraordinary Stockholders' Meetings, payments of dividends in cash were approved, to be paid from retained CUFIN balances. Under Mexican tax regulation, dividends paid from CUFIN balances are not taxed, dividends were declared and paid, for the following amounts:

Meeting date	
July 28, 2015 (*)	$170,000
July 22, 2014	$164,000
March 1, 2013	$ 39,000
October 7, 2013	117,000
	$156,000

(*) Dividends were paid on August 6, 2015.

25.1. Dividends per share

	Cents per share for year ended		
	12/31/15	12/31/14	12/31/13
IEnova	$0.15	$0.14	$0.14

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		
	12/31/15	12/31/14	12/31/13
Gas:			
Revenues from customers	$ 425,618	$ 507,312	$ 416,829
Revenues from unconsolidated affiliates	100,821	90,871	90,985
Intersegment sales	255,012	301,870	252,117
Power:			
Revenues from unconsolidated affiliates	143,498	222,471	168,340
Intersegment sales	46,237	66,085	52,950
Corporate:			
Allocation of professional services with unconsolidated affiliates	1,766	2,142	1,682
Intersegment professional services	35,527	27,468	35,854
	1,008,479	1,218,219	1,018,757
Intersegment adjustment and eliminations	(336,776)	(395,423)	(340,921)
Total segment revenues	$ 671,703	$ 822,796	$ 677,836

	Segment profit		
	12/31/15	12/31/14	12/31/13
Gas	$179,049	$161,120	$180,296
Power	(4,362)	28,611	8,567
Corporate	(34,498)	(52,797)	(46,473)
Total segment profit	$140,189	$136,934	$142,390

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

	12/31/15	12/31/14	12/31/13
Assets by segment:			
Gas	$2,916,917	$2,684,488	$2,413,965
Power	382,763	417,601	433,894
Corporate	207,402	278,129	394,049
Consolidated total assets	$3,507,082	$3,380,218	$3,241,908
Liabilities by segment:			
Gas	$ 346,106	$ 334,572	$ 272,298
Power	66,493	76,076	64,794
Corporate	914,619	720,282	588,404
Consolidated total liabilities	$1,327,218	$1,130,930	$ 925,496

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., and
- All liabilities are allocated to reportable segments.

26.4. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$2,687,691	$2,414,223	$2,138,129	$(370,690)	$(326,875)	$(287,407)
Power	450,665	447,038	504,595	(180,461)	(165,795)	(150,791)
Corporate	15,048	14,164	13,156	(6,413)	(5,016)	(3,845)
	$3,153,404	$2,875,425	$2,655,880	$(557,564)	$(497,686)	$(442,043)

	Depreciation and amortization			Additions to property, plant and equipment		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 50,909	$ 45,403	$ 44,605	$ 308,137	$ 291,424	$ 337,545
Power	15,257	15,234	15,420	6,436	70,611	63,345
Corporate	1,516	1,306	1,139	1,071	1,008	5,246
	$ 67,682	$ 61,943	$ 61,164	$ 315,644	$ 363,043	$ 406,136

	Interest income			Finance (cost) income		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 562	$ 529	$ 1,140	$ 22,856	$ 30,322	$ 12,046
Power	1,493	817	5	(25)	1,182	683
Corporate	4,688	1,953	227	(32,934)	(30,361)	(17,764)
	$ 6,743	$ 3,299	$ 1,372	$ (10,103)	$ 1,143	$ (5,035)

	Share of profits of joint ventures			Income tax expense		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 41,485	$ 24,770	$ 34,689	$ (99,988)	$ (87,581)	$ (57,165)
Power	834	(1,424)	—	(4,167)	(8,932)	9,158
Corporate	—	—	—	3,749	(14,770)	(35,785)
	$ 42,319	$ 23,346	$ 34,689	$(100,406)	$(111,283)	$ (83,792)

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		
	12/31/15	12/31/14	12/31/13
Power generation	$143,073	$222,471	$168,340
Sale of natural gas	139,732	230,003	169,832
Storage and regasification capacity	93,652	93,744	93,785
Natural gas distribution	81,411	109,330	99,235
Transportation of natural gas	95,520	56,915	44,335
Other operating revenues(a)	118,315	110,333	102,309
	$671,703	$822,796	$677,836

(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 and SLNGIH related to the losses and obligations incurred in the amount of $101.0 million, $90.8 million and $90.9 million for the year ended December 31, 2015, 2014 and 2013, respectively; such balances are presented within the revenues line item in the consolidated statements of profit.

27. Interest income

	Year ended		
	12/31/15	12/31/14	12/31/13
Interest income:			
Bank investments	$ 642	$ 759	$1,369
Unconsolidated affiliates	6,101	2,540	3
	$6,743	$3,299	$1,372

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

	Year ended		
	12/31/15	12/31/14	12/31/13
Held-to-maturity investments	$ 642	$ 759	$1,369
Loans and receivables (including cash and bank balances)	6,101	2,540	3
	$6,743	$3,299	$1,372

28. Operating, administrative and other expenses

	Year ended		
	12/31/15	12/31/14	12/31/13
Employee benefits expenses	$ 38,208	$34,141	$23,221
Purchased materials	12,038	11,316	12,274
Purchased services	36,804	34,976	47,409
Outside services and others	17,163	17,951	16,781
	$104,213	$98,384	$99,685

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 (losses) and gains

	Year ended		
	12/31/15	12/31/14	12/31/13
Net foreign exchange losses	$ (8,548)	$ (9,057)	$(2,303)
Gain on sale of equity interest in subsidiary	—	18,824	—
Net (loss) gain arising on financial liabilities classified as held for trading(a)	(5,663)	(12,424)	8,272
Other gains	2,636	3,915	1,017
	$(11,575)	$ 1,258	$ 6,986

(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 (costs) income

	Year ended		
	12/31/15	12/31/14	12/31/13
Interest on loans from unconsolidated affiliates	$ (5,438)	$ (1,596)	$ (2,761)
Decommissioning liabilities accretion expense	(1,597)	(1,330)	(1,432)
Interest of long-term loan	(16,363)	(16,363)	(13,636)
Capitalized interest(a)	15,099	21,016	12,811
Other finance costs	(1,804)	(584)	(17)
	$(10,103)	$ 1,143	$ (5,035)

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

31. Depreciation and amortization

	Year ended		
	12/31/15	12/31/14	12/31/13
Depreciation of property, plant and equipment	$67,531	$61,792	$61,013
Amortization of other assets	151	151	151
Total depreciation and amortization expense	$67,682	$61,943	$61,164

32. Basic and diluted earnings per share

	Year ended		
	12/31/15	12/31/14	12/31/13
Basic and diluted earnings per share in U.S. Dollar	$0.12	$0.12	$0.13

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		
	12/31/15	12/31/14	12/31/13
Earnings used in the calculation of basic and diluted earnings per share	$140,189	$136,934	$142,390

	Year ended		
	31/12/15	31/12/14	31/12/13
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,154,023,812	1,123,885,851

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.

f. The Company entered into sale of natural gas contract with British Petroleum from February 1, 2015 to January 31, 2017 for 14,000 MMBtus daily.

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., an unconsolidated affiliate, 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 and 2013, payments under the contract were $119,575 and $92,620, respectively; such contract was replaced with SLNGM in 2015.

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, and 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 was obligated to make quarterly payments of $30.0 during the first five years or until the start of commercial operations. In addition, $1,500.0 was due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 250 MW, and $300.0 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 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 2015, 2014 and 2013, payments under the agreement were $1,158.0, $144.0 and $144.0 respectively. Future contractual cash payments are as follows:

Year	Amounts
2016	$ 120
2017	120
2018	120
Thereafter	2,280
	$2,640

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 2015, 2014 and 2013, payments under the agreements were $283.0, $294.0 and $294.0 respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$310
2017	294
2018	294
	$898

d. ESJ has received its environmental impact manifest permit (Manifiesto de Impacto Ambiental, "MIA" by its initials 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 2015, 2014 and 2013, the rent expense amounted to $2,254.0 $2,477.0 and $1,976.0, respectively.

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

Years	Amounts
2016	$2,121
2017	2,048
2018	1,566
Thereafter	1,087
	$6,822

f. During 2003, TDM entered into a long term services agreement ("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 $24.0 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 2015, 2014 and 2013 fixed payments, under the LTSA, were $299.0, $397.0 and $645.0, respectively; variable payments under such LTSA were $3,838.0, $5,168.0 and $6,484.0, respectively.

Future contractual cash payments under the LTSA are as follows:

Years	Amounts
2016	$ 496
2017	397
2018	397
Thereafter	1,190
	$2,480

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 renegotiated the agreement-terms until 2018.

During 2015, 2014 and 2013, payments under the agreement were $1,826.0, $1,560.0 and $1,511.0, respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$4,144
2017	4,254
2018	441
	$8,839

h. ECA entered into various technical service and maintenance agreements with third parties. During 2015, 2014 and 2013, payments under such agreements were $10,016.8, $5,237.0 and $10,747.0, respectively. Future contractual cash payments of such commitments are as follows.

Years	Amounts
2016	$ 9,594
2017	1,941
2018	1,200
Thereafter	20,400
	$33,135

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 2015, 2014 and 2013, payments under the agreement were $4,707.0 and $5,004.0 and $1,800.0 respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$2,098
2017	1,981
Thereafter	2,021
	$6,100

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 is 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 (already in service); 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 Sonora Pipeline pipeline will be approximately $1.0 billion. The capacity of the Sonora 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 Sonora 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 took place in several stages and was completed in August, 2015. The contract value was $155,335; in this transaction Sempra Energy was 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 took place in several stages and was completed in July 2014. The supply contract value was $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 took place in several stages and it was completed in August 2015. The supply contract value was $53.9 million, and as a guarantee of compliance, GAP issued an irrevocable standby letter of credit for $28.5 million 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 $87.8 million, for such trust agreement, and for which the Company paid it. 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 Km, 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 Km, 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 paid $6.7 million, $7.1 million, $7.1 million for 2015, 2014 and 2013, respectively. 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 paid $5.8 million, $7.3 million, $6.7 million for 2015, 2014 and 2013, respectively. The contract has indefinite term.

q. *Pipeline Gasoducto Sonora.* According to the turnkey contract with GDI SICIM Pipeline (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 Km, diameter of 36 inches a transportation capacity of 770 Mmcfd; and the second, will have a length of approximately 330 Km, 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. The second segment commenced in September 2013 and was concluded on February 15, 2015.

The contract price for the construction of the first segment will be $117.0 million until termination, with the option to extend to the second segment.

r. *Ojinaga—El Encino.* In December 2014, GAP 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.

- In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Ojinaga—El Encino pipeline, GAP issued an irrevocable standby credit letter, for $90.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until March 29, 2042.
- During March, 2015, the Company entered into trust agreements with the Governments of the Mexican States of Chihuahua, for a total of $7.9 million, for such trust agreement, and for which the Company paid advances in April and October 2015 for $0.8 and $3.8 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 gas pipeline.
- On February 9, 2015, GAP held a contract with Tuberías Procarsa, S. A. de C. V. The supply contract value is $62.0 million.
- According to the turnkey contract with Bonatti S.A.P. for the construction of the Ojinaga—El Encino project, Bonatti S.A.P. 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 contract price for the construction will be $101.0 million until termination.

s. *San Isidro to Samalayuca.* During 2015, the GAP, was declared winner of the CFE tender for a Natural Gas Transportation Contract through a pipeline from San Isidro to Samalayuca in the State of Chihuahua. Such project consists of a header facility with a capacity of 3 billion CFPD and a 23 Km pipeline.

- In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the San Isidro—Samalayuca pipeline, GAP issued an irrevocable standby credit letter, for $20.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until January 30, 2042.

- During August 2015, the Company entered into trust agreements with the Governments of the Mexican States of Chihuahua, for a total of $2.7 million, for such trust agreement, and for which the Company paid advances in September 2015 for $0.2 million. These contracts were entered into in order to comply with the bidding rules of the CFE's tender for the construction and operation of gas pipeline.
- During August 2015 the Company entered into according to the turnkey contract for the solar turbines for the project, the value is $32.0 million until termination estimated on June 2016.

t. *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.

u. 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.

33.3. Natural gas commitments

a. 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".

b. On August 27, 2015 IEnova LNG entered into a contract with SGEN, for providing natural gas with maximum contract quantity for 8,100 MMBtu with price of $0.035/MMBtu until August 31, 2018.

c. On August 20, 2015 IEnova LNG entered into a contract with Igasamex Bajío S. de R.L. de C.V., for providing natural gas with maximum contract quantity for 8,100 MMBtu with price of $0.07/MMBtu until August 31, 2018.

d. On July 1, 2015 IEnova LNG entered into a contract with Sempra LNG International Holdings, LLC, to transfer profits and losses under the deed of indemnity until August 30, 2029.

   Other commitments-

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

f. 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 unconsolidated affiliates if the Mexican Tax Authority (Servicio de Administración Tributaria, "SAT" by its initials 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.

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:

Matters on ECA

a. *Motions for review (recurso de revisión) against MIA of the ECA Terminal, filed by Castro, Valdez y Palafox.* In May 2003, *Hiram Castro Cruz* and *Roberto Valdéz Castañeda ("Castro* and *Valdez"),* jointly, and Mónica Fabiola Palafox ("Palafox"), acting individually filed *motions for review* before the Ministry of the Environment and Natural Resources *(Secretaría de Medio Ambiente y Recursos Naturales, SEMARNAT)* to challenge the issuance of the MIA to the ECA Terminal granted in April 2003, based on allegations similar to IVG's allegations. SEMARNAT dismissed the motions and the plaintiffs filed before the Federal Court of Tax and Administrative Justice *(Tribunal Federal de Justicia Fiscal y Administrativa, TFJFA),* in Mexico city, motions for annulment against the respective rulings. In January 2006 and May 2013, the TFJFA issued the judgments declaring null and void the rulings through which SEMARNAT dismissed the motions for annulment ordering SEMARNAT to issue new rulings in the terms set forth in such judgments. In the case of *Castro* and *Valdéz,* SEMARNAT admitted the motion and in January 2012 it issued a resolution ratifying the validity of the MIA. In March 2012, *Valdéz* filed before the TFJFA a motion for annulment against the ruling issued by SEMARNAT and ECA filed before the Collegiate Circuit Court for the Federal District, a motion against the ruling whereby the TFJFA ordered the admittance of the motion filed by *Valdez.* In the case of Palafox, SEMARNAT has not issued its resolution on the MIA yet. The management of the Company deems that the claims of *Castro, Valdéz* and *Palafox* are unfounded.

   The judgment of nullity of Castro is pending. In the case of *Palafox,* the situation has not changed compared to the previous report.

b. Motion for annulment *against ECA's port concession, filed by IVG.* In January 2005, IVG filed before the Ministry of Communications and Transport *(Secretaría de Comunicaciones y Transportes, "SCT")* a motion for annulment regarding ECA's port concession, which authorizes ECA to use the national port facilities for its maritime operations. IVG argued that the SCT should have applied certain environmental requirements regarding the authorization of the port concession to ECA and that the activities performed by ECA's Terminal are not attributable to the SCT, as well as that ECA did not perform any environmental risk assessment and that the SEMARNAT amended the MIA without notifying such circumstance to the SCT. In March 2005, the SCT dismissed such motion and IVG filed before the TFJFA in Mexico City a motion for annulment against the respective ruling. In March 2010, the TFJFA issued a judgment declaring null and void the ruling whereby the SCT dismissed the motion for review and ordering the latter to admit such motion. In May 2011, the SCT issued a new agreement dismissing the motion once again. In August 2011, IVG filed a second motion for annulment before the TFJFA, confirming its previous arguments and arguing, besides, that the SCT is not empowered to issue the ruling. ECA challenged the ruling whereby the TFJFA admitted the second motion for annulment based on the fact that IVG's claims were resolved during the previous motion. In June 2012, the TFJFA agreed with such argument and dismissed the second motion for annulment filed by IVG. IVG filed a constitutional claim *(amparo)* before the Federal Courts, against the last ruling of the TFJFA. The answer to such claim was made by the Company on August 27, 2012. The SCT and ECA's Terminal answered such claim. During 2013, IVG filed a constitutional claim before the Federal Courts, against the dismissal of the motion before the TFJFA, protection which was granted reversing the dismissal of the motion for annulment. The motion for annulment is pending and therein both the SCT and the ECA Terminal have already answered the claim.

As to the motion for revocation *(recurso de revocación)* against the port concession granted to ECA before the Ministry of Communications and Transports ("SCT"), regarding the port concession for purposes of its maritime operations, we report the following:

On February 19, 2015, a Collegiate Court ruled favorably to ECA's interests, denying the constitutional claim filed by Vista Golf against the ruling of the Federal Court of Tax and Administrative Justice, also issued in favor of ECA's interests.

Therefore, on April 24, 2015, the Federal Court of Tax and Administrative Justice concluded the nullity trial fully and the judgment issued in favor of ECA is in consequence definitive.

c. *Motion for review against MIA of ECA's Terminal, filed by Inmuebles Baja Pacífico, S.A. de C.V. ("IBP").* In 2006, IBP started an action / "popular claim" before the Federal Attorney General Office of Environmental Protection *(Procuraduría Federal de Protección al Ambiente, PROFEPA)* arguing that the conditions and relief measures set forth in the authorization of environmental impact would be insufficient and that the operation of ECA's Terminal would cause a damage to the environment, seeking, among others, the order to amend or annul the referred Authorization in the Subject of Environmental Impact. The proceedings ended in 2006 in favor of ECA. IBP filed a motion for review against such ruling, resolving it grounded and ordering the issuance of a new resolution assessing the evidence of IBP and resolving on the compliance of the environmental legislation.

In compliance to the rulings in the motion for review, PROFEPA performed inspections on ECA's Terminal and it determined that its operations comply with the determinants and relief measures imposed in the authorization in the subject of environmental impact and they do not cause damage to the environment. Such resolution was challenged by IBP through the proceeding for annulment *(juicio de nulidad)* before the Federal Court of Tax and Administrative Justice ("TFJFA"), which in August 2013 declared the nullity of the challenged resolution considering that the authority did not ground duly its territorial competence and it ordered PROFEPA to issue a new resolution considering the evidence delivered by IBP setting forth why they would be insufficient to prove the breach of the applicable legislation. Against TFJFA's ruling, both IPB and ECA filed constitutional trials, respectively, which were resolved in February 2015 determining to dismiss the constitutional claim brought by IPB and grant protection to ECA under the consideration that IBP lacks of *standi*/legal interest to challenge through proceeding for annulment the resolution of the popular claim, ordering the TJFFA the issuance of a new resolution in congruence.

In such circumstances, and given the resolution in the constitutional trial, in July 2015 the TFJFA issued a new resolution dismissing IBP's proceeding. In November 2015, the TFJFA determined that its judgment of July 2015 was definitive, being fully concluded in favor of ECA.

d. *Constitutional Claim filed by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie").* In June 2010, *Sánchez Ritchie* filed a constitutional claim in the Collegiate District Court of the State of *Baja California,* Mexico, challenging the validity of all the permits and authorizations related to the construction and operation of ECA's Terminal. The motion of *Sánchez Ritchie* named as defendants 17 governmental agencies, including SEMARNAT, the Regulating Energy Commission *(Comisión Reguladora de Energía, CRE)* and the Municipality of *Ensenada*, among others. Although the first permits of ECA's Terminal were issued more than six years before its filing, *Sánchez Ritchie* claims that the operation of ECA's Terminal would impair its rights as alleged owner of the property adjacent to ECA's Terminal (which is disputed by ECA) and that ECA's permits were granted in breach of its rights. *Sánchez Ritchie* claims the payment of damages and the order to the defendant authorities to revoke the permits for ECA's Terminal. On June 17, 2010, the District Court issued an interim judgment ordering the different authorities to suspend ECA's permits, but such provisional order was revoked by the Circuit Court on June 24, 2010 before the governmental authorities answered. Each one of the governmental authorities named in the constitutional claim denied the charges and affirmed the validity of their respective permits and authorizations. The allegations hearing of *Sánchez Ritchie* has been adjourned due to the filing of many remedies and other procedural acts. In May 2012, the case was submitted to the Collegiate District Court of *Tijuana* and an issuance date of the interim judgment regarding the admissibility of the constitutional claim has not been set. The Company deems that the claims of *Sánchez Ritchie* are unfounded.

The constitutional hearing in the issue was held on December 8, 2014.

On February 16, 2015, the Third District Court in the subject of constitutional trial and federal trials in the State of *Baja California* issued a resolution whereby it dismissed the constitutional trial. *Ramón Eugenio Sánchez Ritchie* filed a direct constitutional claim and it is pending of resolution in the First Collegiate Court.

e. *Municipal claim filed by Sánchez Ritchie.* In February 2011, *Sánchez Ritchie* filed a complaint before the Directorate of Urban Control *(Dirección de Control Urbano, DCU)* of the Municipality of *Ensenada,* in *Baja California,* Mexico, arguing the invalidity of the zoning and construction permits granted to ECA's Terminal in 2003 and 2004, respectively. Although the Municipality had ratified the validity of the permits in its answer to the constitutional claim of *Sánchez Ritchie* described above, shortly after receiving the complaint, the DCU issued an order of temporary closing and immediate cessation of operations. The actions of the authorities of the state and federal government prevented the interruption of the operations of the terminal, while ECA filed an answer to the administrative complaint before the DCU as well as a constitutional claim before the Collegiate District Court in *Ensenada.* In March 2011, the District Court granted the suspension of the closing order until the resolution of ECA's constitutional claim, which was confirmed by the Collegiate Circuit Courts in *Mexicali.* As informed on April 28, 2014, on such date the Municipality of *Ensenada* declared itself incompetent to deal with, transact, continue with the transaction and, at the time, resolve the proceedings started in 2011 by *Ramón Eugenio Sánchez Ritchie.* Therein, the authority resolved to rescind the acts in the administrative proceedings, including the closing order, ordering to close the file as a fully and duly concluded issue. The referred memorandum was eventually challenged before an Administrative Court by *Ramón Eugenio Sánchez Ritchie,* which was resolved favorably to the interests of ECA. The resolution mentioned above was not challenged because the issue was fully concluded and the judgment in favor of ECA is, in consequence, definitive.

f. *Saloman Arya Furst* and *Abraham Hanono Raffoul* filed before the Unitary Agrarian District Court of *Ensenada* a claim against the Ministry of Agrarian Reform *(Secretaría de la Reforma Agraria),* ECA and other 20 defendants. The purpose of such claim is to procure a declaration of nullity of the property rights granted by the National Agrarian Registry regarding some plots of land where ECA's Terminal is located, as well as the return of another plot which allegedly is located in the same place, based on the argument that the property titles issued in favor of the ECA's former owners were issued improperly and without considering the existing property rights of such immovable property. In September 2011 was held a definitive hearing on the subject, where the plaintiffs offered evidence to extend their claim. The judge did not admit the evidence, and before issuing the judgment, the plaintiffs filed a constitutional claim against the refusal of the judge to the admittance of the evidence. The action of the judge is suspended by the constitutional claim, and, the constitutional trial cannot continue until the Court serves notice of the civil claim to the other defendants, which has not happened. The Company deems that the claim is unfounded.

After several adjourned hearings, on June 9, 2015 the parties were duly notified of these proceedings. On that same date, the hearing was held, during which the disputed issues were set and the evidence of all the parties was offered. Given the amount of evidentiary material, the Court reserved the right of study and assessment thereof to subsequently set a new date of hearing. It was held on September 2015 where it is expected to have a resolution within eight months from the hearing.

g. *Criminal Investigation.* In May 2009, *Sánchez Ritchie* filed before the Attorney General Office of *Ensenada* a criminal complaint arguing that "Sempra's affiliates", several employees of ECA's Terminal and several former employees of such Office committed the crime of procedural fraud as to a criminal complaint filed by ECA, which owns ECA's Terminal against *Sánchez Ritchie* in 2006 as part of the conflict related to the possession of an immovable property adjacent to ECA's Terminal, which is property of the Company. In September 2006, ECA accused *Sánchez Ritchie* of the crime of dispossession for having trespassed ECA's immovable property. As part of such proceedings, the public prosecutor issued a provisional order to remove *Sánchez Ritchie* from the immovable property. In the criminal complaints filed in 2009, *Sánchez Ritchie* argued that ECA and the other defendants provided false information to obtain such order. The public prosecutor responsible of the case determined that there was not enough evidence to prosecute the defendants and closed the investigation; and in March 2011, the criminal court of *Tijuana* ratified the withdrawal of the action. In September 2011, *Sánchez Ritchie* filed a constitutional claim against the respective ruling before the Collegiate District Court of *Ensenada.* The hearing to analyze the substantive aspects of the constitutional claim was held in March 2012 and in July 2012 the judge granted the protection regarding the omission in the study, by the criminal judge, of certain evidence and arguments submitted by *Sánchez Ritchie.* The district judge ordered the criminal judge to issue a new resolution considering such issues. ECA's Terminal appealed the resolution in the Federal Circuit Court, which has not issued a resolution about it. The Company deems that the claims of *Sánchez Ritchie* are unfounded.

h. *Motion for review against the authorizaiton of environmental impact for ECA's Terminal, filed by Inmuebles Vista Golf.* In May 2003, *Inmuebles Vista Golf, S.A. de C.V.* filed before SEMARNAT a motion for review against the resolution issued by such authority in April 2003, whereby it granted to the Company the authorization of environmental impact for ECA's Terminal. *Inmuebles Vista Golf* argues that SEMARNAT did not give the necessary notices and did not abide by the applicable proceedings to grant such authorization; that the activities of ECA's Terminal are of industrial nature and, therefore, they do not meet the provisions in the Regional Development Program of the Coastal Corridor *Tijuana-Rosarito-Ensenada* (known as COCOTREN); and that the conditions and relief measures set forth in the authorization were insufficient. In August 2003, SEMARNAT dismissed such motion and in December 2003 *Inmuebles Vista Golf* filed before the TFJFA, in Mexico City, a proceeding for annulment against the respective ruling. In April 2005, the TFJFA issued a ruling declaring the nullity of the respective ruling, therefore SEMARNAT continued the motion for review and in July 2006 resolved it confirming the validity and legality of the authorization of environmental impact. In October 2006, *Inmuebles Vista Golf* filed before the TFJFA, in Mexico City, a proceeding for annulment against SEMARNAT's respective resolution. In December 2010, TFJA confirmed the validity and legality of the resolution through which SEMARNAT confirmed the validity and legality of the authorization of environmental impact. Against TFJFA's resolution, *Inmuebles Vista Golf* filed a direct constitutional trial before the Collegiate Circuit Court in the Federal District. The constitutional trial was resolved through resolution of April 2012, whereby was granted the protection for the TFJFA to assess all the evidence provided by the parties, specifically the expert evidence in trial. In August 2012, the TFJFA issued a new ruling ratifying once again the validity of the authorization of environmental impact and the sufficiency of the conditions and relief measures to prevent the damages to the environment set forth therein. *Inmuebles Vista Golf* filed a new constitutional claim against the judgment of August 2012 of the TFJFA, on the other hand, ECA filed an adjacent constitutional claim. In May 2013, the First Chamber of the Supreme Court of Justice of the Nation decided to intervene in the constitutional claim filed by *Inmuebles Vista Golf.* In a public hearing held on February 7, 2014, the First Chamber of the Supreme Court of Justice of the Nation resolved to "dismiss the constitutional trial and leave the adjacent constitutional claim without subject", therefore the affair is fully concluded in favor of ECA.

Affairs on ESJ

a. In November 2011, *Terra Peninsular, A.C.* ("TP"), an environmental organization, filed before the TFJFA of Mexico City a motion for review against the resolution whereby SEMARNAT granted to ESJ the authorization of environmental impact for the construction and operation of ESJ wind farm. TP argues that it did not receive notice of such resolution; and that the MIA was not assessed pursuant to the applicable legislation, since otherwise, SEMARNAT would have denied such authorization. However, TP does not specify the laws or regulations that were not duly applied. Besides of the foregoing, TP argues that the different stages of the project should require independent authorizations; and that the granting of a conditional authorization for the development of future states which have not been fully defined is insufficient to protect the environment. The TFJFA denied the suspension order requested by TP, but admitted the claim. ESJ and SEMARNAT filed their respective answers to the claim in June 2012, arguing that the motion filed by TP is untimely and that the MIA was duly granted. The judge has admitted the experts brought by the parties and ESJ's and SEMARNAT's experts have submitted their expert opinions. Once TP submits its expert opinion, the judge shall determine the trial within 15 days. The request filed by TP for the final suspension is also pending. The management of the Company deems that TP's claims are unfounded.

The operations of ECA's Terminal, TDM's plant ad ESJ's wind farm have not been affected as a result of the proceedings described above and they continue operating normally during the process thereof. However, if any of such proceedings was resolved unfavorably for the Company, the operations of ECA's Terminal and/or TDM's generating plant might be affected adversely and significantly, which in turn might have a significant adverse effect on the activities, perspectives, the financial position, the operation results and the cash flows of the Company.

Except for the affairs stated above, neither the Company nor its assets are subject to any other legal action different from those arisen in the normal course of business.

35. Application of new and revised International Financial Reporting Standards

a. Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19 ***Defined Benefit Plans: Employee Contributions***

The Company has applied the amendments for the first time in the current year. Prior to the amendments, the Company accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Company to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Company recognizes the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Company's consolidated financial statements.

Annual Improvements to IFRSs 2010—2012 Cycle and 2011—2013 Cycle

The Company has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010—2012 Cycle* and *2011—2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments*. The Company has aggregated several operating segments into a single operating segment and made the required disclosures in Note 26 in accordance with the amendments. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Company's consolidated financial statements.

b. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IFRS 16	Leases[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments for IAS 27	Separate Financial Statements[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012—2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted".

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires a Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a Company's risk management activities have also been introduced.

The Company's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

Under IFRS 15, a Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Company’s management anticipates that the application of IFRS 15 in the future may does not have a material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

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 a Company provides goods or services to customers at a price or rate that is subject to rate regulation. It permits a Company 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 16*, Leases*

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

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

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

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

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

The Company’s management anticipates that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Company’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Company undertakes a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Company's consolidated financial statements.

Amendments to IAS 16 IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Company's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent Company that is a subsidiary of an investment Company, even if the investment Company measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment Company to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Company's consolidated financial statements as the Company is not an investment Company and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment Company.

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 a Company´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".

Annual Improvements to IFRSs 2012—2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when a Company reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply.

The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Company's consolidated financial statements.

36. Events after reporting date

In February 2016, management approved a plan to market and sell Sempra Mexico's Termoeléctrica de Mexicali, a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As a result, in February 2016, we ceased depreciating the plant and classified as an asset held for sale. Although we believe fair value approximates or exceeds the carrying value of the asset, in the event that the estimated sales price from the planned sale of Termoeléctrica de Mexicali is less than the carrying value, the Company may recognize an impairment loss in the Consolidated Statements of Profit.

37. Approval of financial statements

The accompanying consolidated financial statements were authorized for issuance on February 22, 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 Company, who may be modified in accordance with the provisions of the General Law of Commercial.

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

Condensed interim consolidated financial statements as of June 30, 2016 and for the six and three-month periods ended June 30, 2016 and 2015 (Unaudited)

Content

Independent Auditor's Review Report to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (the Company) as of June 30, 2016, and the condensed interim consolidated statements of profit, profit and other comprehensive income, changes in stockholders' equity and cash flows for the six and three-month periods ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Information*. Our responsibility is to express a conclusion on this interim financial information based on our reviews.

Scope of Review

We conducted our reviews in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* issued by the International Auditing and Assurance Standards Board (*IAASB*). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements does not present fairly, in all material respects, the financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries as of June 30, 2016, and its financial performance and its cash flows for the six and three-month periods ended June 30, 2016 and 2015, in accordance with IAS 34.

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

/s/ C. P. C. Omar Esquivel Romero
July 26, 2016

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

Condensed Interim Consolidated Statements of Financial Position
(In thousands of U. S. Dollars)

	Notes	June 30, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets:			
Cash and cash equivalents		$ 53,435	$ 40,377
Short-term investments	10	80	20,068
Trade and other receivables, net		56,366	53,728
Due from unconsolidated affiliates	3	9,494	27,608
Income taxes receivable		1,979	16,226
Natural gas inventories		6,953	4,628
Derivative financial instruments	10	1,565	1,926
Value added tax receivable		20,590	46,807
Carbon allowances	5, 7	—	5,385
Other assets		9,043	8,576
Assets held for sale	1, 5	312,973	—
Total current assets		472,478	225,329
Non-current assets:			
Due from unconsolidated affiliates	3	105,102	111,766
Finance lease receivables	10	14,438	14,510
Deferred income tax assets		63,237	78,965
Investments in joint ventures	4	460,772	440,105
Goodwill		25,654	25,654
Property, plant and equipment, net	6, 13	2,446,041	2,595,840
Carbon allowances	5, 7	—	12,975
Other assets		4,263	1,938
Total non-current assets		3,119,507	3,281,753
Total assets		$3,591,985	$3,507,082
Liabilities and Stockholders´ Equity			
Current liabilities:			
Short-term debt	8, 10	$ 118,437	$ 88,507
Trade and other payables		50,549	43,849
Due to unconsolidated affiliates	3, 10	356,457	352,650
Income tax liabilities		7,420	14,095
Derivative financial instruments	10	352	—
Other financial liabilities		6,003	6,444
Provisions		1,067	1,293
Other taxes payable		14,307	13,881
Carbon allowances	5, 7	—	5,385
Other liabilities		20,816	17,237
Liabilities held for sale	1, 5	70,494	—
Total current liabilities		645,902	543,341
Non-current liabilities:			
Long-term debt	9, 10	272,900	299,925
Due to unconsolidated affiliates	3, 10	39,187	38,460
Deferred income tax liabilities		230,029	261,294
Carbon allowances	5, 7	—	12,611
Provisions		29,453	34,236
Derivative financial instruments	10	158,572	133,056
Employee benefits		4,179	4,295
Total non-current liabilities		734,320	783,877
Total liabilities		1,380,222	1,327,218
Stockholders' equity:			
Common stock		762,949	762,949
Additional paid-in capital		973,953	973,953
Accumulated other comprehensive income		(139,117)	(103,944)
Retained earnings		613,978	546,906
Total equity attributable to owners of the Company		2,211,763	2,179,864
Total liabilities and equity		$3,591,985	$3,507,082

See accompanying notes to the condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Profit
(In thousands of U. S. Dollars, except per share amounts)

	Notes	Six-month period ended June 30, (Unaudited) 2016	Six-month period ended June 30, (Unaudited) 2015	Three-month period ended June 30, (Unaudited) 2016	Three-month period ended June 30, (Unaudited) 2015
		(notes 1, 5)	(notes 1, 5)	(notes 1, 5)	(notes 1, 5)
Revenues	12	$271,976	$ 297,230	$138,722	$142,788
Cost of revenues		(91,491)	(119,019)	(46,175)	(54,414)
Operating, administrative and other expenses		(41,919)	(38,742)	(22,758)	(18,921)
Depreciation and amortization		(28,551)	(24,768)	(14,256)	(12,379)
Interest income		3,035	3,708	1,498	1,770
Finance costs		(5,825)	(2,330)	(4,033)	(445)
Other (losses) gain		(698)	(3,268)	(2,308)	761
Profit before income tax and share of profits of joint ventures		106,527	112,811	50,690	59,160
Income tax expense	11	(40,598)	(42,860)	(23,249)	(27,462)
Share of profits of joint ventures, net of income tax	4, 12	39,425	23,258	11,983	11,541
Profit for the period from continuing operations	13	$105,354	$ 93,209	$ 39,424	$ 43,239
Discontinued operation:					
Loss for the period from discontinued operations, net of income tax	5	(38,282)	(10,501)	(5,124)	(6,746)
Profit for the period	12, 13	$ 67,072	$ 82,708	$ 34,300	$ 36,493
Earnings per share:					
From continuing and discontinued operations:					
Basic and diluted earnings per share:	13	$ 0.09	$ 0.08	$ 0.03	$ 0.04
From continuing operations:					
Basic and diluted earnings per share:	13	$ 0.06	$ 0.07	$ 0.03	$ 0.03

See accompanying notes to the condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income
(In thousands of U. S. Dollars)

		Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
	Notes	2016	2015	2016	2015
Profit for period	13	$ 67,072	$ 82,708	$ 34,300	$36,493
Other comprehensive income (loss):					
Items that will not be reclassified to profit or (loss)					
Actuarial gains on defined benefits plans		—	254	—	254
Deferred income tax relating to components of other comprehensive income		—	(76)	—	(76)
Total items that will not be reclassified to profit		—	178	—	178
Items that may be subsequently reclassified to profit or (loss):					
Gain (loss) on valuation of derivative instruments held for hedging purposes		774	(5,107)	3,833	5,364
Deferred income tax on the gain (loss) on valuation of derivative instruments held for hedging purposes		(232)	1,532	(1,150)	(1,609)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(26,801)	3,326	(9,659)	17,186
Deferred income tax on the (loss) gain on valuation of derivate instruments held for hedging purposes at joint ventures		8,040	(997)	2,898	(5,155)
Exchange differences on translating foreign operations		(16,954)	(11,566)	(15,332)	(5,811)
Total items that may be subsequently reclassified to profit		(35,173)	(12,812)	(19,410)	9,975
Other comprehensive (loss) income for the period		(35,173)	(12,634)	(19,410)	10,153
Total comprehensive income for the period		$ 31,899	$ 70,074	$ 14,890	$46,646

See accompanying notes to the condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity
(In thousands of U. S. Dollars)

	Common shares	Additional paid-in capital	Other comprehensive income (loss)	Retained earnings	Total
Balance as of January 1st, 2015	$762,949	$973,953	$ (64,331)	$576,717	$2,249,288
Profit for the period	—	—	—	82,708	82,708
Actuarial gains on defined benefits plans, net of income tax	—	—	178	—	178
Loss on valuation of financial derivatives held for hedging purposes, net of income tax	—	—	(3,575)	—	(3,575)
Gain on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax	—	—	2,329	—	2,329
Exchange differences on translating foreign operations	—	—	(11,566)	—	(11,566)
Total comprehensive income for the period	—	—	(12,634)	82,708	70,074
Balance as of June 30, 2015 (Unaudited)	$762,949	$973,953	$ (76,965)	$659,425	$2,319,362
Balance as of January 1st, 2016	$762,949	$973,953	$(103,944)	$546,906	$2,179,864
Profit for the period	—	—	—	67,072	67,072
Gain on valuation of financial derivatives held for hedging purposes, net of income tax	—	—	542	—	542
Loss on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax	—	—	(18,761)	—	(18,761)
Exchange differences on translating foreign operations	—	—	(16,954)	—	(16,954)
Total comprehensive income for the period	—	—	(35,173)	67,072	31,899
Balance as of June 30, 2016 (Unaudited)	$762,949	$973,953	$(139,117)	$613,978	$2,211,763

See accompanying notes to the condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Cash Flows
(In thousands of U. S. Dollars)

	Notes	Six-month period ended June 30, (Unaudited) 2016	Six-month period ended June 30, (Unaudited) 2015	Three-month period ended June 30, (Unaudited) 2016	Three-month period ended June 30, (Unaudited) 2015
Cash flows from operating activities:					
Profit for the period	13	$ 67,072	$ 82,708	$ 34,300	$ 36,493
Adjustments for:					
Income tax expense	11, 5	69,135	41,366	24,802	27,029
Share of profit of joint ventures, net of income tax	4, 12	(39,425)	(23,258)	(11,983)	(11,541)
Finance costs		5,953	2,452	4,097	506
Interest income		(3,045)	(3,743)	(1,503)	(1,772)
Loss (gain) on disposal of property, plant and equipment		1,185	551	(294)	304
Impairment (gain) loss recognized on trade receivables		(17)	108	(30)	108
Depreciation and amortization		30,773	32,374	14,256	16,196
Net foreign exchange loss (gain)		1,143	(1,978)	1,876	(2,664)
(Gain) loss on valuation of derivative financial instruments		(324)	(1,548)	31	(6,634)
		132,450	129,032	65,552	58,025
Movements in working capital:					
Decrease in trade and other receivables, net		6,550	28,001	7,691	11,726
(Decrease) in natural gas inventories		(2,325)	(73)	(2,453)	(5,180)
Decrease (increase) in other assets		31,623	(1,898)	30,114	4,898
Increase (decrease) in trade and other payables		1,165	(32,491)	(22,063)	(267)
(Decrease) increase in provisions		(31,609)	15,339	(14,065)	7,870
Increase (decrease) in other liabilities		4,729	(1,010)	1,770	(1,373)
Cash generated from operations		142,583	136,900	66,546	75,699
Income taxes paid		(56,038)	(38,846)	(25,043)	(12,884)
Net cash provided by operating activities		86,545	98,054	41,503	62,815
Cash flows from investing activities:					
Interest received		3,159	1,047	—	1,046
Acquisitions of property, plant and equipment		(114,905)	(119,801)	(78,522)	(64,366)
Loans to unconsolidated affiliates		(275)	(1,044)	(141)	(543)
Repayment of loans to unconsolidated affiliates		5,571	41,530	—	41,495
Short-term investments		19,988	(4,868)	25,005	(4,849)
Net cash used in investing activities		(86,462)	(83,136)	(53,658)	(27,217)
Cash flows from financing activities:					
Interest paid		(9,701)	(16,406)	(1,513)	(3,489)
Loans from unconsolidated affiliates	3	(100)	120,000	(100)	—
Proceed from bank credit lines		30,000	—	30,000	—
Payments on bank credit lines		—	(121,839)	—	(739)
Net cash provided (used in) financing activities		20,199	(18,245)	28,387	(4,228)
Net increase (decrease) in cash and cash equivalents		20,282	(3,327)	16,232	31,370
Cash and cash equivalents at the beginning of the period		40,377	83,637	44,936	44,372
Cash and cash equivalent from assets held for sale	5	(1,170)	—	(297)	—
Effects of exchange rate changes on cash and cash equivalents		(6,054)	(4,872)	(7,436)	(304)
Cash and cash equivalents at the end of the period		$ 53,435	$ 75,438	$ 53,435	$ 75,438

See accompanying notes to the condensed interim consolidated financial statements.

1. Business and relevant events

a. Business

Infraestructura Energética Nova, S. A. B. de C. V. ("IEnova") and Subsidiaries (collectively, the "Company") are located and incorporated in México. Their parent and ultimate holding company is Sempra Energy (the "Parent"), located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in (Note 19).

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 12).

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

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and a renewable energy project in a joint venture in Baja California, México, using wind resources to serve clients in the U. S. (Please refer to Note 1.1.)

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

b. Relevant events

1.1. Plan to market and sell TDM

In February 2016, the Company´s management approved a plan to market and sell Termoeléctrica de Mexicali, S. de R. L. de C. V. and subsidiaries ("TDM"), a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. Although the Company believes fair value approximates the carrying value of the asset, in the event that the estimated sales price from the planned sale of TDM is less than the carrying value, the Company may recognize an impairment loss in the Condensed Interim Consolidated Statements of Profit.

As a result of the foregoing events, the assets and liabilities of TDM, were presented as assets held for sale and liabilities held for sale, in the Condensed Interim Consolidated Statement of Financial Position as of June 30, 2016; the results of these companies are also presented within discontinued operations in the Condensed Interim Consolidated Statements of Profit, which were retrospectively adjusted. Please refer to Note 5.

1.2. Beginning of commercial operations of "Los Ramones Norte project"

In February 2016, Los Ramones Norte project started commercial operation.

1.3. Marine pipeline

In June 2016, Infraestructura Marina del Golfo, S. de R.L. ("IMG") de C.V., the joint venture formed between IEnova and TransCanada Corporation ("TransCanada"), whereby IEnova has 40-percent interest in the partnership and TransCanada owns the remaining 60-percent interest, resulted the winner of the bidding process and entered into a 25-year natural gas transportation services agreement with the Comisión Federal de Electricidad ("CFE"), in connection with the bid issued by CFE for the South Texas—Tuxpan pipeline. IMG shall be responsible for the development, construction, and operation of the 42-inch pipeline that has a capacity of 2.6 billion cubic feet per day (BCF) and a length of approximately 800 kilometer. The project will require an investment of approximately US $2.1 billion and is expected to begin operations in the last quarter of 2018.

1.4. Ramal Empalme pipeline project

In May 2016, IEnova entered into a natural gas transportation services agreement with CFE for a 21-year term, denominated in U.S. Dollars, for 100 percent of the transport capacity of the Ramal Empalme pipeline, equal to 226 million cubic feet per day of natural gas. IEnova will be responsible for the development, construction and operation of the 20-kilometer pipeline. The Company expect to begin operations in May 2017.

1.5. Purchase agreement of remaining interest in Gasoductos de Chihuahua from Petróleos Mexicanos

In July 2016, IEnova announced it has reached an agreement with Pemex Transformación Industrial "Pemex TRI" to restructure the transaction to purchase Pemex's interest in Gasoductos de Chihuahua that was objected by the Mexico's Comisión Federal de Competencia Económica in December 2015. This agreement will allow i) Pemex TRI to satisfy the conditions imposed by the former Federal Competition Commission in connection with its indirect participation in the assets known as Gasoducto San Fernando and LPG Ducto TDF and ii) IEnova to acquire Pemex TRI participation in Gasoductos de Chihuahua once such conditions are satisfied.

2. Significant accounting policies

a. Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

Certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted pursuant to the interim period reporting provisions. Therefore, the condensed interim consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which are prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

b. Basis of preparation

The same accounting policies, presentation and methods of computation followed in these condensed interim consolidated financial statements were applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015:

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

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

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

c. Critical judgments in applying accounting policies

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

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

3. Transactions and balances with unconsolidated affiliates

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

Transactions between continued and discontinued operations are eliminated in consolidation. Any profit made from sales to external parties by the discontinued operations are presented outside continuing operations. Accordingly, the Consolidated Statements of Profit present revenues from continuing operations as follows:

	Revenues / Cost of revenues			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Effects of continuing operation with Gasoducto Rosarito, S. de R. L. de C. V. and IEnova LNG, S. de R. L. de C. V.	$20,050	$37,581	$10,346	$16,269

a. Transactions with unconsolidated affiliates

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

	Revenues			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Sempra LNG International Holdings, LLC (“SLNGIH”)	$53,799	$ —	$26,772	$ —
Discontinued operation—Sempra Generation (“SGEN”)	33,942	56,419	18,777	25,958
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	1,870	—	881	—
Sempra International, LLC (“Sempra International”)	826	830	399	420
Discontinued operation—Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	315	—	98	—
Energía Sierra Juárez, S. de R. L. de C. V. (“ESJ”)	85	—	(20)	—
SESJ	256	—	242	—
Southern California Gas Company (“SoCalGas”)	3	—	3	—
Sempra LNG International, LLC (“SLNGI”)	—	49,138	—	24,042

	Cost of revenues and operating, administrative and other expenses			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
SLNGI	$66,801	$85,754	$36,053	$44,464
Discontinued operation—SGEN	9,987	12,247	4,914	6,684
Sempra U. S. Gas & Power, LLC	3,539	3,396	1,693	1,669
SGEN	2,564	926	1,337	454
Sempra International	2,102	2,776	1,141	1,595
SoCalGas	740	534	374	266
Sempra Midstream, Inc. (“Sempra Midstream”)	398	360	199	180
Sempra Services Company, S. de R. L. de C. V. (“Sempra Services Company”)*	—	234	—	42

* In December 2015, this company was liquidated.

	Interest income			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Ductos Energéticos del Norte, S. de R. L. de C. V. (“DEN”)	$2,011	$2,703	$1,007	$1,278
ESJ	616	826	282	419
Discontinued operation—SGEN	11	4	6	2
Sempra Servicios México, S. de R. L. de C. V.*	—	2	—	1

* In December 2015, this company was liquidated.

	Finance cost			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Sempra Energy Holding XI, B. V. (“SEH”)	$876	$—	$442	$—
Inversiones Sempra Latin America Limitada (“ISLA”)	796	554	398	466
Sempra Oil Trading Suisse (“SOT Suisse”)	727	718	358	358
Inversiones Sempra Limitada (“ISL”)	265	185	132	156

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

	Amounts due from unconsolidated affiliates	
	Period / Year ended	
	06/30/16	12/31/15
SLNGIH	$8,823	$ 9,685
SLNGEL	518	668
SESJ	108	138
ESJ	45	51
SGEN*	—	17,066
	$9,494	$27,608

* As of June 30, 2016, the amount was reclassified to assets held for sale.

	Amounts due to unconsolidated affiliates	
	Period / Year ended	
	06/30/16	12/31/15
SEH(ii)	$220,376	$219,600
ISLA(i)	90,000	90,000
ISL(i)	30,000	30,000
SLNGI	15,104	12,220
SGEN	501	360
Sempra International	312	470
SoCalGas	120	—
Sempra Midstream	44	—
	$356,457	$352,650

(i) On March 2, 2015, IEnova entered into $90.0 million and $30.0 million of U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements are for nine month terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis at 1.98% of outstanding balances. On December 15, 2015, the Company signed an addendum modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2016. The interest rate applicable shall be computed each calendar quarter at the rate of 1.75% per year.

(ii) On December 22, 2015, IEnova entered into $219.6 million of U. S. Dollar-denominated credit facility with SEH, to finance working capital and for general corporate purposes. The term of the agreements is for twelve months. Interest is payable on a quarterly basis at three-month LIBOR plus 0.17% of outstanding balances.

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

Included in the operational transactions are administrative services from affiliates by $2.1 million and $2.8 million for the six-month period ended June 30, 2016 and 2015 respectively, $1.0 million and $1.3 million for the three-month period ended June 30, 2016 and 2015, respectively which were collected and paid, and have been properly distributed to the segments incurring those costs.

b. Loans to unconsolidated affiliates

	Period / Year ended	
	06/30/16	12/31/15
DEN	$ 87,975	$ 85,963
ESJ	17,127	25,142
SGEN*	—	661
	$105,102	$111,766

* As of June 30, 2016, the amount was reclassified to assets held for sale.

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

c. Loans from unconsolidated affiliates

	Period / Year ended	
	06/30/16	12/31/15
SOT Suisse	$39,187	$38,460

d. Compensation of key management personnel

Total compensation expense of key management personnel was $3.2 million and $6.9 million for the six-month periods ended June 30, 2016 and 2015, respectively and $0.6 million and $1.9 million for the three-month periods ended June 30, 2016 and 2015, respectively.

4. Investment in joint ventures

4.1 GdC

The Company owns a 50% interest in GdC, a joint venture with PEMEX TRI, a PEMEX subsidiary. GdC operates three natural gas pipelines, five natural gas compression stations, one propane system in México and one ethane pipeline, in the states of Chiapas, Chihuahua, Durango, Nuevo León, San Luis Potosí, Tabasco, Tamaulipas and Veracruz and one propane gas storage facility in the state of Jalisco, México.

TAG Norte holdings, S. de R. L. de C. V. (“TAG”), together with TAG Pipelines Norte, S. de R. L. de C. V. (“TAG pipelines”) a joint venture between GdC and an affiliate of Pemex, and a consortium comprised of BlackRock and First Reserve, own the Los Ramones Norte pipeline, which began operations in February 2016.

As of June 30, 2016, there has been no change in the Company’s ownership or voting rights in this joint venture.

GdC’s condensed interim consolidated financial statements and the Company’s equity method investment are summarized as follows:

	Period / Year ended	
	06/30/16	12/31/15
Cash and cash equivalents	$ 78,823	$ 22,080
Short-term investments	16,611	10,780
Other current assets	53,802	55,383
Total current assets	149,236	88,243
Finance lease receivables	946,629	952,201
Property, plant and equipment, net	313,235	320,079
Investments in joint venture	119,935	131,338
Other non-current assets	1,910	1,727
Deferred income tax assets	19,364	12,314
Total non-current assets	1,401,073	1,417,659
Total assets	$1,550,309	$1,505,902
Current liabilities	$ 126,710	$ 133,730
Non-current liabilities	666,575	662,307
Total liabilities	$ 793,285	$ 796,037
Total members’ equity	$ 757,024	$ 709,865
Share of members’ equity	378,512	354,933
Goodwill and indefinite lived intangible assets	64,943	64,943
Carrying amount of investment in GdC	$ 443,455	$ 419,876

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Revenues	$146,739	$117,320	$ 61,719	$ 59,721
Operating, administrative and other expenses	(35,724)	(32,058)	(18,712)	(16,177)
Finance cost, net	(16,218)	(11,946)	(9,904)	(6,013)
Share of profits of joint venture, net of income tax	9,501	(5,681)	4,436	(7,559)
Income tax expense	(29,672)	(26,123)	(17,049)	(11,590)
Profit for the period	$ 74,626	$ 41,512	$ 20,490	$ 18,382
Share of profits of GdC	$ 37,313	$ 20,756	$ 10,245	$ 9,191

(a) *Credit agreement*. On December 5, 2013, GdC entered into a credit agreement for $490.0 million with BBVA Bancomer, Institución 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 pipeline project. The funding is contracted for a term of 13.5 years, with quarterly principal payments, bearing interest at the 90 day London Interbank Offered Rate ("LIBOR") plus 200 to 275 basis points. This funding is guaranteed by collection rights of certain GdC projects. Borrowings under the facility began in 2014 and, as of June 30, 2016, GdC has $488.5 million of outstanding borrowings.

On January 22, 2014, GdC entered into an interest rate swap for hedging the interest rate risk on the total of the credit agreement mentioned above, exchanging the LIBOR for a fix rate of 2.63%.

(b) *Regular investment contribution to TAG Holding.* TAG Holding is owned by GdC through its subsidiary, DEN, and partners, TETL JV México Norte, S. de R. L. de C. V. and TAG Pipelines, S. de R. L. de C. V. As of June 30, 2016, the contributions are as follows:

PGPB*	$ 87,975
IEnova*	87,975
	$175,950

* Includes interests.

Under the terms of the contract, the contributions made in 2014, are presented as loans to DEN. As of June 30, 2016 and 2015, amounts outstanding have generated interest of $2.0 million and $2.7 million respectively.

(c) On December 19, 2014 TAG, entered into a loan as a debtor, signed a promissory note in favor of Santander, for the amount of such loan of $1.3 million approximately. In addition TAG entered into a derivative instrument in order to hedge the interest rate risk.

(d) In December 2015, TAG Pipelines contracted derivative instruments in order to hedge the risk of exchange rate risk. TAG Pipeline entered into forward contracts with five banks to exchange pesos for dollars of a portion of the projects revenues for 2016; maturing through 2016 and in the first quarter of 2017.

4.2 ESJ

On July 16, 2014, Controladora Sierra Juárez, S. de R. L. de C. V. ("CSJ"), a subsidiary of IEnova, completed the sale of a 50% interest in the first phase of ESJ to a wholly owned subsidiary of InterGen N. V. ("InterGen").

The company started operations in the first half of 2015.

As of June 30, 2016, 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:

	Period / Year ended	
	06/30/16	**12/31/15**
Cash and cash equivalents	$ 10,368	$ 12,930
Other current assets	12,743	21,937
Total current assets	23,111	34,867
Property, plant and equipment, net	270,405	276,352
Other non-current assets	12,626	12,347
Deferred income tax	11,072	6,534
Total non-current assets	294,103	295,233
Total assets	$317,214	$330,100
Current liabilities	$ 27,760	$ 7,248
Non-current liabilities	279,061	306,635
Total liabilities	$306,821	$313,883
Total members' equity	$ 10,393	$ 16,217
Share of members' equity	5,196	8,108
Goodwill and indefinite lived intangible assets	12,121	12,121
Carrying amount of investment in ESJ	$ 17,317	$ 20,229

	Six-month period ended		Three-month period ended	
	06/30/16	**06/30/15**	**06/30/16**	**06/30/15**
Revenues	$ 22,792	$ 9,504	$12,262	$ 9,480
Operating, administrative and other expenses	(10,206)	(3,456)	(5,053)	(3,314)
Finance cost, net	(8,688)	(854)	(4,423)	(815)
Other losses, net	(269)	—	(288)	—
Income taxes benefit (expenses)	596	(191)	979	(652)
Profit for the period	$ 4,225	$ 5,003	$ 3,477	$ 4,699
Share of profits of ESJ	$ 2,112	$ 2,502	$ 1,738	$ 2,350

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

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

Years	LIBOR applicable margin
0 – 1	2.375%
1 – 4	2.375%
5 – 8	2.625%
9 – 12	2.875%
13 – 16	3.125%
17 – 18	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion date (June 30, 2015). ESJ made total accumulated withdrawals from the credit facility in an amount of US$ 239.8 million. The debt outstanding is $230.5 million and the breakdown is as follows:

	Debt balance
Mizuho	$ 51,746
NAFINSA	37,633
NORD/LB	51,746
NADB	37,633
SMBC	51,746
	$230,504

(b) *Interest rate swaps.* To partially mitigate its exposure to interest rate changes associated with the term loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014 and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

(c) *Financing of the project's value added tax ("VAT") with Santander*. On June 12, 2014, ESJ entered into a line of credit with Santander and on February 23, 2015 there was an amendment to increase the line for up to $501.0 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 basis points 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 23, 2015, ESJ had withdrawn $472.6 million pesos of this line of credit. On December 23, 2015 ESJ repaid and canceled the total credit facility.

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. The guarantees are immaterial as of June 30, 2016.

5. Assets classified as held for sale and discontinued operations

a. As mentioned in Note 1.1, the Company's management approved a plan to market and sell TDM, a 625-Mw natural gas-fired power plant located in Mexicali, Baja California, Mexico. As of June 30, 2016, the assets and liabilities were classified under current assets and liabilities as held for sale.

b. Details of the discontinued operations are provided as follows:

TDM is a part of the Power Segment; its condensed interim consolidated financial statements are summarized as follows:

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Revenues	$ 34,257	$ 56,468	$ 18,875	$ 25,653
Cost of revenues	(31,391)	(49,613)	(17,006)	(22,117)
Operating, administrative and other expenses	(9,686)	(10,663)	(4,642)	(6,479)
Depreciation and amortization	(2,222)	(7,606)	—	(3,817)
Interest income, net	11	35	6	2
Finance costs	(128)	(122)	(64)	(61)
Other losses, net	(587)	(494)	(740)	(360)
Income tax (expense) benefit*	(28,536)	1,494	(1,553)	433
Net loss for the period	$(38,282)	$(10,501)	$ (5,124)	$ (6,746)

* As of June 30, 2016, the Company recorded a deferred tax expense in the amount of $28.5 million, to recognize the difference between book value and tax basis, as a result of the decision to classify TDM as a held for sale. This effect is shown in the Condensed Interim Consolidated Statements of Profit in the line of "loss for the period from discontinued operations, net of income tax".

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Loss per share:				
Losses per share from discontinued operations:				
Basic and diluted earnings per share	$(0.03)	$(0.01)	$(0.00)	$(0.01)

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

	Period ended as of June 30, 2016
Cash and cash equivalents	$ 1,170
Other current assets	26,339
Total current assets	27,509
Property, plant and equipment, net	268,041
Carbon allowance	16,097
Other non-current assets	947
Deferred income tax assets	379
Total non-current assets	285,464
Total assets	$312,973
Current liabilities	$ 9,377
Non-current liabilities	61,117
Total liabilities	$ 70,494

	Period ended as of June 30, 2016
Cash flows from discontinued operations:	
Net cash flows used in operating activities	$(6,158)
Net cash flows used in investing activities	(2,948)
Net cash outflows using in financing activities	(128)
Net cash outflows	$(9,234)

TDM meets the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations for maintain the classification as assets and liabilities held for sale and discontinued operation as of June 30, 2016.

6. Property, plant and equipment

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

	Period / Year ended	
	06/30/16	12/31/15
Pipeline projects(*)	$484,163	$356,099
Other projects	8,950	8,197
	$493,113	$364,296

(*) The additions to property, plant and equipment during 2016 and 2015 are mainly comprised of additions to construction in process, the Sásabe-Puerto Libertad section of the Sonora pipeline began operations in October 2014. The first segment was completed in stages, with Puerto Libertad section completed in the fourth quarter of 2014 and the final section completed in August 2015. The capacity is fully contracted by the CFE under two 25-year contracts denominated in U.S. Dollars. Also as of June 30, 2016 the additions correspond to the Ojinaga and San Isidro projects.

Borrowing cost. During the three-month periods ended June 30, 2016 and 2015, the Company capitalized interest attributable to the construction in projects in the amount of $6.2 million and $8.8 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.0% and 4.7%, for the three-month periods ended June 30, 2016 and 2015, respectively.

7. Carbon allowances

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

The Company records carbon allowances at the lower of weighted average cost or market value, and includes them as current or non-current on the Statements of Financial Position based on the dates that they are required to be surrendered. The Company measures the compliance of the obligation, which is based on emissions, at the carrying value of allowances held plus the fair value of additional allowances necessary to satisfy the obligation. The Company derecognizes the assets and liabilities from the Statement of Financial Position as the allowances are surrendered. Please refer to Note 5.

8. Short-term debt

As of June 30, 2016 and December 31, 2015, short-term debt includes:

	Period / Year ended	
	06/30/16	12/31/15
Credit agreement(a)	$121,004	$91,374
Borrowing costs	(2,567)	(2,867)
	$118,437	$88,507

(a) *Credit Agreement.* On August 21, 2015, the Company entered into an agreement for a $400.0 million, U.S. Dollar-denominated, five-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lenders are Banco Nacional de México, S. A. Integrante de Grupo Financiero

Banamex, Sumitomo Mitsui Banking Corporation, Banco Santander (México), S. A., Institución de Banca Múltiple, The Bank of Tokyo-Mitsubishi UFJ, LTD., and The Bank of Nova Scotia. Interest accrues based on the 3-month LIBOR plus 90 basis points. As of December 23, 2015, IEnova had $310.0 million of outstanding borrowings supported by the facility. On December 23, 2015 the Company decided to repay $219.0 million (principal) of such credit facility. On December 22, 2015, the Company renegotiated the credit line of such credit agreement for an amount up to $600.0 million, U.S. Dollar-denominated. As of June 30, 2016 the available unused credit portion is $479.0 million.

9. Long-term debt

On February 14, 2013, the Company entered into two public debt issuances of Certificados Bursatiles "CEBURES" or debt securities as follows:

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

(b) The second placement was for $102.1 million ($1.3 billion of historical Pesos) bearing interest at variable rate based on TIIE plus 30 basis points, with monthly payments of interest, maturing in 2018. The average rate as of June 30, 2016 was 3.14%.

As of June 30, 2016 and December 31, 2015, long-term debt includes:

	Period / Year ended	
	06/30/16	12/31/15
CEBURES at fixed rate	$206,226	$226,659
CEBURES at variable rate	68,742	75,553
	274,968	302,212
Debt issuance costs	(2,068)	(2,287)
	$272,900	$299,925

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

(a) For the debt maturing in 2023, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U.S. Dollars for this swap was 4.14%.

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

The swaps' total notional value is $408.3 million ($5.2 billion Pesos). These contracts have been designated as cash flow hedges.

10. Financial instruments

a. Foreign currency exchange rate

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

	Mexican Pesos		
	06/30/2016	12/31/15	07/26/2016
One U. S. Dollar	$18.9113	$17.2065	$18.6089

b. Fair value of financial instruments

10.1. Fair value of financial instruments carried at amortized cost

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

	Carrying amount	Fair Value	Carrying amount	Fair value
	Period / Year ended			
	06/30/16		12/31/15	
Financial assets				
Financial lease receivables	$ 14,438	$ 54,557	$ 14,510	$ 57,125
Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	272,900	274,968	299,925	289,955
Short- term debt (not traded in stock exchange)	118,437	120,610	88,507	90,035
Due to unconsolidated affiliates (not traded in stock exchange)	39,187	38,164	38,460	37,704
Due to unconsolidated affiliates (short-term)	340,376	337,803	339,600	334,481

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

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

- The fair value of finance lease receivables is determined by calculating the present value of the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.
- The Company determined the fair value of its long-term debt using prices quoted on recognized markets.
- For financial liabilities other than long-term debt, the Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount the present value is adjusted to reflect the Company's own credit risk.
- The fair value of commodity and other derivative positions are determined using market participant's assumptions to price these derivatives. Market participants' assumptions include 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 described below:

  Finance lease receivables. The fair value of finance lease receivables is estimated to be $54.6 million and $57.1 million as of June 30, 2016 and December 31, 2015, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

10.3. Fair value measurements recognized in the condensed interim consolidated statements of financial position.

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

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability as of the reporting date, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and are generally less observable from objective sources.

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

	Period / Year ended	
	06/30/16	12/31/15
Financial instruments assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)	$ 80	$ 20,068
Derivative financial instrument assets (Level 2)	1,565	1,926
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	$158,924	$133,056

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

11. Income taxes

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

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

Income tax for the six and three-month periods ended June 30, 2016 and 2015 are reconciled to the profit for the period as follows:

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Profit before income tax and share of profits of joint ventures	$106,527	$112,811	$ 50,690	$ 59,160
Income tax expense calculated at 30%	(31,958)	(33,843)	(15,207)	(17,748)
Foreign exchange effects	20,070	7,373	17,879	3,544
Inflationary effects	(517)	—	1,307	342
Effect of unused tax losses not recognized as deferred income tax asset	—	(767)	—	—
Effects of foreign exchange rates and inflation on the tax basis of property, plant and equipment, net and net operating losses	(28,129)	(14,691)	(26,784)	(12,498)
Other	(64)	(932)	(444)	(1,102)
Income tax expense	$ (40,598)	$ (42,860)	$(23,249)	$(27,462)

The change in the effective tax rates was mainly attributable to the following:

- The effect of foreign exchange gains or losses is being calculated on Peso balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses is on U. S. Dollar balances.
- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.
- The inflationary effects relative to certain monetary assets and liabilities.

12. Segment information

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

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

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

12.2. Segment revenues and results

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

	Segment revenues			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Gas:				
Revenues from customers	$216,469	$ 247,263	$120,537	$139,285
Revenues from unconsolidated affiliates	53,799	49,138	26,772	24,042
Intersegment revenues	86,486	85,212	34,522	21,298
Power:				
Revenues from unconsolidated affiliates	—	3	(44)	3
Corporate:				
Allocation of professional services with affiliates	1,708	831	1,161	421
Intersegment professional services	12,752	17,382	6,004	10,536
	371,214	399,829	188,952	195,585
Intersegment adjustments and eliminations	(99,238)	(102,599)	(50,230)	(52,797)
Total segment revenues	$271,976	$ 297,230	$138,722	$142,788

	Segment profit (loss)			
	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Gas	$112,929	$105,142	$40,283	$43,218
Power*	(34,692)	(7,622)	(2,022)	(1,847)
Corporate	(11,165)	(14,812)	(3,961)	(4,878)
Total segment profit	$ 67,072	$ 82,708	$34,300	$36,493

* Included in discontinued operations.

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

12.3. Assets and liabilities by segment

	Period / Year ended	
	06/30/16	**12/31/15**
Assets by segment:		
Gas	$3,104,242	$2,916,917
Power*	330,567	382,763
Corporate	157,176	207,402
Consolidated total assets	$3,591,985	$3,507,082

	Period / Year ended	
	06/30/16	**12/31/15**
Liabilities by segment:		
Gas	$ 409,785	$ 346,106
Power*	71,434	66,493
Corporate	899,003	914,619
Consolidated total liabilities	$1,380,222	$1,327,218

* Includes assets and liabilities held for sale.

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

12.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	Period / Year ended		Period / Year ended	
	06/30/16	**12/31/15**	**06/30/16**	**12/31/15**
Gas	$2,830,059	$2,687,691	$(394,763)	$(370,690)
Power*	2,922	450,665	(89)	(180,461)
Corporate	14,984	15,048	(7,072)	(6,413)
	$2,847,965	$3,153,404	$(401,924)	$(557,564)

	Share of profits of joint ventures			
	Six-month period ended		Three-month period ended	
	06/30/16	**06/30/15**	**06/30/16**	**06/30/15**
Gas	$37,313	$20,756	$10,245	$ 9,191
Power*	2,112	2,502	1,738	2,350
	$39,425	$23,258	$11,983	$11,541

* Includes assets and liabilities held for sale.

12.5. Revenue by type of product or services

The following is an analysis of the Company's revenues by its major type of product or service for the six and three-month periods ended June 30, 2016 and 2015:

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Sale of natural gas	$ 70,403	$ 95,122	$ 38,754	$ 31,581
Storage and regasification capacity	46,500	46,429	23,346	23,356
Natural gas distribution	42,633	43,951	20,031	18,783
Transportation of natural gas	51,167	50,451	25,682	23,825
Other operating revenues(*)	61,273	61,277	30,909	28,669
	$271,976	$297,230	$138,722	$126,214

Other operating revenues

(*) IEnova LNG, S. de R. L. de C. V. received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $53.7 million and $49.1 million for the six-month periods ended June 30, 2016 and 2015, respectively and $26.7 million and $24.1 million for the three-month periods ended June 30, 2016 and 2015. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

13. Earnings per share

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
From continuing operations				
Basic and diluted earnings per share	$0.09	$0.08	$0.03	$0.04
From continuing and discontinued operations				
Basic and diluted earnings per share	$0.06	$0.07	$0.03	$0.03

Basic and diluted earnings per share

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

	Six-month period ended		Three-month period ended	
	06/30/16	06/30/15	06/30/16	06/30/15
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 105,354	$ 93,209	$ 39,424	$ 43,239
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 67,072	$ 82,708	$ 34,300	$ 36,493
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,154,023,812	1,154,023,812	1,154,023,812

The Company does not have potentially dilutive shares.

14. Commitments

Material commitments of the Company are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2015.

15. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2015.

16. Application of new and revised IFRS

The application of the new and revised IFRS are the same as those disclosed in the condensed consolidated financial statements for the period ended as of December 31, 2015.

17. Events after the reporting period

Dividends declared. Pursuant to a resolution of the General Ordinary Stockholders' Meeting held on April 29, 2016, the Board of Directors in its meeting held on July 26, 2016, resolved to pay a cash dividend in August, 2016, in the amount of $140 million.

Withdrawal of credit line. On July 26, 2016, regarding the credit line mentioned in Note 8a, the Company withdrew $400.0 million, such credit line to be used for working capital and general corporate purposes.

Paid in capital of Infraestructura Marina del Golfo. On July 25, 2016 pursuant an unanimous resolution the members of IMG resolve to approve the increase in the variable portion of the contributed capital of the Company, 60% was subscribed and paid-in by Infraestructura TCEM, S. de R. L. de C. V., equivalent to the amount of $7,298.8 and the remaining 40% was subscribed and paid-in by Ductos e Infraestructura Marina, S. de R. L. de C. V. (IEnova's subisidiary), equivalent to the amount of $4,865.8.

18. Approval of financial statements

The condensed interim consolidated financial statements were approved by Arturo Infanzón Favela, Chief Financial Officer and authorized for issuance on July 26, 2016.

19. 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, Sonora

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October 13, 2016