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

Condensed interim consolidated Financial Statements for the years and three month periods ended December 31, 2015 and 2014

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	December 31, 2015	December 31, 2014
Current assets:			
Cash and cash equivalents		$ 40,377	$ 83,637
Short-term investments	9	20,068	30,020
Trade and other receivables, net		53,728	66,401
Due from unconsolidated affiliates	3	27,608	26,601
Income taxes receivable		16,226	34,297
Natural gas inventories		4,628	9,375
Derivative financial instruments	9	1,926	4,709
Value added tax receivable		46,807	30,797
Carbon allowances	6	5,385	29,864
Other assets		8,576	9,918
Total current assets		225,329	325,619
Non-current assets:			
Due from unconsolidated affiliates	3	111,766	146,775
Finance lease receivables	9	14,510	14,621
Deferred income tax assets		78,965	85,758
Investments in joint ventures	4	440,105	401,538
Goodwill		25,654	25,654
Property, plant and equipment, net	5, 12	2,595,840	2,377,739
Carbon allowances	6	12,975	229
Other assets		1,938	2,285
Total non-current assets		3,281,753	3,054,599
Total assets		$ 3,507,082	$ 3,380,218

Liabilities and Stockholders' Equity

	Notes	December 31, 2015	December 31, 2014
Current liabilities:			
Short-term debt	7, 9	$ 88,507	$ 195,089
Trade and other payables		43,849	59,575
Due to unconsolidated affiliates	3, 9	352,650	14,405
Income tax liabilities		14,095	18,022
Derivative financial instruments	9	-	6,808
Other financial liabilities		6,444	7,223
Provisions		1,293	1,619
Other taxes payable		13,881	11,247
Carbon allowances	6	5,385	29,864
Other liabilities		17,237	23,698
Total current liabilities		543,341	367,550
Non-current liabilities:			
Long-term debt	8, 9	299,925	350,638
Due to unconsolidated affiliates	3, 9	38,460	38,460
Deferred income tax liabilities		261,294	232,538
Carbon allowances	6	12,611	-
Provisions		34,236	38,250
Derivative financial instruments	9	133,056	100,449
Employee benefits		4,295	3,045
Total non-current liabilities		783,877	763,380
Total liabilities		1,327,218	1,130,930
Stockholders' equity:	11		
Common stock		762,949	762,949
Additional paid-in capital		973,953	973,953
Accumulated other comprehensive income		(103,944)	(64,331)
Retained earnings		546,906	576,717
Total equity attributable to owners of the Company		2,179,864	2,249,288
Total liabilities and equity		$ 3,507,082	$ 3,380,218

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 Loss

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

		Year ended December 31,		Three-month period ended December 31, (Unaudited)	
	Notes	**2015**	**2014**	**2015**	**2014**
Revenues	12	$ 671,703	$ 822,796	$ 161,449	$ 200,697
Cost of revenues		(286,597)	(443,298)	(67,734)	(100,053)
Operating, administrative and other expenses		(104,213)	(98,384)	(27,572)	(25,643)
Depreciation and amortization		(67,682)	(61,943)	(17,905)	(17,269)
Interest income		6,743	3,299	1,538	1,718
Finance (costs) income		(10,103)	1,143	(3,322)	(3,061)
Other (losses) gains		(11,575)	1,258	333	(13,828)
Profit before income tax and share of profits of joint ventures		198,276	224,871	46,787	42,561
Income tax expense	10	(100,406)	(111,283)	(17,307)	(58,129)
Share of profits of joint ventures, net of income tax	4, 12	42,319	23,346	15,108	3,806
		(58,087)	(87,937)	(2,199)	(54,323)
Profit (loss) for the year / period	12	$ 140,189	$ 136,934	$ 44,588	$ (11,762)
Earnings per share:					
Basic and diluted earnings (loss) per share:	13	$ 0.12	$ 0.12	$ 0.04	$ (0.01)

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 or Loss and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014	Three-month period ended December 31, (Unaudited) 2015	Three-month period ended December 31, (Unaudited) 2014
Profit (loss) for year / period	12	$ 140,189	$ 136,934	$ 44,588	$ (11,762)
Other comprehensive income (loss):					
Items that will not be reclassified to profit or loss:					
Actuarial (loss) gains on defined benefits plans		(1,793)	357	(2,047)	357
Deferred income tax relating to components of other comprehensive income		538	(107)	614	(107)
Total items that will not be reclassified to profit and loss		(1,255)	250	(1,433)	250
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of derivative instruments held for hedging purposes		(6,604)	(1,822)	721	(2,282)
Deferred income tax on the (loss) gain on valuation of derivative instruments held for hedging purposes		1,981	547	(217)	936
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(5,362)	(19,936)	8,849	(13,928)
Deferred income tax on the (loss) gain on valuation of derivate instruments held for hedging purposes at joint ventures		1,608	5,981	(2,655)	4,178
Foreign currency translation adjustments		(29,981)	(25,078)	(1,502)	(19,127)
Total items that may be subsequently reclassified to profit and loss		(38,358)	(40,308)	5,196	(30,223)
Other comprehensive (loss) gain for the year / period		(39,613)	(40,058)	3,763	(29,973)
Total comprehensive income (loss) for the year / period		$ 100,576	$ 96,876	$ 48,351	$ (41,735)

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)

	Notes	Common shares	Additional paid-in capital	Other comprehensive income (loss)	Retained earnings	Total
Balance as of January 1, 2014		$ 762,949	$ 973,953	$ (24,273)	$ 603,783	$ 2,316,412
Profit for the period		-	-	-	136,934	136,934
Actuarial gains on defined benefits plans, net of income tax		-	-	250	-	250
Loss on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax		-	-	(15,230)	-	(15,230)
Exchange differences on translating foreign operations		-	-	(25,078)	-	(25,078)
Total comprehensive income for the period		-	-	(40,058)	136,934	96,876
Payment of dividends	11	-	-	-	(164,000)	(164,000)
Balance as of December 31, 2014		$ 762,949	$ 973,953	$ (64,331)	$ 576,717	$ 2,249,288
Profit for the period		-	-	-	140,189	140,189
Actuarial losses on defined benefits plans, net of income tax		-	-	(1,255)	-	(1,255)
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(4,623)	-	(4,623)
Loss on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax		-	-	(3,754)	-	(3,754)
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	11	-	-	-	(170,000)	(170,000)
Balance as of December 31, 2015 (Unaudited)		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864

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	Year ended December 31, 2015	Year ended December 31, 2014	Three-month period ended December 31, (Unaudited) 2015	Three-month period ended December 31, (Unaudited) 2014
Cash flows from operating activities:					
Profit (loss) for the year / period	12	$ 140,189	$ 136,934	$ 44,588	$ (11,762)
Adjustments for:					
Income tax expense	10	100,406	111,283	17,307	58,129
Equity earnings of joint ventures, net of income tax	4, 12	(42,319)	(23,346)	(15,108)	(3,806)
Finance costs (income)		10,103	(1,143)	3,322	3,061
Interest income		(6,743)	(3,299)	(1,538)	(1,718)
Loss (gain) on disposal of property, plant and equipment		3,601	624	2,046	(385)
Impairment loss (gain) recognized on trade receivables		30	(8)	(23)	(25)
Gain on sale of equity interest in subsidiary		-	(18,824)	-	-
Depreciation and amortization		67,682	61,943	17,905	17,269
Net foreign exchange (gain) loss		(8,548)	9,057	(2,080)	5,762
Gain (loss) on valuation of derivative financial instruments		690	4,045	(664)	4,030
		265,091	277,266	65,755	70,555
Movements in working capital:					
Decrease (increase) in trade and other receivables		11,776	(4,020)	31,293	36,887
Decrease (increase) in inventories		4,747	(5,539)	3,191	(2,794)
Decrease in other assets		3,615	14,308	1,090	22,734
(Decrease) increase in trade and other payables		(17,081)	49,393	(74,284)	(31,935)
(Decrease) increase in provisions		(3,791)	(19,873)	48,432	3,486
(Decrease) increase in other liabilities		(33,638)	17,895	(1,364)	(2,199)
Cash generated from operations		230,719	329,430	74,113	96,734
Income taxes paid		(62,540)	(166,213)	(3,550)	(35,176)
Net cash provided by operating activities		168,179	163,217	70,563	61,558

(Continued)

	Year ended December 31,		Three-month period ended December 31, (Unaudited)	
	2015	2014	2015	2014
Cash flows from investing activities:				
Proceeds from sale of equity interest, net of cash sold	-	24,411	-	-
Interest received	1,047	4	-	4
Acquisitions of property, plant and equipment	(300,090)	(325,484)	(114,670)	(63,006)
Loans to unconsolidated affiliates	(1,301)	(162,823)	(162)	(52,236)
Receipts of loans to unconsolidated affiliates	41,596	18,921	-	100
Short-term investments	9,952	177,007	(20,000)	29,984
Net cash used in investing activities	(248,796)	(267,964)	(134,832)	(85,154)
Cash flows from financing activities:				
Interest paid	(20,172)	(18,872)	(2,368)	(3,909)
Loans from unconsolidated affiliates	339,600	146	219,600	22
Loans payments to unconsolidated affiliates	-	(583)	-	(30)
Loans payments on bank lines of credits	(600,094)	-	(219,000)	-
Proceeds from bank loans from bank financing	495,094	278,432	20,000	51,000
Debt issuance costs	(2,536)	(11,184)	(536)	-
Dividends paid	(170,000)	(164,000)	-	-
Net cash provided by financing activities	41,892	83,939	17,696	47,083
Net (decrease) increase in cash and cash equivalents	(38,725)	(20,808)	(46,573)	23,487
Cash and cash equivalents at the beginning of the year / period	83,637	103,880	85,891	58,414
Effects of exchange rate changes on cash and cash equivalents	(4,535)	565	1,059	1,736
Cash and cash equivalents at the end of the year / period	$ 40,377	$ 83,637	$ 40,377	$ 83,637

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of December 31, 2015 and for the twelve and three-month periods (Unaudited) ended December 31, 2015 and 2014
(In thousands of U.S. Dollars, except where otherwise stated)

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.

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. Credit Facilities

In March 2015, IEnova entered into two unconsolidated affiliates 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.

1.2. 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 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 under construction the project known as Los Ramones Norte.

1.3. 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, México. 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.

1.4. Beginning of commercial operation of the Energia Sierra Juarez wind generation project

In April, 2015, the Company announced that Phase I of the Energía Sierra Juárez wind project, operated by Energía Sierra Juárez, S. de R. L. de C. V. ("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-megawatt capacity.

1.5. 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. (See Note 1.9)

1.6. Credit agreement

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.

1.7. 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 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.

1.8. 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.

1.9. Resolution from COFECE in connection with Purchase agreement of remaining interest in GdC from PEMEX (See Note 1.5)

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.

1.10. Restructuring of credit agreement and new credit agreement (please refer to 1.6)

a) On December 22, 2015 the Company entered into an amendment agreement, in connection with the existing unsecured revolving credit agreement with Banco Nacional de Mexico, 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 (See Note 1.6).

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 have the following characteristics:

- U.S. dollar-denominated.
- Twelve month term.
- Financing to cover working capital needs and general corporate purposes.

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, 2014, 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 and 2014:

Business combinations

Upon a business combination, the purchase price allocation requires most identifiable assets acquired and liabilities assumed or incurred to be measured at fair value. Equity interests previously held in acquisition are remeasured to its acquisition-date fair value and any resulting gain or loss compared to its carrying amount is recognized in profit or loss with no corresponding deferred tax liability. The determination of fair value requires management to make assumptions that can significantly impact the valuation. Goodwill is measured as a residual. Such goodwill is then allocated to each cash generating unit (or groups thereof), that are expected to benefit from the synergies of the combination. Finally, IFRS permits adjustments to items recognized in the original accounting for a business combination, for a maximum of one year after the acquisition date, when new information about facts and circumstances existing at the acquisition date is obtained.

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. Details of transactions between the Company and other unconsolidated affiliates are disclosed below.

a. *Transactions with unconsolidated affiliates*

During the year / period, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Sempra Generation ("SGEN")	$ 143,073	$ 222,471	$ 33,258	$ 51,243
Sempra LNG International Holdings, LLC ("SLNGIH")	51,683	-	27,634	-
Sempra LNG International, LLC ("SLNGI")	49,138	90,871	-	22,982
Sempra International, LLC ("Sempra International")	1,711	1,739	449	427
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	1,676	-	1,522	-
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	526	-	526	-
Southern California Gas Company ("SoCalGas")	-	9	-	-

	Cost of revenues and operating, administrative and other expenses			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
SLNGI	$ 190,519	$ 335,025	$ 41,847	$ 74,834
SGEN	32,014	31,702	12,335	8,348
Sempra International	5,822	7,311	1,578	927
Sempra U. S. Gas & Power, LLC	6,709	7,106	1,702	1,770
SoCalGas	1,031	1,074	305	244
Sempra Midstream, Inc.	746	448	196	112
Sempra Services Company, S. de R. L. de C. V. ("Sempra Services Company") *	128	985	-	221
Sempra Servicios México, S. de R. L. de C. V. ("Sempra Servicios México") *	-	517	-	(4)

* In December 2015, these companies were liquidated.

	Interest income			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
DEN	$ 4,638	$ 1,828	$ 970	$ 1,162
ESJ	1,450	826	369	455
SGEN	11	-	4	-
Sempra Servicios México	2	-	-	-
Sempra Services Company	-	3	-	-

	Finance costs			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
ISLA	$ 1,455	$ -	$ 446	$ -
Sempra Oil Trading Suisse (“SOT Suisse”)	1,448	1,480	360	377
ISL	485	-	148	-
SEH	47	-	47	-
SGEN	-	4	-	1

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
SGEN	$ 17,066	$ 23,949
SLNGIH	9,685	-
SLNGEL	668	-
SESJ	138	626
ESJ	51	690
Sempra International	-	1,336
	$ 27,608	$ 26,601

	Amounts due to unconsolidated affiliates	
	Year ended	
	12/31/15	12/31/14
SEH (b)	$ 219,600	$ -
ISLA (a)	90,000	-
ISL (a)	30,000	-
SLNGI	12,220	14,228
Sempra International	470	-
SGEN	360	9
Sempra Services Company	-	85
SoCalGas	-	77
Sempra Servicios México	-	6
	$ 352,650	$ 14,405

(a) 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 annum.

(b) 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 2014, 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 and $8.0 million for the year ended December 31, 2015 and 2014, respectively, and $1.5 million and $1.3 million for the three-month period ended December 31, 2015 and 2014, respectively; which were collected and paid, and have been properly distributed to the segments incurring those costs.

b. ***Loans to unconsolidated affiliates***

	Year ended	
	12/31/15	12/31/14
DEN	$ 85,963	$ 123,867
ESJ	25,142	22,693
SGEN	661	115
Sempra Servicios México	-	100
	$ 111,766	$ 146,775

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

c. ***Loans from unconsolidated affiliates***

	Period / year ended	
	12/31/15	12/31/14
SOT Suisse	$ 38,460	$ 38,460

d. ***Compensation of key management personnel***

Total compensation expense of key management personnel was $8.8 million and $6.5 million for the twelve-month periods ended December 31, 2015 and 2014, respectively, and $0.6 million and $0.3 million for the three-month periods ended December 31, 2015 and 2014, respectively.

4. Investment in joint ventures

4.1 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 León, 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 DEN. 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 condensed interim 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	$ 22,080	$ 74,931
Short-term investments	10,780	58,233
Other current assets	55,383	94,086
Current assets	88,243	227,250
Finance lease receivables	952,201	346,314
Property, plant and equipment, net	320,079	673,714
Investments in joint venture	131,338	140,160
Other non-current assets	1,727	413
Deferred income tax assets	12,314	359
Non-current assets	1,417,659	1,160,960
Total assets	$ 1,505,902	$ 1,388,210
Current liabilities	$ 133,730	$ 31,201
Non-current liabilities	662,307	724,810
Total liabilities	$ 796,037	$ 756,011
Total members' equity	$ 709,865	$ 632,199
Share of members' equity	354,933	316,100
Goodwill and indefinite lived intangible assets	64,943	64,943
Carrying amount of investment in GdC	$ 419,876	$ 381,043

	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Revenues	$ 249,424	$ 496,789	$ 65,184	$ 384,946
Expenses	(66,539)	(368,802)	(14,377)	(324,174)
Interest expense, net	(28,673)	(26,973)	(7,896)	(16,302)
Share of (loss) profits of joint venture, net of income tax	(6,936)	(9,019)	9,299	(9,019)
Income tax	(64,307)	(42,456)	(17,534)	(23,936)
Net income	$ 82,969	$ 49,539	$ 34,676	$ 11,515
Share of profits of GdC	$ 41,485	$ 24,770	$ 17,338	$ 5,757

(a) *Credit agreement*. On December 5, 2013, GdC entered into a credit agreement for $490.0 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 pipeline project. The funding is contracted for a term of 13 years, with quarterly principal payments, bearing interest at the 90 day London Interbank Offered Rate ("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.

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%.

(b) *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, amounts outstanding have generated interest of $4.6 million and $1.8 million respectively.

(c) 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 instruments in order to cover the risk of interest rate.

(d) On 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.

4.2 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 and loss.

The company started operations in first half of 2015.

As of December 31, 2015, the Company's remaining 50% interest in ESJ is accounted for under the equity method. ESJ's condensed consolidated financial statements and the Company's equity method investment are summarized as follows:

	Year ended	
	12/31/15	**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

	Year ended 12/31/15	**For the period of 07/16/2014 to 12/31/14**	**Three-month period ended 12/31/15**
Revenues	$ 29,227	$ -	$ 9,603
Operating, administrative and other expenses	(13,491)	(571)	(4,766)
Interest (expense) income, net	(9,426)	67	(7,821)
Income tax	(4,642)	(2,343)	(1,476)
Net income (loss)	$ 1,668	$ (2,847)	$ (4,460)
Share of profits (loss) of ESJ	$ 834	$ (1,424)	$ (2,230)

In the fourth quarter of 2014 the participation in ESJ amounted to ($1.9 million).

(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

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.

(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 has withdrawn $472.6 million pesos of this line of credit. On December 23, 2015 the Company decided to repay and cancel 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.

5. Property, plant and equipment

Property, plant and equipment includes construction work in progress as follows:

	Year ended	
	12/31/15	12/31/14
Sonora pipeline project (*)	$ 356,099	$ 382,384
Other projects	8,197	5,480
	$ 364,296	$ 387,864

(*) 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. Also in 2014 includes the additions to constructions in process, related to the Sonora Pipeline and ESJ Wind projects.

Borrowing cost. During the twelve-month periods ended December 31, 2015 and 2014, the Company capitalized interest attributable to the construction in projects in the amount of $15.0 million and $21.0 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.47% and 5.5%, respectively, for the twelve-month and three-month periods ended December 31, 2015.

6. 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, Termoeléctrica de Mexicali, S. de R. L. de C. V. ("TDM"), IEnova's subsidiary, 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 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
Assets:		
Current	$ 5,385	$ 29,864
Non-current	12,975	229
	$ 18,360	$ 30,093
Liabilities (a):		
Current	$ 5,385	$ 29,864
Non-current	12,611	-
	$ 17,996	$ 29,864

(a) Changes in these balances, during the twelve-month periods ended December 31, 2015 and 2014 were recorded in cost of revenues for $18.0 million and $13.9 million, respectively, and for the three-month periods ended December 31, 2015 and 2014 were $5.0 and $5.3 million, respectively.

7. Short-term debt

As of December 31, 2015 and December 31, 2014, short-term debt includes:

	Year ended 12/31/15	12/31/14
Credit agreement (c)	$ 91,374	$ -
Santander (a)	-	145,346
SMBC (b)	-	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 México. Interest accrued based on the 3-month LIBOR plus 105 basis points. During July and August, 2015 the Company 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 Condensed Interim 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.

8. 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 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 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 December 31, 2015 was 3.61%.

As of December 31, 2015 and 2014, long-term debt includes:

	Year ended	
	12/31/15	12/31/14
CEBURES at fixed rate	$ 226,659	$ 264,981
CEBURES at variable rate	75,553	88,327
	302,212	353,308
Debt issuance costs	(2,287)	(2,670)
	$ 299,925	$ 350,638

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 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 4.16%.

(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.

9. 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		
	12/31/2015	**12/31/14**	**02/22/2016**
One U. S. Dollar	$ 17.2065	$ 14.7180	$ 18.1439

b. ***Fair value of financial instruments***

9.1. 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.

	Year ended			
	12/31/15		**12/31/14**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**
Financial assets				
Financial lease receivables	$ 14,510	$ 57,125	$ 14,621	$ 47,640
Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	299,925	289,955	350,638	343,584
Short- term debt (not traded in stock exchange)	88,507	90,035	195,089	193,119
Due to unconsolidated affiliates (not traded in stock exchange)	38,460	37,704	38,460	37,207
Due to unconsolidated affiliates (short-term)	339,600	334,481	-	-

9.2. 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 \$57.1 million and \$47.6 million as of December 31, 2015 and December 31, 2014, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

9.2.1. 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:

	Year ended	
	12/31/15	12/31/14
Derivative financial instrument assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)	$ 20,068	$ 30,020
Derivative financial instrument assets (Level 2)	1,926	4,709
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	$ 133,056	$ 107,257

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.

10. 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 twelve-month and three-month periods ended December 31, 2015 and 2014 are reconciled to the profit for the period follows:

	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Profit before income tax and share of profits of joint ventures	$ 198,276	$ 224,871	$ 46,787	$ 42,561
Income tax expense calculated at 30%	(59,483)	(67,461)	(14,036)	(12,768)
Non-deductible expenses	(1,451)	(1,017)	(1,451)	2,931
Foreign exchange effects	25,023	(3,813)	3,931	(2,637)
Effect of unused tax losses not recognized as deferred income tax asset	(22)	(58)	1,985	(58)
Inflationary effects	(2,938)	(2,845)	(2,269)	(1,802)
Non - taxable income	1,279	479	1,279	(2,886)
Effects of ownership sale in subsidiary	-	3,365	-	3,365
Effects of foreign exchange rates and inflation on the tax basis of property, plant and equipment, net	(62,116)	(39,252)	(6,684)	(43,593)
Other	(698)	(681)	(62)	(681)
Income tax expense recognized in the Statements or Profit	$ (100,406)	$ (111,283)	$ (17,307)	$ (58,129)

The change in the effective tax rates was mainly attributable to the following:

- The effect of foreign exchange gains or losses being calculated on Peso balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses 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 effect of non-deductible expenses.
- The effect of the sale of the 50% stake in ESJ.

11. Stockholders' equity

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 México to the general public and a concurrent international offering as defined by the 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 condensed interim consolidated financial statements.

Shareholders' equity consists of nominative shares with no-par value. The theoretical value per share is $10 Mexican Pesos per share.

11.1. Dividends declared

During the twelve and three month periods ended December 31, 2015 and 2014, pursuant to the resolution of Extraordinary Stockholders' Meetings, payments of cash dividends were approved to be paid from retained CUFIN balances which are post-tax. Under Mexican tax regulation, dividends paid from CUFIN balances are not taxed again so as to prevent double taxation. Dividends were declared, for the following amounts:

Meeting date		**Amount**
July 28, 2015 (*)	$	170,000
July 22, 2014	$	164,000

(*) Dividends were paid on August 6, 2015.

11.2. Dividends per share

	Cents per share Year ended		**Cents per share Three-month period ended**	
	12/31/15	**12/31/14**	**12/31/15**	**12/31/14**
IEnova	$ 0.15	$ 0.14	$ -	$ -

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 loss 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 revenue for			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Gas:				
Revenues to customers	$ 425,618	$ 507,312	$ 99,894	$ 125,634
Revenue from unconsolidated affiliates	100,821	90,871	27,635	22,973
Intersegment sales	255,012	301,870	63,419	74,163
Power:				
Revenues to unconsolidated affiliates	143,498	222,471	33,417	51,243
Intersegment sales	46,237	66,085	12,085	16,785
Corporate:				
Allocation of professional services with affiliates	1,766	2,142	503	847
Intersegment professional services	35,527	27,468	11,390	6,867
	1,008,479	1,218,219	248,343	298,512
Intersegment adjustments and eliminations	(336,776)	(395,423)	(86,894)	(97,815)
Total segment revenues	$ 671,703	$ 822,796	$ 161,449	$ 200,697

	Segment profit (loss) for			
	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Gas	$ 179,049	$ 161,120	$ 61,859	$ 19,769
Power	(4,362)	28,611	(7,374)	(8,851)
Corporate	(34,498)	(52,797)	(9,897)	(22,680)
Total segment profit (loss)	$ 140,189	$ 136,934	$ 44,588	$ (11,762)

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

	Year ended	
	12/31/15	12/31/14
Assets by segment:		
Gas	$ 2,916,917	$ 2,684,488
Power	382,763	417,601
Corporate	207,402	278,129
Consolidated total assets	$ 3,507,082	$ 3,380,218
Liabilities by segment:		
Gas	$ 346,106	$ 334,572
Power	66,493	76,076
Corporate	914,619	720,282
Consolidated total liabilities	$ 1,327,218	$ 1,130,930

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

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

12.4. Other segment information

	Property, plant and equipment		**Accumulated depreciation**	
	Year ended		**Year ended**	
	12/31/15	**12/31/14**	**12/31/15**	**12/31/14**
Gas	$ 2,687,691	$ 2,414,223	$ (370,690)	$ (326,875)
Power	450,665	447,038	(180,461)	(165,795)
Corporate	15,048	14,165	(6,413)	(5,017)
	$ 3,153,404	$ 2,875,426	$ (557,564)	$ (497,687)

	Share of profits of joint ventures		**Share of profits of joint ventures**	
	Year ended		**Three-month period ended**	
	12/31/15	**12/31/14**	**12/31/15**	**12/31/14**
Gas	$ 41,485	$ 24,770	$ 17,338	$ 5,757
Power	834	(1,424)	(2,230)	(1,951)
	$ 42,319	$ 23,346	$ 15,108	$ 3,806

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 twelve-month and three-month periods ended December 31, 2015 and 2014:

	Year ended		**Three-month period ended**	
	12/31/15	**12/31/14**	**12/31/15**	**12/31/14**
Power generation	$ 143,073	$ 222,471	$ 33,258	$ 51,187
Sale of natural gas	139,732	230,003	30,862	43,268
Storage and regasification capacity	93,652	93,744	23,612	23,640
Natural gas distribution	81,411	109,330	19,036	26,321
Transportation of natural gas	95,520	56,915	23,938	23,660
Other operating revenues (*)	118,315	110,333	30,743	32,621
	$ 671,703	$ 822,796	$ 161,449	$ 200,697

Other operation revenues

(*) 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 and $90.8 million for the twelve-month periods ended December 31, 2015 and 2014, respectively, and $27.6 million and $22.9 million for the three-month periods ended December 31, 2015 and 2014. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit and Loss.

13. Earnings per share

	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Basic and diluted earnings (loss) per share	$ 0.12	$ 0.12	$ 0.04	$ (0.01)

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:

	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Earnings used in the calculation of basic and diluted earnings (loss) per share	$ 140,189	$ 136,934	$ 44,588	$ (11,762)

	Year ended		Three-month period ended	
	12/31/15	12/31/14	12/31/15	12/31/14
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, 2014.

a. Refer to Note 4.1 regarding the contributions committed to TAG Holding.
b. Refer to Note 4.2 regarding ESJ project financing for which assets are used as collateral.

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, 2014, except for the following three contingencies in which the Company obtained a favorable resolution during the period ended as of December 31, 2015.

I. P***ermit Challenges and Property Disputes.*** IEnova has been engaged in a long-running land dispute relating to property adjacent to its Energía Costa Azul, S. de R. L. de C. V. ("ECA") terminal near Ensenada, Mexico. Ownership of the adjacent property is not required by any of the environmental or other regulatory permits issued for the operation of the terminal. A claimant to the adjacent property has nonetheless asserted that his health and safety are endangered by the operation of the facility, and filed an action in the Federal Court challenging the permits. In February 2011, based on a complaint by the claimant, the municipality of Ensenada opened an administrative proceeding and sought to temporarily close the terminal based on claims of irregularities in municipal permits issued six years earlier. This attempt was promptly countermanded by Mexican federal and Baja California state authorities. No terminal permits or operations were affected as a result of these proceedings or events and the terminal has continued to operate normally. In the second quarter of 2014, the municipality of Ensenada dismissed the administrative proceeding. In the second quarter of 2015, the Administrative Court of Baja California confirmed the municipality of Ensenada's ruling and dismissed the proceeding. IEnova expects additional Mexican court proceedings and governmental actions regarding the claimant's assertions as to whether the terminal's permits should be modified or revoked in any manner.

The claimant also filed complaints in the federal Agrarian Court challenging the refusal of the Secretaría de la Reforma Agraria (now the Secretaría de Desarrollo Agrario, Territorial y Urbano, or SEDATU) in 2006 to issue a title to him for the disputed property. In November 2013, the Agrarian Court ordered that SEDATU issue the requested title and cause it to be registered. Both SEDATU and IEnova have challenged the rulings. IEnova expects additional proceedings regarding the claims, although such proceedings are not related to the permit challenges referenced above.

The property claimant also filed a lawsuit in July 2010 against Sempra Energy in Federal District Court in San Diego seeking compensatory and punitive damages as well as the earnings from the ECA terminal based on his allegations that he was wrongfully evicted from the adjacent property and that he has been harmed by other allegedly improper actions. In September 2015, the Court granted Sempra Energy's motion for summary judgment and closed the case. In October 2015, the claimant filed a notice of appeal of the summary judgment and an earlier order dismissing certain of his causes of action.

Additionally, several administrative challenges are pending in Mexico before the Mexican environmental protection agency (SEMARNAT) and the Federal Tax and Administrative Courts seeking revocation of the environmental impact authorization ("EIA" or MIA by the acronym in Spanish Manifiesto de Impacto Ambiental) issued to ECA in 2003. These cases generally allege that the conditions and mitigation measures in the EIA are inadequate and challenge findings that the activities of the terminal are consistent with regional development guidelines. The Mexican Supreme Court decided to exercise jurisdiction over one such case, and in March 2014, issued a resolution denying the relief sought by the plaintiff on the grounds its action was not timely presented. A similar administrative challenge seeking to revoke the port concession for our marine operations at ECA terminal was filed with and rejected by the Mexican Communications and Transportation Ministry. In April 2015, the Federal court confirmed the Mexican Communications and Transportation Ministry's ruling denying the request to revoke the port concession and decided in favor of ECA.

Two real property cases have been filed against ECA in which the plaintiffs seek to annul the recorded property titles for parcels on which the ECA terminal is situated and to obtain possession of different parcels that allegedly sit in the same place; one of these cases was dismissed in September 2013 at the direction of the state appellate court. A third complaint was served in April 2013 seeking to invalidate the contract by which ECA purchased another of the terminal parcels; on the grounds the purchase price was unfair. IEnova expects further proceedings on the remaining two matters.

II. ***Sánchez Ritchie Municipal Complaint***. In February 2011, Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie") filed an administrative complaint with the Direction of Urban Control (Dirección de Control Urbano, "DCU") from the Municipality of Ensenada in Baja California, México challenging the legality of the land use permits and the construction permits issued for the ECATerminal in 2003 and 2004, respectively. The Company's management believes that Sánchez Ritchie's claims are without merit. On April 28, 2014, the Municipality of Ensenada was declared incompetent to attend process or continue with the procedure initiated in 2011 by Sánchez Ritchie. Therefore, the administrative authority has resolved to void all administrative procedures, including the closing order, ordering to file the records as a matter fully and properly completed. In April 28, 2014, on such date the Municipality of Ensenada declared itself unfit to attend to, process, continue processing and effect the resolution of the procedure started in 2011 by Ramón Eugenio Sánchez Ritchie. In view of the above, the administrative authority has decided to annul all proceedings in the administrative procedure, including the closure order, and ordered the filing of the record as a duly completed case. The official communication was challenged before an Administrative Court by Ramón Eugenio Sánchez Ritchie, and the appeal was resolved favorably to the interests of IEnova. The above mentioned resolution was not challenged, thus, the matter is concluded in May 2015, and the resolution in favor of IEnova is, therefore, final and may not be appealed.

III. **Motion for review against EIA 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 before the Tribunal Federal de Justicia Fiscal y Administrativa ("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.

16. Application of new and revised IFRS

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 an 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 an 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 an 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, an 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 an Company provides goods or services to customers at a price or rate that is subject to rate regulation. It permits an 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.

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 an 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 an 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.

17. Events after the reporting period

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 Condensed Interim Consolidated Statements of Profit and Loss.

18. Approval of financial statements

The condensed interim consolidated financial statements were approved by Arturo Infanzón Favela, Executive Vice President, Chief Operating and Financial Officer and authorized for issuance on February 22, 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

* * * * * *