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

Condensed Interim Consolidated Financial Statements for the six and three-month periods ended June 30, 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

Assets	Notes	June 30, 2014 (Unaudited)	December 31, 2013
Current assets			
Cash and cash equivalents		$ 51,117	$ 103,880
Short-term investments		129,026	207,027
Trade and other receivables – Net		84,971	64,035
Due from related parties	3	25,254	24,860
Current income tax receivable		18,077	15,931
Inventory of natural gas		6,073	3,836
Derivative financial instruments		8,157	9,188
Value added tax recoverable		62,174	43,914
Assets held for sale – Net	5	152,099	-
Other assets		26,859	25,457
Total current assets		563,807	498,128
Non-current assets			
Due from related parties	3	101	331
Finance lease receivables		14,664	14,700
Deferred income tax assets		95,147	106,227
Investment in joint venture	4	376,440	366,288
Goodwill		25,654	25,654
Property, plant and equipment – Net		2,279,886	2,213,837
Carbon allowances	7	18,030	11,584
Other assets		4,035	5,159
Total non-current assets		2,813,957	2,743,780
Total assets		$ 3,377,764	$ 3,241,908

Liabilities and equity

Liabilities and equity	Notes	June 30, 2014 (Unaudited)	December 31, 2013
Current liabilities			
Trade and other payables		$ 68,908	$ 49,459
Due to related parties	3	20,544	3,655
Current income tax liabilities		6,479	90,130
Derivative financial instruments		8,494	10,705
Other financial liabilities		13,104	12,853
Provisions		1,782	1,945
Other payable taxes		10,967	7,815
Liabilities related to assets held for sale	5	90,508	-
Other liabilities		23,804	16,527
Total current liabilities		244,590	193,089
Non-current liabilities			
Long-term debt – Net	8	396,171	394,656
Due to related parties	3	39,291	38,893
Deferred income tax liabilities		202,891	205,385
Carbon allowances	7	19,547	11,151
Provisions		27,091	26,430
Derivative financial instruments		45,225	53,208
Post-employment and other long-term employee benefits		2,881	2,684
Total non-current liabilities		733,097	732,407
Total liabilities		977,687	925,496
Stockholders' equity			
Common stock		762,949	762,949
Additional paid-in capital		973,953	973,953
Accumulated other comprehensive income		(24,839)	(24,273)
Retained earnings		688,014	603,783
Total equity attributable to owners of the Company		2,400,077	2,316,412
Total liabilities and equity		$ 3,377,764	$ 3,241,908

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

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

	Notes	Six-month period ended June 30, (Unaudited) 2014	Six-month period ended June 30, (Unaudited) 2013	Three-month period ended June 30, (Unaudited) 2014	Three-month period ended June 30, (Unaudited) 2013
Revenue	11	$ 387,201	$ 332,251	$ 185,852	$ 164,224
Cost of revenue		(212,460)	(164,809)	(103,139)	(80,739)
Administrative and other expenses		(47,340)	(47,118)	(24,200)	(26,884)
Depreciation and amortization expenses		(29,887)	(30,210)	(14,909)	(14,928)
Interest income		325	767	159	460
Finance income (costs)		3,004	(5,168)	1,574	(2,496)
Other (losses) gains		(3,761)	5,723	(1,910)	5,546
Profit before income tax and share of profits of joint venture		97,082	91,436	43,427	45,183
Income tax expense	10	(26,735)	(29,400)	(13,641)	(35,544)
Share of profits of joint venture, net of income tax	4	13,884	18,023	7,723	9,760
Profit for the period	11	$ 84,231	$ 80,059	$ 37,509	$ 19,399

All results are from continuing activities.

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

Earnings per share:

	Notes	Six-month 2014	Six-month 2013	Three-month 2014	Three-month 2013
Basic and diluted earnings per share:	12	$ 0.07	$ 0.07	$ 0.03	$ 0.02

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)

	Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
	2014	2013	2014	2013
Profit for period	$ 84,231	$ 80,059	$ 37,509	$ 19,399
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) in financial instruments valuation held for hedging purposes	10,591	(12,533)	9,197	17,644
Deferred income tax on gain (loss) in financial instruments valuation held for hedging purposes	(3,177)	3,760	(2,759)	(5,293)
(Loss) in financial instruments valuation held for hedging purposes of joint venture	(5,332)	-	(1,411)	-
Deferred income tax on (loss) in financial instruments valuation held for hedging purposes of joint venture	1,600	-	424	-
(Loss) in financial instruments valuation held for hedging purposes of liabilities related to assets held for sale	(7,370)	-	(7,370)	-
Deferred income tax on (loss) in financial instruments valuation held for hedging purposes of liabilities related to assets held for sale	2,211	-	2,211	-
Exchange differences on translating foreign operations	911	(681)	757	(11,981)
Total items that may be reclassified subsequently to profit and loss	(566)	(9,454)	1,049	370
Other comprehensive income (loss) for the period	(566)	(9,454)	1,049	370
Total comprehensive income for the period	$ 83,665	$ 70,605	$ 38,558	$ 19,769

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	-	-	-	80,059	80,059
Loss in financial instruments valuation held for hedging purposes – Net	-	-	(8,773)	-	(8,773)
Exchange differences on translating foreign operations	-	-	(681)	-	(681)
Total comprehensive income for the period	-	-	(9,454)	80,059	70,605
Issuance of shares – Net	144,197	437,376	-	-	581,573
Payment of dividends	-	-	-	(39,000)	(39,000)
Balance as of June 30, 2013 (unaudited)	$ 762,949	$ 973,953	$ (19,058)	$ 658,452	$ 2,376,296
Balance as of January 1, 2014	$ 762,949	$ 973,953	$ (24,273)	$ 603,783	$ 2,316,412
Profit for the period	-	-	-	84,231	84,231
Gain in financial instruments valuation held for hedging purposes – Net	-	-	7,414	-	7,414
Loss in financial instruments valuation held for hedging purposes of joint venture – Net	-	-	(3,732)	-	(3,732)
Loss in financial instruments valuation held for hedging purposes of liabilities related to assets held for sale – Net	-	-	(5,159)		(5,159)
Exchange differences on translating foreign operations	-	-	911	-	911
Total comprehensive income for the period	-	-	(566)	84,231	83,665
Balance as of June 30, 2014 (unaudited)	$ 762,949	$ 973,953	$ (24,839)	$ 688,014	$ 2,400,077

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)

	Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
	2014	2013	2014	2013
Cash flows from operating activities:				
Profit for period	$ 84,231	$ 80,059	$ 37,509	$ 19,399
Adjustments for:				
Income tax expense	26,735	29,400	13,641	35,544
Share of profits of joint venture, net of income tax	(13,884)	(18,023)	(7,723)	(9,760)
Finance costs (income)	(3,004)	5,168	(1,574)	2,496
Interest income	(325)	(767)	(159)	(460)
Loss on disposal of property, plant and equipment	660	1,023	70	915
Impairment loss recognized on trade receivables	4	(6)	(4)	(14)
Depreciation and amortization of non-current assets	29,887	30,210	14,909	14,928
Net foreign exchange loss	1,713	1,859	2,009	1,386
Gain (loss) on derivative financial instruments valuation	4,593	(13,518)	3,455	(9,782)
	130,610	115,405	62,133	54,652
Movements in working capital:				
(Increase) decrease in trade and other receivables	(21,319)	11,259	21,638	(14,061)
(Increase) in inventories	(2,237)	2,897	(1,840)	1,778
(Increase) in other assets	(27,340)	(35,951)	(2,260)	(8,509)
Increase (decrease) in trade and other payables	46,521	28,049	19,732	(18,936)
(Decrease) increase in provisions	(27,834)	(18,688)	(26,682)	12,279
Increase (decrease) in other liabilities	11,310	12,150	(358)	55
Cash generated from operations	109,711	115,121	72,363	27,258
Income taxes paid	(115,660)	(47,449)	(93,863)	(36,753)
Net cash generated by (used in) operating activities	(5,949)	67,672	(21,500)	(9,495)

(Continue)

	Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
	2014	2013	2014	2013
Cash flows from investing activities:				
Acquisitions for property, plant and equipment	(189,777)	(164,937)	(114,430)	(102,450)
Short-term investments	78,001	(525,616)	61,639	24,386
Net cash used in investing activities	(111,776)	(690,553)	(52,791)	(78,064)
Cash flows from financing activities:				
Interest paid	(7,650)	(2,567)	(633)	(731)
Issuance of ordinary shares under initial public offering	-	598,812	-	-
Share issue costs	-	(24,627)	-	-
Proceeds from loans from related parties	-	12,100	-	100
Loans granted to related parties	-	(138)	-	(138)
Proceeds from repayments of loans granted to related parties	355	-	124	-
Repayment of loans to related parties	(543)	(388,389)	(423)	(69)
Proceeds from debt issuance and project financing	82,432	408,279	82,432	-
Debt issue and financing costs	(9,684)	(3,168)	(9,684)	110
Dividends paid	-	(39,000)	-	-
Net cash provided by (used in) financing activities	64,910	561,302	71,816	(728)
(Decrease) increase in cash and cash equivalents	(52,815)	(61,579)	(2,475)	(88,287)
Cash and cash equivalents at the beginning of the period	103,880	85,073	56,248	117,971
Effects of exchange rate changes on the balance of cash held in foreign currencies	52	1,931	(2,656)	(4,259)
Cash and cash equivalents at the end of the period	$ 51,117	$ 25,425	$ 51,117	$ 25,425

(Conclude)

See accompanying notes to condensed interim consolidated financial statements.

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 ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 18.

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 11).

The Gas segment develops, owns and operates, or holds interests in, natural gas and propane pipelines, LPG storage facilities, 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 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, México, using wind resources to serve clients in the U. S.

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. *Los Ramones Norte project –*

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. de C. V. (an affiliate of Mex Gas International, PGPB's subsidiary), establishing the terms and conditions to jointly operate TAG Norte, S. de R. L. de C. V. ("TAG Norte").

TAG Norte will develop Los Ramones Norte project which consists of a 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 Los Ramones Norte system, with a 25-year term from the date of commercial operation, estimated for the last quarter of 2015. This agreement is subject to obtaining the appropriate permits.

1.2.2. *Energía Sierra Juarez project -*

a. *Approval for sale the 50% of initial stage of the project.*

In connection with the power wind generation Energía Sierra Juárez project ("ESJ project"), on February 25, 2014, the Company's Board of Directors approved entering into agreement with a third party for the sale of 50% of the first phase of this project.

b. *Purchase and sale agreement sign-off for the sale of the 50% of initial stage of the project.*

On April 18, 2014, the Company, through its subsidiary Controladora Sierra Juárez, S. de R. L. de C. V., entered into a purchase and sale agreement with Intergen International (UK) Ltd. ("Intergen") with respect to the 50% of the membership interests representative of Energía Sierra Juárez, S. de R. L. de C. V. ("ESJ") equity (entity in charge of ESJ project). See Note 5 for more details of the project.

c. *Project financing agreement sign-off for initial stage of the project.*

On June 12, 2014, ESJ entered into a project financing agreement for $239.8 million with a term of 18 years after the date of commencement of commercial operation (second half of 2015). The financing includes the granting of certain guarantees in favor of lenders and providers of coverage. See Note 8a for more details of the project financing.

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

On June 12, 2014, the Company entered into a current account credit contract with Banco Santander (México), S. A. ("Santander") for an amount of up to 455 million Pesos (approximately $35 million) for financing the value added tax ("IVA", for its acronym in Spanish) of ESJ project. See Note 8b for more details.

1.2.3. Other financing -

a. On June 19, 2014, the Company entered into a current account credit contract with Santander for an amount of up to $200 million, for working capital and general corporate purposes. See Note 8c for more details.

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.

3. Related party transactions

Transactions and balances between IEnova and its subsidiaries, which are related parties of the Company, have been eliminated in 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, the Company entered into the following trading transactions with related parties:

	Revenues			
	(Unaudited) Six-month period ended		(Unaudited) Three-month period ended	
	06/30/14	06/30/13	06/30/14	06/30/13
Sempra Generation ("SGEN")	$ 97,897	$ 76,037	$ 42,069	$ 33,119
Sempra LNG International, LLC ("SLNGI")	44,941	36,900	22,612	14,583
Sempra International, LLC ("Sempra International")	889	-	439	-
Southern California Gas Company ("SoCalGas")	26	54	26	-
Sempra Global	-	432	-	1
Sempra Pipelines and Storage	-	443	-	443

	Cost of revenues and administrative and other expenses			
	(Unaudited) Six-month period ended		(Unaudited) Three-month period ended	
	06/30/14	06/30/13	06/30/14	06/30/13
SLNGI	$ 155,492	$ 101,345	$ 78,070	$ 44,912
SGEN	14,527	9,367	6,671	5,474
Sempra International	3,834	1,563	1,939	908
Sempra U. S. Gas & Power ("Sempra U. S. G&P")	3,609	3,427	1,813	1,716
SoCalGas	619	-	300	-
Sempra Services Company, S. de R. L. de C. V. ("Sempra Servicios Company")	528	1,027	228	537
Sempra Servicios México, S. de R. L. de C. V. ("Sempra Servicios México")	354	346	193	148
Sempra Midstream, Inc.	224	278	112	139
Sempra Global	-	71	-	2
Sempra Pipelines and Storage	-	1,563	-	908
Sempra LNG	-	585	-	-

	Finance costs			
	(Unaudited) Six-month period ended		(Unaudited) Three-month period ended	
	06/30/14	06/30/13	06/30/14	06/30/13
Sempra Oil Trading Suisse ("SOT Suisse")	$ 732	$ 491	$ 373	$ -
SGEN	5	20	3	20
Inversiones Sempra Limitada (formerly Sempra Chile, S. A.)	-	903	-	-
Sempra Energy International Holdings, N. V.	-	350	-	-
Sempra Services Company	-	143	-	142
Sempra Global	-	7	-	-

	Interest income			
	(Unaudited) Six-month period ended		(Unaudited) Three-month period ended	
	06/30/14	06/30/13	06/30/14	06/30/13
Sempra Services Company	$ 4	$ -	$ 3	$ -
Sempra Sevicios México	1	3	1	1

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

	Amounts due from related parties Period / year ended	
	(Unaudited) 06/30/14	12/31/13
SGEN	$ 25,254	$ 24,741
Sempra Global	-	119
	$ 25,254	$ 24,860

	Amounts due to related parties Period / year ended	
	(Unaudited) 06/30/14	12/31/13
SLNGI	$ 20,041	$ 3,031
Sempra International	223	-
SoCalGas	97	106
Sempra Services Company	96	291
Sempra Servicios México	87	181
Sempra Midstream	-	46
	$ 20,544	$ 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 $4,716 and $3,503 for the six-month periods ended June 30, 2014 and 2013 (unaudited), respectively, and $2,360 and $1,566 for the three-month periods ended June 30, 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) 06/30/14	12/31/13
Sempra Services Company	$ 101	100
Sempra Servicios México	-	$ 231
	$ 101	$ 331

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

3.3. Loans from related parties

	Period / year ended (Unaudited) 06/30/14	12/31/13
SOT Suisse	$ 39,189	$ 38,460
SGEN	102	433
	$ 39,291	$ 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 $5,697 and $2,759 for the six-month periods ended June 30, 2014 and 2013 (unaudited), respectively, and $593 and $766 for the three-month periods ended June 30, 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 León, México; and a station for gas storage in the State of Jalisco, México. As of June 30, 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 June 30, 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) 06/30/14	12/31/13
Cash and cash equivalents	$ 300,990	$ 98,869
Short-term investments	54,965	12,805
Account receivable from PGPB	16,963	-
Other current assets	63,957	47,713
Current assets	436,875	159,387
Property, plant and equipment	720,783	508,023
Other non-current assets	504	-
Deferred income tax asset	550	476
Non-current assets	721,837	508,499
Total assets	$ 1,158,712	$ 667,886
Current liabilities	$ 29,755	$ 16,345
Non-current liabilities	505,965	48,853
Total liabilities	535,720	65,198
Total members' equity	$ 622,992	$ 602,688
Share of members' equity	$ 311,497	$ 301,345
Goodwill and indefinite lived intangible assets	64,943	64,943
Carrying amount of investment in joint venture	$ 376,440	$ 366,288

	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Revenue	$ 72,869	$ 75,858	$ 38,599	$ 38,077
Cost and expenses	(26,781)	(23,813)	(13,928)	(12,048)
Interest expense, net	(8,978)	(862)	(4,981)	(1,911)
Income tax	(9,343)	(15,138)	(4,245)	(4,598)
Net and comprehensive income	$ 27,767	$ 36,045	$ 15,445	$ 19,520
Share of profits of joint venture	$ 13,884	$ 18,023	$ 7,723	$ 9,760

(a) 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%.

(b) *Regular investment contribution to TAG Norte Holding, S. de R. L. de C. V.* Pursuant to a resolution of the general ordinary members' meeting of GdC and the modified and restated partner's agreement between Ductos Energéticos del Norte, S. de R. L. de C.V. ("DEN", GdC's subsidiary), TAG Pipelines, S. de R. L. de C. V. ("TAG Pipelines") and P.M.I. Holdings, B. V. ("PMI") both dated June 30, 2014, an ordinary the contribution investment to capitalize TAG Norte Holding, S. de R. L. de C. V. ("TAG Holding") was authorized as follows:

PGPB	$	39,183
IEnova Gasoductos Holding, S. de R. L. de C. V. (formely Sempra Gasoductos Holding, S. de R. L. de C. V., Company 's subsidiary)		39,183

Such ordinary investment contribution is due on July, 2014.

Further, by means of the above mentioned documents IEnova Gasoductos Holding, S. de R. L. de C. V. commits to additional ordinary and extraordinary contributions of up to approximately $670 million for the development of Los Ramones Norte project with an option to increase such contributions under certain circumstances.

5. Assets held for sale - Net

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

As of June 30, 2014, the balance of Assets held for sale includes the assets and liabilities of the ESJ projects' initial stage which is currently under construction. The ESJ 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 ESJ 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 ESJ project could also connect directly with México's transmission network.

As explained in Note 1.2.2, the Company entered into a purchase and sale agreement with respect to the 50% of the membership interest representative of ESJ equity. Per IFRS 5, *Noncurrent assets held for sale and discontinued operations*, conditions have met in order to classify this project's assets and liabilities as held for sale in the statement of financial position as of June 30, 2014.

6. Property, plant and equipment - Net

As of June 30, 2014 (unaudited), the Property, plant and equipment balance includes construction in progress comprised as follows:

Sonora pipeline project	$	478,285	
Energía Sierra Juárez wind generation project		8,444	(a)
Other projects		4,751	
	$	491,480	

(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.*** During the six-month period and three-month period ended June 30, 2014 (unaudited), the Company capitalized interest attributable to the construction in projects for $12,280 and $6,240, respectively. The weighted average rate use to determine the amount of borrowing costs eligible for capitalisation was 5.63% for the six-month and three-month period ended June 30, 2014 (unaudited).

7. Carbon allowances

As of June 30, 2014 (unaudited), the carbon allowances liabilities balance in the condensed interim consolidated statements of financial position is $24,340, which is allocated as non-current liabilities for $19,547 and $4,793 as current liabilities (within Other current liabilities balance); the changes in this balance for the six-month period and three-month period ended June 30, 2014 (unaudited) was charged to Cost of revenues for $8,447 and $3,744, respectively. Also, as of June 30, 2014 (unaudited) the Company has $22,823 in assets associated with the purchase of carbon allowances realized for complying with its obligation as described in the preceding paragraph ($18,030 as non-current assets and $4,793 as current assets, within Other current assets balance).

8. Long-term debt - Net

	Period / year ended			
		(Unaudited) 06/30/14		**12/31/13**
CEBURES at fixed rate	$	299,257	$	298,245
CEBURES at variable rate		99,752		99,415
Project financing for ESJ project (a)		81,908		-
Banco Santander (México), S. A. (b)		524		-
		481,441		397,660
Issuance debt costs and financing costs		(12,521)		(3,004)
Liabilities related to assets held for sale - Net		(72,749)		-
	$	396,171	$	394,656

(a) ***Project financing for ESJ project*** -

On June 12, 2014, for the construction of the initial stage of the ESJ project, ESJ entered into a project financing agreement for $239.8 million with a syndicate of banks with Mizuho Bank, Ltd. ("Mizuho") as coordinating lead arranger, the North American Development Bank ("NADB") as technical and modeling bank, and Nacional Financiera, S. N. C. Institución de Banca de Desarrollo ("NAFINSA"), Norddeutsche Landesbank Girozentrale ("NORD/LB") and Sumitomo Mitsui Banking Corporation ("SMBC") as lenders. The loans mature in 18-year term.

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

The credit facilities amortization period ends on June 30, 2033, with payments on a semi-annual basis (each June 30 and December 31 until the final maturity date), commencing on December 31, 2015. The credit facilities (both construction and term loans) bear interest at the lowest rate between London Interbank Offered Rate ("LIBOR") plus the applicable margin and Prime Rate plus applicable margin, as follows:

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

On June 12, 2014, the Company withdrew a total of $81.9 million, comprised as follows:

	Total credit facilities	First withdrawal	Unexercised outstanding balances
Mizuho Bank. Ltd.	$ 49,270	$ 16,776	$ 32,494
Nacional Financiera, S.N.C.	40,112	13,657	26,455
Norddeutsche Landesbank Girozentrale	55,154	18,779	36,375
North American Development Bank	40,112	13,657	26,455
Sumitomo Mitsui Banking Corporation	55,154	19,039	36,115
	$ 239,802	$ 81,908	$ 157,894

The project financing agreements establish certain covenants, such as: limitations to changes in business activities, sales, encumbrances or disposal of ESJ project assets pledge as collateral, among others. As of June 30, 2014, all covenants are fulfilled.

First withdrawal of credit facilities	$ 81,908
Financing costs	(9,684)
Net resources obtained from project financing included within liabilities related to assets held for sale line item	72,224
Short-term portion of long term debt	(3,175)
Long-term debt (i)	$ 69,049

(i) Assets and liabilities of the ESJ project are presented within the held for sale line item in the statement of financial position as of June 30, 2014.

Minimum payments of long-term debt are as follows:

Year	Amount
2015	$ 3,175
2016	3,649
2017	3,661
2018	3,811
2019	3,835
2020 and thereafter	63,777
	$ 81,908

Interest rate swaps. In order to mitigate the impact of benchmark interest rate changes, the Company entered into three interest rate swaps with Mizuho, SMBC and NORD/LB; each one with trade date on June 12, 2014, and an effective date on June 30, 2015.; hedging 90% of the above mentioned credit facilities.

The hedging instruments, noted below, are interest rate swaps that incorporate an amortizing principal from June 2015 through June 2033. The swap contracts provide for ESJ to pay a fixed interest rate of 3.50% and to receive variable interest rate (6 month LIBOR). The terms of the interest rate swaps were constructed to match the critical terms of the interest payments anticipated.

Counterparty	Trade date	Effective date	Expiration date	Notional amount	Reference rate	Tenor of the hedge
Mizuho	12/6/2014	06/30/2015	06/30/2033	71,940	Fixed Rate: (3.50%) Float: 6-month -LIBOR	18 years
SMBC	12/6/2014	06/30/2015	06/30/2033	71,940	Fixed Rate: (3.50%) Float: 6-month -LIBOR	18 years
NORD/LB	12/6/2014	06/30/2015	6/30/2033	71,940	Fixed Rate: (3.50%) Float: 6-month -LIBOR	18 years

These contracts have been designated as cash flow hedges.

(b) ***Financing of ESJ project's value added tax.*** On June 12, 2014, the Company entered into a current account credit contract with Santander for an amount of up to 455 million Pesos (approximately $35 million); for each withdrawal, interest will be accrued based on Mexican Interbank Interest Rate ("TIIE", by its initials in Spanish) plus 145 bps payable on a semi-annual basis. The credit line under this contract will be used for financing the IVA of ESJ project. As of June 30, 2014, the Company has withdrawn $524 of this credit line.

(c) ***Current account credit contract.*** On June 19, 2014, the Company entered into a current account credit contract with Santander for an amount of up to $200 million, for each draw, interest will be accrued based on 3-month LIBOR plus 105 bps payable on a quarterly basis, with a term of 3 years. The credit line under this contract will be used for working capital and general corporate purposes. As of June 30, 2014, the Company has not drawn on this credit line.

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	
	06/30/2014	12/31/13	07/22/2014
One U. S. Dollar	$ 13.0323	$ 13.0765	$ 12.9751

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) 06/30/14		12/31/13	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial lease receivables	$ 14,664	$ 47,170	$ 14,700	$ 52,270
Financial liabilities				
Financial liabilities held at amortized cost:				
- Long-term debt (traded in stock exchange)	396,171	384,904	394,656	374,899
-Loans from related parties (not traded in stock exchange)	39,291	37,657	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 $47,170 and $52,270 as of June 30, 2014 (unaudited) and as of December 31, 2013, 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) 06/30/14	**12/31/13**
Financial assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)	$ 129,026	$ 207,027
Derivative financial assets (Level 2)	$ 8,157	$ 9,188
Financial liabilities at FVTPL		
Derivative financial liabilities (Level 2)	$ 53,719	$ 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 for each of its subsidiaries.

Income tax expense 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 for the six-month periods and three-month periods ended June 30, 2014 and 2013 (unaudited) can be reconciled to the profit before income tax as follows:

	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Profit before income tax	$ 97,082	$ 91,436	$ 43,427	$ 45,183
Income tax expense calculated at 30%	(29,125)	(27,431)	(13,028)	(13,555)
Non deductible expenses	(2,257)	-	(1,139)	-
Effects of foreign exchange rate	(152)	(7,506)	53	(5,189)
Effect of unused tax losses not recognized as deferred income tax asset	(205)	2,500	(58)	2,500
Effects of inflation adjustment	(549)	34	(94)	503
Effect of exchange rate and inflation on the tax basis of property, plant and equipment	5,553	3,003	625	(19,803)
Income tax expense recognized in profit or loss	$ (26,735)	$ (29,400)	$ (13,641)	$ (35,544)

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

- The effect of exchange rate changes in the taxes bases of property, plant and equipment 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.
- The recognition of an asset for deferred income taxes regarding the unused tax losses, not previously recognized.
- The effect of non-deductible expenses.

11. Segment information

11.1. 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.

11.2. 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			
	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Gas:				
Sales to customers	$ 243,448	$ 218,385	$ 120,706	$ 116,078
Revenue with foreign related parties	44,967	36,954	22,638	14,583
Intersegment sales	150,337	63,234	68,670	59,556
Power:				
Sales to customers related parties	97,897	76,037	42,069	33,119
Intersegment sales	30,312	2,944	13,502	1,397
Corporate:				
Allocation of professional services with related parties	889	875	439	444
Intersegment professional services	13,818	6,058	6,229	3,974
	581,668	404,487	274,253	229,151
Intersegment adjustments and eliminations	(194,467)	(72,236)	(88,401)	(64,927)
Total segment revenue	$ 387,201	$ 332,251	$ 185,852	$ 164,224

	Segment profit for			
	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Gas	$ 100,394	$ 98,292	$ 47,686	$ 28,585
Power	2,975	(1,856)	313	(3,943)
Corporate	(19,138)	(16,377)	(10,490)	(5,243)
Total segment profit	$ 84,231	$ 80,059	$ 37,509	$ 19,399

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.

11.3. Assets and liabilities by segment

	Period / year ended	
	06/30/14 (Unaudited)	12/31/13
Assets by segment:		
Gas	$ 2,643,749	$ 2,413,965
Power (a)	528,474	433,894
Corporate	205,541	394,049
Consolidated total assets	$ 3,377,764	$ 3,241,908
Liabilities by segment:		
Gas	$ 335,725	$ 272,298
Power (a)	159,777	64,794
Corporate	482,185	588,404
Consolidated total liabilities	$ 977,687	$ 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.

(a) Assets and liabilities of the ESJ project are presented within the held for sale line item in the statement of financial position as of June 30, 2014.

11.4. Other segments information

	Property, plant and equipment Period / year ended		Accumulated depreciation Period / year ended	
	06/30/14 (Unaudited)	12/31/13	06/30/14 (Unaudited)	12/31/13
Gas	$ 2,053,740	$2,138,129	$ (62,459)	$ (287,407)
Power (a)	299,717	504,595	(20,889)	(150,791)
Corporate	12,525	13,156	(2,748)	(3,845)
	$ 2,365,982	$ 2,655,880	$ (86,096)	$ (442,043)

(a) Power segment includes ESJ project property plant and equipment and accumulated depreciation balances that are presented within the assets held for sale line item in the statement of financial position for a total of $131,097 as of June 30, 2014.

11.5. 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:

	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Power generation	$ 97,897	$ 76,037	$ 42,069	$ 33,119
Sale of natural gas	110,576	85,063	57,376	46,584
Storage and regasification capacity	46,464	46,518	23,383	23,376
Natural gas distribution	59,202	51,792	26,257	24,487
Transportation of natural gas	22,149	26,172	11,085	13,110
Other operating revenues	50,913	46,669	25,682	23,548
	$ 387,201	$ 332,251	$ 185,852	$ 164,224

11.5.1. 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 $44,941 and $44,949 for the six-month period ended June 30, 2014 and 2013 (unaudited), respectively, and $22,613 and $22,632 for the three-month period ended June 30, 2014 and 2013 (unaudited), respectively; which are presented within the revenues line item in the accompanying condensed interim consolidated statements of profit and loss.

12. Earnings per share

	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Basic and diluted earnings per share	$ 0.07	$ 0.07	$ 0.03	$ 0.02

12.1. 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:

	Six-month period ended (Unaudited)				Three-month period ended (Unaudited)			
	06/30/14		06/30/13		06/30/14		06/30/13	
Earnings used in the calculation of basic and diluted earnings per share	$	84,231	$	80,059	$	37,509	$	19,399

	Six-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,133,876,640	1,094,562,431	1,133,876,640	1,094,562,431

The Company does not have potentially dilutive shares.

13. Commitments

The main commitments of the Company are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2013, except for the following:

a. Refer to Note 8a, regarding the project financing for ESJ project which assets are granted as collateral.

b. Refer to Note 4a, regarding the contributions committed to TAG Holding.

14. 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, 2013, except for the following:

a. On April 15, 2014, in connection with the claim by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie"), dated February 2011, with the Dirección de Control Urbano from the Municipality of Ensenada, Baja California, México challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004; on April 28, 2014, the Municipality of Ensenada was declared incompetent to attend, process or continue with the procedure initiated in 2011 by Sánchez Ritchie. Therefore, the administrative authority has resolved to let without effect all administrative procedures, including the closing order, ordering to file the records as a matter fully and properly completed. Sánchez Ritchie still can appeal the authority's decision.

15. Application of new and revised IFRS

15.1. 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 15	*Revenue from contracts with customers*[2]
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.

IFRS 15, Revenue from contracts with customers - On May 28, 2014, the IASB and the Financial Accounting Standards Board ("FASB") issued their final standard on revenue from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance.

The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services".

In applying the revenue model to contracts within its scope, an entity will:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

This standard applies to all contracts with customers, including those including the sale of non-financial assets that are not part of production caused by the ordinary activity of the entity (for example, property, plant and equipment and intangibles). Income derived from insurance contracts, leases and financial instruments (and other rights and contractual obligations) as well as certain agreements on non-monetary exchanges is out of IFRS 15 scope.

Additionally, the IFRS 15 includes certain requirements regarding the accounting treatment of certain costs that are related to contracts with customers, where an asset may be recognized for incremental costs incurred to obtain such contract, provided that it is probable that these costs will be recovered. In other cases, where costs are incurred to comply with a contract with customers, an entity may recognize an asset if the following criteria are met: (i) the costs relate directly to a contract; (ii) the costs generate or increase the resources of the entity that will be used to comply with obligations of performance in the future, and (iii) it is expected that these costs are recovered.

On the other hand, in order to assist the reader of the financial statements to understand more clearly the nature, amount, timeliness and certainty of income derived from contracts with customers, the IFRS 15 requires that entities disclose quantitative information and qualitative about:

a. Revenues recognized from contracts with customers, including the breakdown of such income by categories, as deemed relevant;
b. Outstanding balances in the statements of financial position, including opening balances and closing balances in accounts receivable, assets and liabilities for contract, etc.
c. Obligations of performance, including explanation about when an entity typically meets these obligations as well as the amount of the price of the transaction that is assigned to the obligation of performance pending of fulfillment;
d. Significant judgments and changes in judgment, to apply the above mentioned requirements, and
e. Assets recognized as a result of costs incurred to obtain or to comply with the contracts with customers.

Entities shall apply IFRS 15 for annual reporting periods beginning on or after January 1, 2017, although early adoption is permitted. Once IFRS 15 has been adopted, the following standards and interpretations will be without effect:

– IAS 11, *Construction contracts*,
– IAS 18, *Revenue*,
– IFRIC 13, *Customers loyalty programmes*,
– IFRIC 15, *Agreements for the construction of real estate*,
– IFRIC 18, *Transfers of assets from customers*; and
– SIC 31, *Revenue - Barter transactions involving advertising services*.

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.

16. Events after the reporting period

a. ***Purchase agreement with Intergen***. On July 1, 2014, the last approval pending from the regulatory authorities in México and the U. S. to implement the wind generation project was obtained; therefore the purchase agreement between ESJ and Intergen became fully effective as of this date. As of July 16, 2014, this transaction was finally closed.

b. ***TAG Pipelines Norte, S. de R.L. de C.V. members' equity increase.*** Pursuant to unanimous resolutions adopted outside the general ordinary members' meeting of TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte"), on July 3, 2014, TAG Norte Holding, S. de R. L. de C. V. ("TAG Holding"), DEN and TAG Pipelines, agreed to increase TAG Pipelines Norte member's equity by $156,734. Such increase was subscribed by TAG Holding on the same date and will be paid to later on July 9, 2014.

c. ***Withdrawal of credit line with Santander.*** On July 7, 2014, regarding the current account credit contract entered with Santander (see Note 8c), the Company withdrew $40 million in order to comply with its commitment of ordinary investment to TAG Holding.

d. ***Dividends declared*** - Pursuant to a resolution of General Ordinary Stockholders' Meeting held on April 30, 2014, and Board of Directors' meeting held on July 22, 2014, payment of dividend in cash was approved on July 31, 2014, for $164 million.

17. 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 July 22, 2014.

18. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juárez, C.P. 06600
  México, D. F.

- Carretera Escénica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C.

- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 212110
  Mexicali, B.C.

- Avenida Tecnológico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chih.

- Boulevard Francisco Eusebio Kino No. 309
  Piso 10, Col. Country Club
  Hermosillo, Sonora

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