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

Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2014 and 2013 (unaudited)

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

Condensed Interim Consolidated Statements of Financial Position

(In thousands of U.S. Dollars)

Assets

	Notes	(Unaudited) March 31, 2014	December 31, 2013
Current assets			
Cash and cash equivalents		$ 56,248	$ 103,880
Short-term investments		190,665	207,027
Trade and other receivable – Net		93,311	64,035
Due from related parties	3	36,112	24,860
Current income tax receivable		17,668	15,931
Inventory of natural gas		4,233	3,836
Derivative financial instruments		9,095	9,188
Value added tax recoverable		56,042	43,914
Assets held for sale – Net	5	99,641	-
Other assets		19,847	25,457
Total current assets		582,862	498,128
Non-current assets			
Due from related parties	3	222	331
Finance lease receivables		14,683	14,700
Deferred income tax assets		100,952	106,227
Investment in joint venture	4	369,704	366,288
Goodwill		25,654	25,654
Property, plant and equipment – Net		2,201,436	2,213,837
Carbon allowances		14,954	11,584
Other assets		4,644	5,159
Total non-current assets		2,732,249	2,743,780
Total assets		$ 3,315,111	$ 3,241,908

Liabilities and equity

	Notes	(Unaudited) March 31, 2014	December 31, 2013
Current liabilities			
Trade and other payables		$ 56,449	$ 49,459
Due to related parties	3	16,597	3,655
Current income tax liabilities		87,307	90,130
Derivative financial instruments		9,763	10,705
Other financial liabilities		4,988	12,853
Provisions		1,864	1,945
Other payable taxes		10,782	7,815
Liabilities related to assets held for sale	5	7,160	-
Other liabilities		20,425	16,527
Total current liabilities		215,335	193,089
Non-current liabilities			
Long-term debt – Net	8	394,520	394,656
Due to related parties	3	39,046	38,893
Deferred income tax liabilities		205,076	205,385
Emission allowances		15,860	11,151
Provisions		26,760	26,430
Derivative financial instruments		54,219	53,208
Post-employment and other long-term employee benefits		2,776	2,684
Total non-current liabilities		738,257	732,407
Total liabilities		953,592	925,496
Stockholders' equity			
Common stock	11	762,949	762,949
Additional paid-in capital	11	973,953	973,953
Accumulated other comprehensive income		(25,888)	(24,273)
Retained earnings		650,505	603,783
Total equity attributable to owners of the Company		2,361,519	2,316,412
Total liabilities and equity		$ 3,315,111	$ 3,241,908

See accompanying notes to condensed interim consolidated financial statements.

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

Interim Condensed Consolidated Statements of Profit and Loss

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

	Notes	Three-month period ended March 31, (Unaudited) 2014	2013
Revenue	13	$ 201,349	$ 168,027
Cost of revenue		(109,321)	(84,070)
Administrative and other expenses		(23,140)	(20,234)
Depreciation and amortization expenses		(14,978)	(15,282)
Interest income		166	3,395
Finance income (costs)		1,430	(5,760)
Other (losses) and gains		(1,851)	177
Profit before income tax and share of profits of joint venture		53,655	46,253
Income tax (expense) benefit	10	(13,094)	6,144
Share of profits of joint venture, net of income tax	4	6,161	8,263
		(6,933)	14,407
Profit for the period	13	$ 46,722	$ 60,660

All results are from continuing activities.

All earnings are attributable to Infraestructura Energética Nova, S. A. B. de C. V.

Earnings per share:

Basic and diluted earnings per share:	14	$ 0.04	$ 0.06

See accompanying notes to condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In thousands of U.S. Dollars)

		Three-month period ended March 31, (Unaudited)	
	Notes	**2014**	**2013**
Profit for period		$ 46,722	$ 60,660
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) in financial instruments valuation held for hedging purposes		1,394	(30,177)
Deferred income tax on gain (loss) in financial instruments valuation held for hedging purposes		(418)	9,053
(Loss) in financial instruments valuation held for hedging purposes of joint venture		(3,921)	-
Deferred income tax on (loss) in financial instruments valuation held for hedging purposes of joint venture		1,176	-
Exchange differences on translating foreign operations		154	11,300
Total items that may be reclassified subsequently to profit and loss		(1,615)	(9,824)
Other comprehensive (loss) for the period		(1,615)	(9,824)
Total comprehensive income for the period		$ 45,107	$ 50,836

All comprehensive income is attributable to Infraestructura Energética Nova, S. A. B. de C. V.

See accompanying notes to 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	Retained earnings	Total
Balance as of January 1, 2013	$ 618,752	$ 536,577	$ (9,604)	$ 617,393	$ 1,763,118
Profit for the period	-	-	-	60,660	60,660
Loss in financial instruments valuation held for hedging purposes – Net	-	-	(21,124)	-	(21,124)
Exchange differences on translating foreign operations	-	-	11,300	-	11,300
Total comprehensive income for the period	-	-	(9,824)	60,660	50,836
Issuance of shares – Net (Note 11)	144,197	437,376	-	-	581,573
Payment of dividends (Note 12)	-	-	-	(39,000)	(39,000)
Balance as of March 31, 2013 (unaudited)	$ 762,949	$ 973,953	$ (19,428)	$ 639,053	$ 2,356,527
Balance as of January 1, 2014	$ 762,949	$ 973,953	$ (24,273)	$ 603,783	$ 2,316,412
Profit for the period	-	-	-	46,722	46,722
Gain in financial instruments valuation held for hedging purposes – Net	-	-	976	-	976
Loss in financial instruments valuation held for hedging purposes of joint venture – Net	-	-	(2,745)	-	(2,745)
Exchange differences on translating foreign operations	-	-	154	-	154
Total comprehensive income for the period	-	-	(1,615)	46,722	45,107
Balance as of March 31, 2014 (unaudited)	$ 762,949	$ 973,953	$ (25,888)	$ 650,505	$ 2,361,519

See accompanying notes to 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)
(Indirect method)

	Three-month period ended March 31, (Unaudited) 2014	2013
Cash flows from operating activities:		
Profit for period	$ 46,722	$ 60,660
Adjustments for:		
Income tax expense (benefit)	13,094	(6,144)
Share of profits of joint venture, net of income tax	(6,161)	(8,263)
Finance costs	(1,430)	5,760
Interest income	(166)	(3,395)
Loss on disposal of property, plant and equipment	590	108
Impairment loss recognized on trade receivables	8	8
Depreciation of non-current assets	14,940	15,244
Amortization of non-current assets	38	38
Net foreign exchange (gain) loss	(296)	473
Gain (loss) on derivative financial instruments valuation	1,138	(3,736)
	68,477	60,753
Movements in working capital:		
(Increase) decrease in trade and other receivables	(42,957)	25,320
(Increase) in inventories	(397)	1,119
(Increase) in other assets	(25,080)	(27,442)
Increase in trade and other payables	26,789	46,985
(Decrease) in provisions	(1,152)	(30,919)
Increase in other liabilities	11,668	12,095
Cash generated from operations	37,348	87,911
Income taxes paid	(21,797)	(10,696)
Net cash generated by operating activities	15,551	77,215
Cash flows from investing activities:		
Interest received	-	3,393
Acquisitions for property, plant and equipment	(75,347)	(62,487)
Short-term investments	16,362	(550,002)
Net cash (used in) investing activities	(58,985)	(609,096)

(Continues)

	Notas	Three-month period ended March 31, (Unaudited) 2014	2013
Cash flows from financing activities:			
Interest paid		(7,017)	(5,277)
Issuance of ordinary shares under initial public offering		-	598,812
Share issue costs		-	(24,627)
Proceeds from loans from related parties		-	12,000
Loans granted to related parties		(120)	-
Proceeds from repayments of loans granted to related parties		231	-
Repayment of loans to related parties		-	(388,320)
Proceeds from debt issuance		-	408,279
Debt issue costs		-	(3,278)
Dividends paid		-	(39,000)
Net cash (used in) provided by financing activities		(6,906)	558,589
(Decrease) increase in cash and cash equivalents		(50,340)	26,708
Cash and cash equivalents at the beginning of the period		103,880	85,073
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,708	6,190
Cash and cash equivalents at the end of the period		$ 56,248	$ 117,971

(Concludes)

See accompanying notes to condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2013 (unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

1.1. Business

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) ("IEnova") (collectively, the "Company") are companies domiciled and incorporated in Mexico. Their parent and ultimate holding company is Sempra Energy domiciled and incorporated in the United States of America. The address of their registered offices and principal places of business are disclosed in Note 20.

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 primarily of IEnova as parent company (Note 13).

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

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and is developing a renewable energy project in Baja California, Mexico, using wind resources to serve clients in the United States of America.

Seasonality. Customer demand in Gas and Power segments experience seasonal fluctuations. For Gas Segment, the demand for natural gas service is higher in cold weather season. In the case of Power Segment, the demand for power distribution service is higher during hot weather season.

1.2. Relevant events

1.2.1. *Projects in development* –

On March 12, 2014, Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC"), the joint venture with PEMEX Gas y Petroquímica Básica ("PGPB") (See Note 4) entered into a partnership agreement with TAG Pipelines, S. de R. L. deC. V. (an affiliate of Mex Gas International, PGPB's subsidiary), for establishing the terms and conditions for which they jointly operate TAG Norte, S. de R. L. de C. V. ("TAG Norte").

TAG Norte will develop Los Ramones Norte project which consists of 441 kilometers pipeline system and two compression stations between the municipality of Los Ramones, Nuevo León and San Luis Potosí, with an investment of $1.3 billion, approximately.

Also, at the same date, TAG Norte 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-years term from the date of commercial operation, estimated for the last quarter of 2015. The effects of this agreement are subject to obtaining the appropriate permits.

1.2.2. Approval for sale the 50% of initial stage of Energía Sierra Juárez project.

In connection with the power wing generation Energía Sierra Juárez project, on February 25, 2014, the Company's Board of Directors approved the celebration of a purchase and sale agreement with an independent third party for the 50% of this project. As of the date of issuance of these condensed interim consolidated financial statements, despite the contract has not been signed-off, the Company's management considers that as per IFRS 5, *Noncurrent assets held for sale and discontinued operations*, conditions are met in order to classify this project's assets and liabilities as held for sale. See Note 5 for more details of the project.

2. Significant accounting policies

2.1. 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, 2013, 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.

2.2. Basis of preparation

The same accounting policies, presentation and methods of computation were followed in these condensed interim consolidated financial statements as were applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2013. Comprehensive income for interim periods are not necessarily indicative of results for the entire year.

3. Related party transactions

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

3.1. Trading transactions

During the period, Company's subsidiaries entered into the following trading transactions with related parties of the Company:

	Revenues (Unaudited) Three-month period ended		Cost of revenues and administrative and other expenses (Unaudited) Three-month period ended	
	03/31/14	03/31/13	03/31/14	03/31/13
Sempra Generation (“SGEN”)	$ 55,828	$ 42,918	$ 7,856	$ 3,893
Sempra LNG International, LLC (“SLNGI”)	22,329	22,317	77,824	56,433
Sempra International, LLC (“Sempra International”)	450	-	1,895	490
Southern California Gas Company (“SoCalGas”)	26	63	319	354
Sempra Global	-	430	-	69
Sempra Pipelines and Storage	-	-	-	655
Sempra LNG	-	-	-	585
Sempra U.S. Gas & Power, LLC (“Sempra U. S. G&P”)	-	-	1,796	1,711
Sempra Servicios México, S. de R. L. de C. V. (“Sempra Servicios México”)	-	2	161	198
Sempra Services Company, S. de R. L. de C. V. (“Sempra Services Company”)	-	-	300	-
Sempra Midstream, Inc.	-	-	46	139

	Finance costs (Unaudited) Three-month period ended		Interest income (Unauditeds) Three-month period ended	
	03/31/14	03/31/13	03/31/14	03/31/13
Sempra Oil Trading Suisse (“SOT Suisse”)	$ 360	$ 491	$ -	$ -
SGEN	2	-	-	-
Sempra Chile, S. A. (“Sempra Chile”)	-	903	-	-
Sempra Energy International Holdings, N. V. (“SEIH”)	-	350	-	-
Sempra Global	-	7	-	-
Sempra Services Company	-	1	1	-
Sempra Sevicios Mexico	-	-	1	2

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

	Amounts owed by related parties Period / year ended	
	(Unaudited) 03/31/14	12/31/13
SGEN	$ 36,112	$ 24,741
Sempra Global	-	119
	$ 36,112	$ 24,860

	Amounts due from related parties	
	Period / year ended	
	(Unaudited) 03/31/14	12/31/13
SLNGI	$ 15,951	$ 3,031
Sempra International	456	-
SoCalGas	110	106
Sempra Services Company	77	291
Sempra Servicios México	3	181
Sempra Midstream	-	46
	$ 16,597	$ 3,655

Sales and purchases of goods and services to related parties were in-line with transfer pricing rules.

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

Included in the trading transactions are administrative services from affiliates of $2,356 and $1,937 for the three-month periods ended March 31, 2014 and 2013 (unaudited), respectively, which were charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

3.2. Loans to related parties

	Period / year ended	
	(Unaudited) 03/31/14	12/31/13
Sempra Servicios México	$ 121	$ 231
Sempra Services Company	101	100
	$ 222	$ 331

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

3.3. Loans from related parties

	Period / year ended	
	(Unaudited) 03/31/14	12/31/13
SOT Suisse	$ 38,820	$ 38,460
SGEN	226	433
	$ 39,046	$ 38,893

3.4. Compensation of key management personnel

Intercompany charges from U.S. affiliates have been made to allocate the remuneration of directors and key executives. During 2013, the Company hired directly certain of its directors and key executives; the paid compensation to Company's key management personnel amounted to $5,104 and $1,993, for the three-month periods ended March 31, 2014 and 2013 (unaudited), respectively.

4. Investment in joint venture

The Company has a 50% equity ownership in the members' equity of GdC, an entity jointly controlled entity with PGPB. GdC operates two natural gas pipelines, a natural gas compression station, a system of propane in Northern Mexico, in the States of Chihuahua, Tamaulipas and Nuevo Leon, Mexico; and a station for gas storage in the State of Jalisco, Mexico. As of March 31, 2014 (unaudited), GdC has construction in process for Los Ramones I, Los Ramones Norte (refer to Note 1.2.1.) and Ethane Pipeline projects.

As of March 31, 2014, there has been no change in the Company's ownership or voting interests in this joint venture since its acquisition.

A summary of GdC's consolidated financial statements is as follows:

	Period / year ended	
	(Unaudited) 03/31/14	12/31/13
Cash and cash equivalents	$ 435,134	$ 98,869
Short-term investments	50,711	12,805
Account receivable from PGPB	13,415	-
Other current assets	45,808	47,713
Current assets	545,068	159,387
Property, plant and equipment	594,565	508,023
Other non-current assets	472	-
Deferred income tax asset	782	476
Non-current assets	595,819	508,499
Total assets	$ 1,140,887	$ 667,886
Current liabilities	$ 22,295	$ 16,345
Non-current liabilities	509,070	48,853
Total liabilities	531,366	65,198
Total members' equity	$ 609,521	$ 602,688
Share of members' equity	$ 304,761	$ 301,345
Goodwill and indefinite lived intangible assets	64,943	64,943
Carrying amount of investment in joint venture	$ 369,704	$ 366,288

	Three-month period ended (Unaudited)	
	03/31/14	03/31/13
Revenue	$ 34,270	$ 37,781
Cost and expenses	(12,853)	(11,765)
Interest (expense) income, net	(3,997)	1,049
Income tax	(5,098)	(10,540)
Net and comprehensive income	$ 12,322	$ 16,525
Share of profits of joint venture	$ 6,161	$ 8,263

(a) On December 5, 2013 GdC entered into a credit agreement for $475 million with BBVA Bancomer, Institution 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 project. The funding is contracted for a term of 13 years, with quarterly repayments of capital, and bearing interest equivalent to the 90 days LIBOR plus 200 to 275 bps whereas the anniversary date of the credit agreement; this funding is guaranteed with collection rights of certain GdC's projects. The withdrawals of this credit commenced in 2014.

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

5. Assets held for sale - Net

The Company's Power segment is developing the Energía Sierra Juárez Wind Farm Project (the "Project") through its subsidiary Energía Sierra Juárez, S. de R. L. de C. V. ("ESJ"). Upon completion, the Project could support an installed capacity of up to 1,200 Megawatts ("MW"). The Project is located in the Sierra de Juarez mountain chain in Baja California, México.

As of March 31, 2014 (unaudited), the balance of Assets held for sale includes the assets and liabilities of the Projects' initial stage which is currently under construction. The Project will consist of 47 wind turbines that will be installed adjacent to the U.S. / México border, California, near the town of La Rumorosa, México. The Project will interconnect to the East County Substation, which is located approximately 112 km east of San Diego, California, through a new cross-border, generator interconnection line. The East County Substation is also under construction and will be owned and operated by San Diego Gas Electric Company ("SDG&E", a related party in U. S.).

The California Public Utilities Commission in U.S. approved the construction of the East County Substation on June 21, 2012 and SDG&E began construction in May 2013. The estimated in-service date of the East County Substation is November 2014. All of the power generated from the initial stage will be sold to Energía Sierra Juárez U. S., LLC ("ESJ US", a related party in U. S.), which has signed a 20-year power purchase agreement with SDG&E. It is anticipated that future phases of the Project could also connect directly with México transmission network.

On May 21, 2013, ESJ executed a Wind Turbine Supply and Warranty Agreement with Vestas WTG Mexico, S. A. de C. V. ("Vestas"), in which ESJ acquired 47 wind turbines. Vestas will provide maintenance services for the wind turbines for the initial five-year period. The Company estimates that this initial stage would require a total investment of approximately $315 million.

In connection with the Project, on February 25, 2014, the Company's Board of Directors approved the celebration of a purchase and sale agreement with an independent third party for the 50% of this project. As of the date of issuance of these condensed interim consolidated financial statements, despite the contract has not been signed-off, the Company's management considers that as per IFRS 5, *Noncurrent assets held for sale and* *discontinued operations*, conditions are met in order to classify this project's assets and liabilities as held for sale.

6. Property, plant and equipment – Net

As of March 31, 2014 (unaudited), the Property, plant and equipment balance includes construction in progress comprised as follows:

Sonora Project	$ 396,747	
Energía Sierra Juárez Project	6,138	(a)
Other projects	13,351	
	$ 416,236	

(a) Construction in progress for initial stage of Energía Sierra Juárez Project has been classified as held for sale (see Note 5); the remaining construction in progress is included in this balance.

(b) ***Borrowing cost.*** The Company provided funding to its subsidiaries for $518,044 in order to comply with its construction commitments for the above mentioned projects. During the three-month period ended March 31, 2014 (unaudited), the Company recorded $1,807 as an adjustment for reducing the interests capitalized in excess, given the weighted average rate of outstanding borrowings that Company maintains with third parties for $435,901; for the three-month period ended March 31, 2014 (unaudited), the Company capitalized interest attributable to the construction in projects for $6,040.

7. Carbon allowances

During 2013, the California Air Resources Board ("CARB") established the "Cap-and-Trade" program as a strategy for reducing the greenhouse gas ("GHG") emissions; such program includes the obligation for acquiring carbon allowances by an amount equal to GHG emissions in the period, through the mechanisms outlined in this program. Under the Cap-and-Trade program, Termoeléctrica de Mexicali, S. de R. L. de C. V. ("TDM"), Company'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.

As of March 31, 2014 (unaudited), the carbon allowances liabilities balance in the interim condensed consolidated statements of financial position is $20,632, which is allocated as non-current liabilities for $15,860 and $4,772 as current liabilities (within Other current liabilities balance); the changes in this balance for the three-month period ended March 31, 2014 (unaudited) was charged to Cost of revenues. Also, as of March 31, 2014 (unaudited) the Company has $19,726 in assets associated with the purchase of carbon allowances realized for complying with its obligation as described in the preceding paragraph ($14,954 as non-current assets and $4,772 as current assets, within Other current assets balance).

8. Long-term debt - Net

	Period / year ended (Unaudited) 03/31/14	12/31/13
CEBURES at fixed rate(a)	$ 298,081	$ 298,245
CEBURES at variable rate (b)	99,360	99,415
	397,441	397,660
Issuance debt costs	(2,921)	(3,004)
	$ 394,520	$ 394,656

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

On February 14, 2013, the Company entered into two public placements of CEBURES as follows (unaudited):

(a) The first placement was for $306,209 ($3.900 billion Pesos) bearing interest at a rate of 6.30%, with half-yearly payment of interest; maturing in 2023. As of March 31, 2014 and 2013 (unaudited), the balance of this debt is $298,081 and $298,245, respectively.

(b) The second placement was for $102,070 ($1.300 billion Pesos) bearing interest at variable rate based on Mexican Interbank Interest Rate ("TIIE", by its initials in Spanish) plus 30 basis points ("bp"), with monthly payments of interest; maturing in 2018. The average annual rate as of March 31, 2014 and 2013 (unaudited) were 4.09 and 4.88%, respectively. As of March 31, 2014 and 2013 (unaudited), the balance of this debt is $99,360 and $99,415, respectively.

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

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 (unaudited):

(a) For 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 rate, in U.S. Dollars through this swap was 4.1240%.

(b) For 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 rate, in U.S. Dollars through this swap was 2.6575%.

The swaps' total notional value is $408,279 ($5.2 billion Pesos).

These contracts have been designated as cash flow hedges.

9. Financial instruments

9.1. Foreign currency exchange rate

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

	Mexican Pesos		
	03/31/2014	**12/31/13**	**04/25/14**
One U. S. Dollar	13.0837	13.0765	13.1010

9.2. Fair value of financial instruments

9.2.1. 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 consolidated financial statements approximate their fair values.

	Period / year ended			
	(Unaudited) 03/31/14		12/31/13	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Financial lease receivables	$ 14,683	$ 52,270	$ 14,700	$ 52,270
Financial liabilities				
Financial liabilities held at amortized cost:				
- Long-term debt (traded in stock exchange)	394,520	377,688	394,656	374,899
-Loans from related parties (not traded in stock exchange)	39,046	37,163	38,893	36,573

9.2.2. 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 is of its long-term debt using prices quoted on recognized markets.

- The Company determined the fair value of its other financial liabilities (other than Long-term debt) 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 are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

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

Finance lease receivables. The fair value of finance lease receivables is estimated to be $52,270 and $52,270 as of March 31, 2014 and 2013 (unaudited), respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

9.2.3. Fair value measurements recognized in the consolidated statement 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

	Period / year ended (Unaudited) 03/31/14	12/31/13
Financial assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)	$ 190,665	$ 207,027
Derivative financial assets (Level 2)	$ 9,095	$ 9,188
Financial liabilities at FVTPL		
Derivative financial liabilities (Level 2)	$ 63,982	$ 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.

10. Income taxes

The Company pays income taxes, on an individual basis with their subsidiaries.

Income tax expense (benefit) for interim periods is recognized based on Company's management 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.

The income tax (expense) benefit for the three-month periods ended March 31, 2014 and 2013 (unaudited) can be reconciled to the profit before income tax as follows:

	Three-month period ended (Unaudited) 03/31/14	03/31/13
Profit before income tax	$ 53,655	$ 46,253
Income tax expense calculated at 30%	(16,097)	(13,876)
Non deductible expenses	(1,118)	-
Effects of foreign exchange rate	(205)	(2,317)
Effect of unused tax losses not recognized as deferred income tax asset	(147)	-
Effects of inflation adjustment	(455)	(469)
Effect of exchange rate and inflation on the tax basis of property, plant and equipment	4,928	22,806
Income tax (expense) benefit recognized in profit or loss	$ (13,094)	$ 6,144

The change in effective tax rate was caused mainly by the following factors:

- The effect of exchange rate changes in the Company's property, plant and equipment tax bases that 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 bases.

- Foreign exchange gains or losses are calculated on Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.

- Mexican income tax law recognizes the effects of inflation on certain monetary assets and liabilities without an equivalent recognition for financial reporting purposes.

11. Stockholders' equity

	Period / year ended	
	(Unaudited) 03/31/14	12/31/13
Common stock	$ 762,949	$ 762,949
Additional paid-in capital	973,953	973,953
	$ 1,736,902	$ 1,736,902

11.1. Issued equity comprises:

	For the period ended March 31, 2014 (unaudited) and for the year ended December 31, 2013 (Mexican Pesos)				
Shareholders' name	Number of shares	Fixed capital	Variable capital	Total	Total of common stock (Thousands of U. S. Dollars)
Semco Holdco, S. de R.L. de C. V.	935,913,302	49,900	9,359,083,120	9,359,133,020	$ 618,752
Sempra Energy Holdings IX, B.V.	10	100	-	100	-
Público inversionista	218,110,501	-	2,181,105,008	2,181,105,008	144,197
	1,154,023,813	50,000	11,540,188,128	11,540,238,128	$ 762,949

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

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

In connection with the Global Offering, on March 27, 2013, the bookrunners in Mexico 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.

12. Declared dividends

On March 1, 2013, pursuant to the resolution of extraordinary stockholders' meetings, payment of dividends in cash was approved, against CUFIN balance, for $39,000.

12.1. Dividends per share

	Cents per share Three-month period ended (Unaudited)	
	03/31/14	**03/31/13**
IEnova	$ -	$ 0.04

13. Segment information

13.1. 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.

The following tables show selected information by segment from the condensed interim consolidated statements of income and condensed interim consolidated statements of financial position.

13.2. Segment revenues and results

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

	Segment revenue for three-month period ended (Unaudited)	
	03/31/14	03/31/13
Gas:		
Sales to customers	$ 122,716	$ 102,297
Revenue with foreign related parties	22,355	22,380
Intersegment sales	81,667	3,678
Power:		
Sales to customers related parties	55,828	42,918
Intersegment sales	16,810	1,547
Corporate:		
Allocation of professional services with related parties	450	432
Intersegment professional services	7,589	2,084
	307,415	175,336
Intersegment adjustments and eliminations	(106,066)	(7,309)
Total segment revenue	$ 201,349	$ 168,027

	Segment profit (loss) for three-month period ended (Unaudited)	
	03/31/14	03/31/13
Gas	$ 52,708	$ 69,707
Power	2,662	2,087
Corporate	(8,648)	(11,134)
Total segment profit	$ 46,722	$ 60,660

The accounting policies of the reportable segments are the same as the Company’s accounting policies described in Note 2. 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.

13.3. Assets and liabilities by segment

	Period / year ended	
	03/31/14 (Unaudited)	12/31/13
Assets by segment:		
Gas	$ 2,552,172	$ 2,413,965
Power	473,450	433,894
Corporate	289,489	394,049
Consolidated total assets	$ 3,315,111	$ 3,241,908
Liabilities by segment:		
Gas	$ 303,010	$ 272,298
Power	76,956	64,794
Corporate	573,626	588,404
Consolidated total liabilities	$ 953,592	$ 925,496

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

- All assets are allocated to reportable segments and Corporate. Goodwill is allocated to the Gas segment, and
- All liabilities are allocated to reportable segments and Corporate.

13.4. Other segments information

	Property, plant and equipment Period / year ended		Accumulated depreciation Period / year ended	
	03/31/14 (Unaudited)	12/31/13	03/31/14 (Unaudited)	12/31/13
Gas	$2,210,598	$2,138,129	$ (298,424)	$ (287,407)
Power	434,564	504,595	(154,663)	(150,791)
Corporate	13,423	13,156	(4,092)	(3,845)
	$2,658,585	$2,655,880	$ (457,149)	$ (442,043)

13.5. 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:

	Three-month period ended (Unaudited)	
	03/31/14	03/31/13
Power generation	$ 55,828	$ 42,918
Sale of natural gas	53,200	38,479
Storage and regasification capacity	23,081	23,142
Natural gas distribution	32,945	27,305
Transportation of natural gas	11,064	13,062
Other operating revenues	25,231	23,121
	$ 201,349	$ 168,027

13.5.1. Other operating revenues

Due to a lack of LNG cargoes, Sempra LNG Marketing México, S. de R. L. de C. V. received payments from SLNGI related to the losses and obligations incurred for $22,328 and $22,317 for the three-month period ended March 31, 2014 and 2013 (unaudited), respectively, which are presented within the revenues line item in the accompanying condensed interim consolidated statements of profit and loss.

14. Earnings per share

	Three-month period ended (Unaudited)	
	03/31/14	**03/31/13**
Basic and diluted earnings per share	$ 0.04	$ 0.06

14.1. Basic and diluted earnings per share

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

	Three-month period ended (Unaudited)	
	03/31/14	**03/31/13**
Earnings used in the calculation of basic and diluted earnings per share	$ 46,722	$ 60,660

	Three-month period ended (Unaudited)	
	03/31/14	**03/31/13**
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,129,847,206	1,026,112,700

The Company does not have potentially dilutive shares.

15. Commitments

The main commitments of the Company were the same disclosed in consolidated financial statements for the year ended December 31, 2013.

16. Contingencies

Major contingencies, regarding the Company’s legal, administrative or arbitration procedures were the same disclosed in consolidated financial statements for the year ended December 31, 2013.

17. Application of new and revised IFRS

17.1. New and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective, applicable to Company's businesses:

IFRS 9	*Financial instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Mandatory effective date of IFRS 9 and transition disclosures*[2]
Amendments to IAS 32, *Financial instruments: presentation*	*Offsetting financial assets and financial liabilities*[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after January 1, 2014.
[2] Effective for annual periods beginning on or after January 1, 2017.

IFRS 9, *Financial instruments* - IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

The key requirements of IFRS 9 are:

- All financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt instruments 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 the subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of the 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 profit or loss.

- Regarding the measurement of financial liabilities designated as at 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. Previously, 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 was presented in profit or loss.

As of the issuance date of these interim consolidated financial statements, the Company's management is in process of determining the effects of this IFRS in its consolidated financial statements for the annual period ended December 31, 2014.

Amendments to IAS 32, *Disclosures – Offsetting financial assets and financial liabilities* – The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

As of the issuance date of these interim consolidated financial statements, the Company's management is in process of determining the effects of this amendment to IFRS in its consolidated financial statements for the annual period ended December 31, 2014.

***IFRIC 21, Levies* –** IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes, fines and other penalties included in *IAS 12, Income Taxes*, liabilities arising from emissions trading schemes and outflows within the scope of other Standards.

The Interpretation does not supersede *IFRIC 6*, *Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment*, which remains in force and is consistent with IFRIC 21.

As of the issuance date of these interim consolidated financial statements, the Company's management is in process of determining the effects of this IFRS in its consolidated financial statements for the annual period ended December 31, 2014.

18. Events after the reporting period

(a) The Company estimates that, by the end of April 2014, the sale of shares transaction of its subsidiary ESJ to a third party will be closed; through this operation, ESJ ownership percentage of 50% will be sold, thus the Company and the new investor will be holding each one the 50 % of stockholders equity and will jointly control of the entity; as of March 31, 2014 (unaudited), the assets and liabilities related to this transaction are presented in a single line in condensed interim consolidated statements of financial position as Assets held for sale. (See Note 5).

(b) On November 13, 2013, the Mexican tax authority amended the Miscellaneous Regulation I.3.2.14 that allowed IEnova to continue as controller Company for the purposes of the tax consolidation regime; given such change, the Mexican tax authority considers that IEnova no longer qualifies as a controller Company.

Due to the above, on December 17, 2013, IEnova file to the Mexican tax authority a request for conveying the authorization of consolidation in favor of its holding company, through the memorandum 900 02 03-01-2014-404 issued by the tax authority. On March 13, 2014, the Mexican tax authority decided not to authorize the above mentioned transfer and determined that IEnova is in the deconsolidation case beginning November 13, 2013.

As a result, on April 14, 2014 IEnova filed the supplementary annual income tax return for 2012 fiscal year through which declared the lump sum of deferred income taxes for deconsolidation.

(c) On April 18, 2014, through its subsidiary Controladora Sierra Juárez, S. de R. L. de C. V., the Company entered into a contract for sale the 50% of the social shares of ESJ, subsidiary in charge of the development of the first stage of the project of wind power energy ESJ with an independent third party.

The transaction is subject to relevant approvals from regulators in Mexico and in the U. S.

19. Approval of financial statements

The interim condensed consolidated financial statements were approved by Arturo Infanzón Favela, Executive Operations and Finance Vice-President and authorized for issue on April 25, 2014.

20. 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

* * * * * *