OFFERING CIRCULAR CONFIDENTIAL

189,661,305 Shares

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

We are offering a total of 189,661,305 Shares of our Class II common stock, or the Shares, in a combined global offering consisting of:

- an international offering of 91,037,426 Shares to (i) qualified institutional buyers (as defined in Rule 144A promulgated under the United States Securities Act of 1933, as amended, or the Securities Act) in the United States and (ii) institutional and other investors outside the United States that are not U.S. persons (as defined in Regulation S promulgated under the Securities Act, or Regulation S), pursuant to exemptions from registration under the Securities Act, or the International Offering, and
- a concurrent initial public offering of 98,623,879 Shares in the United Mexican States, or Mexico, to the general public, or the Mexican Offering, and, together with the International Offering, the Global Offering, or this offering.

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

Prior to this offering, there has been no public market for our Shares. We have been approved by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the CNBV) for the registration of the Shares with the Mexican National Securities Registry (*Registro Nacional de Valores*, or the RNV) maintained by the CNBV. Our Shares have been listed for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) under the symbol "IENOVA." Registration of the Shares with the RNV does not imply any certification as to the investment quality of the Shares, our solvency or the accuracy or completeness of the information contained in this offering circular and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law. The ISIN number for our Shares is MX01IE060002.

The Shares have not been and will not be listed on any securities exchange outside of Mexico. The initial offering price of our Shares is Ps.34.00 per Share, which is equivalent to approximately US$2.75 based upon an exchange rate of Ps.12.3841 to US$1.00 as of March 21, 2013, as published by Banco de México.

We have granted options to the initial purchasers and the Mexican underwriters, for a period of up to 30 days from the date of this offering circular, to purchase up to an additional 28,449,196 Shares at the initial offering price, less the underwriting discount, to cover over-allotments, if any. See "Plan of Distribution."

Investing in our Shares involves risks that are described in the "Risk Factors" section beginning on page 14 of this confidential offering circular.

Price: Ps.34.00 per Share

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

We expect that the Shares will be delivered on or about March 27, 2013 through the book-entry system of *S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.*, or Indeval, in Mexico City, Mexico.

Joint Global Coordinators and Joint International Bookrunners

Credit Suisse **Deutsche Bank**

Joint International Bookrunner

Citigroup

The date of this confidential offering circular is March 21, 2013.

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

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

NOTICE TO INVESTORS

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

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

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

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell our Shares or possess or distribute this offering circular and must obtain any consent, approval or permission required for your purchase, offer or sale of our Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we, the initial purchasers nor the Mexican underwriters will have any responsibility therefor.

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

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

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire revised statutes, or RSA 421-B, with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire implies that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State of the State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. For so long as any of the Shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish upon the request of any shareholder of the Shares, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the Shares or interests therein who is a "qualified institutional buyer" within the meaning of Rule 144A(a)(1), information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Exchange Act or furnish the information to the SEC in accordance with Section 13 or 15 of the Exchange Act. Any such request may be made to us in writing at our main offices located at Torre Esmeralda I, Blvd. Manuel Ávila Camacho No. 40, Floor 20, Lomas de Chapultepec, 11000 México, D.F. For so long as the Shares are registered with the RNV and listed with the Mexican Stock Exchange, we will be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the Mexican Stock Exchange, which will be available in Spanish for inspection on the Mexican Stock Exchange's website at www.bmv.com.mx and on the CNBV's website at www.cnbv.gob.mx.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH IN THIS OFFERING CIRCULAR WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING, WITHIN THE MEANING OF INTERNAL REVENUE SERVICE CIRCULAR 230, OF THE SHARES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

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

FORWARD-LOOKING STATEMENTS

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

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

- local, national and international economic, competitive, political, legislative and regulatory conditions and developments;
- actions and the timing of actions by regulatory, governmental and environmental bodies in Mexico and other countries;
- energy markets, including the timing and extent of changes and volatility in commodity prices;
- services and financing provided to us by affiliates;
- the resolution of litigation and property disputes;
- loss of significant suppliers or customers;
- our ability to hire, train and retain qualified employees and executives;
- the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations;
- the availability of electric power, natural gas and liquefied natural gas, or LNG, including disruptions caused by explosions and equipment failures;
- wars, terrorist attacks, local crime, weather conditions, natural disasters, catastrophic accidents and conservation efforts;
- inflation, interest and exchange rates;
- business, regulatory, environmental and legal decisions and requirements;
- the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements;
- increased competition due to expected expansion of the natural gas sector in Mexico;
- reliance on transportation assets and services that we do not own or control to deliver natural gas;
- risks posed by working with volatile and hazardous materials;
- risks posed by attacks on our information systems and integrity of our energy grid;
- temporary or permanent disruption of operations at our existing pipelines and/or storage facilities due to acts of God, force majeure or other events outside of our control;
- government expropriation of assets and title and other property disputes;
- capital markets conditions, including the availability of credit and the liquidity of our investments;
- risks posed by decisions and actions of joint venture partners; and
- other risks and uncertainties discussed under “Risk Factors” and elsewhere in this offering circular.

The words “believe,” “expect,” “anticipate,” “plan,” “estimate,” “project,” “contemplate,” “intend,” “depend,” “should,” “could,” “would,” “will,” “may,” “potential,” “target,” “pursue,” “goals” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date of this offering circular, and none of the initial purchasers, the Mexican underwriters or us undertakes any obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering circular might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements. Because of these uncertainties, you should not rely unduly on these estimates and forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

Financial Statements

Our audited financial statements and other financial information of IEnova (formerly Sempra México, S.A. de C.V.,—see "Recent Developments") presented herein were prepared in U.S. dollars. From April 30, 2010 to September 10, 2012, our financial statements are presented on a combined basis to include the operations of Sempra Gasoductos México, S. de R.L. de C.V., or Sempra Gasoductos, and its subsidiaries, which was acquired by our parent Sempra Energy, as an indirect shareholder, on April 30, 2010 and contributed to us on September 10, 2012. For periods before April 30, 2010 and after September 10, 2012, our financial statements are presented to reflect the consolidated results of IEnova. For more information, see Note 3.3.1 to our audited financial statements included elsewhere in this offering circular.

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

This offering circular includes our audited consolidated financial statements as of and for the years ended December 31, 2010, 2011 and 2012. Our audited consolidated financial statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, as stated in its report included elsewhere in this offering circular.

This offering circular also includes the audited consolidated financial statements of Gasoductos de Chihuahua, S. de R.L. de C.V., or Gasoductos de Chihuahua, as of and for the years ended December 31, 2011 and 2012, which were prepared in Mexican pesos. The audited consolidated financial statements of Gasoductos de Chihuahua have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, as stated in its report included elsewhere in this offering circular. The financial statements of Gasoductos de Chihuahua have been prepared in accordance with Mexican Financial Reporting Standards issued by the Mexican Financial Reporting Standards Board (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C*). Mexican Financial Reporting Standards differ in certain significant respects from IFRS. Therefore, the financial statements of Gasoductos de Chihuahua are not comparable with our audited consolidated financial statements. Considering that Gasoductos de Chihuahua is an entity in which we and Pemex Gas y Petroquímica Básica, or Pemex Gas, each have a 50% equity interest and over which we share joint control, we account for this entity on our financial statements using the equity method, which reflect the necessary adjustments to align their accounting policies with ours under IFRS. Summarized financial information presented in U.S. dollars and in compliance with IFRS of Gasoductos de Chihuahua is disclosed in Note 11 to our audited financial statements contained elsewhere in this offering circular.

Adjusted EBITDA

We present "EBITDA" and "adjusted EBITDA" in this offering circular for the convenience of investors. EBITDA and Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. We define EBITDA to mean consolidated and combined profit after adding back or subtracting, as the case may be: (1) depreciation and amortization, (2) interest income and finance costs, (3) income tax expense and (4) certain other gains/(losses) (which includes net foreign exchange gains/(losses), net (losses)/gains arising on financial liabilities classified as held for trading associated with changes in the fair value from our interest rate swap and inflation effects on value added tax refunds receivable). We define adjusted EBITDA to mean EBITDA after adding back or subtracting, as the case may be, our 50% share of the depreciation and amortization, interest income and finance costs, and income tax expense of our joint venture with Pemex Gas, Gasoductos de Chihuahua, which is accounted for under the equity method of accounting.

In managing our business we rely on adjusted EBITDA as a means of assessing our operating performance. We believe that adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe adjusted EBITDA is a useful basis of comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure, age and book depreciation of fixed assets, and income taxes. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as depreciation, amortization, interest income, finance costs, income taxes, and certain other expenses, as well as the depreciation and amortization, interest income and finance costs, and income tax expense of our joint venture, Gasoductos de Chihuahua. Our calculation of EBITDA and adjusted EBITDA may not be comparable to other companies' calculation of similarly titled measures. The following reconciles profit to EBITDA and adjusted EBITDA:

	Year Ended December 31,		
(in thousands of US$)	**2010**	**2011**	**2012**
Profit for the period	$171,577	$175,103	$194,015
Depreciation and amortization expenses	62,897	63,080	61,349
Interest income	(545)	(883)	(1,027)
Finance costs	26,581	18,182	11,346
Other losses(1)	13,681	16,092	8,845
Income tax expense	26,389	76,006	40,801
EBITDA	**$300,580**	**$347,580**	**$315,329**
Adjustment:			
Share of depreciation, amortization, interest income and finance costs and income tax expense of joint ventures(2)	14,295	25,706	14,747
Adjusted EBITDA	**$314,875**	**$373,286**	**$330,076**

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

(2) Includes a 50% share of depreciation and amortization, interest income and finance costs and income tax expense of our joint venture, Gasoductos de Chihuahua, which is accounted for under the equity method.

Market Estimates

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

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

- Banco de México;
- the International Energy Agency;
- the International Monetary Fund;
- the Mexican Energy Ministry;
- the Mexican Energy Regulatory Commission;
- the Mexican Federal Official Gazette; and
- the World Bank.

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

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

Principal Industry Terms Used in this Offering Circular

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

- "Bbl" means barrels;
- "Bbld" means barrels per day;
- "downstream" means distribution;
- "GW" means gigawatt;
- "IPP" means independent power producer;
- "LNG" means liquefied natural gas;
- "LPG" means liquefied petroleum gas;
- "m^3" means cubic meters;
- "MMcf" means million cubic feet;
- "MMcfd" means million cubic feet per day;
- "MMTh" means million Therms;
- "MMThd" means million Therms per day;
- "MW" means megawatt;
- "midstream" means transportation;
- "psig" means pounds per square inch (gauge);
- "TWh" means terawatt hour; and

- "upstream" means exploration, extraction or production.

Rounding

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

Other Information

Certain peso amounts contained in this offering circular have been translated into U.S. dollars. The exchange rate used to translate such amounts was Ps.13.0101 to US$1.00, unless otherwise indicated, which was the selling exchange rate in effect on December 31, 2012, as reported by Banco de México in the *Diario Oficial de la Federación*. The U.S. dollar equivalent information presented in this offering circular is provided solely for the convenience of investors and should not be construed as implying that the peso amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for more detailed information regarding exchange rates for the Mexican currency.

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

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

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

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

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

Description of Contracts and Permits

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

SUMMARY

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

Our Company

We focus on the development, construction and operation of energy infrastructure in Mexico. We have a successful track record in development, construction and operation of large energy projects, as reflected by our solid growth. Our footprint in Mexico ranges across several business lines encompassing the entire energy infrastructure value chain that is open to private investment in Mexico, making us one of the largest private energy companies in Mexico.

Our assets are divided between two business segments: (1) our gas segment, which includes our pipelines business, our LNG business, and our natural gas distribution business, and (2) our power segment, which includes a natural-gas-fired, combined-cycle power generation facility and a wind power generation project currently in development. Our assets generate revenues primarily under U.S. dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with highly-rated credit worthy counterparties.

We were one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990s as a result of changes to Mexican gas regulation in 1995. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 16 years we have increased our presence as leaders in private investment in the Mexican energy sector (including through greenfield development, organic growth and acquisitions), investing approximately US$2.4 billion in Mexican energy infrastructure.

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

- we were the first private company to win a natural gas distribution bid in Mexico after the 1995 energy regulation reforms;
- we built the first natural gas pipeline in the state of Baja California, and we have been the sole developer of open-access natural gas pipelines in Baja California (a region which previously did not have access to U.S. or Mexican natural gas pipeline systems);
- our natural gas pipelines in Baja California allowed the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad)* to convert its power generation facilities from fuel oil to natural gas, and we are the principal supplier of natural gas to the Mexican Federal Electricity Commission in Baja California;
- we are partners with state-controlled Pemex Gas, in its only natural-gas-infrastructure joint venture in Mexico;
- we built the first LNG terminal on the west coast of the Americas;
- we are developing the first cross-border renewable energy project in Mexico, Energía Sierra Juárez;
- we are developing the first privately-owned ethane pipeline system in Mexico; and

- we are developing the Sonora Pipelines natural gas pipelines project, with approximately 835 km and 1,280 MMcfd (13.3 MMThd) of capacity, pursuant to two natural gas transportation service agreements entered into with the Mexican Federal Electricity Commission in October 2012.

In addition to our ownership of assets across the energy infrastructure value chain, we have also improved our market position by entering into strategic partnerships. In 2010, we acquired various Mexican assets, including a 50% interest in a joint venture with Pemex Gas. The joint venture currently develops, owns and operates natural gas and LPG pipelines and storage facilities. Additionally, we are currently in discussions to enter into a 50/50 joint venture with an unrelated third party for the development of all phases of our potential wind power project, Energía Sierra Juárez.

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

Gas Segment

- *Pipelines Business*
  - Our pipelines business owns and operates systems for receiving, transporting, compressing, storing and delivering natural gas and LPG throughout the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora and Tamaulipas. These systems include:
    - more than 500 kilometers, or km, of natural gas pipelines with an aggregate designed transportation capacity of over 5,700 MMcfd (59.3 MMThd);
    - six natural gas compression stations with an aggregate of over 155,000 horsepower;

    - 190 km of LPG pipelines with a designed transportation capacity of 30,000 barrels per day, or Bbld, (1.6 MMThd); and
    - an LPG storage facility with a total of 80,000 Bbl (4.4 MMTh) of LPG storage capacity under construction near Guadalajara.
  - Our current pipeline assets include our Baja East pipelines, Baja West pipeline, Aguaprieta pipeline and Naco compression station, as well as the assets held by our joint venture with Pemex Gas, in which we hold a 50% interest. This joint venture owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station, as well as the Guadalajara LPG storage facility that we currently have under construction and expect to complete in 2013.
- *Liquefied Natural Gas Business.* Our LNG regasification terminal, located near Ensenada, Baja California, began operations in 2008 and was the first west coast LNG receipt facility in the Americas. Our LNG terminal provides receipt and storage facilities for our customers' LNG, regasifies this LNG and delivers the resulting natural gas to our Baja East pipelines system with delivery capability in Baja California, Mexico and the United States. Our LNG business also purchases LNG on its own behalf for storage and regasification in our LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 cubic meters, or m^3, (73.3 MMTh) in two tanks, each of 160,000 m^3 (36.6 MMTh). The facility is capable of supplying an equivalent of approximately one-eighth of Mexico's 2012 domestic natural gas needs.
- *Natural Gas Distribution Business.* We own and operate a natural gas distribution utility, Ecogas, in three local distribution zones: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna-Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With its approximately 3,075 km of pipelines, this business currently serves approximately 93,000 industrial, commercial and residential customers.
- For the year ended December 31, 2012, our gas segment had revenues of approximately US$478 million, representing 79% of our total consolidated revenues, and adjusted EBITDA of US$315 million, representing 95% of our total adjusted EBITDA for the year. This revenue figure does not include net equity in earnings of US$37 million for the year ended December 31, 2012 from our joint venture with Pemex Gas, which we account for using the equity method; however, we include a 50% share of the EBITDA from this joint venture in our adjusted EBITDA for our gas segment.

Power Segment

- *Natural Gas Fired Power Generation Business.* We own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with our Baja East pipelines which allows it to receive regasified LNG from our LNG terminal as well as gas supplied from the United States through the North Baja Pipeline's system. This facility is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California, and in February 2013 this facility received a clean industry certificate for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to California's Independent System Operator power grid at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California.
- *Wind Power Generation Business.* We are also developing our Energía Sierra Juárez wind power generation project with up to 1,200 MW of projected capacity, to be developed in phases (potentially with a third-party joint venture partner). This potential project will be located along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico. The initial phase of this project, consisting of up

to 52 wind turbines (approximately 156 MW) would be located about 70 miles east of San Diego, just south of the Mexico – U.S. border. We expect to commence construction in 2013 and complete construction of the first phase of this project in 2014, subject to our meeting certain financing conditions and obtaining regulatory approvals. See “Regulatory, Permits and Environmental Matters—Permits—Power Generation Permits.”

- For the year ended December 31, 2012, our power segment had revenues of approximately US$128 million, representing 21% of our total consolidated revenues, and adjusted EBITDA of US$17 million, representing 5% of our total adjusted EBITDA for the year.

Our Strengths

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

- ***Proven development capability and extensive experience operating diverse energy assets***. With over 16 years of experience operating in Mexico, we have developed the necessary skills and relationships to successfully build, own and operate critical energy infrastructure in Mexico. Over this time, we have established a proven track record of building greenfield and brownfield projects and the flexibility to acquire energy assets in existing and new lines of business. We made our first investment in Mexico in 1996, when we won the first private natural gas distribution permit awarded in Mexico, and have subsequently developed our Ecogas business into a model natural gas distribution company. Our largest project to date is the investment of US$1.2 billion in our LNG terminal. Other notable projects include our approximately US$350 million investment to construct our natural gas-fired combined-cycle power plant in Mexicali, Baja California, our 2010 acquisition of US$300 million of Mexican energy infrastructure assets from El Paso Corporation, which includes our joint venture with Pemex Gas, and our US$200 million investment in expanding our Baja East and Baja West pipeline systems.
- ***Cash flow stability and visibility through long-term contracts.*** We have contracted out a substantial portion of the capacity of our assets across our business segments under long-term agreements under which our customers are required to pay us regardless of whether they actually use their contracted capacity, which helps provide us with steady and predictable long-term cash flows. Substantially all of these contracts are with stable, creditworthy, private counterparties or with state-owned entities and are US dollar-denominated. In addition to enhancing the stability of our cash flows, these firm capacity contracts also minimize our direct exposure to commodity price risk. The current fee structure minimizes our market risk in that rates, which for some of our contracts are regulated by the Mexican Energy Regulatory Commission, are adjusted regularly to account for inflation or fluctuations in exchange rates.
- ***Broad footprint of energy assets covering wide market opportunity set.*** We are the only energy company with assets diversified across the entire energy infrastructure value chain that is open to private investment in Mexico, including pipelines, LNG, natural gas distribution and power generation. Given our scale, geographic position and diverse asset base, we believe we are ideally positioned to continue to expand and build out our platform of energy infrastructure assets. Given our track record as pioneers in private energy infrastructure investment in Mexico and our relationships with key players in the industry, we are well-positioned to expand into new energy sectors as opportunities for private investment arise. In addition, as the majority of our energy infrastructure assets are located across Northern Mexico, we are strategically positioned to be a key player in the growing demand for the importation and transportation of hydrocarbons across the Mexico—U.S. border.
- ***First-mover in developing Mexico’s private energy infrastructure.*** We are one of the few privately held companies in Mexico that owns and operates energy infrastructure, and we were one of the first privately-held companies to become involved in the Mexican energy infrastructure market. Since the Mexican government opened the natural gas sector to private investment in 1995, we have invested approximately US$2.4 billion in energy infrastructure in the country, successfully expanding into several sectors as changes to Mexican regulations have opened up new areas to private investment. This experience as

pioneers in owning and operating energy infrastructure in Mexico has helped us establish a leading position in our industry. Currently, we rank first and second among private companies in terms of market share in the LNG and pipelines markets in Mexico, according to the Mexican Energy Ministry, with approximately 50% and 28% of the market, respectively. We are well-positioned to act as a first-mover in new energy markets as additional opportunities arise, capitalizing on our extensive experience.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses.*** We have worked closely with the Mexican Energy Regulatory Commission and other Mexican energy regulatory bodies over the past 16 years and have developed a deep understanding of the regulatory process regarding the Mexican energy sector. We believe our cooperation and close coordination with the relevant regulatory bodies in Mexico are key strengths of our business, and we intend to continue to nurture and build upon these positive relationships. We also have long-term contractual relationships with government-controlled energy companies (PEMEX and the Mexican Federal Electricity Commission), as well as permits and authorizations to develop and operate our energy assets in Mexico.

- ***Experienced management team.*** Our management team has extensive experience in the energy infrastructure sector. The members of our senior management team have an average of over 16 years of experience operating and developing assets in the Mexican energy sector. We have the knowledge and skills necessary to successfully and safely manage all of our assets and operations and the development expertise necessary to expand our existing footprint and enter into new energy sectors as opportunities arise. We believe our management team is one of our principal competitive strengths relative to our industry peers.

- ***World-class parent company.*** We also benefit from the strong support of our indirect controlling shareholder, Sempra Energy, which has a long history of building diversified energy services companies on a global scale. Based in San Diego, California, Sempra Energy is a Fortune 500 company providing energy services, with revenues of approximately US$10 billion in 2012. Sempra Energy companies employ nearly 17,000 people and provide energy-related products and services to more than 31 million consumers worldwide. Through our relationship with Sempra Energy, we expect to continue to have access to a significant pool of strong commercial relationships throughout the energy industry and broad operational, commercial, technical, risk management and administrative infrastructure and support. We believe this access should, among other things, continue to maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.

- ***Low debt levels.*** As of December 31, 2012, after giving proforma effect to (1) our February 14, 2013 issuance of an aggregate principal amount of Ps.5.2 billion of Mexican peso-denominated notes (*certificados bursátiles,* or CEBURES) (approximately US$408 million using the exchange rate as of February 12, 2013 of Ps.12.7364 to US$1.00, as reported by Banco de México), which we refer to as the CEBURES offering, and (2) our repayment since December 31, 2012 of approximately US$376 million in indebtedness we owed to affiliates, we had approximately US$447 million in total outstanding indebtedness and a debt-to-adjusted-EBITDA ratio of 1.35, giving us the balance sheet flexibility to competitively pursue acquisitions and organic growth opportunities and new greenfield opportunities.

Our Strategy

We expect to continue our strategy of investing in a combination of diversified energy assets in Mexico that are capable of generating stable and predictable long-term cash flows. A key aspect of our strategy is to leverage our expertise and relationships in expanding into new energy sectors that we anticipate could open as changes to Mexican regulations allow more private investment across the industry over time. We seek to grow by investing capital at attractive rates of return in existing brownfield and new greenfield projects, building out our position in existing businesses or acquiring new businesses, and establishing partnerships or joint ventures in strategic projects. We generally focus on businesses that have contracts that produce long-term, stable cash flows. We have contracted out a substantial portion of our existing capacity under long-term agreements with highly-rated, creditworthy counterparties who are obligated to pay us regardless of whether they actually use their contracted capacity. We focus on investments that either provide operational control of the asset or the ability to exert significant influence over the day-to-day operations and strategic direction of the investment. We seek to achieve these goals through the following strategies:

- ***Expand and optimize our existing assets.*** We have invested approximately US$2.4 billion in Mexican energy infrastructure projects across our business segments. Over the past three years we have invested an average of approximately US$35.2 million annually on maintenance and growth projects throughout our system. We are constantly looking to expand our existing system in a profitable manner. For example, as discussed above, we are currently developing (1) our Guadalajara LPG storage facility, an 80,000 Bbl (4.4 MMTh) LPG storage facility which we expect to become operational in the second quarter of 2013, (2) our Energía Sierra Juárez wind farm, with a capacity of up to approximately 156 MW in the initial phase (expected to become operational in 2014), (3) the Sonora Pipelines, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km and total combined firm take-or-pay capacity of 1,280 MMcfd (13.3 MMThd), pursuant to two natural gas transportation service agreements entered into with the Mexican Federal Electricity Commission in October 2012 and (4) a 226 km ethane pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) (expected to become operational in the third quarter of 2014). The Sonora Pipelines will be located in a region that is not currently served by natural gas pipelines, and we expect that the introduction of natural gas infrastructure there will foster new industry growth and represent an opportunity for further pipeline expansion.
- ***Grow our joint venture with Pemex Gas***. Our joint venture with Pemex Gas has provided us with substantial opportunities for the development of natural gas and LPG pipelines and storage facilities. We continue to seek additional growth through this joint venture by adding contracted energy infrastructure projects to its existing asset base.
- ***Continue to expand our network of energy assets in Mexico.*** As pioneers in private investment in the Mexican energy industry, we are well-positioned to increase our revenues and profitability by expanding into new energy sectors that we anticipate could be opened to private investment by additional changes to Mexican regulations. We also believe there are numerous long-term expansion opportunities available to our existing asset base, such as building additional natural gas, ethane and LPG pipelines and storage facilities, connecting our Mexicali power plant to the Mexican Federal Electricity Commission's electrical grid and implementing additional phases of development at our Energía Sierra Juárez wind farm, which is designed to include up to 1,200 MW of capacity at full build-out. We will continue to seek to develop and acquire assets capable of producing attractive rates of return, primarily through long-term, firm capacity contracts that generate stable cash flows.
- ***Long-term investment in energy infrastructure assets in Mexico.*** We believe continued economic growth in the country should drive increases in overall energy consumption and require significant additional investments in energy infrastructure assets. The Mexican Energy Ministry expects that demand for natural gas and electricity will increase from current levels by 35.2% and 64.8%, respectively, by 2025. In addition, the integration of infrastructure at the Mexico – U.S. border offers significant opportunities to develop additional resources to meet the strong demand in both countries. We believe these factors and historical under-investment in energy infrastructure in Mexico have resulted in an insufficient energy supply to meet Mexico's future needs, providing significant investment opportunities to capitalize on our business strategy.
- ***Liquefaction opportunities.*** Currently the spreads between natural gas prices in the U.S. and elsewhere in the world provide unique opportunities to export LNG, and several participants in the industry are developing LNG liquefaction and export facilities in the United States and Canada. Given our proximity

to the Mexico–U.S. border and our existing infrastructure, we believe our facilities are well positioned to take advantage of potential LNG liquefaction and export opportunities, depending on obtaining governmental authorization, market demand and a variety of other factors.

Recent Developments

Name Change. We changed our name to Infraestructura Energética Nova, S.A.B. de C.V. at our shareholders' meeting held on March 1, 2013, and will do business as IEnova. We have consolidated all of the Mexican energy assets of our indirect controlling shareholder, Sempra Energy, under a single organizational structure. These steps reaffirm our strategy of maintaining an independent Mexican company that integrates all of IEnova's assets under its own identity.

Declaration and Payment of Dividend. On March 1, 2013, we declared and paid a dividend in the amount of US$39 million (approximately Ps.500 million using the exchange rate as of that date of Ps.12.8322 to US$1.00, as reported by Banco de México).

CEBURES Offering. On February 14, 2013 we completed the CEBURES offering, which included Ps.1.3 billion of five-year notes with a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 basis points, or bps, and Ps.3.9 billion of 10-year notes with a fixed interest rate of 6.30%. We applied a portion of the approximately US$405 million net proceeds of the CEBURES offering to repay approximately US$356 million in long-term indebtedness we owed to affiliates and we will use the remaining net proceeds to fund our current investment plans and ongoing expansion plans. See "Liquidity and Capital Resources—Existing Indebtedness."

Los Ramones Pipeline. Pemex Gas has recently announced that the first phase of the Los Ramones project, which will consist of a natural gas pipeline from the northern portion of the State of Tamaulipas bordering the United States, to Los Ramones, in the Mexican state of Nuevo León, will be developed by our joint venture with Pemex Gas. The specifics of the project are still under discussion with Pemex.

Energy Management Services Agreement. In January 2013, we entered into an energy management services agreement with our affiliate, Sempra Generation. Pursuant to this agreement, which is effective as of January 1, 2012, Sempra Generation acts as marketing and scheduling coordinator for our electricity sales from our Termoeléctrica de Mexicali power plant and performs other related administrative, hedging and U.S. regulatory support tasks on our behalf. This agreement replaced an agreement that we previously had in place with Sempra Generation for the full capacity of the Termoeléctrica de Mexicali power plant.

Ethane Pipeline. In December 2012, our joint venture with Pemex Gas executed an ethane transportation services agreement with Pemex Gas to construct and operate an approximately 226 km pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) that will supply ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The pipeline is scheduled to begin operations in the third quarter of 2014. Pemex Gas will be the sole customer of this pipeline under a 21-year dollar-denominated take-or-pay capacity agreement, which will be indexed to inflation. The Etileno XXI plant is owned by Braskem IDESA, S.A.P.I. de C.V. The cost of construction for this pipeline, which is anticipated to be between approximately US$275 million and US$330 million, is expected to be paid for entirely by the joint venture without any additional capital contributions from the partners. This pipeline will be the first privately-owned ethane pipeline in Mexico.

Sonora Pipelines. In October 2012, the Mexican Federal Electricity Commission awarded to us two natural gas transportation service agreements. Under these agreements, which we entered into with the Mexican Federal Electricity Commission in October and November 2012, we will construct the Sonora Pipelines, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km and total combined capacity of

1,280 MMcfd (13.3 MMThd). The first segment of this project is an approximately 505 km, 36-inch diameter pipeline with 770 MMcfd (8.0 MMThd) of transportation capacity, and the second segment is an approximately 330 km, 30-inch pipeline with 510 MMcfd (5.3 MMThd) of transportation capacity. Pursuant to these agreements, we will provide dollar-denominated firm capacity transportation services to the Mexican Federal Electricity Commission on a take-or-pay basis for a term of 25 years from the date of commercial operation of each of the project's two segments. The committed commercial operation dates for these two segments are in years 2014 and 2016, respectively, and contractual penalties will apply, subject to limited exceptions, if we fail to meet the construction schedule in the agreement. Our estimated capital expenditures for the Sonora Pipelines are expected to be approximately US$1.0 billion, and we intend to finance this project through cash from operations, proceeds from this offering and other sources of external capital. We may also finance a portion of the project through debt or equity financing from our affiliates. In connection with these agreements, we have granted to the Mexican Federal Electricity Commission compliance guarantees in the form of two irrevocable stand-by letters of credit with an aggregate amount of US$155.0 million, which will be gradually reduced as the project is developed. In the event that we do not receive the necessary permits for these projects from the Mexican Energy Regulatory Commission, the Mexican Federal Electricity Commission may be entitled to draw upon these letters of credit. We have entered into agreements with various steel pipe producers pursuant to which these producers will provide us with 100% of the steel pipe that will be required for the construction of the Sonora Pipelines. We are currently in discussions with an unrelated third party in connection with the construction of the Sonora Pipelines project.

Sempra Energy

We are currently a wholly owned indirect subsidiary of Sempra Energy, a U.S. energy services holding company based in San Diego, California and listed on the New York Stock Exchange [NYSE: SRE]. Sempra Energy's first investment in Mexico was in 1996, when it won, in partnership with Proxima Gas, the first international public auction for natural gas distribution in Mexicali, Baja California held by the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*). Following the completion of the Global Offering and assuming that the initial purchasers' and the Mexican underwriters' options to purchase additional Shares are not exercised and no additional Shares are issued, Sempra Energy will continue to beneficially own approximately 83.15% of our outstanding Shares through wholly owned subsidiaries. Assuming that the over-allotment options to purchase additional Shares are exercised in full, Sempra Energy will continue to beneficially own approximately 81.10% of our outstanding Shares through wholly owned subsidiaries.

How to Reach Us

Our headquarters are located at Torre Esmeralda I, Blvd. Manuel Ávila Camacho No. 40, Floor 20, Lomas de Chapultepec, 11000 México, D.F. You can contact our investor relations department by telephone at +52 (55) 9138-0100 or by e-mail addressed to ienovainvestorrelations@sempraglobal.com. Our website is www.ienova.com.mx. Information contained on, or accessible through, our website is not incorporated by reference in, and shall not be considered part of this offering circular and shall not be relied upon in determining whether to invest in our Shares.

THE OFFERING

Issuer	Infraestructura Energética Nova, S.A.B. de C.V.
Shares offered in the Global Offering	189,661,305 Shares of our Class II common stock, no par value.
The International Offering	91,037,426 Shares to qualified institutional buyers (as defined in Rule 144A) in the United States, in reliance on Rule 144A under the Securities Act, and to institutional and other investors outside the United States that are not U.S. persons, in reliance on Regulation S under the Securities Act. The International Offering will be conducted by the initial purchasers.
The Mexican Offering	98,623,879 Shares to the general public in Mexico pursuant to a public offering registered in Mexico. The Mexican Offering will be conducted by the Mexican underwriters pursuant to a Spanish language prospectus prepared in accordance with Mexican law requirements that contains information that is substantially similar to that included in this offering circular.
The Global Offering	We refer to the International Offering and the Mexican Offering together as the Global Offering. This offering circular relates solely to the International Offering.
Reallocations	The Shares being offered in the Global Offering may be reallocated between the International Offering and the Mexican Offering by the initial purchasers and the Mexican underwriters based on the existing demand in the various markets in which the Shares will be offered, and the closings of the International Offering and the Mexican Offering are conditioned on each other. See "Plan of Distribution."
Over-allotment option	We have granted options to the initial purchasers and the Mexican underwriters, for a period of up to 30 days from the date of this offering circular, to purchase up to an additional 28,449,195 Shares at the initial offering price, less the underwriting discount, to cover over-allotments, if any. See "Plan of Distribution."
Offering price	The initial offering price of our Shares is Ps.34.00 per Share, which is equivalent to approximately US$2.75 per Share based upon an exchange rate of Ps.12.3841 to US$1.00 as of March 21, 2013, as published by Banco de México in the *Diario Oficial de la Federación*.
Shares outstanding immediately following the Global Offering	Immediately prior to the Global Offering, we had 935,913,312 Shares outstanding. After the Global Offering, we will have 1,125,574,617 Shares outstanding, assuming the overallotment options are not exercised, and 1,154,023,812 Shares outstanding, assuming the over-allotment options are exercised in full.

Voting rights	All of our Shares have full voting rights, and each Share entitles its holder to one vote at any general shareholders' meeting. See "Description of Our Capital Stock and Bylaws."
Dividend Policy	The amount and timing of dividends is determined by majority vote of our shareholders present at any shareholders' meeting. Although we do not have a formal dividend policy and have no current plans to adopt such a policy, we currently intend to declare dividends on an annual basis, with one or more payments during the year. See "Dividends and Dividend Policy."
Controlling shareholder	Following the completion of the Global Offering and assuming the overallotment options are not exercised, Sempra Energy will continue to beneficially own approximately 83.15% of our outstanding Shares through wholly owned subsidiaries. In the event that the over-allotment options to purchase additional Shares are exercised in full, Sempra Energy will continue to beneficially own approximately 81.10% of our outstanding Shares through wholly owned subsidiaries. See "Controlling Shareholder."
Lock-up agreements	We, our indirect controlling shareholder and our directors and officers have agreed that, subject to certain exceptions, we and they will not issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC or the CNBV a registration statement relating to, any of our Shares, or securities convertible into or exchangeable or exercisable for any of our Shares, or publicly disclose our intention to make any issue, offer, sale, pledge, disposition or filing, without the prior written consent of the initial purchasers and the Mexican underwriters, for a period of 180 days after the date of this offering circular.
Use of proceeds	We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately Ps.6.1 billion, which is equivalent to approximately US$496 million, based upon an exchange rate of Ps.12.3841 to US$1.00 as of March 21, 2013, as published by Banco de México, assuming the over-allotment options to purchase additional Shares are not exercised and no additional Shares are issued, or Ps.7.1 billion, which is equivalent to approximately US$571 million, based upon an exchange rate of Ps.12.3841 to US$1.00 as of March 21, 2013, as published by Banco de México, assuming the over-allotment options to purchase additional Shares are exercised in full, in each case, after deducting all commissions and fees in connection with the Global Offering and expenses. We will pay all expenses, commissions and fees related to the Global Offering. We intend to use the net proceeds to us from the sale of Shares by us in the Global Offering for general corporate purposes (approximately 10%), and for the funding of our current investment plans and ongoing expansion plans, divided between our gas segment (approximately 75%) and our power segment (approximately 15%). See "Use of Proceeds."

Payment, settlement and delivery	Settlement of the Shares will be made through the book-entry, settlement and custody system of Indeval. The initial purchasers will deliver the Shares in book-entry form only through the facilities of Indeval, in Mexico City, Mexico, on or about March 27, 2013.
Listing	We have registered the Shares with the RNV maintained by the CNBV and listed our Shares on the Mexican Stock Exchange.
Mexican Stock Exchange symbol	IENOVA
Transfer restrictions, no prior market	The Shares have not been and will not be registered or listed outside of Mexico, including under the Securities Act or under any U.S. state securities laws. The International Offering is being made pursuant to Rule 144A and Regulation S under the Securities Act. Accordingly, the Shares may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers as defined in Rule 144A in reliance on exemptions from registration provided under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." As a result of these restrictions, we advise you to consult with counsel before reoffering, reselling or transferring the Shares. No market currently exists for our Shares. We cannot assure you that a trading market will develop or will continue if developed.
Other restrictions on ownership and transfer	Our bylaws include anti-takeover protections. Generally, these provisions require board approval for acquisitions of our Shares at thresholds that are different than the statutory tender offer rules described elsewhere in this offering circular. See "Description of Our Capital Stock and Bylaws—Anti-Takeover Protections."
Taxation	Under Mexican law, dividends paid by us to holders of our Shares who are not residents of Mexico for tax purposes are not subject to any Mexican withholding or other similar tax. However, such dividends generally will be subject to corporate taxes if not paid from a net after-tax profits account. We currently intend that any dividends we pay will come from such account. Subject to certain requirements, sales of our Shares on the Mexican Stock Exchange by non-residents of Mexico are not subject to any Mexican withholding or other similar tax. See "Taxation."
Risk factors	See "Risk Factors" and the other information included in this offering circular for a discussion of factors you should carefully consider before deciding to invest in our Shares.

SUMMARY FINANCIAL INFORMATION

The following summary consolidated financial data for the years ended December 31, 2010, 2011 and 2012 are derived from our audited financial statements appearing elsewhere in this offering circular. You should read this data together with our audited financial statements and related notes appearing elsewhere in this offering circular and the information under the captions “Presentation of Financial and Other Information,” “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our historical results are not necessarily indicative of our future results.

On September 10, 2012, our indirect controlling shareholder, Sempra Energy, contributed Sempra Gasoductos to us. Sempra Gasoductos’s assets include our Aguaprieta pipeline system, our Naco compression station, and our 50% interest in our joint venture with Pemex Gas. This joint venture with Pemex Gas owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station, as well as the Guadalajara LPG storage facilities that are currently under construction. During the period from April 30, 2010, when Sempra Energy acquired Sempra Gasoductos, through September 10, 2012, we and Sempra Gasoductos were under the common ownership and control of our indirect controlling shareholder, Sempra Energy. Therefore, our financial statements included herein as of December 31, 2010 and 2011 and for the years ended December 31, 2010, 2011 and 2012 are presented on a combined basis, combining our accounts with the accounts of Sempra Gasoductos since the date of its acquisition through September 10, 2012. As of September 10, 2012, we assumed ownership and control of Sempra Gasoductos and therefore, as of that date, our financial information is prepared on a consolidated instead of combined basis. The contribution of Sempra Gasoductos did not otherwise have any effect on our operating results; however, it did increase our combined cash flows in 2010, which is presented in our consolidated and combined statement of cash flows for the year ended December 31, 2010. See “Presentation of Financial and Other Information.”

Consolidated Statements of Income

	Year Ended December 31,		
	2010	2011	2012
	(in thousands of US$)		
Revenue	$ 799,737	$ 822,476	$ 607,607
Cost of natural gas	(436,686)	(422,680)	(253,299)
Administrative and other expenses	(80,932)	(73,793)	(76,423)
Depreciation and amortization expenses	(62,897)	(63,080)	(61,349)
Interest income	545	883	1,027
Finance costs	(26,581)	(18,182)	(11,346)
Other losses	(13,681)	(16,092)	(8,845)
Profit before income tax and share of profits of joint venture	179,505	229,532	197,372
Income tax expense	(26,389)	(76,006)	(40,801)
Share of profits of joint venture, net of income tax	18,461	21,577	37,444
Profit for the year	**$ 171,577**	**$ 175,103**	**$ 194,015**

Consolidated Statements of Financial Position

	As of December 31,		
	2010	2011	2012
	(in thousands of US$)		
Assets			
Current assets			
Cash and cash equivalents	$ 54,379	$ 27,364	$ 85,073
Other current assets(1)	161,013	122,556	151,883
Total current assets	**215,392**	**149,920**	**236,956**
Non-current assets			
Investment in joint venture	272,572	294,155	331,599
Property, plant and equipment	1,937,914	1,885,959	1,884,739
Other non-current assets(2)	58,154	53,788	47,424
Total non-current assets	**2,268,640**	**2,233,902**	**2,263,762**
Total assets	**$2,484,032**	**$2,383,822**	**$2,500,718**
Equity and liabilities			
Current liabilities(3)	**$ 86,742**	**$ 88,009**	**$ 160,207**
Non-current liabilities			
Long-term indebtedness(4)	534,705	334,660	331,803
Other non-current liabilities(5)	228,625	265,890	245,590
Total non-current liabilities	**763,330**	**600,550**	**577,393**
Total liabilities	**850,072**	**688,559**	**737,600**
Total equity	**1,633,960**	**1,695,263**	**1,763,118**
Total equity and liabilities	**$2,484,032**	**$2,383,822**	**$2,500,718**

(1) Other current assets include trade and other receivables – net, current amounts due from related parties, current tax receivable, inventory of natural gas, derivative financial instruments and other less-significant current assets.
(2) Other non-current assets include accounts receivable from related parties, derivative financial instruments, finance lease receivables, deferred income tax assets, goodwill and other less-significant non-current assets.
(3) Current liabilities include trade and other payables, accounts payable to related parties, current tax liabilities, derivative financial instruments, other financial liabilities, provisions and other less-significant current liabilities.
(4) Long-term indebtedness includes non-current liabilities due to related parties.
(5) Other non-current liabilities include deferred income tax liabilities, non-current provisions, derivative financial instruments and post-employment and other long-term employee benefits.

Other Financial and Operating Data

	Year Ended December 31,		
	2010	2011	2012
	(in thousands of US$)		
Payments for property, plant and equipment	$ 37,800	$ 20,517	$ 47,297
EBITDA(1)	**300,580**	**347,580**	**315,329**
Adjusted EBITDA(1)	**314,875**	**373,286**	**330,076**
Adjusted EBITDA by Segment:			
Gas	272,987	304,577	314,657
Power	41,869	70,051	17,004
Corporate	19	(1,342)	(1,585)

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

RISK FACTORS

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

Risks Relating to Our Business and Our Industry

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

We operate under the laws and regulations of various federal, state and local governmental entities in Mexico and are required to obtain and maintain various permits, licenses and governmental approvals for our activities, and in some cases the prices that we charge for our products and services are limited by regulated rates set by governmental authorities. These regulations and permits may limit our operating flexibility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For example, in order to obtain the favorable opinion of the Mexican Antitrust Commission (*Comisión Federal de Competencia)* in connection with a permit we required for the operation of our Baja East pipelines system, we were required to agree to divest ourselves of the Mexicali components of our Ecogas natural gas distribution system. We have been subject to this obligation since 2000 and have made good faith efforts to comply with the obligation to divest ourselves of our Mexicali gas distribution system, but have not yet located a purchaser for these assets. We have notified the Mexican Antitrust Commission of our inability to find a purchaser and the Mexican Antitrust Commission has not yet imposed a deadline for this disposition at this time.

With respect to the regulated rates that we charge our customers, the Mexican Energy Regulatory Commission resets these rates periodically in accordance with applicable regulations, and the rates set by the Mexican Energy Regulatory Commission may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. In addition, in order to undertake new energy infrastructure projects in Mexico we may require additional permits from the Mexican Energy Regulatory Commission, and various factors, including a change in the Mexican Energy Regulatory Commission's energy policy, could result in our inability to obtain such permits.

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

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

Our business is subject to comprehensive federal, state and local environmental, health and safety legislation, as well as supervision by Mexican governmental agencies that are responsible for the implementation of such laws, regulations, official standards and related policies. These laws, regulations and official standards mandate, among other requirements, that we obtain and maintain environmental, health and safety licenses for construction and operation of all facilities, including our facilities related to the transportation, storage and distribution of natural gas and LPG and the generation of energy. These laws, regulations and official standards may also require us to obtain and maintain the following with respect to the construction and operation of our facilities: environmental impact authorizations; risk studies; accident prevention program authorizations; forestry land use change authorizations; air emissions operation licenses; local land use and construction licenses; waste disposal permits and authorizations including hazardous, special management and urban solid wastes; concession titles or permits for the use and exploitation of water and the discharge of wastewaters; and concession titles for the use of federal zones, construction of maritime infrastructure or installation of new equipment required for our operations. See "Business – Legal, Administrative and Arbitration Proceedings." The failure to obtain and maintain these authorizations, licenses, permits and concessions could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Even once obtained, compliance with authorizations, permits, concessions, regulations and license terms and conditions may be expensive, difficult or economically unfeasible thereby curtailing future operations. Moreover, governmental agencies could take enforcement action against us for our failure to comply with their laws, regulations, official standards and related policies. These enforcement actions could include, among other things, the imposition of economic fines or remediation obligations, the seizure of machinery and equipment, the revocation of licenses and/or the temporary or permanent closure of part or all of a facility, and possibly imprisonment if environmental violations are classified as criminal offenses. Compliance with enhanced environmental, safety and health regulations, including as a result of any environmental contamination or pollution for which we may be held liable in the future, could require us to divert resources to make capital expenditures. In addition, complying with environmental health and safety laws, regulations, official standards and related policies, including obtaining related licenses, permits, concessions and/or authorizations, could cause delays in the schedule of construction and improvements of any of our on-going projects and/or facilities for the transportation, storage and distribution of natural gas and generation of energy. Private parties may also have the right to pursue legal actions to enforce compliance and to seek damages for personal injury, property damage or for non-compliance with respect to environmental laws. The failure to comply with these authorizations, permits, concessions, regulations and license terms and conditions could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Mexico is also a party to many international agreements regarding environmental protection. Such international agreements, upon ratification by the senate, become a part of Mexican law. Under the North American Agreement on Environmental Cooperation, or NAAEC, a side agreement to the North American Free Trade Agreement, or NAFTA, each country that is a party to NAFTA, including Mexico, must ensure that its environmental laws and regulations are duly enforced. While NAAEC does not empower any of the environmental agencies of the three NAFTA partners to enforce the environmental laws of another party, if a NAFTA partner fails to enforce its domestic environmental laws, it may be subject to the dispute mechanism created within the NAAEC, which may lead to monetary penalties, and in some cases, to the suspension of NAFTA benefits, the result of which could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Moreover, we anticipate that the regulation of our business operations under Mexican federal, state and local environmental laws and regulations will increase and become more stringent over time, including as a result of (1) pending regulations related to a recently-enacted General Law on Climate Change (which are expected to impose an internal system of limitation on emissions, trade of permits and reduction certificates to allow the federal government to achieve its goals on greenhouse gas reduction), (2) recently-enacted legislation regarding class action lawsuits, which provides a legal framework for the formation of plaintiff classes and aggregating environmental-related claims into a single lawsuit, and (3) potential approval of a bill of Federal Law on Environmental Liability that, if enacted, could significantly increase liability for environmental damages in Mexico. See "Regulatory, Permits and Environmental Matters." While it is difficult to predict the scope and effect of new environmental laws and regulations, such changes could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

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

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

As of December 31, 2012 we had outstanding borrowings from affiliates in the amount of approximately US$415 million (prior to the completion of our CEBURES offering in February of 2013 and the repayment of our then outstanding affiliate indebtedness). If our affiliates do not provide us with debt financing in the future, we may be unable to secure alternative sources of funding, which would have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. While we believe that the rates and terms of the borrowings we have received in the past from our affiliates are comparable to those we would have obtained from unrelated third parties in arm's-length transactions, we can provide no assurance that we would have been able to obtain such borrowings from unrelated third parties at rates and on terms that were as favorable to us as those we have received from our affiliates. We may not be able to obtain similar financing from these affiliates or any alternate third party at reasonable rates and terms or at all. Any failure to obtain sufficient debt financing on acceptable rates and terms could adversely affect our ability to satisfy our contractual obligations or to grow our business, and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

Our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares may be materially adversely affected by the outcome of pending litigation against us or affecting our permits or property rights in connection with our LNG terminal, Termoeléctrica de Mexicali power generation facility, wind power generation project and our development of the Sonora Pipelines project.

Several parties have initiated actions with the Mexican Environmental Protection Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*) or the Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*), challenging the Environmental Impact Authorization, or environmental authorization, for our LNG terminal, and one party has brought a civil action challenging the issuance of the authorizations and permits issued for the construction and operation of our LNG terminal, or the LNG terminal permits. While, to date, the Mexican Environmental Protection Ministry and the Mexican Environmental Protection Enforcement Agency have found against the claimants challenging this environmental authorization, the claimants have appealed these determinations. There has not yet been any determination on the merits regarding the challenge to the LNG terminal permits. In the event any of these parties were to ultimately prevail against us, this could result in a modification to (or in extreme circumstances, a nullification of) our environmental authorization or one or more of the LNG terminal permits. To the extent that any such modifications require new investments to comply with more stringent mitigation measures or conditions, such modifications could materially adversely affect our terminal's operations. If our environmental authorization or one or more of the LNG terminal permits were to be nullified, it could result in our terminal being unable to continue operations, which also could result in breaches of one or more permits or contracts to which we are a party. Any modification or nullification of our environmental authorization or one or more of the LNG terminal permits could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

We also are engaged in disputes regarding our title to the properties on which our LNG terminal is located and our title to the property on which our Termoeléctrica de Mexicali power generation facility is located. In June 2012, the state civil court in Mexicali ruled that our title to the property on which our Termoeléctrica de Mexicali power generation facility is located was invalid due to procedural errors made by our predecessor in title. However, the court also declined to award title to the claimant, and we are appealing the ruling invalidating our title. In the event that we are unable to defend and retain title to the properties on which our LNG terminal is located or the property on which our power generation facility is located, we could lose our rights to occupy and use such properties and the related facility or terminal, which could result in breaches of one or more permits or contracts that we have entered into with respect to such facility and/or terminal. If we are unable to occupy and use such properties and the related facility or terminal, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

In addition, a non-governmental environmental organization in Mexico has filed an administrative appeal challenging the Mexican Environmental Protection Ministry's issuance of an environmental authorization for the construction and operation of the wind power generation project we are currently developing. If this claimant prevails, that environmental authorization could be modified or annulled, which could materially adversely affect the timing or development of that project and have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Lastly, Sásabe Pipeline, a second place bidder in the public tender pursuant to which the Mexican Federal Electricity Commission recently awarded us the Sásabe – Guaymas segment of the Sonora Pipelines project, filed an *amparo* (a specialized suit seeking redress for actions of governmental authorities alleged to have violated constitutional rights) in October 2012 challenging the tender process and the award resolution in our favor. Sásabe Pipeline's *amparo* was filed against 11 different governmental authorities, including the President of Mexico, the Mexican Energy Ministry and the Mexican Federal Electricity Commission. The *amparo* alleges, in general terms, that Sásabe Pipeline's rights were violated, and specifically that it was discriminated against in the bidding process. No date has been set for the hearing, and consequently the agreement between us and the Mexican Federal Electricity Commission is effective. In February 2013, we were notified of an *amparo* filed by Guaymas Pipeline, which forms part of the same business group as Sásabe Pipeline, pursuant to which Guaymas Pipeline demanded nullification of the bidding process related to the award of the Guaymas – El Oro segment to us. Guaymas Pipeline did not present a proposal to the Mexican Federal Electricity Commission in this bidding process and did not request a suspension of the award to us. We believe that Sásabe Pipeline's and Guaymas Pipeline's claims are without merit.

If either of these claimants prevails, the applicable award could be nullified, which would prevent our development of that segment of the Sonora Pipelines project and have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. If an award is nullified, the Mexican Federal Electricity Commission would be legally obligated to pay us the damages we suffer as a result of such nullification. However, we cannot provide any assurance of the result of the *amparo* proceedings, nor can we determine whether such damages would be sufficient to compensate us for the total loss we could suffer as a result of an award being nullified.

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

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

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

A permit may be revoked by the Mexican Energy Regulatory Commission for certain reasons set forth in the Mexican Petroleum Regulatory Law (*Ley Reglementaria del Artículo 27 Constitucional en el Ramo del Petróleo*) and other legislation applicable to natural gas, LPG and electric power, including (1) if we engage in discriminatory practices or charge rates in excess of the maximum rates established by the Mexican Energy

Regulatory Commission, (2) if we transfer the permit in violation of its terms or applicable legislation, or (3) if we fail to take action to utilize the permit within the term provided therein. In addition, our permits may be revoked in certain circumstances, including if we do not comply with our obligations under Mexican standards or conditions under the permits, or if we experience partial or total interruption in the operation of the system or facility without justified cause or authorization from the Mexican Energy Regulatory Commission.

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

Natural disasters, accidents, acts of terrorism or criminality could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our facilities, including our LNG terminal, pipeline systems, power generation facilities, and office buildings may be damaged by natural disasters, accidents, acts of terrorism or criminality. Substantially all of our assets are located in areas of northern and central Mexico that are susceptible to earthquakes and wildfires. In April 2010 an earthquake in the vicinity of our Termoeléctrica de Mexicali power plant caused approximately US$6.8 million in damages and disrupted our operations for approximately six weeks while remedial maintenance was performed. The remedial maintenance from that earthquake included temporary repairs to the power plant's water containment tank. We are currently working on a replacement tank for that facility; this tank has been constructed, but is not yet operative. We are currently identifying measures to bring the replacement tank to full operation. We do not expect that the replacement tank will be placed in service until late 2013 or early 2014. In addition, in September and October 2012, certain assets owned by PEMEX (located in the vicinity of our TDF LPG pipeline and the LPG storage facility we are developing near Guadalajara, Jalisco), suffered explosions, temporarily interrupting the operation of the TDF LPG pipeline and the construction of our LPG storage facility (though these incidents did not have a material effect on our financial condition). Similar incidents could result in severe business disruptions, significant decreases in revenues, and/or significant additional costs to us. Any such incident could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

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

- obtaining the necessary property rights;
- negotiation of satisfactory engineering, procurement and construction agreements;

- negotiation of supply and natural gas or electricity sales agreements or firm capacity service agreements;
- receipt of required governmental permits; and
- timely implementation and satisfactory completion of construction.

Successful completion of a particular project may be adversely affected by various factors, including:

- unforeseen engineering problems;
- construction delays and contractor performance shortfalls;
- work stoppages, strikes or boycotts;
- equipment supply;
- adverse weather conditions;
- environmental and geological conditions;
- opposition or challenges by non-governmental environmental organizations;
- risks related to brownfield projects, such as hidden defects, inherited environmental liabilities and problems with rights-of-way; and
- unanticipated increases in costs associated with known or unknown adverse environmental conditions, including costs of compliance with environmental laws.

In particular, the Energía Sierra Juárez wind powered generation project, which we are developing in the Sierra de Juárez Mountains in Baja California, Mexico, is dependent on additional approvals from the Mexican Federal Electricity Commission and the Mexican Energy Regulatory Commission, as well as conditions regarding our securing financing for the project, and failure to obtain such approvals or financing could prevent us from developing the project. The Mexican Federal Electricity Commission issued a negative advisory opinion prior to the issuance of the conditional permits we have subsequently issued, and we continue to work with the Mexican Energy Regulatory Commission and Mexican Federal Electricity Commission to obtain a positive advisory opinion from the latter in order to comply with such conditional permits. Further, we expect that all of the electricity generated from the initial phase of this project would be supplied to our affiliate Energia Sierra Juarez U.S., LLC for sale to our affiliate San Diego Gas & Electric Company pursuant to a purchase agreement entered into between these affiliates in April 2011. Delays in obtaining this permit could potentially prevent us from being operational at the time required by that agreement, which would allow San Diego Gas & Electric Company to terminate the agreement without penalty. Energia Sierra Juarez U.S., LLC also has the right to terminate the agreement if we are unable to timely obtain the necessary permits.

If we are unable, or elect not, to complete the development of a project, including the Energía Sierra Juárez wind project, the LPG storage facility we are currently constructing through our joint venture with Pemex Gas outside of Guadalajara, Jalisco, the approximately 835 km Sonora Pipelines infrastructure project we were recently awarded by the Mexican Federal Electricity Commission, or the approximately 226 km ethane pipeline we are currently developing through our joint venture with Pemex Gas, we may be unable to recover our investment in such projects or have to make payments under performance obligations we have made, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

The market for new energy infrastructure projects in Mexico is highly competitive. We compete with Mexican and foreign companies for most of the new energy infrastructure projects in Mexico and some of our competitors may have better access to capital and greater financial and other resources, which would give them a competitive advantage in bidding for such projects. In addition, we may not be able to obtain additional permits from the Mexican Energy Regulatory Commission which may be required for new energy infrastructure projects.

Further, the projections contained elsewhere in this offering circular relating to growth in the Mexican energy sector may not ultimately be correct. The inability to successfully obtain new energy infrastructure projects may adversely affect our ability to grow our business, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

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

We generally endeavor to secure long-term contracts with customers to optimize the use of our facilities, reduce volatility in earnings and support the construction of new infrastructure. However, if these contracts are at fixed prices, the profitability of the contract may be materially adversely affected by inflationary pressures (in the case of contracts which are not adjusted for inflation), including rising operational costs and commodity prices, fuel costs, costs of labor, materials and equipment, rising interest rates that affect financing costs, and changes in the U.S. dollar to Mexican Peso exchange rate. In addition, our contract counterparties to long-term contracts may potentially default on their obligations under these agreements. Any of these factors may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

- the possibility of performing below expected levels of output or efficiency;
- facility shutdowns due to wear and tear, defects, design errors or the breakdown or failure of equipment or processes, or shortages of replacement equipment, consumables such as oil and grease or spare parts;
- unanticipated costs of operations and maintenance;
- failure to operate at design specifications;
- operator error; and
- government exercise of eminent domain power or similar events.

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

Our business depends on a limited number of customers with which we have entered into long-term agreements.

Under our long-term LNG terminal capacity agreements with Shell, Gazprom and our subsidiary LNG Marketing, these customers of our LNG terminal pay us capacity reservation and usage fees to receive, store and regasify their LNG. We also maintain long-term capacity agreements for the transportation of natural gas and LPG through our pipelines with a limited number of key customers, including Pemex Gas, the Mexican Federal Electricity Commission, Shell, Gazprom, Intergen and our subsidiary LNG Marketing. Under these agreements, customers pay capacity reservation and usage fees to receive, transport and deliver natural gas or LPG, as applicable, through our pipelines. After giving effect to the consolidation of the intercompany revenues that we received from our subsidiary customer LNG Marketing, collectively our top six sources of revenue represented approximately 82% of our revenue for the year ended December 31, 2012. Other than these six highest sources of revenue, no other customer represented more than 4% of our revenues for 2012. Our single largest customer in 2012 accounted for approximately 24% of our revenue.

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

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

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

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

Our businesses depend on key suppliers performing in accordance with their agreements. In particular, our LNG business has been relying upon Sempra Natural Gas for an adequate supply of LNG to keep our LNG terminal sufficiently cold to remain in continuous operations and as a source of natural gas to sell to customers.

Since our LNG terminal commenced operations, we have not been able to obtain sufficient quantities of LNG from Sempra Natural Gas to satisfy all of LNG Marketing's contractual obligations to its natural gas customers using regasified LNG. However, Sempra Natural Gas is able to purchase and supply the required quantities of gas at the U.S. border, and Sempra Natural Gas makes payments to LNG Marketing to cover fixed LNG terminal and pipeline capacity costs to the extent its reserved capacity is underutilized because it provides LNG Marketing less than the full amount of LNG each year. This payment obligation has mitigated the losses that LNG Marketing would otherwise have experienced in recent years. With respect to our Ecogas natural gas distribution business, we rely principally on Petroleos Mexicanos, or PEMEX, and British Petroleum for the supply of natural gas that we distribute to our customers. If any of these key suppliers fail to perform, we could incur substantial expenses and, in some cases, be exposed to commodity price risk and volatility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

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

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

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

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

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

We do not own all of the land on which our pipelines, facilities and ancillary infrastructure are located, so our operations could be disrupted by actions of the landowners. Furthermore, delays or the impossibility of obtaining the release of rights-of-way to the land, through which some of our energy projects currently under construction will be laid, may cause material cost increases and delays in the start of operations.

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

We may face construction delays or increases in costs in our energy generation projects as a result of delays or the impossibility of obtaining rights-of-way to the land through which power transmission lines will be constructed. Power transmission line projects require the Mexican federal government, the permit holder, or both to obtain legal authorizations to use third party lands to construct and operate a particular project. If rights-of-way are not obtained on time, we may incur additional costs and delays in the start of operations. Furthermore, in the event that rights-of-way are impossible to obtain, we may be required to change the route of a project, which may also result in cost increases and delays in the start of operations, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our businesses are exposed to market risks, including fluctuations in commodity prices, and our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares may be materially adversely affected by these risks.

We buy energy-related commodities from time to time in order to satisfy contractual obligations with customers. Our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares could be materially adversely affected if the prevailing market prices for electricity, natural gas, LNG or other commodities that we buy change in a direction or manner not anticipated and for which we had not provided adequately through purchase or sale commitments or other hedging transactions. In addition, though we are not directly exposed to market risk at this time in our Ecogas natural gas distribution business due to the fact that the price we pay for natural gas is passed through directly to the Ecogas customers, natural gas prices relative to LPG prices affect our ability to market natural gas and therefore the market prices for natural gas can have a material impact on our natural gas distribution business. Pursuant to our existing energy management services contract entered into in January 2013 with our affiliate, Sempra Generation, our Termoeléctrica de Mexicali power plant began selling electricity into the U.S. market on a merchant basis, effective as of January 1, 2012. Under this arrangement we are no longer being reimbursed for our purchases of natural gas to fuel the Termoeléctrica de Mexicali power plant as we were in prior years and may also need to purchase electricity in the open market to satisfy contractual obligations. This arrangement exposes us to significantly more commodity price risk than the previous agreement we had in place to sell electricity from the power plant directly to our affiliate Sempra Generation. Additionally, under this new agreement our annual costs of energy management services rose by approximately US$5.0 million in connection with Termoeléctrica de Mexicali. Furthermore, we currently purchase natural gas to supply our Termoeléctrica de Mexicali power plant from JPM Ventures Energy pursuant to an agreement that expires on September 1, 2014, and after such expiration we expect to supply our Termoeléctrica de Mexicali facility with natural gas purchased directly from our subsidiary LNG Marketing. Because the agreement between us and JPM Ventures Energy provides for JPM Ventures Energy to sell natural gas to us at a price that is currently less than the rate we would otherwise have to pay to have natural gas delivered to the facility, we expect that our costs will increase as a result of the expiration of this agreement in September 2014, assuming market conditions remain substantially the same. Our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares may be materially adversely affected by fluctuations in commodity market prices.

We cannot and do not attempt to fully hedge our assets or contract positions against changes in commodity prices and our hedging procedures may not work as planned.

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

Unanticipated changes in market prices for energy-related commodities result from multiple factors, including: (1) weather conditions, (2) seasonality, (3) changes in supply and demand, (4) transmission or transportation constraints or inefficiencies, (5) availability of competitively priced alternative energy sources, and (6) commodity production levels. Finally, we often extend credit to counterparties and customers. While we perform credit analyses prior to extending credit, we are exposed to the risk we may not be able to collect amounts owed to us. Such changes in market prices or inability to collect amounts owed to us could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For additional information regarding our hedging strategy and position, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Quantitative and Qualitative Discussion of Market Risk" and Note 19 to our audited financial statements included elsewhere in this offering circular.

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

Currently LPG prices, which are impacted by the market price of crude oil, are subsidized by the Mexican federal government; these LPG subsidies could put our Ecogas distribution system's unsubsidized natural gas product at a competitive disadvantage. If the LPG price subsidy policy of the Mexican federal government continues and we are not able to obtain competitively priced natural gas relative to the LPG that is available to our customers and potential customers through our competitors, the profitability of our natural gas distribution business could be materially adversely affected, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Our risk management procedures may not prevent losses.

Although we have in place risk management systems and control systems that use advanced methodologies to quantify and manage risk, these systems may not always prevent material losses. Risk management procedures may not always be followed or may not always work as planned. In addition, daily value-at-risk and loss limits are based on historic price movements. If prices significantly or persistently deviate from historic prices, the limits may not protect us from significant losses. As a result of these and other factors, there is no assurance that our risk management procedures will prevent losses that could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

A material portion of our pipelines business is conducted through our joint venture with Pemex Gas, over which we share joint control.

We maintain a 50% interest in our joint venture with Pemex Gas. This joint venture operates two natural gas pipelines and an LPG system in northern Mexico, is constructing an LPG storage facility outside of Guadalajara, Jalisco, and recently contracted to construct an ethane pipeline. All material operating and management decisions related to this joint venture, including the decision to declare dividends or distributions or reinvest profits, require the unanimous approval of both members of the joint venture. Historically, this joint venture has reinvested its profits and has not paid regular dividends. We can provide no assurances that the members of the joint venture will agree to the declaration of dividends or reinvestment of profits in the future. The joint venture's organizational documents do not provide for a deadlock resolution mechanism other than arbitration. In the event that we do not reach an agreement with Pemex Gas on an issue that requires the unanimous approval of the partners, we may have to resort to arbitration to resolve the issue, which could adversely affect the operations of the businesses operated through the joint venture and in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Since 2009, Pemex Gas has been under an obligation, pursuant to a regulation issued by the Mexican Antitrust Commission, to divest itself of its interest in certain of the assets of our joint venture. If Pemex Gas divests of its partnership interests in the joint venture, we will have a right of first refusal to acquire such interests, which could result in our sole ownership and control of all of the joint venture. We cannot assure you that we will exercise such right of first refusal, and in the event that we were to exercise such right it would require a material capital commitment for which we may not have adequate resources. In the event that we fail to elect to exercise our right of first refusal or are otherwise unable to exercise such right if Pemex Gas divests of its partnership interests, another party could acquire those interests and become our partner in the joint venture. We cannot assure that we and any such third party would be able to cooperate effectively in the operation of the joint venture. Given the joint venture's requirement that all material operating and management decisions be made with the unanimous approval of the partners, if any future joint venture partner were unwilling to cooperate effectively with us in the management and operation of the joint venture, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

At December 31, 2012, we had 437 employees, of whom 413 were employed by our subsidiary companies which provide operation and maintenance services for our facilities. Several of our operating subsidiaries have entered into and have in place collective bargaining agreements with different labor unions. Our collective bargaining agreements are negotiated on a facility-by-facility basis, and the compensation terms are adjusted on an annual basis, whereas all other terms are renegotiated every two years.

Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. Labor disruptions, strikes or significant negotiated wage increases, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

The operations and continued growth of our business is dependent upon being able to attract and retain personnel, including corporate management, specialized engineers and employees, who have the necessary and required experience and expertise to manage and operate our businesses. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. We do not maintain key-man life insurance on our management team. In the event that we were to lose the services of any such personnel, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

The insurance contracts we have may be inadequate.

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

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

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

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

- explosions;
- fires;

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

If any of these hazards were to cause an accident, damage or destruction in relation to our business, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

Our natural gas distribution business had been entitled to a 12-year period of exclusivity with respect to each of its three distribution zones. As the last of these exclusivity periods expired in 2011, we could face competition from other distributors of natural gas in all of our distribution zones as other distributors of natural gas are now legally permitted to build natural gas distribution systems within our distribution zones and compete with us for customers within our distribution zones. To the extent that other distributors of natural gas expand or construct distribution systems in our distribution zones, that expansion or market entry could create additional competition against the natural gas we provide to our customers, and if we are unable to successfully compete against any such competitors, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

Elements of our energy infrastructure may be exposed to cyber security risks. In addition to general information and cyber risks, such as malware, malicious intent by insiders and inadvertent disclosure of sensitive information, the energy industry faces new cyber security risks associated with automated metering and other electronic infrastructure components. Deployment of these technologies represents a new and large-scale opportunity for attacks on information systems and, more importantly, on the integrity of the energy grid. While addressing these risks is the subject of significant ongoing activities across our business, we cannot ensure that a successful attack will not occur. Such an attack to our information systems, the integrity of the energy grid, or one of our facilities could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

Risks Relating to Mexico

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

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

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. dollars (except for certain restrictions related to cash transactions involving a U.S. dollar payment to a Mexican bank) or other currencies and Mexico has not had a fixed exchange rate policy since 1982. The Mexican peso has been subject to significant devaluations against the U.S. dollar in the past and may be subject to significant fluctuations in the future. Severe devaluations or depreciations of the Mexican peso may result in governmental intervention to institute restrictive exchange control policies, as has occurred before in Mexico and other Latin American countries. Accordingly, fluctuations in the value of the Mexican peso against other currencies, particularly the U.S. dollar, may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For information regarding recent trends in the Mexican peso – U.S. dollar exchange rate, see "Exchange Rates."

After being significantly impacted by the global economic crisis that began in 2008, Mexico's gross domestic product, or GDP, fell 6.1% in 2009, the sharpest decline since 1932, according to the World Bank. Conversely, Mexico's GDP grew by 5.6% and 3.9%, respectively, in 2010 and 2011 and, according to Banco de México, is estimated to have grown by 4.0% in 2012. However, if the Mexican economy experiences another recession, if inflation or interest rates increase significantly or if the Mexican economy is otherwise adversely impacted, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Changes in Mexican federal governmental policies could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

The Mexican government could implement significant changes in laws, policies and regulations, which could affect the economic and political situation in Mexico. The most recent presidential and congressional elections took place in July 2012, and Enrique Peña Nieto, a member of the Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI), was elected President of Mexico and took office on December 1, 2012, ending a 12-year period of control by National Action Party (*Partido Acción Nacional* or PAN) presidents. In addition, the Mexican president has a strong influence over new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Because the PRI did not win an absolute majority of the legislature, it will be required to form coalitions with other parties to pass legislation proposed by the President, which could result in government gridlock and political uncertainty including, significantly for us, on the structural reforms required to modernize certain sectors of the Mexican economy, such as the energy sector.

Our performance historically has been tied to the willingness of the Mexican government, including through the Mexican Federal Electricity Commission and the state-owned energy company PEMEX, to invite private investment in energy infrastructure facilities and contract with private companies for energy-related services. Such willingness to invite private participation in the industry is generally dependent on the political climate in Mexico. We cannot provide any assurance that the current political situation or any future developments in Mexico will not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

The recent increase in violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a negative effect on our financial condition or performance.

Over the past few years Mexico has experienced a significant increase in violence relating to illegal drug trafficking, particularly in Mexico's northern states near the U.S. border, and most of our facilities are located in this region. This increase in violence has had an adverse impact on the economic activity in Mexico. Also, social instability in Mexico and adverse social or political developments in or affecting Mexico could materially adversely affect us and our financial performance. In addition, violent crime may increase our insurance and security costs. We cannot assure you that the levels of violent crime in Mexico, over which we have no control, will not increase or will decrease. An increase in violent crime could have material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

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

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

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

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of NAFTA and increased economic activity between the two countries. Adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

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

The newly-enacted Mexican Federal Anticorruption Law (*Ley Federal Anticorrupción en Contrataciones Públicas*), the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials and other persons for the purpose of obtaining or retaining business. There can be no assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

Risks Relating to Our Shares and to this Offering

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

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

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- investors' perceptions of our prospects and the prospects of our sector;
- potential differences between our actual financial and operating results and those expected by investors;
- changes in earnings or variations in operating results;
- operating performance of companies comparable to us;
- actions by our indirect controlling shareholder with respect to the disposition of the Shares it beneficially owns or the perception that such actions might occur;
- additions or departures of key management personnel;
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- new laws or regulations or new interpretations of laws and regulations, including tax guidelines, applicable to our businesses or the Shares;
- general economic trends in the Mexican, United States or global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- political conditions or events in Mexico, the United States and other countries.

Although we have no present intention to do so, in the future, we may issue additional equity securities. Any such issuances or the prospect of any such issuances could result in a dilution of shareholders' economic and voting rights in us or a negative market perception and potentially a material decrease in the market price of the Shares. In addition, our indirect controlling shareholder may dispose in whole or in part of its interest in us, which could result in a negative perception and potentially a material decline in the market price of the Shares.

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

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Shares. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our Shares to decline and delay the development of our projects. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

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

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

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

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

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

There is currently no market for the Shares. We cannot predict whether a market for the Shares will develop on the Mexican Stock Exchange, or if it develops, whether it will provide sufficient liquidity for the Shares. The Mexican securities market is substantially smaller, less liquid, more volatile and more concentrated than the major international securities markets. The relative volatility and illiquidity of the Mexican securities markets may substantially limit your ability to sell your Shares at the time and price you desire. The price per share in this offering was determined based on the book-building process and may differ from the market prices that may prevail after conclusion of this offering. In addition, the Mexican Stock Exchange operates a system which suspends trading in shares of a particular issuer when fluctuations in the price of such shares (expressed as percentage of that day's opening price) exceed certain levels. As a result of these factors, you may not be able to sell your Shares at the time or price you desire or at all.

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

We, our directors, the members of our senior management (*directivos relevantes*) and our indirect controlling shareholder have entered into agreements, subject to certain exceptions, not to issue or in any way dispose of any of our Shares for a period of 180 days after the date of this offering circular. If these holders of our Shares decide to sell such Shares after the expiration of this lock-up period, or if there is a perception in the market that these holders intend to sell such Shares or a significant volume of such Shares, the market value of our Shares may decrease significantly.

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

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

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

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

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

Upon completion of this offering, our indirect controlling shareholder, Sempra Energy, will beneficially own approximately 83.15% of our outstanding Shares (or 81.10% of our outstanding Shares assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full). In addition, Sempra Energy has guaranteed the obligations of LNG Marketing to our LNG terminal and to our pipelines business, has entered into a loan agreement with us, and provides us with various goods and services pursuant to other agreements. For a description of material contractual relationships between Sempra Energy and us, see "Certain Relationships and Related Party Transactions." By virtue of its ownership of our Shares, Sempra Energy has and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including the following:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

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

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

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

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

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

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

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

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

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

The protections afforded to minority shareholders in Mexico are different from, and may be weaker than, those in other jurisdictions, including the United States. Although Mexican law permits any shareholder owning

5% of our outstanding common shares to file a shareholder derivative suit against corporate action upon meeting certain procedural requirements and provides specific duties of care and loyalty applicable to our directors and to our principal officers, the substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico.

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

Preemptive rights may be unavailable to non-Mexican shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

EXCHANGE RATES

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

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

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

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

The following tables set forth the exchange rate, expressed in pesos per U.S. dollar (Ps./US$), for the periods indicated at the exchange rate as reported by Banco de México. On March 21, 2013, the exchange rate reported by Banco de México was Ps.12.3841 to US$1.00.

	Exchange rate of pesos per US$			
	Low	**High**	**Average(1)**	**Period-End**
Year ended December 31,				
2008	9.92	13.92	11.13	13.77
2009	12.60	15.37	13.50	13.04
2010	12.16	13.18	12.63	12.38
2011	11.50	14.24	12.42	13.98
2012	13.13	13.21	13.17	13.01
Month ended				
November 30, 2012	12.91	12.95	13.07	12.93
December 31, 2012	12.85	13.00	12.87	12.97
January 31, 2013	12.67	12.72	12.70	12.72
February 28, 2013	12.59	12.90	12.71	12.78
March 2013 (through March 21, 2013)	12.34	12.83	12.57	12.38

Source: Banco de México, *Diario Oficial de la Federación*

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

USE OF PROCEEDS

Based on an initial offering price of Ps.34.00 per Share, we estimate that the total net proceeds to us from the Global Offering will be approximately Ps.6.1 billion (US$496 million using the exchange rate as of March 21, 2013 of Ps.12.3841 to US$1.00, as reported by Banco de México), assuming no exercise of the initial purchasers' or the Mexican underwriters' option to purchase additional shares and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Taking into account the exercise of the initial purchasers' and the Mexican underwriters' option to purchase additional shares, we estimate that the total net proceeds to us from the Global Offering will be approximately Ps.7.1 billion (US$571 million using the exchange rate as of March 21, 2013 of Ps.12.3841 to US$1.00, as reported by Banco de México), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to us of approximately US$496 million (estimated after deduction of underwriting discounts and commissions and estimated offering expenses payable by us, but without giving effect to any exercise of the options to purchase additional Shares or issuance of additional Shares) from the sale of Shares by us in the Global Offering for general corporate purposes (approximately 10%), and for the funding of our current investment plans and ongoing expansion plans, divided between our gas segment (approximately 75%) and our power segment (approximately 15%).

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

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

CAPITALIZATION

The table below shows our capitalization as of December 31, 2012, (1) on a historical basis, (2) on an as adjusted basis to give effect to (i) our issuance on February 14, 2013 of an aggregate principal amount of Ps.5.2 billion of indebtedness (US$408 million using the exchange rate as of February 12, 2013 of Ps.12.7364 to US$1.00, as reported by Banco de México), which we refer to as the CEBURES offering, including Ps.1.3 billion of five-year notes with a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 basis points, or bps, and Ps.3.9 billion of 10-year notes with a fixed interest rate of 6.30%, and (ii) the repayment since December 31, 2012 of approximately US$376 million in indebtedness we owed to affiliates (including a portion of the net proceeds from the CEBURES offering in the amount of approximately US$356 million), and (3) on an as further adjusted basis to reflect the CEBURES offering and the receipt of approximately Ps.6.1 billion (US$496 million using the exchange rate as of March 21, 2013 of Ps.12.3841 to US$1.00, as reported by Banco de México) in estimated net proceeds to us from the Global Offering, based on an initial offering price of Ps.34.00 per Share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and assuming the options to purchase additional Shares are not exercised by the initial purchasers or the Mexican underwriters and no additional Shares are issued. The historical information described below was derived from our audited consolidated financial statements as of and for the year ended December 31, 2012, included elsewhere in this offering circular.

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

	As of December 31, 2012		
	Historical	As Adjusted	As Further Adjusted
	(in millions of US$)		
Cash and cash equivalents	$ 85	$ 114	$ 610
Debt:			
Current debt:			
Debt due to related parties	83	—	—
Non-current debt:			
Bank debt	—	—	—
Debt due to related parties	332	39	39
Public debt	—	408	408
Total debt	415	447	447
Members' equity:			
Social parts—controlling interest	619	619	619
Social parts—noncontrolling interest	—	—	496
Additional paid-in capital	537	537	537
Accumulated other comprehensive income items	(10)	(10)	(10)
Retained earnings	617	617	617
Total equity	1,763	1,763	2,259
Total capitalization (total debt and members' equity)	2,178	2,210	2,706

DILUTION

As of December 31, 2012, our net book value was Ps.24.51 per Share (after giving effect as of such date to the February 15, 2013 conversion of our outstanding equity capital from social parts to Shares). Net book value per Share represents the net book value of our equity divided by the number of Shares outstanding. Net book value represents total stockholders' equity per our audited consolidated financial statements as of December 31, 2012, converted to pesos using the exchange rate published by Banco de México on such date of Ps.13.0101 per US$1.00.

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

After giving effect to an offering of 189,661,305 Shares at the offering price per Share of Ps.34.00, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and assuming the options to purchase additional Shares are not exercised by the initial purchasers or the Mexican underwriters and no additional Shares are issued, our estimated total equity as of December 31, 2012 would have been approximately Ps.29.1 billion (US$2.3 billion using the exchange rate as of March 21, 2013 of Ps.12.3841 to US$1.00, as reported by Banco de México) and the estimated net book value per Share adjusted accordingly would have been approximately Ps.25.84, resulting in an immediate increase in the net book value per Share of Ps.1.33 to our controlling shareholder and an immediate dilution in the net book value per Share of Ps.8.16 to investors in this offering.

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

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

	Amount Per Share
Initial offering price	Ps.34.00
Net book value as of December 31, 2012	24.51
Increase in net book value per share to our controlling shareholder	1.33
Net book value per share as of December 31, 2012, as adjusted for this offering	25.84
Dilution of net book value per share to new investors	8.16

The price per Share in this offering is not based on our existing equity value and was set in the bookbuilding process based on the demand for the Shares by U.S. institutional investors, by institutional and retail Mexican investors and by other investors outside of the United States and Mexico.

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

DIVIDENDS AND DIVIDEND POLICY

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

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

Our indirect controlling shareholder currently has, and after the completion of this offering will continue to have, the power to determine matters related to the payment of dividends. See "Risk Factors—Risks Relating to Our Shares and to this Offering—There can be no assurance that we will be able to pay or maintain cash dividends."

Since January 1, 2010, we have declared and paid dividends on four occasions:

- On December 30, 2011, in the amount of US$80.0 million.
- On March 29, 2012, in the amount of US$15.1 million.
- On December 5, 2012, in the amount of US$125.0 million.
- On March 1, 2013, in the amount of US$39.0 million.

SELECTED FINANCIAL INFORMATION

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

On September 10, 2012, our indirect controlling shareholder Sempra Energy contributed Sempra Gasoductos to us. Sempra Gasoductos's assets include our Aguaprieta pipeline system, our Naco compression station, and our 50% interest in our joint venture with Pemex Gas. This joint venture with Pemex Gas owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station, as well as the Guadalajara LPG storage facilities that are currently under construction. During the period from April 30, 2010, when Sempra Energy acquired Sempra Gasoductos, through September 10, 2012, we and Sempra Gasoductos were under the common ownership and control of our indirect controlling shareholder Sempra Energy. Therefore, our financial statements included herein as of December 31, 2010 and 2011 and for the years ended December 31, 2010, 2011 and 2012 are presented on a combined basis, combining our accounts with the accounts of Sempra Gasoductos since the date of its acquisition through September 10, 2012. As of September 10, 2012, we assumed ownership and control of Sempra Gasoductos and therefore, as of that date, our financial information is prepared on a consolidated instead of combined basis. The contribution of Sempra Gasoductos did not otherwise have any effect on our operating results; however, it did increase our combined cash flows in 2010, which is presented in our consolidated and combined statement of cash flows for the year ended December 31, 2010. See "Presentation of Financial and Other Information."

We derived the consolidated statements of income data for the years ended December 31, 2010, 2011 and 2012 and the consolidated statements of financial position data as of December 31, 2010, 2011 and 2012 from our audited financial statements appearing elsewhere in this offering circular. You should read this data together with our audited financial statements and related notes appearing elsewhere in this offering circular and the information under the captions "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Consolidated Statements of Income

	Year Ended December 31,		
	2010	2011	2012
	(in thousands of US$)		
Revenue	$ 799,737	$ 822,476	$ 607,607
Cost of natural gas	(436,686)	(422,680)	(253,299)
Administrative and other expenses	(80,932)	(73,793)	(76,423)
Depreciation and amortization expenses	(62,897)	(63,080)	(61,349)
Interest income	545	883	1,027
Finance costs	(26,581)	(18,182)	(11,346)
Other losses	(13,681)	(16,092)	(8,845)
Profit before income tax and share of profits of joint venture	179,505	229,532	197,372
Income tax expense	(26,389)	(76,006)	(40,801)
Share of profits of joint venture, net of income tax	18,461	21,577	37,444
Profit for the year	**$ 171,577**	**$ 175,103**	**$ 194,015**

Consolidated Statements of Financial Position

	As of December 31,		
	2010	2011	2012
	(in thousands of US$)		
Assets			
Current assets			
Cash and cash equivalents	$ 54,379	$ 27,364	$ 85,073
Other current assets(1)	161,013	122,556	151,883
Total current assets	**215,392**	**149,920**	**236,956**
Non-current assets			
Investment in joint venture	272,572	294,155	331,599
Property, plant and equipment	1,937,914	1,885,959	1,884,739
Other non-current assets(2)	58,154	53,788	47,424
Total non-current assets	**2,268,640**	**2,233,902**	**2,263,762**
Total assets	**$2,484,032**	**$2,383,822**	**$2,500,718**
Equity and liabilities			
Current liabilities(3)	**$ 86,742**	**$ 88,009**	**$ 160,207**
Non-current liabilities			
Long-term indebtedness(4)	534,705	334,660	331,803
Other non-current liabilities(5)	228,625	265,890	245,590
Total non-current liabilities	**763,330**	**600,550**	**577,393**
Total liabilities	**850,072**	**688,559**	**737,600**
Total equity	**1,633,960**	**1,695,263**	**1,763,118**
Total equity and liabilities	**$2,484,032**	**$2,383,822**	**$2,500,718**

(1) Other current assets include trade and other receivables – net, current amounts due from related parties, current tax receivable, inventory of natural gas, derivative financial instruments and other less-significant current assets.

(2) Other non-current assets include accounts receivable from related parties, derivative financial instruments, finance lease receivables, deferred income tax assets, goodwill and other less-significant non-current assets.

(3) Current liabilities include trade and other payables, accounts payable to related parties, current tax liabilities, derivative financial instruments, other financial liabilities, provisions and other less-significant current liabilities.

(4) Long-term indebtedness includes non-current liabilities due to related parties.

(5) Other non-current liabilities include deferred income tax liabilities, non-current provisions, derivative financial instruments and post-employment and other long-term employee benefits.

Other Financial and Operating Data

	Year Ended December 31,		
	2010	2011	2012
	(in thousands of US$)		
Payments for property, plant and equipment	$ 37,800	$ 20,517	$ 47,297
EBITDA(1)	**300,580**	**347,580**	**315,329**
Adjusted EBITDA(1)	**314,875**	**373,286**	**330,076**
Adjusted EBITDA by Segment:			
Gas	272,987	304,577	314,657
Power	41,869	70,051	17,004
Corporate	19	(1,342)	(1,585)

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

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

You should read the information below together with our audited financial statements as of and for the years ended December 31, 2010, 2011 and 2012, as well as the other financial information included elsewhere in this offering circular. Our audited financial statements were prepared in accordance with IFRS as issued by the IASB.

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

Overview

Upon consummation of the Global Offering, we will be deemed a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico.

Our Business Segments

Our assets are divided between two operating segments:

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

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

Within our gas segment, our pipelines business owns and operates systems for receiving, transporting, compressing, storing and delivering natural gas and LPG. These systems include more than 500 km of natural gas pipelines, six natural gas compression stations and 190 km of LPG pipelines (and an LPG storage facility under construction). Certain of these pipelines business assets are owned through a joint venture with Pemex Gas in which we have a 50% interest. Our gas segment also includes our LNG business, which owns a 320,000 m^3 LNG storage and regasification terminal, as well as a natural gas marketing business that purchases LNG for storage and regasification in our LNG terminal and sells natural gas to third-party customers and affiliated entities. Our natural gas distribution utility, Ecogas, is the third main business within our gas segment; this utility distributes natural gas to approximately 93,000 industrial, commercial and residential customers in three distribution zones in Northern Mexico. Our pipelines business and LNG business have long-term contracts, primarily on a firm basis, with creditworthy, recognized industry leaders, including Shell, Gazprom, the Mexican Federal Electricity Commission, Intergen, TransCanada and Pemex Gas.

Within our power segment, we own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility. Prior to 2012, this power plant had generated revenues by selling electricity to our U.S. affiliate Sempra Generation. Under a new agreement effective January 1, 2012, we sell this electricity to consumers in California's Independent System Operator power grid, and Sempra Generation acts as marketing and scheduling agent for these sales. Additionally, we are developing a potential wind power generation project, Energía Sierra Juárez, in Baja California, which will be developed in phases. We expect the first phase of the project to be fully operational in 2014, subject to our meeting certain financing conditions and obtaining regulatory approvals. See "Regulatory, Permits and Environmental Matters—Permits—Power Generation Permits."

Mexican Economic Environment

Substantially all of our operations are conducted in Mexico. As a result, our business, financial condition and results of operations depend on and may be affected by the general condition of the Mexican economy, over which we have no control.

After being significantly impacted by the global economic crisis that began in 2008, Mexico's GDP fell by 6.1% in 2009, the sharpest GDP decline since 1932, according to the World Bank. Conversely, Mexico's GDP grew by 5.5% in 2010 and by 3.9% in 2011, and is estimated to have grown by 4.0% in 2012. This recovery was largely driven by higher demand for exports due to improved industrial production in the United States and led to the growth of many sectors in the Mexican economy. The International Monetary Fund estimates full-year real GDP annual growth in Mexico of 3.5% for 2013 and 3.5% for 2014.

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

Factors Affecting Our Results of Operations

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

Revenue

Revenue generated by each of our businesses is affected by the following factors:

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

If we are unable to collect payments from customers under these agreements for any of these reasons or otherwise, our revenue could decrease.

- Our LNG terminal's primary revenue stream is generated through long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, LNG Marketing, which purchases LNG for storage and regasification at our LNG terminal. Each of our customers must pay for its full contracted LNG storage capacity and natural gas send-out capacity regardless of whether it actually delivers LNG to our terminal. LNG Marketing generates revenues by purchasing LNG for storage and regasification in our LNG terminal, and selling natural gas that is consumed by the Mexican Federal Electricity Commission at its Presidente Juárez power plant, by our Termoeléctrica de Mexicali power plant and by other consumers pursuant to natural gas supply contracts covering 100% of its LNG terminal natural gas send-out capacity. LNG Marketing also generates revenues from payments it receives to the extent its LNG supplier, our U.S. affiliate Sempra Natural Gas, does not deliver LNG to LNG Marketing pursuant to a long-term LNG supply contract. Relatively high prices for LNG in Asian markets, together with low natural gas prices in Mexico and the United States, have reduced the number of expected shipments of LNG cargoes to LNG Marketing by Sempra Natural Gas. Accordingly, we also depend on revenue derived from these payments. Under a long-term supply contract with Sempra Natural Gas, the payments made by Sempra Natural Gas to LNG Marketing have been sufficient to compensate LNG Marketing for the storage and transportation costs incurred by LNG Marketing resulting from Sempra Natural Gas' failure to deliver required LNG cargoes. See "Certain Relationships and Related Party Transactions" and Note 23.6 to our audited financial statements included elsewhere in this offering circular.
- The price of natural gas is subject to market conditions beyond our control. See "—Cost of Natural Gas." The Mexican Energy Regulatory Commission requires natural gas distributors to pass the cost of natural gas through to their customers without obtaining a margin from the sale of natural gas. As a result, the cost of natural gas effectively offsets the amount of revenue from natural gas sales. However, the profit margin obtained by natural gas distributors, including our natural gas business, is derived from natural gas distribution fees and other related services. Accordingly, total revenue for our natural gas distribution business is impacted by market swings in natural gas prices and our customers' preference for natural gas relative to other energy sources, such as LPG, which is subsidized by the Mexican government, and the profit derived from distribution fees and other related services can decrease in response to decreases in overall demand for natural gas.
- Our revenue from sales of natural gas depends on several factors beyond our control. Currently, LPG prices are subsidized by the Mexican government, which puts our Ecogas distribution system's unsubsidized natural gas product at a competitive disadvantage. If the LPG price subsidy policy of the Mexican government continues and we are not able to obtain competitively priced natural gas relative to the LPG that is available to our customers and potential customers through our competitors, our natural gas distribution business could experience lower revenue and profits.
- Customer demand in our gas and power segments is also impacted by seasonality in the United States market and, with respect to natural gas distribution, general economic conditions in Mexico. See "–Mexican Economic Environment." Lower customer demand due to seasonality or unfavorable economic conditions could lower our revenue and profits.
- The markets and pipelines to which we deliver natural gas and LPG typically establish minimum quality specifications for the natural gas and LPG we deliver. These specifications can vary by pipeline or markets. If the quality of natural gas or LPG that we deliver fails to meet the applicable product quality specifications, the pipeline or market may refuse to accept all or a part of the delivery or may invoice us for the costs to handle the non-conforming products. In those circumstances, we may be required to find alternative markets for the delivery or stop accepting non-conforming product into our pipelines, which could reduce our through-put volumes or revenue.
- We may use forward contracts, physical purchase and sales contracts, futures, financial swaps and options in the ordinary course of our business. We use these instruments for hedging purposes. However, they are not reflected as hedges in our financial statements because they do not qualify for hedge accounting due

to certain technical requirements. We do not hedge the entire exposure to market price volatility or our contract positions, and our hedging strategies may vary over time. Unanticipated changes in market prices for energy-related commodities can result from multiple factors, including weather conditions, seasonality, changes in supply and demand, transmission or transportation constraints or inefficiencies, availability of competitively priced alternative energy sources and commodity production levels. If we do not hedge our exposure to market price volatility or our contract positions correctly, we could incur losses.

- Our Ecogas natural gas distribution business benefitted from a 12-year period of exclusivity with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. Accordingly, we could face competition from other distributors of natural gas in all of our distribution zones.

Cost of Natural Gas

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

- Our results are affected by energy prices, including market prices for natural gas, LNG, electricity, LPG and petroleum. If our customers or suppliers fail to fulfill their obligations under their contracts with us, we may be required to enter into alternative arrangements to honor underlying commitments by making purchases from other suppliers at then-current market prices.
- Our LNG business is also impacted by worldwide LNG market prices. High LNG prices in markets outside the market in which our LNG terminal operates have resulted and could continue to result in lower than expected deliveries of LNG cargoes to our LNG terminal, which could increase our costs if we do not receive expected LNG cargo deliveries from third parties under existing supply agreements and are instead required to obtain LNG in the open market at prevailing prices. Any inability to obtain expected LNG cargoes could also impact our ability to maintain the minimum level of LNG required to keep our LNG terminal in operation. LNG market prices also affect our LNG marketing operations, through which we must purchase natural gas in the international market to meet our contractual obligations to deliver natural gas to our customers, which could have an effect on our profit. See "—Revenue."
- Currently, our Ecogas natural gas distribution business relies on two third parties, PEMEX and British Petroleum, for the supply of natural gas that we distribute to our customers. If either of these key suppliers fails to perform and we are unable to obtain supplies of natural gas from alternate sources, we could lose customers and sales volume and, in some cases, we could be exposed to commodity price risk and volatility.

Effects of Currency Exchange Rates on Income Tax Expense

Exchange rate fluctuations and Mexican inflation can result in significant fluctuations in our income tax expense. We have U.S. dollar-denominated receivables and payables that are subject to Mexican currency exchange rate movements for Mexican income tax purposes. We also have deferred income tax assets and liabilities that are denominated in Mexican pesos, which are translated to U.S. dollars for financial reporting purposes. In addition, we adjust our monetary assets and liabilities for Mexican inflation for purposes of determining our Mexican income tax expense. See Note 20.1 to our audited financial statements, included elsewhere in this offering circular.

Under IFRS, we are required to remeasure property, plant and equipment at each reporting period using the period-end Mexican peso exchange rate and change in inflation rate for our U.S. dollar functional currency subsidiaries. The impact from this period-end conversion for property, plant and equipment can result in significant fluctuations in our income tax expense and deferred income tax balances. See Note 20.1 to our audited financial statements, included elsewhere in this offering circular.

Acquisition of Sempra Gasoductos

On April 30, 2010, our indirect controlling shareholder, Sempra Energy, acquired Sempra Gasoductos, which includes our joint venture with Pemex Gas. Our joint venture with Pemex Gas owns and operates natural gas and LPG transportation, storage and compression systems in northern and central Mexico. On September 10, 2012, our indirect controlling shareholder Sempra Energy contributed Sempra Gasoductos to us. The purpose of this reorganization was to consolidate all of Sempra Energy's Mexican assets and operations beneath IEnova to facilitate the offering. Our results include the results of Sempra Gasoductos on a combined basis from April 30, 2010 (the date of its acquisition) to September 10, 2012 (when we assumed ownership and control of Sempra Gasoductos) and thereafter on a consolidated basis, including our share of profits of our joint venture with Pemex Gas, which we account for using the equity method.

CEBURES Offering

On February 14, 2013 we issued two series of CEBURES in an aggregate principal amount of Ps.5.2 billion (approximately US$408 million using the exchange rate of Ps.12.7364 to US$1.00, as reported by Banco de México on February 12, 2013, the date on which we entered into the interest rate swap agreements described below) in a public offering in Mexico, including Ps.3.9 billion of 10-year notes with a fixed interest rate of 6.30% and Ps.1.3 billion of 5-year notes with a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 bps. We applied a portion of the net proceeds of the CEBURES offering, which were approximately US$405 million, to repay approximately US$356.0 million in affiliate debt, and we will apply the remaining proceeds to fund portions of our current investment plans and ongoing expansion plans. On February 12, 2013, we entered into swap agreements with financial institutions to mitigate the risk of rising interest rates and peso exposure in connection with our CEBURES offering. These agreements effectively fix the interest rate of the 5-year notes and, for both series, convert the peso-denominated principal amounts and the peso-denominated interest rates payable to US dollars. See "Liquidity and Capital Resources—Existing Indebtedness" and "Liquidity and Capital Resources—Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management."

Results of Operations—Years Ended December 31, 2010, 2011 and 2012

The following table sets forth our profit for the year and the corresponding variances for the years ended December 31, 2010, 2011 and 2012. Segment profit is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
Revenue	$ 799,737	$ 822,476	$ 607,607	$ 22,739	2.8%	$(214,869)	(26.1)%
Cost of natural gas	(436,686)	(422,680)	(253,299)	$ 14,006	3.2%	$ 169,381	40.1%
Administrative and other expenses	(80,932)	(73,793)	(76,423)	$ 7,139	8.8%	$ (2,630)	(3.6)%
Depreciation and amortization expenses	(62,897)	(63,080)	(61,349)	$ (183)	(0.3)%	$ 1,731	2.7%
Interest income	545	883	1,027	$ 338	62.0%	$ 144	16.3%
Finance costs	(26,581)	(18,182)	(11,346)	$ 8,399	31.6%	$ 6,836	37.6%
Other gains (losses)	(13,681)	(16,092)	(8,845)	$ (2,411)	(17.6)%	$ 7,247	45.0%
Profit before income tax and share of profits of joint venture	179,505	229,532	197,372	$ 50,027	27.9%	$ (32,160)	(14.0)%
Income tax expense	(26,389)	(76,006)	(40,801)	$(49,617)	n.m.	$ 35,205	46.3%
Share of profits of joint venture, net of income tax	18,461	21,577	37,444	$ 3,116	16.9%	$ 15,867	73.5%
Profit for the year	$ 171,577	$ 175,103	$ 194,015	$ 3,526	2.1%	$ 18,912	10.8%

Profit for the Year

The following table sets forth our profit for the year and the corresponding variances for the years ended December 31, 2010, 2011 and 2012. Segment profit is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
Profit for the year							
Gas Segment	$192,728	$141,075	$226,363	$(51,653)	(26.8%)	$ 85,288	60.5%
Power Segment	23,372	37,767	3,072	$ 14,395	61.6%	$(34,695)	n.m.%
Corporate	(44,523)	(3,739)	(35,420)	$ 40,784	n.m.	$(31,681)	n.m.%
Total profit for the year	$171,577	$175,103	$194,015	$ 3,526	2.1%	$ 18,912	10.8%

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

Gas Segment

Gas segment profit for the year increased by US$85.3 million, or 60.5%, in 2012 compared to 2011. This increase was due primarily to a decrease in income tax expense of US$54.6 million in 2012, primarily resulting from the effect on our deferred income tax balance of the fluctuation in the carrying value of property, plant and equipment at our U.S. dollar functional currency subsidiaries, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate and changes in inflation. See "—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax Expense." The increase in profit was also due to higher profit from our joint venture with Pemex Gas of US$15.9 million, which mainly reflected a decrease in income tax expense resulting from real appreciation of the Mexican peso, the final approval by the Mexican Energy Regulatory Commission of higher rates applicable to our TDF LPG pipeline system and an increase in interruptible transportation services provided to third parties. In addition, this increase reflected a decrease of US$8.9 million of other losses due to the effect of the conversion of Mexican peso-denominated accounts in our pipelines business to the functional currency. See "—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax Expense."

Gas segment profit for the year decreased by US$51.7 million, or 26.8%, in 2011 compared to 2010, due primarily to an increase in income tax expense of US$59.1 million in 2011, primarily resulting from the effect on our deferred income tax balance of the fluctuation in the carrying value of property, plant and equipment at our U.S. dollar functional currency subsidiaries, which we are required to remeasure in each reporting period, and a loss of US$9.5 million related to conversion of Mexican peso-denominated accounts in our pipelines business to the functional currency. See "—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax Expense." The increase in income tax expense in 2011 was offset by US$5.6 million higher mark-to-market profits on our natural gas supply agreement with JPM Ventures Energy, increased margins on the sales of natural gas of US$5.4 million and increased profit from our joint venture with Pemex Gas of US$3.1 million reflecting a full year of results in 2011 compared to eight months following its acquisition in 2010.

Power Segment

Power segment profit for the year decreased by US$34.7 million in 2012 compared to 2011, primarily due to lower revenue resulting from the expiration of a power sales agreement with the California Department of Water Resources in September 2011, which resulted in a change in the agreement with our affiliate Sempra Generation effective as of January 1, 2012. This decrease was partially offset by an increase in revenue in 2012 due to downtime of approximately one and one-half months at our Termoeléctrica de Mexicali power plant during 2011 resulting from a fire at the plant and by a decrease of income tax expense of US$14.3 million in 2012 compared to 2011, primarily resulting from the effect on our deferred income tax balance of the fluctuation in the carrying value of property, plant and equipment at our U.S. dollar functional currency subsidiaries, which we are required to remeasure in each reporting period. See "—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax Expense."

Power segment profit for the year increased by US$14.4 million, or 61.6%, in 2011 compared to 2010, primarily due to an US$18.1 million increase in profit derived from higher sales and other revenue effects at our Termoeléctrica de Mexicali power plant and lower operating expenses of US$8.0 million in 2011 compared to 2010 as a result of earthquake and maintenance related downtime in 2010. This increase was offset by a decrease in mark-to-market profits of US$6.3 million related to our natural gas supply agreement with JPM Ventures Energy. Power segment income tax expense decreased by US$12.0 million in 2011 compared to 2010, primarily due to the effect of exchange rate variances.

Corporate

Corporate loss for the year increased by US$31.7 million in 2012 compared to 2011, principally due to an income tax increase of US$33.6 million primarily resulting from the effect of exchange rate variances and a loss of US$3.8 million due to the mark-to-market adjustment of the interest rate swap, offset by a decrease of finance costs of US$5.5 million due to a prior year repayment of an affiliate loan.

Corporate loss for the year decreased by US$40.8 million in 2011 compared to 2010, primarily due to US$21.5 million of income tax benefit in 2011 resulting from permanent differences as further explained under "—Income Tax Expense" and lower loss of US$9.8 million due to the mark-to-market adjustment of an interest rate swap.

Revenue

The following table sets forth our revenue and the corresponding variances for the years ended December 31, 2010, 2011 and 2012. Segment revenue is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
Revenue							
Gas Segment	$585,361	$550,921	$478,273	$(34,440)	(5.9%)	$ (72,648)	(13.2)%
Power Segment	212,197	269,714	127,656	$ 57,517	27.1%	$(142,058)	(52.7)%
Corporate	2,179	1,841	1,678	$ (338)	(15.5%)	$ (163)	(8.9)%
Total revenue	$799,737	$822,476	$607,607	$ 22,739	2.8%	$(214,869)	(26.1)%

Gas Segment

Gas segment revenue decreased by US$72.6 million, or 13.2%, in 2012 compared to 2011, primarily as a result of a decrease of US$48.0 million in natural gas sales due mainly to lower sales prices and a decrease of US$24.4 million in LNG revenue in 2012 due to lower LNG volumes sold.

Gas segment revenue decreased by US$34.4 million, or 5.9%, in 2011 compared to 2010, primarily due to a decrease of US$85.7 million in natural gas sales resulting from a 22.1% decrease in sales volume due to lower LNG cargo deliveries and lower sales prices. This revenue decrease was partially offset by an increase of US$53.4 million related to payments made to us in 2011 from Sempra Natural Gas due to its failure to deliver required LNG cargoes pursuant to LNG Marketing's LNG supply agreement with Sempra Natural Gas.

Power Segment

Power segment revenue decreased by US$142.1 million, or 52.7%, in 2012 compared to 2011, due to the expiration of a power sales agreement with the California Department of Water Resources in September 2011, which resulted in a change in the agreement with our affiliate Sempra Generation effective as of January 1, 2012. This decrease was partially offset by an increase in revenues in 2012 due to the fire-related downtime at our Termoeléctrica de Mexicali power plant in 2011.

Power segment revenue increased by US$57.5 million, or 27.1%, in 2011 compared to 2010, due to earthquake and maintenance related downtime at our Termoeléctrica de Mexicali power plant in 2010.

Corporate

Revenue generated by corporate relates to administration fees that we bill to non-subsidiary affiliates for certain accounting and financial reporting services as well as for other services and the use of certain facilities.

Corporate revenue remained relatively stable in 2012 compared to 2011 and in 2011 compared to 2010.

Cost of Natural Gas

The following table sets forth our cost of natural gas and the corresponding variances for the years ended December 31, 2010, 2011 and 2012. Segment cost of natural gas is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
Cost of natural gas							
Gas Segment	$295,607	$240,826	$159,600	$ 54,781	18.5%	$ 81,226	33.7%
Power Segment	141,079	181,854	93,698	$(40,775)	(28.9)%	$ 88,156	48.5%
Total cost of natural gas	$436,686	$422,680	$253,299	$ 14,006	3.2%	$169,381	40.1%

Gas Segment

Gas segment cost of natural gas decreased by US$81.2 million, or 33.7%, in 2012 compared to 2011, primarily due to a decrease of US$70.3 million from lower natural gas prices. This cost also decreased by US$11.9 million in our Ecogas business mainly related to a decrease in natural gas prices and exchange rate effects.

Gas segment cost of natural gas decreased by US$54.8 million, or 18.5%, in 2011 compared to 2010, primarily due to a US$48.0 million decrease in cost of natural gas resulting from lower volumes of LNG cargo deliveries.

Power Segment

Power segment cost of natural gas decreased by US$88.2 million, or 48.5%, in 2012 compared to 2011, primarily due to the expiration of a power sales agreement with the California Department of Water Resources in September 2011, which resulted in a change in the agreement with our affiliate Sempra Generation effective as of January 1, 2012.

Power segment cost of natural gas increased by US$40.8 million, or 28.9%, in 2011 compared to 2010, primarily due to increased operations at our Termoeléctrica de Mexicali power plant in 2011 following the maintenance and earthquake related downtime in 2010.

Administrative and Other Expenses

Total administrative and other expenses increased by US$2.6 million, or 3.6%, in 2012 compared to 2011, primarily in the pipelines and natural gas distribution businesses due to higher costs related to pipelines maintenance, labor and employee benefits, right-of-way fees, services provided by our U.S. affiliates and development costs related to the Sonora Pipelines.

Total administrative and other expenses decreased by US$7.1 million, or 8.8%, in 2011 compared to 2010, primarily due to lower administrative and other expenses in our power segment resulting primarily from minor maintenance and repairs in 2011 compared to significant earthquake-related repairs at our Termoeléctrica de Mexicali power plant in 2010.

Depreciation and Amortization Expenses

Depreciation and amortization expenses remained relatively stable in 2012 compared to 2011 and in 2011 compared to 2010.

Finance Costs

Finance costs decreased by US$6.8 million, or 37.6%, in 2012 compared to 2011, primarily in corporate, due to US$138.5 million in loan repayments to affiliates in 2011, which resulted in a decrease of US$5.6 million in 2012 compared to 2011 in interest accrued on indebtedness owed to affiliates.

Finance costs decreased by US$8.4 million, or 31.6%, in 2011 compared to 2010, primarily due to a net decrease in affiliate loans of US$200.0 million between 2011 and 2010.

Other Losses and Gains

Other losses decreased by US$7.3 million, or 45.0%, in 2012 compared to 2011, primarily due to a US$12.8 million decrease in unfavorable translation effects in our pipelines business, which was offset by a US$5.5 million increase in mark-to-market losses on an interest rate swap in corporate and foreign exchange loss during the period.

Other losses were US$16.1 million in 2011, compared to other losses of US$13.7 million in 2010, a variance of US$2.4 million, primarily due to the negative valuation effect of an interest rate swap and its related settlement, which was partially offset by a foreign exchange gain in 2011. The loss in 2010 was due to the settlement of the interest rate swap, partially offset by a foreign exchange gain in 2010.

Income Tax Expense

Income tax expense was US$40.8 million in 2012. Our income tax expense in 2012, compared to 2011, decreased due to the conversion of tax balances into the functional currency, which is affected by changes in the inflation rate and foreign currency exchange rates, as well as the effect of unused tax losses not recognized as deferred tax assets.

Income tax expense was US$76.0 million in 2011. Our income tax expense in 2011, compared to 2010, reflected increases due to the conversion of tax balances into the functional currency, which is affected by changes in the inflation rate and foreign currency exchange rates, as well as the effect of unused tax losses not recognized as deferred tax assets.

Share of Profits of Joint Venture, Net of Income Tax

The share of profits of our joint venture, net of income tax, which we account for using the equity method, increased by US$15.9 million in 2012 compared to 2011, primarily due to a US$9.0 million decrease in income tax expense at the joint venture resulting from real appreciation of the Mexican peso, US$6.7 million increase in profits resulting from the final approval by the Mexican Energy Regulatory Commission of higher rates applicable to our TDF LPG pipeline system, an increase in interruptible transportation services provided to third parties and tariff inflation adjustments in our San Fernando pipeline.

The share of profits of our joint venture, net of income tax increased by US$3.1 million, or 16.9%, in 2011 compared to 2010, primarily due to a full year of operations in 2011 of our joint venture with Pemex Gas, which we account for using the equity method, compared to eight months of operations in 2010.

Adjusted EBITDA

The following table sets forth our adjusted EBITDA and the corresponding variances for the years ended December 31, 2010, 2011 and 2012. Segment adjusted EBITDA is presented after the elimination of intercompany transactions.

(thousands of US$, except percentages)	Year ended December 31,			Variance			
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
Adjusted EBITDA							
Gas Segment	$272,987	$304,577	$314,657	$31,590	11.6%	$ 10,080	3.3%
Power Segment	41,869	70,051	17,004	$28,182	67.3%	$(53,047)	(75.7)%
Corporate	19	(1,342)	(1,585)	$ (1,361)	n.m.	$ (243)	(18.1)%
Total Adjusted EBITDA	$314,875	$373,286	$330,076	$58,411	18.6%	$(43,210)	(11.6)%

The following table sets forth a reconciliation of profit for the year to consolidated adjusted EBITDA for 2010, 2011 and 2012.

(thousands of US$)	Year ended December 31,		
	2010	2011	2012
Profit for the year	$171,577	$175,103	$194,015
Depreciation and amortization expenses	62,897	63,080	61,349
Interest income	(545)	(883)	(1,027)
Finance costs	26,581	18,182	11,346
Other losses	13,681	16,092	8,845
Income tax expense	26,389	76,006	40,801
Share of depreciation, amortization, interest income and finance costs and income tax expense of joint ventures	14,295	25,706	14,747
Adjusted EBITDA	$314,875	$373,286	$330,076

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

Liquidity and Capital Resources

Overview

Historically, we have generated, and we expect to continue to generate, positive cash flow from operations. Our principal capital needs are for working capital, capital expenditures related to maintenance, expansions and acquisitions and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements and our access to the capital markets. We believe that our future cash from operations, together with our access to debt financing and the equity capital markets, will provide adequate resources to fund our operating activities, capital expenditures, acquisitions and new business development activities.

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

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

We expect that our cash flows from operations, as well as our capacity for future borrowings, will be sufficient to finance our liquidity requirements for the foreseeable future. We are also subject to certain capital requirements imposed by governmental agencies on our regulated pipelines and natural gas distribution businesses.

Liquidity

We are a holding company. As a result, our ability to meet our obligations depends primarily on the earnings and cash flows of our subsidiaries and our investments in joint ventures and the ability of those subsidiaries or joint ventures to pay dividends or other amounts to us.

Sources and Uses of Cash

(thousands of US$)	Year ended December 31,		
	2010	2011	2012
Net cash provided by operating activities	$ 207,183	$ 297,909	$173,432
Net cash used for investing activities	(27,438)	(25,751)	(49,275)
Net cash used in financing activities	(141,026)	(298,067)	(69,207)
Cash and cash equivalents at period end	54,379	27,364	85,073

Operating Activities

Net cash provided by operating activities was US$173.4 million in 2012 compared to US$297.9 million in 2011, primarily due to a decrease of US$42.1 million in accounts payable and an increase in accounts receivable of US$53.1 million, as well as a decrease in net cash provided by operations.

Net cash provided by operating activities was US$297.9 million in 2011 compared to US$207.2 million in 2010, primarily due to an increase in collection of accounts receivable, sales of inventory and other assets and an increase in trade and other payables. In addition, income taxes paid in 2011 were US$61.5 million compared to US$71.5 million in 2010.

Investing Activities

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

Net cash used in investing activities in 2012 was US$49.3 million, primarily due to US$47.3 million in acquisitions of property, plant and equipment and US$3.0 million in payments for long-term service agreements.

Net cash used in investing activities in 2011 was US$25.8 million, primarily due to US$20.5 million in acquisitions of property, plant and equipment and US$6.1 million in payments for long-term service agreements.

Net cash used in investing activities was US$27.4 million in 2010, primarily due to US$37.8 million in acquisitions of property, plant and equipment, partially offset by positive cash flows related to the contribution of Sempra Gasoductos' cash to us following its acquisition.

Financing Activities

Net cash used in financing activities in 2012 was US$69.2 million. Significant sources and uses included US$128.7 million in loan repayments to affiliates, proceeds of US$209.0 million in new loans from affiliates and dividend payments of US$140.1 million to our indirect controlling shareholder.

Net cash used in financing activities in 2011 was US$298.1 million. Significant sources and uses included US$688.1 million in loan repayments to affiliates, proceeds of US$488.1 million in new loans from affiliates and dividend payments of US$80.0 million to our indirect controlling shareholder.

Net cash used in financing activities was US$141.0 million in 2010. Significant sources and uses included US$931.5 million in loan repayments to affiliates and proceeds of US$816.2 million in new loans from affiliates. We did not make any dividend payments in 2010.

Existing Indebtedness

Historical

(thousands of US$)	As of December 31,		
	2010	2011	2012
Current debt due to related parties	—	—	$ 83,300
Non-current debt due to related parties	$534,705	$334,660	$331,803

All of our debt as of December 31, 2012 was owed to unconsolidated affiliates. We made interest payments of US$9.4 million in 2012, US$18.0 million in 2011 and US$25.7 million in 2010 and principal payments of US$128.7 million in 2012, US$688.1 million in 2011 and US$931.5 million in 2010 in connection with this debt. Our affiliate loans as of December 31, 2012 had maturities ranging from January 31, 2013 through December 31, 2027 and accrued interest at average annual rates ranging from 0.89% to 3.14%. See Notes 7.1 and 7.3 to our audited financial statements, included elsewhere in this offering circular.

We applied a portion of the net proceeds of our CEBURES offering described below to repay approximately US$356.0 million in long-term affiliate debt in 2013. See "– Proforma."

Proforma

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

After giving effect to the offering of CEBURES and the application of the proceeds therefrom as if they had occurred on December 31, 2012, our total affiliate debt would have been US$59.1 million on December 31, 2012.

See Note 7.3 to our audited financial statements, included elsewhere in this offering circular.

Capital Expenditures

We expect to continue various strategies of making investments in the energy infrastructure sector in Mexico that are capable of generating stable cash flows as well as expanding into related businesses to increase our revenue and profitability. We intend to achieve this goal by pursuing a disciplined, targeted growth strategy, including:

- investing in long-term essential energy infrastructure assets in Mexico;
- continuing to expand our network of energy assets in Mexico;
- continuing to focus on assets that produce stable cash flows;
- continuing to expand our joint venture with Pemex Gas; and
- maximizing the efficiencies and profitability of our current energy assets.

We made capital expenditures of US$50.3 million in 2012, US$26.6 million in 2011 and US$43.3 million in 2010. These capital expenditures mainly included expenditures related to acquisitions of property, plant and equipment, payments made pursuant to a long-term service agreement for our Termoeléctrica de Mexicali power plant and, in 2012, the development of our Sonora Pipelines.

We estimate that our capital expenditures for 2013, excluding expenditures made in connection with any business acquisitions, will be approximately US$445.0 million, primarily related to expenditures for property, plant and equipment, expenditures for investments and capitalized interest summarized in the table below.

The following table shows our capital expenditures by business segment currently budgeted for 2013, 2014 and 2015 (excluding capital expenditures from our joint venture with Pemex Gas):

(millions of US$)	Gas Segment	Power Segment
	2013	
Property, plant and equipment	$377.0	$67.9
	2014	
Property, plant and equipment	$276.6	$91.5
	2015	
Property, plant and equipment	$223.4	$ 2.0

Contractual Obligations

Historical

The following is a summary of our contractual obligations as of December 31, 2012, considering undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay and including both interest and principal cash flows:

(thousands of US$)	Less than 1 year	1–2 years	3-5 years	More than 5 years	Total
Debt due to related parties	$156,780	$226,439	$ 94,957	$ —	$478,176
Finance obligations	11,454	16,783	9,806	13,444	51,487
Total	$168,234	$243,222	$104,763	$13,444	$529,663

Proforma

The following is a summary of our contractual obligations, including both interest and principal cash flows, as of December 31, 2012 after giving effect to the offering of CEBURES and the application of the proceeds therefrom as if they had occurred on December 31, 2012:

(thousands of US$)	Less than 1 year	1–2 years	3-5 years	More than 5 years	Total
Debt due to related parties	$37,202	$ 2,030	$ 35,389	$ —	$ 74,621
CEBURES	15,554	31,107	133,177	370,227	550,065
Finance obligations	11,454	16,783	9,806	13,444	51,487
Total	$64,210	$49,920	$178,372	$383,671	$676,173

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

Off-Balance Sheet Arrangements

As of December 31, 2012, we did not have any off-balance sheet arrangements.

Internal Controls

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

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

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

Our system of internal control over financial reporting has the following primary goals:

- to issue reliable, timely and meaningful financial information;
- to delegate authority and assign responsibilities for achieving the system's goals and objectives;
- to establish proper business practices within our organization; and
- to provide administrative control methods to help oversee and monitor compliance with our policies and procedures.

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

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

We enter into derivative financial instruments to reduce our exposure to fluctuations in natural gas prices. We also use such instruments to help reduce our customers' exposure to changes in natural gas prices. We may also use interest rate instruments to help manage exposure to fluctuations in interest rates. These instruments are negotiated with institutions of recognized financial strength and trading limits have been established for each institution. Our policy is to carry out transactions in derivative financial instruments solely for the purpose of offsetting and managing our risk exposure.

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

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

Embedded Derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Own Use Exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial commodity in accordance with our expected purchase, sale or usage requirements fall within the "own use" exemption (also called the "normal purchase or sale" exemption). Under this scope exemption, ordinary physical supply arrangements are excluded from derivative accounting treatment.

Financial Risk Management Objectives

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

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

Market Risk

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

We have policies governing our market risk management and trading activities. The senior officers of our indirect controlling shareholder are members of committees in charge of establishing such policies, which oversee energy risk management activities and monitor the results of trading and other activities to ensure compliance with our stated risk management and trading policies. These activities include, but are not limited to, daily monitoring of market positions that create credit, liquidity or market risk. These oversight organizations and committees are independent from the respective energy assets procurement departments.

We enter into a variety of derivative financial instruments to manage our exposure to commodity price risk and interest rate risk, including:

- interest rate swaps to mitigate the risk of rising interest rates and peso exposure of debt issued in pesos; and
- commodity price contracts to hedge the volatility in the prices and basis of natural gas.

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

Value at Risk (VaR) analysis

The VaR measure estimates the potential loss in pretax profit, under normal market conditions, over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, as well as to add the measured risks to arrive at a single risk number.

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

VaR is a statistical estimate of how much a portfolio may lose in the given time horizon for the given confidence interval. By using a VaR with a 95% confidence interval, the potential losses above that percentile are not considered. By using historical data, possible adverse extreme movements might not be captured, since these did not occur during the time period considered in the calculations. There is no guarantee that the actual losses will not exceed the calculated VaR.

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

We use a one-day holding period and a 95% confidence interval in VaR calculations. The one-day 95% VaR number reflects a 95% probability that the daily loss will not exceed the reported VaR.

The variance-covariance approach was used to calculate the VaR values.

VaR History (95%, one-day) by risk type	**As of December 31,**		
(thousands of US$)	**2010**	**2011**	**2012**
Interest rate swap	$2,728	$1,679	$1,059
Natural gas purchase and sale	105	64	61
Commodity fixed price swap	159	—	—
Total VaR exposure	2,747	1,670	1,072

Commodity Price Risk

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

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

Foreign Currency Risk Management

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

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

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

(thousands of US$)	As of December 31, 2010	2011	2012
Monetary Assets			
U.S.-dollar-functional-currency subsidiaries	$34,439	$73,008	$27,259
Mexican-peso-functional-currency subsidiaries	50,795	39,100	39,473
Monetary Liabilities			
U.S.-dollar-functional-currency subsidiaries	$13,304	$11,998	$13,103
Mexican-peso-functional-currency subsidiaries	3,811	5,256	4,059

Proforma. The following are the carrying amounts of our foreign currency-denominated monetary assets and monetary liabilities, presented in our subsidiaries' functional currency as of December 31, 2012, after giving effect to the offering of CEBURES and the application of the proceeds therefrom as if they had occurred on December 31, 2012:

(thousands of US$)	As of December 31, 2012
Monetary Assets	
U.S.-dollar-functional-currency subsidiaries	$426,949
Mexican-peso-functional-currency subsidiaries	39,473
Monetary Liabilities	
U.S.-dollar-functional-currency subsidiaries	$412,793
Mexican-peso-functional-currency subsidiaries	4,059

Foreign Currency Sensitivity Analysis

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

For U.S. dollar-functional currency subsidiaries, a negative number shown in the table below indicates a decrease in profit or equity where the U.S. dollar strengthens 10% against the Mexican peso. For a 10% weakening of the U.S. dollar against the Mexican peso, there would be a comparable inverse impact on profit and equity, and the balances below would be positive.

For Mexican peso-functional currency subsidiaries, a positive number shown in the table below indicates an increase in profit or equity where the U.S. dollar strengthens 10% against the Mexican peso. For a 10% weakening of the U.S. dollar against the Mexican peso, there would be a comparable inverse impact on profit and equity, and the balances below would be negative.

(thousands of US$)	U.S.-dollar functional currency			Mexican-peso functional currency		
	2010	2011	2012	2010	2011	2012
Profit(1)	$(1,345)	$(3,882)	$(901)			
Other Comprehensive Income (Equity)				$2,990	$2,154	$2,254

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

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

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

Interest Rate Risk Management

In 2005, we entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of US$450 million from third parties for our LNG terminal, which were designated as cash flow hedges. In 2007, the original hedged items became probable of not occurring due to a change in our external borrowing needs. Accordingly, a cash flow hedge gain of US$30.0 million was reclassified from other comprehensive income in members' equity to current earnings, and changes in the fair value of these instruments were recognized in current earnings prospectively within the "other gains and losses" line item. We have an interest rate swap agreement with a notional amount of US$166.9 million for the year ended December 31, 2012 and US$174.2 million for the year ended December 31, 2011, under which we receive a variable interest rate based on 3-month LIBOR and pay a fixed interest rate of 5.0%. The swap expires on December 15, 2027.

We recognize the change in fair value and the settlements of the interest rate swap in the "other gains (losses)" line item within the consolidated statements of income.

On February 12, 2013, we entered into swap agreements with financial institutions to mitigate the risk of rising interest rates and peso exposure in connection with our CEBURES offering. These agreements effectively fix the interest rate of the 5-year notes, convert the peso-denominated principal amount due to US dollars (US$102.1 million for the 5-year notes and US$306.2 million for the 10-year notes) and convert the peso-denominated interest rates payable to US dollar-denominated rates (resulting in fixed rates of 2.6575% for the 5-year notes and 4.124% for the 10-year notes).

Credit Risk Management

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

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

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

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

Liquidity Risk Management

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

Significant Accounting Policies

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

The following are some of the key judgments that management has made in the process of applying our accounting policies and that have or may have the most significant effect on the amounts recognized in our financial statements. See Note 4 to our audited financial statements, included elsewhere in this offering circular.

Finance Lease of Natural Gas Compression Station

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

Our management has determined that the arrangement should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the compression station as of that date. See Note 9 to our audited financial statements, included elsewhere in this offering circular.

Regulatory Accounting

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

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

Contingencies

We accrue losses for the estimated impact of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, we accrue for the loss if:

- an event has occurred on or before the date of our financial statements;
- information available to us through the date the financial statements are issued indicates it is probable that a loss has been incurred, given the likelihood of uncertain future events; and
- the amount of the loss can be reasonably estimated.

We do not accrue losses with respect to contingencies that might result in gains. We continuously assess contingencies related to litigation claims, environmental remediation and other events.

Own Use Exemption

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity's "own use." The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments. If a non-financial item can be settled "net" using cash or another financial instrument, or by exchange of financial instruments, it must be accounted for as a financial instrument.

There are various ways in which a contract can be net settled. Our management takes into account the following factors, among others, in applying judgment to assess whether net settlement is likely:

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

We have determined that none of our physical delivery contracts of non-financial items falls within the own use exemption from derivative accounting treatment.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other important sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities presented in our consolidated statements of financial position.

Estimated Useful Lives of Property, Plant and Equipment

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

No significant changes to the useful lives of property, plant and equipment were identified for the periods presented in our financial statements included elsewhere in this offering circular.

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

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

Determining whether goodwill is impaired requires an estimation of the "value in use" of the cash-generating units to which goodwill has been allocated. The value in use calculation requires our management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of such cash flows. This impairment testing is performed on an annual basis.

Asset Retirement Obligations

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

Valuation of Financial Instruments (Fair Value Measurement)

We estimate the fair value of certain types of financial instruments using valuation techniques that include inputs that are based on observable market data. See Note 19 to our audited financial statements, included elsewhere in this offering circular.

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

Purchase Price Allocation of Sempra Gasoductos by Sempra Energy

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

Allowance for Doubtful Accounts

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

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

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

In determining the chances of recovering any trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. In our natural gas distribution business, the concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Post-Employment and Other Long-Term Employee Benefits

For defined benefit retirement plans, such as our sponsored pension plans and associated seniority premium benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

INDUSTRY OVERVIEW

Overview

In Mexico, both the natural gas and power sectors are regulated and include a high level of participation by the Mexican government. In the power sector, the Mexican government owns 100% of the Mexican Federal Electricity Commission, which has exclusive rights to transport and distribute electricity in Mexico. In the natural gas sector, the government owns 100% of PEMEX and its subsidiaries, including Pemex Gas. However, legislative changes in Mexico in the 1990s in both the natural gas and power sectors created significant investment opportunities for the private sector.

The Mexican Natural Gas Sector

Mexico is one of the few countries that has liberalized its midstream and downstream natural gas industries while restricting competition in upstream natural gas production. Currently natural gas production is carried out exclusively by the Mexican government through PEMEX and its subsidiaries. The liberalization of the natural gas industry started in 1995, when changes to Mexican law allowed private participation in the midstream (transportation and storage) and downstream (distribution) natural gas sectors. Previously, only PEMEX was authorized to construct and operate pipelines and transport natural gas in Mexico. Natural gas distribution was also highly restricted at the time. As part of these changes in the regulatory framework, PEMEX was required to provide the private sector with open access to its transportation system for natural gas, ending its monopoly in gas marketing. In the years since 1995 there has been a significant increase of private investment in midstream and downstream natural gas assets, but the national natural gas pipeline system controlled by the government still holds a dominant position in the market.

Private investment in the natural gas sector as of December 31, 2012 includes:

- Private sector companies, including IEnova, operate 15 open-access transportation systems;
- Private sector companies, including IEnova, operate 21 distribution companies; and
- Private sector companies, including IEnova, have built three LNG import terminals.

As a consequence of the environmental and financial advantages of natural gas over other energy alternatives, for the past six years demand for natural gas in Mexico has increased significantly, mainly due to the increased usage of natural gas by the Mexican Federal Electricity Commission for electricity generation. In addition, these advantages have led to an increase in consumption of natural gas in other industries, where it is a less expensive and more efficient alternative to other fuels. The Mexican Energy Ministry (*Secretaría de Energía*) estimates that Mexico will require more than 4,200 km of natural gas transportation infrastructure by the end of 2014 and those new projects are estimated to require an investment of approximately US$7.0 billion, representing a 43% increase in natural gas transportation infrastructure.

Natural Gas Transportation Projects

Project	Commercial Operation Date	Capacity (MMcfd)	Investment (US$m)	Length (km)
Existing infrastructure		11,200	$16,275	12,296
New projects				
Chihuahua	2013	850	500	385
Tamazunchale	2014	630	600	200
Morelos	2013	320	210	170
Yucatan	2013	300	125	75
Noroeste	2014(1)	2,041	2,450	2,041
Zacatecas	2014	20 – 40	125	165
Los Ramones	2014(2)	1,400 – 2,100	3,000	1,221
Total		5,561	$ 7,010	4,257
Final network		**16,761**	**$23,285**	**16,553**

(1) Sásabe-Pto.Libertad: October 2014; El Encino-Topolobampo: July 2016; Puerto Libertad-Guaymas: October 2015; Guaymas-El Oro: August 2016; El Oro-Mazatlan: December 2016.
(2) Frontera-Ramones: December 2014; Ramones-Apaseo El Alto: 2015; Ramones-Guanajuato: 2017.
Source: Mexican Energy Ministry, Estrategia Nacional de Energía, February 2012; proposals submitted to the Mexican Federal Electricity Commission when available and the Mexican Energy Regulatory Commission's permit resolutions.

This expansion of the national pipelines network is expected to provide greater geographic reach, increased capacity and improved flexibility in Mexico's natural gas infrastructure that will be required to support increased natural gas consumption in Mexico, and represents an important opportunity for the energy companies that are well positioned to invest in this sector in Mexico.

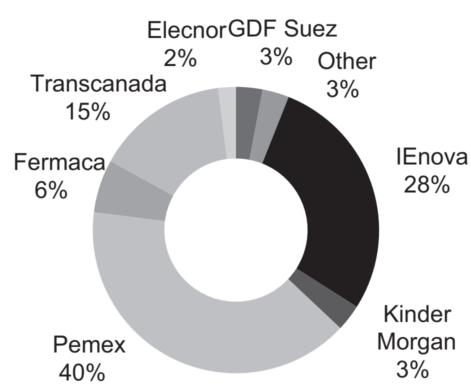
Open-Access Pipeline Transportation Projects

The Mexican Energy Regulatory Commission has granted 23 permits for open-access pipeline transportation projects in Mexico, 15 of which are operational. According to the Mexican Energy Ministry, these pipelines have a total length of over 2,182 km, and a transportation capacity of 5,980 MMcfd (62.2 MMThd) (excluding projects under construction).

The Mexican natural gas transportation industry is concentrated among a few key companies. The top four companies comprise nearly 90% of the market. Market shares for the natural gas transportation sector are shown in the chart below.

Natural Gas Pipelines

(MMcfd)

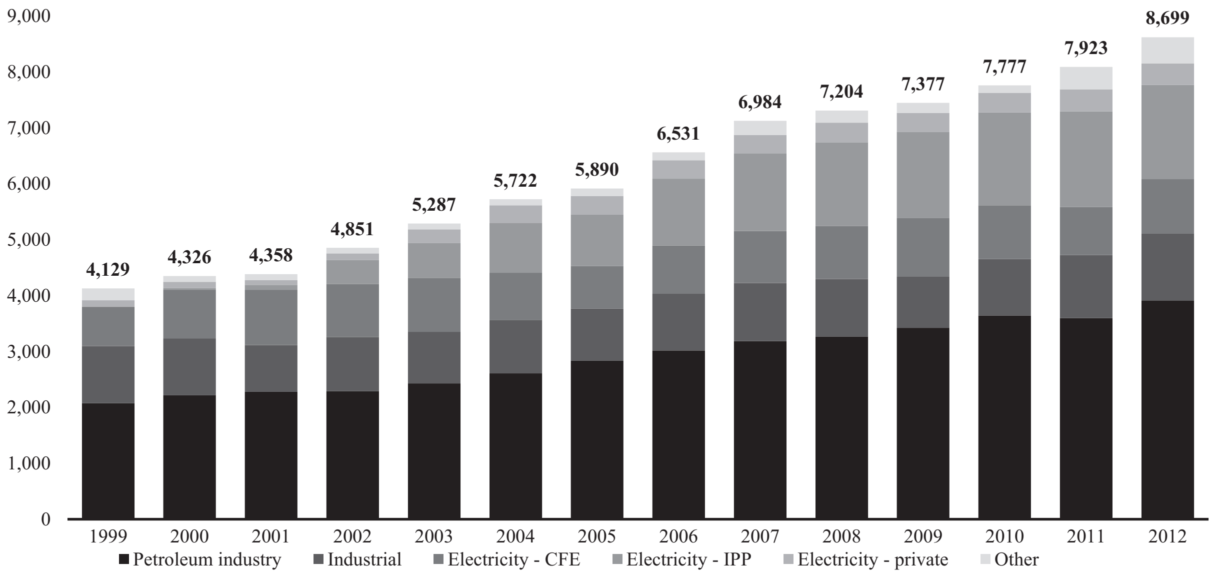


Sources: Mexican Energy Ministry, Prospectiva del mercado de gas natural 2010 - 2025; Mexican Energy Regulatory Commission files; Mexican Federal Electricity Commission bid information.

Currently, these open-access transportation projects transport natural gas to the Mexican Federal Electricity Commission, Independent Power Producers (IPPs), industrial customers, distribution zones and PEMEX. As noted above, natural gas demand has increased substantially in Mexico due to the shift to natural-gas-fired combined-cycle technology for power generation, among other factors. The following graph illustrates the growth in natural gas demand since 1999.

Mexico Natural Gas Demand 1999 – 2012

(MMcfd)[(1)]



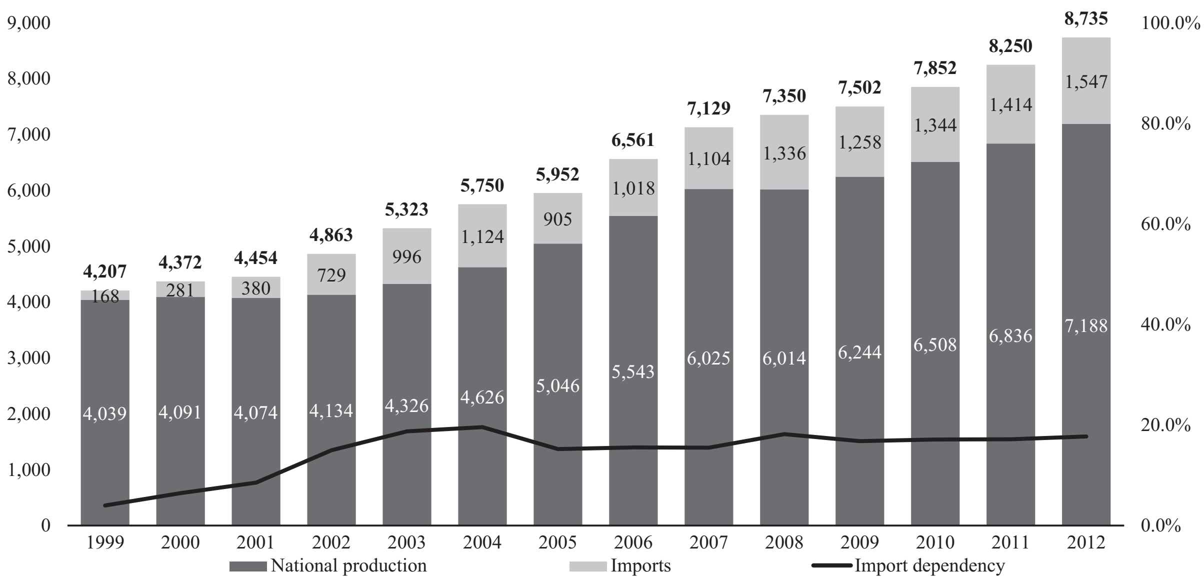
(1) MMcfd = Million cubic feet per day.
Source: Mexican Energy Ministry, Prospectiva del mercado de gas natural 2010 - 2025.

LNG Storage and Regasification Plants

The substantial rise in demand for natural gas from the Mexican Federal Electricity Commission and IPPs has contributed to the increase in total natural gas demand by 4,373 MMcfd (45.7 MMThd) over the past 12 years. Domestic demand has begun to outpace domestic production and natural gas imports have increased. The graph below depicts Mexico's natural gas imports and production since 1999.

Mexican Natural Gas Supply and Demand 1999 – 2012

(MMcfd)[1]



(1) MMcfd = Million cubic feet per day.

Source: Mexican Energy Ministry, Prospectiva del mercado de gas natural 2010 - 2025.

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

LNG Import Terminals

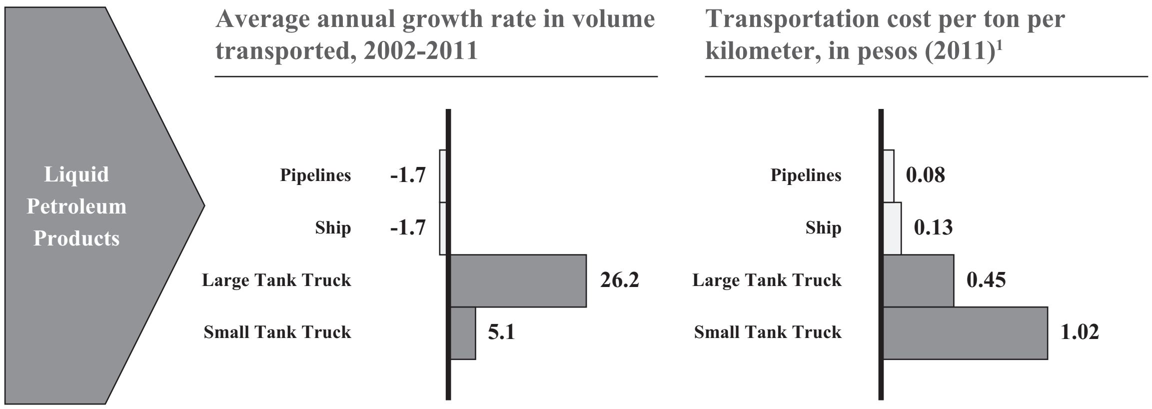
Plant	Location	Status	Owners	Startup	Nominal capacity (MMcfd)
Altamira LNG Terminal	Altamira, Tamaulipas	Operational	Vopak and Enagas	2006	500
Energía Costa Azul	Ensenada, Baja California	Operational	IEnova	2008	1,000
KMS LNG Terminal	Manzanillo, Colima	Operational	KoGas, Mitsui and Samsung	2012	500

Source: Wood Mackenzie.

Transportation of Liquid Petroleum Products

Mexico lacks efficient transportation, distribution and storage infrastructure for liquid petroleum products, despite the growing demand for refined products throughout the country. Trucks continue to provide a significant percentage of refined petroleum transportation, and there are increasing opportunities to provide more efficient transportation means to reach the growing demand at consumption centers. The demand for gasoline and diesel grew at an average annual rate of 3.8% and 2.8%, respectively, over the last ten years. This scenario represents a potential investment opportunity in liquid petroleum transportation and storage infrastructure.

Transportation of Liquid Petroleum Products in Mexico



[1] Not including capital costs.

Source: Estrategia Nacional de Energía, February 2012

Natural Gas Storage

Mexico has no storage capacity for natural gas, with the exception of that associated with LNG import projects. The main reason is that market conditions do not offer economic incentives to demand storage services, mainly due to the fact that users often assume that Pemex Gas is responsible for supplying gas to the whole country under any circumstance. Hence, there are no incentives to design a plan that will ensure future supply or reduce price volatility.

Determining the type of storage plant represents a challenge. The use of exhausted fields has been problematic due to the existence of residual hydrocarbons that can mix with stored natural gas, generating problems with quantification and the legality of the "extraction." Fields of non-hydrocarbon resources provide a simpler alternative. Nonetheless, the lack of a real market for natural gas also limits this type of project.

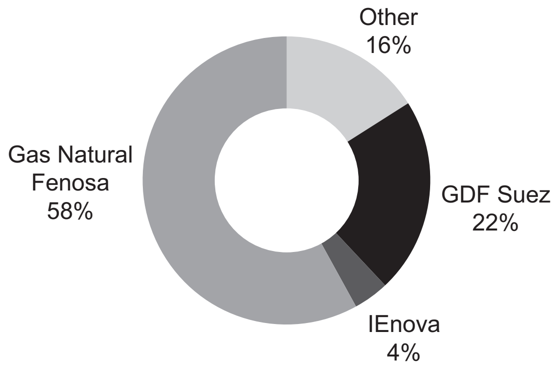
Currently, self-supply permits are also available, yet no such permit has been granted. Given that the Mexican government has the obligation of supplying natural gas through Pemex Gas, private companies have not demonstrated much interest in obtaining this type of permit.

Natural Gas Distribution

Since 1995, the Mexican Energy Regulatory Commission has granted 21 permits to expand natural gas distribution infrastructure in Mexico, with a total length of approximately 45,000 km and an investment of more than US$4.6 billion.

Market shares for the natural gas distribution market are shown in the chart below, based on the number of customers served by each network. The top two companies control 80% of the total natural gas distribution market.

Natural Gas Distribution



Source: Mexican Energy Ministry, Prospectiva del mercado del gas natural 2010 – 2025; internal company information; other companies' websites.

LPG Market

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

Overall, we believe the LPG sector will likely require greater efficiency (or capacity at current efficiency levels) in order to supply the growing energy demand in Mexico. LPG transportation and storage infrastructure are two of the areas most in need of modernization given the inefficient extended truck transportation system widely used today.

Pemex Gas has been planning to construct new LPG pipelines and storage plants. According to the Mexican Energy Ministry, the projects that Pemex Gas intends to undertake include the following:

- Pipeline from Poza Rica Gas Processing Center to the Atotonilco, Hidalgo Terminal (Phase II of the LPG Poza Rica – Altiplano pipeline; the first phase started operations in May 2010);
- Bypass infrastructure for 24-inch LPG pipelines to reroute around high population density areas;
- LPG terminal being constructed by our joint venture with Pemex Gas near Guadalajara, Jalisco; and
- Additional storage capacity at the LPG terminal in Abasolo, Guanajuato (and similar additions may also be made at the Topolobampo, Sinaloa and Ciudad Juárez, Chihuahua LPG terminals).

Consistent with recent precedent, we believe that Pemex Gas will develop these and other projects through transportation and storage services contracts with private companies.

Natural Gas Marketing

The Mexican Energy Regulatory Commission is working towards the implementation of the permanent first-hand natural gas sales, or FHS, regime. The implementation of the permanent FHS regime would allow every player in the natural gas industry to purchase natural gas directly at the PEMEX processing plant or at an import point, ending a long transitory regime in which most National Pipeline System users (all but IPPs) must acquire natural gas and transportation services from Pemex Gas on a bundled basis (including gas, transportation, administrative fees and profit margin on imports). Once implemented, the permanent FHS regime will allow gas marketers to have an increased role in the natural gas industry.

The Mexican Power Generation Sector

The private sector in Mexico is allowed to participate in the construction and operation of power plants through independent generation, generation for self-consumption, co-generation and small-scale generation. Transmission and distribution of electric power, however, remain exclusive activities of the Mexican government, through the Mexican Federal Electricity Commission.

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

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

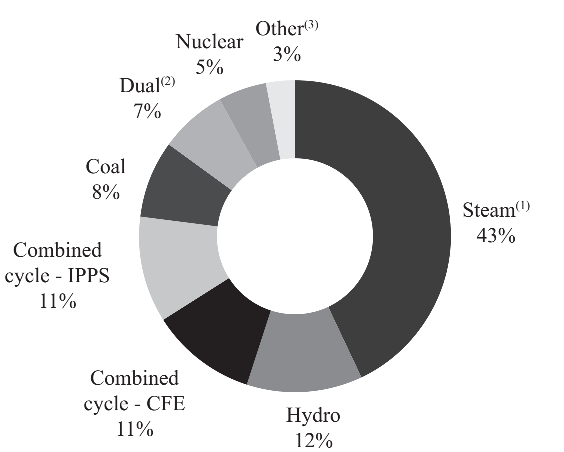
The opening of the market to IPPs has brought more efficient technology to the country. This initiative greatly increased the amount of natural-gas-fired combined-cycle technology in Mexico. Combined-cycle technology generates electricity and steam, which is significantly more efficient than simple-cycle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

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

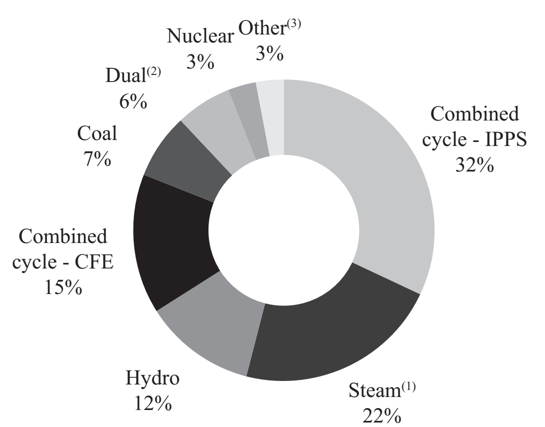
Currently, private companies operate over 68.2% of Mexico's combined-cycle generation projects through IPP contracts. Together, these projects generate 30.5% of the country's electric power. Growing power generation has spurred investment in transmission lines and transmission substations. Transmission line length and substation capacity grew 23.4% and 19.0%, respectively, between December 2004 and November 2012.

The shift to combined-cycle technology has reduced the use of fuel oil in Mexico for electricity generation purposes. Between 2002 and June 2012, Mexico's annual fuel oil consumption decreased a total of 44.8%, or 8.6% per year. The following chart illustrates the Mexican Federal Electricity Commission's power generation by technology type in January 2003 and November 2012.

Power Generation by Source (January 2003)



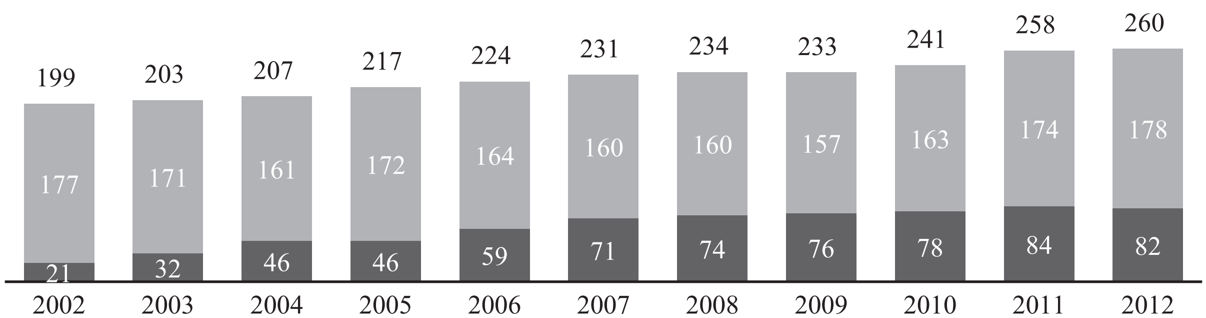
Power Generation by Source (November 2012)



(1) Steam technology uses fuel oil, natural gas and diesel.
(2) Dual technology uses fuel & coal or fuel, oil & natural gas.
(3) Includes geo-thermal, wind-driven (Mexican Federal Electricity Commission's & IPP's), and Photovoltaic.
Source: Sistema de Información Energética.

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

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



(1) TWh = Terawatt hour = 1,000 Gigawatt hour = 1,000,000 Megawatt hour.
Source: Sistema de Información Energética.

IPPs went from providing 10.6% of the country's power in 2002 to providing 32.7% in 2011. The contribution of IPPs to the Mexican Federal Electricity Commission's total power generation tripled over this time period, in relative terms.

In addition to the IPP program, private participation is permitted in cogeneration, self-supply, imports, exports, and small production (generators producing less than 30 MW can sell their power to the Mexican Federal Electricity Commission or can export their power using small -production permits). These activities have resulted in investments totaling US$17 billion since 1995, and are expected to contribute additional investments of up to US$20 billion through 2025. All generation projects must hold a Mexican Energy Regulatory Commission permit. The following table displays total capacity, generation and investment under current operational permits awarded since the 1992 reform.

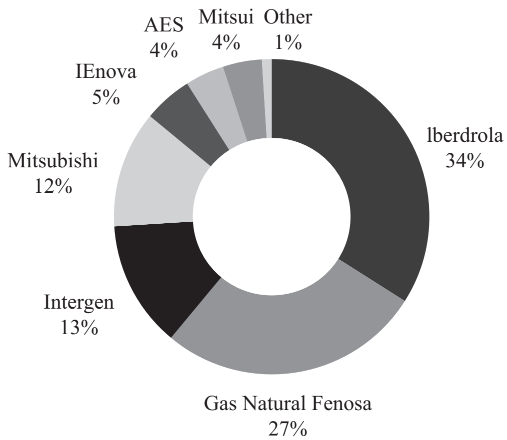
Mexican Energy Regulatory Commission Operational Power -Generation Permits: Authorized Capacity, Generation and Investment

Permit	Capacity (MW)	Generation (GWh)	Investment (US$ millions)
IPPs	13,250	95,038	13,432
Self-supply	4,327	19,611	5,291
Cogeneration	3,137	18,426	3,067
Export	1,330	11,251	1,197
Import	154	295	18
Small Production	5.0	22	10
Total	**22,204**	**144,643**	**23,016**

Source: IPD Latin America based on Mexican Energy Regulatory Commission data.
Note: The committed investment and capacity figures for IPPs (around US$8.45 billion and approximately 12,000 MW) are less than the real investment and capacity figures shown in the table above due to expansions made in some of the contractors' plants.

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

Power Generation



Source: Mexican Energy Ministry, Prospectiva del sector eléctrico 2010 – 2025. This chart is based on design capacity in MW rather than sales of power in Mexico; includes only private generation and excludes the Mexican Federal Electricity Commission.

Renewables

During the past years, Mexico has embarked on an effort to develop and promote non-fossil fuel consumption and move towards a more diversified energy matrix. The energy reform, which was approved by Congress in October 2008, includes the Renewable Energy and Energy Transition Financing Law. This law is designed to promote and regulate the development of renewable energy in Mexico and aims at providing a framework for renewable energy development and clean technologies to generate electricity. In the long run, renewable energy has the potential to help balance Mexico's energy portfolio and reduce its dependence on commodities with heavy price volatility. This may also signify an important potential for new investments, subject to the government's ability to put in place the necessary incentives and framework.

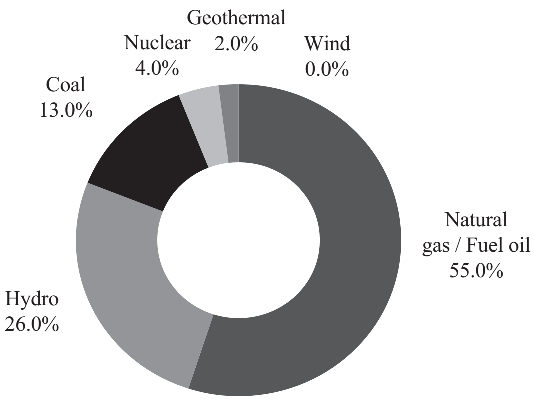
Mexico has an outstanding variety of renewable energy resources including wind, geothermal, solar, and hydroelectric. Mexico's wind and solar resources are particularly rich. The Mexican Wind Energy Association estimates that Mexico has 30 gigawatts, or GW, of wind power potential, 21 GW in areas with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

Renewable energy resources currently account for over 20% of Mexico's installed generation capacity. In 2011, the renewable energy market grew 4.7% year-over-year to 43.4 billion kilowatt hours.

The Mexican Government has passed a series of reforms with the aim of achieving a more balanced and sustainable energy mix. The charts below compare Mexico's 2000 and projected 2025 capacity by source.

Electricity Generation Capacity by Source (2000)

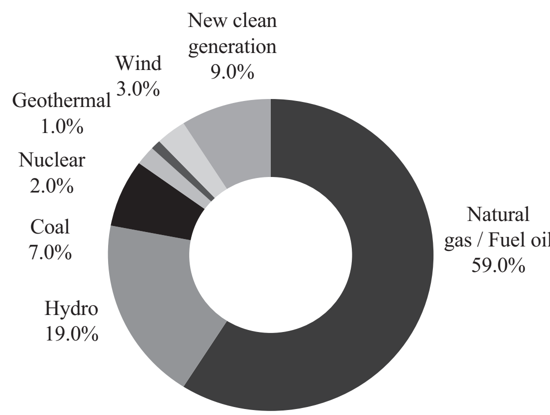
36,700 MW



Total renewables: 28% / 10,452 MW

Electricity Generation Capacity by Source (2025)

78,250 MW



Total renewables: 32% / 25,000 MW

Note: Includes Mexican Federal Electricity Commission and IPPs.
Source: Mexican Energy Regulatory Commission.

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

In 2005, a reform to the tax code took effect whereby companies that invest in machinery and equipment for power generation using renewable sources could deduct up to 100% of the investment in a single year. In 2008, the Mexican Government passed an energy bill (*Ley para el Aprovechamiento de Energías Renovables y el Financiamiento de la Transición Energética*), followed by an amendment in June 2011, that established a non-binding minimum of 35% generation capacity from renewable energy sources by 2025.

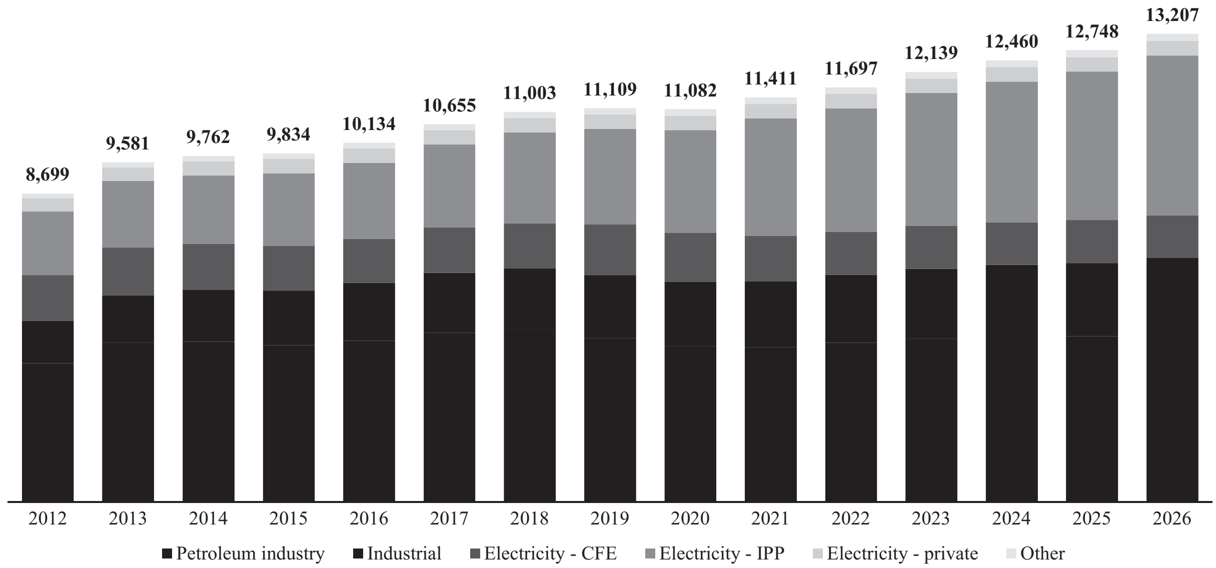
In April 2012, the Mexican senate unanimously approved binding climate legislation that requires 35% of electricity generation to come from non-fossil fuel sources by 2024. This legislation positions Mexico as only the second country in the world behind the United Kingdom to enact binding climate policies.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

Growth of Natural Gas & Power in Mexico

The Mexican National Population Council projects that the Mexican population will grow 7.9% (by nearly 8.7 million people) from 2012 to 2025. Although the projected growth rate is less than half of that observed from 1995 to 2010 (during which time Mexico experienced population growth of 23.2%), this projected population growth suggests continued rising energy demand is likely for years to come. Moreover, we believe existing energy infrastructure remains insufficient to meet Mexico's future needs, particularly in Mexico's central region, which is experiencing rapid population growth and will likely require an expansion of both pipelines and power generation facilities.

The Mexican Energy Ministry expects that demand for both natural gas and power generation should continue to grow during the next 13 years by annual average growth rates of 3.8% and 4.7%, respectively. Based on these levels, the country is expected to demand 13,916 MMcfd (144.7 MMThd) of natural gas (59% increase) and 445.1 TWh of gross electricity generation (89% increase) by 2026. The following two graphs display the forecasted growth in both sectors. Natural gas demand is projected to grow at a 4.7% compounded annual growth rate from 2012 to 2017. The main drivers behind these projections are expectations of increased economic activity together with the aforementioned population growth. According to the Economist's Intelligence Unit, Mexico's real GDP growth is expected to remain close to 4.0% well into 2016. From 2018 to 2025, natural gas demand growth is expected to decelerate to a 0.5% compounded annual growth rate due to an increased presence of renewables in electricity generation.

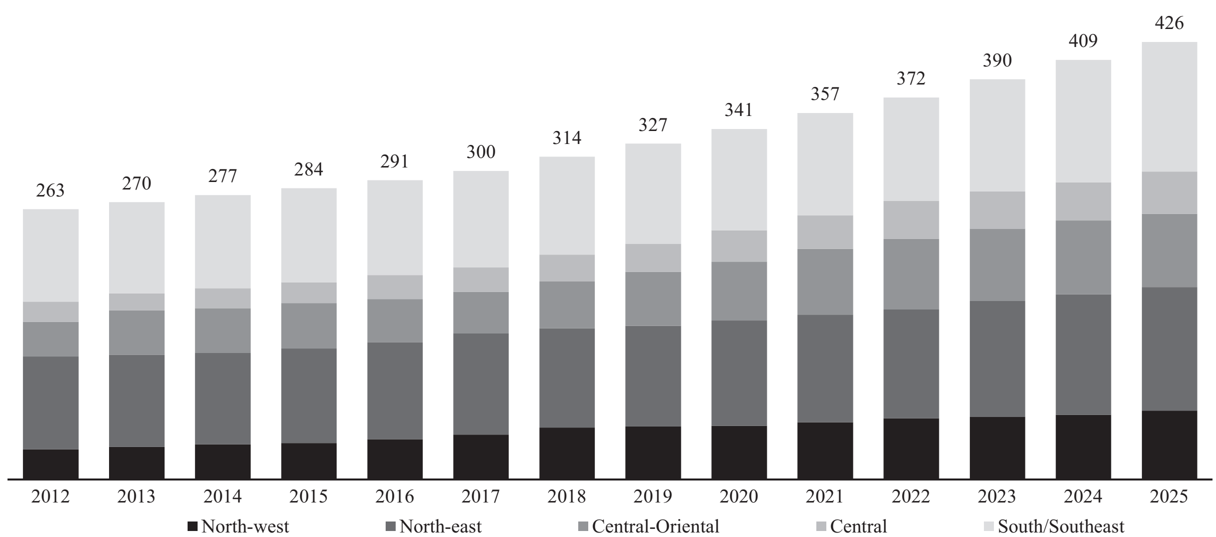
Mexico Natural Gas: Forecasted Demand 2012 – 2025
(MMcfd)



Source: Mexican Energy Ministry, Prospectiva del mercado del gas natural 2010 – 2025.

On the other hand, Mexican power demand is projected to grow at a 3.3% compounded annual growth rate from 2012 to 2017 and expected to accelerate to 4.3% from 2018 to 2025. Future power demand, especially in the latter period, is expected to be satisfied by a significantly larger share of renewable sources than current levels, in relative terms.

Mexico Power: Forecasted Demand 2012 – 2025
(TWh)



Source: Mexican Energy Ministry, Prospectiva del sector eléctrico 2010 – 2025.

Growing demand already represents a challenge to Mexico. The increasingly constrained access to the National Pipeline System, which is controlled exclusively by Pemex Gas, could increase the risk of gas supply interruption. We believe that new pipeline infrastructure and/or new or expanded natural gas import capabilities are imperative for Mexico's short and medium-term economic development, which should ultimately result in opportunities for companies in our industry. The potential implications of gas and power shortages have raised concern among a number of energy sector officials. The Mexican Federal Electricity Commission recently awarded contracts to private sector companies to construct the following pipelines:

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

Additionally, with the intention of meeting the increasing demand for natural gas in the country and continuing in its role as a promoter of the development of the transportation industry, the Mexican Federal Electricity Commission has recently completed a bidding process for four additional pipelines projects in northern Mexico. These four pipelines will allow natural gas to be transported from the Mexico – U.S. border at an interconnection point in Sásabe, Sonora, to Chihuahua on one line and to Sinaloa on another line. The four projects are:

- Sásabe-Puerto Libertad-Guaymas Pipeline (in the state of Sonora) with a capacity of 770 MMcfd (8.0 MMThd);
- Guaymas-El Oro Pipeline (through the states of Sonora and Sinaloa) with a capacity of 510 MMcfd (5.3 MMThd);
- El Oro-Mazatlán Pipeline (in the state of Sinaloa) with a capacity of 200 MMcfd (2.1 MMThd); and
- El Encino-Topolobampo Pipeline (through the states of Chihuahua and Sinaloa) with a capacity of 450 MMcfd (4.7 MMThd).

In October 2012 the Mexican Federal Electricity Commission awarded to us two long-term gas transportation service agreements in relation to the first two pipeline projects mentioned above, the Sásabe-Puerto Libertad-Guaymas Pipeline and the Guaymas-El Oro Pipeline. This project will require the construction of two interconnected pipelines in the states of Sonora and Sinaloa. See "Business – Recent Developments." In this offering circular we refer to these interconnected projects as the Sonora Pipelines.

In December 2012, our joint venture with Pemex Gas executed an ethane transportation services agreement with Pemex Gas to construct and operate an approximately 226 km pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) that will supply ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The pipeline is scheduled to begin operations in the third quarter of 2014. See "Business – Recent Developments."

Furthermore, PEMEX is developing the Los Ramones natural gas pipeline that will have a length of approximately 1,220 km, and will reach a transportation capacity of up to 2,100 MMcfd (21.8 MMThd) upon completion in 2017.

The Sonora Pipelines will be located in a region that is not currently served by natural gas pipelines, and we expect that the introduction of natural gas infrastructure there will foster new industry growth and represent an opportunity for further pipeline expansion, including:

- a redundancy pipeline in central Mexico;

- a Baja California Sur pipeline;
- a Mexico – Central America pipeline;
- a Cancún pipeline;
- a new Pemex pipeline;
- an Aguascalientes – La Laguna – Monterrey – Sabinas pipeline; and
- a Guadalajara – Tepic – Mazatlán pipeline.

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

BUSINESS

Overview

We focus on the development, construction and operation of energy infrastructure in Mexico. We have a successful track record in development, construction and operation of large energy projects, as reflected by our solid growth. Our footprint in Mexico ranges across several business lines encompassing the entire energy infrastructure value chain that is open to private investment in Mexico, making us one of the largest private energy companies in Mexico.

Our assets are divided between two business segments: (1) our gas segment, which includes our pipelines business, our liquefied natural gas, or LNG, business, and our natural gas distribution business, and (2) our power segment, which includes a natural-gas-fired, combined-cycle power generation facility and a wind power generation project currently in development. Our assets generate revenues primarily under U.S. dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with highly-rated credit worthy counterparties.

We were one of the first private companies to enter the energy infrastructure business in Mexico in the mid-1990s as a result of changes to Mexican gas regulation in 1995. Specifically, these reforms allowed private participation in gas pipelines, distribution and storage. During the last 16 years we have increased our presence as leaders in private investment in the Mexican energy sector (including through greenfield development, organic growth and acquisitions), investing approximately US$2.4 billion in Mexican energy infrastructure.

In October 2012, the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad)* awarded to us two new U.S. dollar-denominated natural gas transportation service agreements. Under these agreements, which we entered into with the Mexican Federal Electricity Commission in October and November 2012, we will construct the Sonora Pipelines, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km and total combined capacity of 1,280 million cubic feet per day, or MMcfd (13.3 million Therms per day, or MMThd).

In December 2012, our joint venture with Pemex Gas y Petroquímica Básica, or Pemex Gas, executed an ethane transportation services agreement with Pemex Gas to construct and operate an approximately 226 km pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) that will supply ethane from the PEMEX processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz that is owned by Braskem IDESA, S.A.P.I. de C.V. The estimated capital expenditures to construct this pipeline system are expected to be between approximately US$275 million and US$330 million, which is expected to be paid for entirely by the joint venture without any additional capital contributions from the partners. This will be the first privately-owned ethane pipeline in Mexico.

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

- we were the first private company to win a natural gas distribution bid in Mexico after the 1995 energy regulation reforms;
- we built the first natural gas pipeline in the state of Baja California, and we have been the sole developer of open-access natural gas pipelines in Baja California (a region which previously did not have access to U.S. or Mexican natural gas pipeline systems);
- our natural gas pipelines in Baja California allowed the Mexican Federal Electricity Commission to convert its power generation facilities from fuel oil to natural gas, and we are the principal supplier of natural gas to the Mexican Federal Electricity Commission in Baja California;
- we are partners with state-controlled Pemex Gas in its only natural-gas-infrastructure joint venture in Mexico;
- we built the first LNG terminal on the west coast of the Americas;

- we are developing the first cross-border renewable energy project in Mexico, Energía Sierra Juárez;
- we are developing the first privately-owned ethane pipeline system in Mexico; and
- we are developing the Sonora Pipelines natural gas pipelines project, with approximately 835 km and 1,280 MMcfd (13.3 MMThd) of capacity, pursuant to two natural gas transportation service agreements entered into with the Mexican Federal Electricity Commission in October 2012.

In addition to our ownership of assets across the energy infrastructure value chain, we have also improved our market position by entering into strategic partnerships. In 2010, we acquired various Mexican assets, including a 50% interest in a joint venture with Pemex Gas. The joint venture currently develops, owns and operates natural gas and liquefied petroleum gas, or LPG, pipelines and storage facilities. Additionally, we are considering entering into a 50/50 joint venture with a third party for the development of all phases of our potential wind power project, Energía Sierra Juárez.

Our principal assets can be viewed on the map below and are divided among our business segments as follows:

Gas Segment

- *Pipelines Business*
  - Our pipelines business owns and operates systems for receiving, transporting, compressing, storing and delivering natural gas and LPG throughout the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora and Tamaulipas. These systems include:
    - more than 500 kilometers, or km, of natural gas pipelines with an aggregate designed transportation capacity of over 5,700 MMcfd (59.3 MMThd);
    - six natural gas compression stations with an aggregate of over 155,000 horsepower;

- 190 km of LPG pipelines with a designed transportation capacity of 30,000 barrels per day, or Bbld, (1.6 MMThd); and
- an LPG storage facility with a total of 80,000 Bbl (4.4 MMTh) of LPG storage capacity under construction near Guadalajara.

- Our current pipeline assets include our Baja East pipelines, Baja West pipeline, Aguaprieta pipeline and Naco compression station, as well as the assets held by our joint venture with Pemex Gas, in which we hold a 50% interest. This joint venture owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station, as well as the Guadalajara LPG storage facility that we currently have under construction and expect to complete in 2013.
- All of our pipelines and compression stations, and the LPG storage facility we are constructing, have long-term contracts, primarily on a firm basis, with creditworthy, leading industry players, including Shell Mexico, or Shell, Gazprom Mexico, or Gazprom, the Mexican Federal Electricity Commission, Intergen, TransCanada and Pemex Gas. The following is an overview of the existing assets of our pipelines business:
  - *Baja East Pipelines:* this fully bi-directional system is comprised of three pipelines of approximately 302 km in aggregate length, as well as a 30,000 horsepower compression station. The system starts at an interconnection point with the North Baja Pipeline's system at the Mexico – U.S. border and extends west to an interconnection point with our Baja West pipeline near the city of Tijuana, and south to our LNG terminal. This system's bi-directional capacity allows it to utilize natural gas supplies from either the U.S. domestic natural gas market or our LNG terminal. The three pipelines comprising this system include the Rosarito Mainline, the LNG Spur and the Yuma Lateral. We have entered into 16 long-term firm transportation services agreements with the Baja East system's customers, which have 3,450 MMcfd (35.9 MMThd) of aggregate maximum daily quantity, or 90% of the system's design capacity, contracted on a firm basis.
  - *Baja West Pipeline:* this fully bi-directional pipeline is comprised of approximately 45 km of 30-inch diameter pipeline and an 8,000 horsepower compression station, with a capacity of 940 MMcfd (9.8 MMThd). The system interconnects with our Baja East pipelines system in the Tijuana area, and extends north to interconnect with the system of our affiliate, San Diego Gas & Electric Company, at the Mexico – U.S. border, and southwest to the Mexican Federal Electricity Commission's 1,300 megawatt, or MW, Presidente Juárez power plant in Rosarito, Baja California. The full amount of the system's design capacity is contracted through 2028 under firm transportation services agreements.
  - *Aguaprieta Pipeline:* this pipeline is comprised of approximately 13 km of 20-inch diameter pipeline and has a designed capacity of 200 MMcfd (2.1 MMThd). It transports natural gas from the Mexico – U.S. border to the Fuerza y Energía Naco – Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the Mexican Federal Electricity Commission. Our existing firm transportation services agreements with the Aguaprieta pipeline's customers have 52 MMcfd (0.5 MMThd), or 25% of the system's design capacity, contracted on a firm basis. This 25-year contract, executed in 2002, includes a rate which will allow us to recover the entire cost of this pipeline. This pipeline system was built in anticipation of two additional power plants in the area which the Mexican Federal Electricity Commission intended to construct; one of these power plants is currently under construction, and represents a potential additional revenue opportunity once completed.
  - *Naco Compression Station:* this 14,340 horsepower compressor is installed on Pemex Gas's Naco – Hermosillo natural gas pipeline in Naco, Sonora. The existing compression services agreement with Pemex Gas, the sole customer of this compression station, has 90 MMcfd (0.9 MMThd) of firm compression services, or 100% of the system's design capacity, contracted on a firm basis through 2021, with a five-year extension at Pemex Gas's option.

- *Joint Venture with Pemex Gas:* we acquired a 50% interest in our joint venture with Pemex Gas in April 2010. Pemex Gas is a wholly owned subsidiary of the Mexican-government-controlled oil and gas company Petroleos Mexicanos, or PEMEX, and is in charge of PEMEX's gas processing, transportation and marketing, among other activities. Pemex Gas currently operates approximately 11,000 km of natural gas and LPG pipelines throughout Mexico. This joint venture owns our San Fernando pipeline, Samalayuca pipeline, TDF LPG pipeline system, and Gloria a Dios compression station. In addition, the joint venture owns the Guadalajara LPG storage facilities that we currently have under construction. These assets are described in more detail below:
  - *San Fernando Pipeline:* this fully bi-directional system consists of approximately 114 km of 36-inch diameter pipeline and two compression stations with an aggregate of 90,000 of horsepower. It has a transportation capacity of 1,000 MMcfd (10.4 MMThd) and a compression capacity of 1,460 MMcfd (15.2 MMThd). The pipeline runs from our El Caracol compression station in Reynosa, Tamaulipas to our Los Indios compression station in San Fernando, Tamaulipas. The San Fernando pipeline's sole customer, Pemex Gas, has 1,000 MMcfd (10.4 MMThd) of aggregate maximum daily quantity, or 100% of the system's design capacity, contracted on a firm basis through 2023. Pemex Gas also purchases the extra compression capacity on this pipeline on an as-needed basis pursuant to an interruptible transportation services contract.
  - *Samalayuca Pipeline:* this system consists of approximately 37 km of 24-inch diameter pipeline with a capacity of 272 MMcfd (2.8 MMThd). This pipeline has been in operation since 1997 and was the first privately-owned natural gas pipeline in Mexico. The pipeline runs from Ejido San Isidro, Chihuahua, to the Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex Gas, which runs from Ciudad Juárez to Chihuahua. Existing firm transportation services agreements with the Samalayuca pipeline's customers have 140 MMcfd (1.5 MMThd), or 51% of the system's design capacity, contracted on a firm basis.
  - *Gloria a Dios Compression Station:* this 14,340 horsepower compressor is installed at the interconnection point of our Samalayuca pipeline and Pemex Gas's Ciudad Juárez – Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. Under a compression and transportation services agreement with the Mexican Federal Electricity Commission, the compression station's sole customer, we have 60 MMcfd (0.6 MMThd), or 100% of the design capacity, of compression services contracted on a firm basis through 2021. Pursuant to this agreement, the Gloria a Dios compression station provides compression services for the Chihuahua II power plant in the state of Chihuahua, and transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico – U.S. border and delivers the compressed gas to the Gloria a Dios interconnection of the Samalayuca pipeline and Pemex Gas's pipeline system.
  - *TDF LPG Pipeline System:* this LPG system consists of approximately 190 km of 12-inch diameter pipeline with an average daily transportation capacity of 30,000 Bbld (1.6 MMThd) of LPG, a pumping station near the pipeline's point of reception and a delivery facility with two storage spheres, with a combined capacity of 40,000 Bbl (2.2 MMTh). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex Gas's Burgos LPG production area in the state of Tamaulipas to a delivery facility near the city of Monterrey in the state of Nuevo León. The existing firm transportation services agreement with the TDF LPG pipeline's sole customer, Pemex Gas, has 30,000 Bbld (1.6 MMThd) of aggregate average daily quantity, which is equal to the system's design capacity, contracted on a firm basis through 2027.

- *Guadalajara LPG Storage Facility:* through our joint venture with Pemex Gas we are also currently constructing an 80,000 Bbl (4.4 MMTh) LPG storage facility near Guadalajara, Jalisco. The facility as designed will consist of four storage spheres, each with a capacity of 20,000 Bbl (1.1 MMTh), ten loading bays and an interconnection to Pemex Gas's separately-owned LPG pipeline system. We expect the facility to become operational in the second quarter of 2013. We have entered into a 15-year storage services agreement with Pemex Gas to utilize the full capacity of the terminal.

- *Liquefied Natural Gas Business*
  - Our LNG regasification terminal, located near Ensenada, Baja California, began operations in 2008 and was the first west coast LNG receipt facility in the Americas. Our LNG terminal provides receipt and storage facilities for our customers' LNG, regasifies this LNG and delivers the resulting natural gas to our Baja East pipelines system with delivery capability in Baja California, Mexico and the United States. Our LNG business also purchases LNG on its own behalf for storage and regasification in our LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 cubic meters, or m^3, (73.3 MMTh) in two tanks, each of 160,000 m^3 (36.6 MMTh). The facility is capable of supplying an equivalent of approximately one-eighth of Mexico's 2012 domestic natural gas needs.
  - Our LNG terminal's primary revenue stream is generated through long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, LNG Marketing. Currently, 50% of our LNG terminal's storage and send-out capacity is under contract with Shell and Gazprom, collectively, and the remaining 50% is under contract with LNG Marketing. The obligations of LNG Marketing are currently backed by a financial guaranty from Sempra Energy, our indirect controlling shareholder, in the amount of US$282 million. Each of our customers must pay for its full contracted LNG storage capacity and natural gas send-out capacity regardless of whether it actually delivers LNG to our terminal. The terminal's capacity is fully under contract through 2028 under firm storage services agreements with these customers.
  - LNG Marketing generates revenues by purchasing LNG for storage and regasification in our LNG terminal, and selling natural gas pursuant to natural gas supply contracts that cover up to 100% of its LNG terminal natural gas send-out capacity. LNG Marketing also generates revenues through sales of natural gas it purchases in the continental market. These sale contracts are with the Mexican Federal Electricity Commission, which uses the natural gas at its Presidente Juárez power plant, and JPM Ventures Energy, a Mexican affiliate of J.P. Morgan, which in turn sells the natural gas to our Termoeléctrica de Mexicali power plant and other consumers. If our LNG supplier, Sempra Natural Gas (an operating segment of our indirect controlling shareholder, Sempra Energy, which includes our U.S. affiliates that are engaged in sales of LNG and natural gas to us, and purchases of natural gas from us), does not deliver LNG to LNG Marketing pursuant to our long-term LNG supply contract for reasons other than a force majeure event, it makes payments to LNG Marketing to cover the fixed costs associated with terminal and pipeline capacity.

- *Natural Gas Distribution Business*
  - We own and operate a natural gas distribution utility, Ecogas, in three local distribution zones: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna-Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With its approximately 3,075 km of pipelines, this business currently serves approximately 93,000 industrial, commercial and residential customers.
  - Our revenues for this business are derived from service and distribution fees charged to our customers through monthly invoices. The price we pay to purchase natural gas, which is based on international price indexes, is passed through directly to our customers. Even so, we undertake certain hedging activities on these prices in order to reduce potential volatility in the price for natural gas that our customers ultimately pay. The service and distribution fees charged by our Ecogas business are

regulated by the Mexican Energy Regulatory Commission (Comisión Reguladora de Energía), which performs a review of rates every five years and monitors prices charged to end-users. The current natural gas fee structure minimizes our market risk in that rates are adjusted regularly to account for inflation or exchange rate fluctuations, and inflation indexing includes separate U.S. and Mexican cost components so that U.S. costs can be included in the final distribution rates.

  - Our residential customers comprise 98% of our customers (in terms of number of accounts), and contribute 55% of the profit margin of our distribution business. Our commercial and industrial customers together comprise 2% of our customers (in terms of number of accounts), but are responsible for 93% of our systems' aggregate throughput volume and 45% of the profit margin of our distribution business. We have entered into long-term supply agreements with certain of these industrial and commercial customers, in which we may negotiate rates below the maximum regulated rate in exchange for long-term obligations to purchase minimum volumes.

- For the year ended December 31, 2012, our gas segment had revenues of approximately US$478 million, representing 79% of our total consolidated revenues, and adjusted EBITDA of US$315 million, representing 95% of our total adjusted EBITDA for the year. This revenue figure does not include net equity in earnings of US$37 million for the year ended December 31, 2012 from our joint venture with Pemex Gas, which we account for using the equity method; however, we include a 50% share of the EBITDA from this joint venture in our adjusted EBITDA for our gas segment.

Power Segment

- *Natural Gas Fired Power Generation Business*

  - We own and operate our Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with our Baja East pipelines which allows it to receive regasified LNG from our LNG terminal as well as gas supplied from the United States through the North Baja Pipeline's system. This facility is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California, and in February 2013 this facility received a clean industry certificate for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to California's Independent System Operator power grid at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California. The Termoeléctrica de Mexicali plant had generated revenues by selling electricity to our U.S. affiliate Sempra Generation, but under a new agreement effective as of January 1, 2012, we sell this electricity to consumers in California's Independent System Operator power grid, and Sempra Generation acts as marketing and scheduling agent for these sales. While the entire output of the plant is currently connected to the U.S. grid, the physical interconnection may be modified so that a portion or all of the plant's output could be delivered to the Mexican Federal Electricity Commission's system in Mexico at the La Rosita substation, if an approximately two km transmission line is built and the necessary permits are obtained.

- *Wind Power Generation Business*

  - We are also developing our Energía Sierra Juárez wind power generation project with up to 1,200 MW of projected capacity, to be developed in phases (potentially with a joint venture partner). This potential project will be located along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico, which is one of the strongest wind resources on the west coast of North America. The initial phase of this potential project would be located about 70 miles east of San Diego, just south of the Mexico – U.S. border, and we anticipate that this initial phase will require a total investment of approximately US$320 million. The proposed project would interconnect to the existing Southwest

Powerlink at San Diego Gas & Electric Company's proposed East County Substation in eastern San Diego County via a new cross-border transmission line, and could potentially also connect directly with the Mexican power grid. The East County Substation was approved by the California Public Utilities Commission on June 21, 2012. We expect that the full amount of electricity from the initial phase (up to 52 wind turbines for approximately 156 MW) will be purchased by our U.S. affiliate San Diego Gas & Electric Company under a 20-year power purchase agreement. We expect to commence construction in 2013 and complete construction of the first phase of this project in 2014, subject to our meeting certain financing conditions and obtaining regulatory approvals. See "Regulatory, Permits and Environmental Matters—Permits—Power Generation Permits."

- For the year ended December 31, 2012, our power segment had revenues of approximately US$128 million, representing 21% of our total consolidated revenues, and adjusted EBITDA of US$17 million, representing 5% of our total adjusted EBITDA for the year.

Since 1995, we have invested approximately US$2.4 billion in Mexican energy infrastructure across our business segments, and we continue pursuing several growth opportunities both on our own and through our joint venture with Pemex Gas (such as our Sonora Pipelines project, ethane pipeline project, Guadalajara LPG storage facility and Energía Sierra Juárez wind farm, all of which are currently under development).

Given our established track record in both developing and operating energy infrastructure in Mexico and in working with the Mexican Federal Electricity Commission and PEMEX, we believe that we are well situated to benefit from these types of future development opportunities.

Recent Developments

Name Change. We changed our name to Infraestructura Energética Nova, S.A.B. de C.V. at our shareholders' meeting held on March 1, 2013, and will do business as IEnova. We have consolidated all of the Mexican energy assets of our indirect controlling shareholder, Sempra Energy, under a single organizational structure. These steps reaffirm our strategy of maintaining an independent Mexican company that integrates all of IEnova's assets under its own identity.

Declaration and Payment of Dividend. On March 1, 2013, we declared and paid a dividend in the amount of US$39 million (approximately Ps.500 million using the exchange rate as of that date of Ps.12.8322 to US$1.00, as reported by Banco de México).

CEBURES Offering. On February 14, 2013 we issued an aggregate principal amount of Ps.5.2 billion of Mexican peso-denominated notes (*certificados bursátiles,* or CEBURES) (approximately US$408 million using the exchange rate as of February 12, 2013 of Ps.12.7364 to US$1.00, as reported by Banco de México) in a public offering in Mexico, including Ps.1.3 billion of five-year notes with a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 basis points, or bps, and Ps.3.9 billion of 10-year notes with a fixed interest rate of 6.30%. We applied a portion of the net proceeds of the CEBURES offering, which were approximately US$405 million, to repay approximately US$356 million in long-term indebtedness we owed to affiliates, and we will use the remaining net proceeds to fund our current investment plans and ongoing expansion plans. See "Liquidity and Capital Resources—Existing Indebtedness."

Los Ramones Pipeline. Pemex Gas has recently announced that the first phase of the Los Ramones project, which will consist of a natural gas pipeline from the northern portion of the State of Tamaulipas bordering the United States, to Los Ramones, in the Mexican state of Nuevo León, will be developed by our joint venture with Pemex Gas. The specifics of the project are still under discussion with Pemex.

Energy Management Services Agreement. In January 2013, we entered into an energy management services agreement with our affiliate, Sempra Generation. Pursuant to this agreement, which is effective as of January 1, 2012, Sempra Generation acts as marketing and scheduling coordinator for our electricity sales from our

Termoeléctrica de Mexicali power plant and performs other related administrative, hedging and U.S. regulatory support tasks on our behalf. This agreement replaced an agreement that we previously had in place with Sempra Generation for the full capacity of the Termoeléctrica de Mexicali power plant.

Ethane Pipeline. In December 2012, our joint venture with Pemex Gas executed an ethane transportation services agreement with Pemex Gas to construct and operate an approximately 226 km pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) that will supply ethane from the PEMEX processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The pipeline is scheduled to begin operations in the third quarter of 2014. Pemex Gas will be the sole customer of this pipeline under a 21-year dollar-denominated take-or-pay capacity agreement, which will be indexed to inflation. The Etileno XXI plant is owned by Braskem IDESA, S.A.P.I. de C.V. The cost of construction for this pipeline, which is anticipated to be between approximately US$275 million and US$330 million, is expected to be paid for entirely by the joint venture without any additional capital contributions from the partners. This pipeline will be the first privately-owned ethane pipeline in Mexico.

Sonora Pipelines. In October 2012, the Mexican Federal Electricity Commission awarded to us two natural gas transportation service agreements. Under these agreements, which we entered into with the Mexican Federal Electricity Commission in October and November 2012, we will construct the Sonora Pipelines, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km and total combined capacity of 1,280 MMcfd (13.3 MMThd). The first segment of this project is an approximately 505 km, 36-inch diameter pipeline with 770 MMcfd (8.0 MMThd) of transportation capacity, and the second segment is an approximately 330 km, 30-inch pipeline with 510 MMcfd (5.3 MMThd) of transportation capacity. Pursuant to these agreements, we will provide dollar-denominated firm capacity transportation services to the Mexican Federal Electricity Commission on a take-or-pay basis for a term of 25 years from the date of commercial operation of each of the project's two segments. The committed commercial operation dates for these two segments are in years 2014 and 2016, respectively, and contractual penalties will apply, subject to limited exceptions, if we fail to meet the construction schedule in the agreement. Our estimated capital expenditures for the Sonora Pipelines are expected to be approximately US$1.0 billion, and we intend to finance this project through cash from operations, proceeds from this offering and other sources of external capital. We may also finance a portion of the project through debt or equity financing from our affiliates. In connection with these agreements, we have granted to the Mexican Federal Electricity Commission compliance guarantees in the form of two irrevocable stand-by letters of credit with an aggregate amount of US$155.0 million, which will be gradually reduced as the project is developed. In the event that we do not receive the necessary permits for these projects from the Mexican Energy Regulatory Commission, the Mexican Federal Electricity Commission may be entitled to draw upon these letters of credit. We have entered into agreements with various steel pipe producers pursuant to which these producers will provide us with 100% of the steel pipe that will be required for the construction of the Sonora Pipelines. We are currently in discussions with an unrelated third party in connection with the construction of the Sonora Pipelines project.

Industry Overview

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

We expect that current macroeconomic dynamics in Mexico will create significant opportunities for growth in the energy infrastructure sector over the next several years as demand for energy resources continues to grow. The administration of Enrique Peña Nieto, who was elected president of Mexico in July 2012 and took office on December 31, 2012, has publicly expressed a desire to increase private investment in Mexican energy infrastructure. Peña Nieto's Institutional Revolutionary Party (*Partido Revolucionario Institucional*, or PRI) recently voted at its national convention to end its opposition to certain constitutional changes that could allow for more private participation in the Mexican oil industry.

The Mexican Energy Ministry (*Secretaría de Energía*) estimates that Mexico will require more than 4,200 km of natural gas pipeline infrastructure by 2014 and that those new projects will require an investment of approximately US$7.0 billion, a 43% increase over existing investments.

Regulatory Dynamics

In Mexico, the natural gas and power sectors are regulated and include a high level of participation by the Mexican government. In the power sector, the Mexican government owns 100% of the Mexican Federal Electricity Commission, the national electricity company with exclusive rights to transport and distribute electricity in Mexico. In the natural gas sector, the government owns 100% of PEMEX and its subsidiaries, including Pemex Gas. Legislative changes that took place in Mexico in the 1990s liberalized some energy markets, creating significant investment opportunities for the private sector beginning in 1995, when regulatory reform began to allow private participation in the midstream (storage and transportation) and downstream (distribution) natural gas sector.

In the electricity sector, prior to 1992 the Mexican Federal Electricity Commission had been solely responsible for power generation in Mexico since the nationalization of the industry in 1960. The 1992 reforms and 1997 legislation allowed Independent Power Producers, or IPPs, to build and operate electricity generation plants for self-consumption or to export the electricity generated or sell it to the Mexican Federal Electricity Commission under long-term agreements at fixed prices. IPPs operate under build-own-operate contracts which generally allow for 25 years of operation. The majority of IPPs receive their natural gas supply from the Mexican Federal Electricity Commission under a long-term contract that matches their operating term.

Demand Dynamics

Currently, private companies operate over 66.2% of Mexico’s combined-cycle generation projects through IPP contracts. Together, these projects generate 30.6% of the country’s power. The opening of the market to IPPs greatly increased the amount of natural-gas-fired combined-cycle technology in Mexico. Among other factors, this shift away from fuel oil to more efficient natural-gas-fired combined-cycle technology for power generation has substantially increased natural gas demand in Mexico, which has emerged as the primary source of fuel for power generation. From 1999 to 2012, natural gas demand in Mexico doubled, reaching a consumption level of 8,699 MMcfd in 2012.

According to the Mexican Energy Ministry, demand for both natural gas and power generation is expected to continue growing during the next thirteen years by annual average growth rates of 3.8% and 4.7%, respectively, implying a national demand of 13,916 MMcfd of natural gas (a 59% increase) and 445.1 terawatt hours of gross electricity generation (an 89% increase) by 2026.

Supply Dynamics

Despite proven natural gas reserves of 11,966 billion cubic feet in 2011 (according to the International Energy Agency), due to a lack of natural gas transportation infrastructure and relatively low extraction levels, Mexico is likely to struggle to meet its growing demand domestically and is therefore likely to become increasingly reliant on natural gas imports, which have helped to meet approximately 20% of the country’s demand since 2008. As a result of increased natural gas demand, the National Pipeline System (which is controlled by Pemex Gas) has in turn become capacity constrained, representing a significant risk of gas supply interruption to natural gas consumers.

The resultant need for new pipeline infrastructure has consequently been highlighted as a priority for energy sector officials. PEMEX has indicated that it plans to increase Mexico – U.S. border infrastructure and capacity, and to focus on gas exploration and production activities. Additionally, the Mexican Federal Electricity Commission has recently assigned contracts for almost 2,000 km of pipelines as part of the additional 4,200 km of gas transportation infrastructure the Mexican Energy Ministry estimates that Mexico will require by 2014.

Competitive Landscape

In general, the Mexican energy landscape is highly concentrated, with a few key companies representing a significant portion of the market in each segment. In the natural gas pipeline market, the largest four companies comprise nearly 90% of the market. PEMEX controls the largest share, representing 42% of the market, followed by our company, with a market share of 26% (by design capacity). The natural gas distribution market is also highly concentrated, with Gas Natural Fenosa and GDF Suez controlling 80% of the total market, collectively (by number of customers). In the private power generation market the top two companies, Iberdrola and Gas Natural Fenosa, control 61% of the total market, collectively (by design capacity).

Our Strengths

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

- ***Proven development capability and extensive experience operating diverse energy assets***. With over 16 years of experience operating in Mexico, we have developed the necessary skills and relationships to successfully build, own and operate critical energy infrastructure in Mexico. Over this time, we have established a proven track record of building greenfield and brownfield projects and the flexibility to acquire energy assets in existing and new lines of business. We made our first investment in Mexico in 1996, when we won the first private natural gas distribution permit awarded in Mexico, and have subsequently developed our Ecogas business into a model natural gas distribution company. Our largest project to date is the investment of US$1.2 billion in our LNG terminal. Other notable projects include our approximately US$350 million investment to construct our natural gas-fired combined-cycle power plant in Mexicali, Baja California, our 2010 acquisition of US$300 million of Mexican energy infrastructure assets from El Paso Corporation, which includes our joint venture with Pemex Gas, and our US$200 million investment in expanding our Baja East and Baja West pipeline systems.
- ***Cash flow stability and visibility through long-term contracts.*** We have contracted out a substantial portion of the capacity of our assets across our business segments under long-term agreements under which our customers are required to pay us regardless of whether they actually use their contracted capacity, which helps provide us with steady and predictable long-term cash flows. Substantially all of these contracts are with stable, creditworthy, private counterparties or with state-owned entities and are US dollar-denominated. In addition to enhancing the stability of our cash flows, these firm capacity contracts also minimize our direct exposure to commodity price risk. The current fee structure minimizes our market risk in that rates, which for some of our contracts are regulated by the Mexican Energy Regulatory Commission, are adjusted regularly to account for inflation or fluctuations in exchange rates.
- ***Broad footprint of energy assets covering wide market opportunity set.*** We are the only energy company with assets diversified across the entire energy infrastructure value chain that is open to private investment in Mexico, including pipelines, LNG, natural gas distribution and power generation. Given our scale, geographic position and diverse asset base, we believe we are ideally positioned to continue to expand and build out our platform of energy infrastructure assets. Given our track record as pioneers in private energy infrastructure investment in Mexico and our relationships with key players in the industry, we are well-positioned to expand into new energy sectors as opportunities for private investment arise. In addition, as the majority of our energy infrastructure assets are located across Northern Mexico, we are strategically positioned to be a key player in the growing demand for the importation and transportation of hydrocarbons across the Mexico—U.S. border.
- ***First-mover in developing Mexico's private energy infrastructure.*** We are one of the few privately held companies in Mexico that owns and operates energy infrastructure, and we were one of the first privately-held companies to become involved in the Mexican energy infrastructure market. Since the Mexican government opened the natural gas sector to private investment in 1995, we have invested approximately US$2.4 billion in energy infrastructure in the country, successfully expanding into several sectors as changes to Mexican regulations have opened up new areas to private investment. This experience as pioneers in owning and operating energy infrastructure in Mexico has helped us establish a leading

position in our industry. Currently, we rank first and second among private companies in terms of market share in the LNG and pipelines markets in Mexico, according to the Mexican Energy Ministry, with approximately 50% and 28% of the market, respectively. We are well-positioned to act as a first-mover in new energy markets as additional opportunities arise, capitalizing on our extensive experience.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses.*** We have worked closely with the Mexican Energy Regulatory Commission and other Mexican energy regulatory bodies over the past 16 years and have developed a deep understanding of the regulatory process regarding the Mexican energy sector. We believe our cooperation and close coordination with the relevant regulatory bodies in Mexico are key strengths of our business, and we intend to continue to nurture and build upon these positive relationships. We also have long-term contractual relationships with government-controlled energy companies (PEMEX and the Mexican Federal Electricity Commission), as well as permits and authorizations to develop and operate our energy assets in Mexico.
- ***Experienced management team.*** Our management team has extensive experience in the energy infrastructure sector. The members of our senior management team have an average of over 16 years of experience operating and developing assets in the Mexican energy sector. We have the knowledge and skills necessary to successfully and safely manage all of our assets and operations and the development expertise necessary to expand our existing footprint and enter into new energy sectors as opportunities arise. We believe our management team is one of our principal competitive strengths relative to our industry peers.
- ***World-class parent company.*** We also benefit from the strong support of our indirect controlling shareholder, Sempra Energy, which has a long history of building diversified energy services companies on a global scale. Based in San Diego, California, Sempra Energy is a Fortune 500 company providing energy services, with revenues of approximately US$10 billion in 2012. Sempra Energy companies employ nearly 17,000 people and provide energy-related products and services to more than 31 million consumers worldwide. Through our relationship with Sempra Energy, we expect to continue to have access to a significant pool of strong commercial relationships throughout the energy industry and broad operational, commercial, technical, risk management and administrative infrastructure and support. We believe this access should, among other things, continue to maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.
- ***Low debt levels.*** As of December 31, 2012, after giving proforma effect to (1) the CEBURES offering, and (2) our repayment since December 31, 2012 of approximately US$376 million in indebtedness we owed to affiliates, we had approximately US$447 million in total outstanding indebtedness and a debt-to-adjusted-EBITDA ratio of 1.35, giving us the balance sheet flexibility to competitively pursue acquisitions and organic growth opportunities and new greenfield opportunities.

Our Strategy

We expect to continue our strategy of investing in a combination of diversified energy assets in Mexico that are capable of generating stable and predictable long-term cash flows. A key aspect of our strategy is to leverage our expertise and relationships in expanding into new energy sectors that we anticipate could open as changes to Mexican regulations allow more private investment across the industry over time. We seek to grow by investing capital at attractive rates of return in existing brownfield and new greenfield projects, building out our position in existing businesses or acquiring new businesses, and establishing partnerships or joint ventures in strategic projects. We generally focus on businesses that have contracts that produce long-term, stable cash flows. We have contracted out a substantial portion of our existing capacity under long-term agreements with highly-rated, creditworthy counterparties who are obligated to pay us regardless of whether they actually use their contracted capacity. We focus on investments that either provide operational control of the asset or the ability to exert significant influence over the day-to-day operations and strategic direction of the investment. We seek to achieve these goals through the following strategies:

- ***Expand and optimize our existing assets.*** We have invested approximately US$2.4 billion in Mexican energy infrastructure projects across our business segments. Over the past three years we have invested an average of approximately US$35.2 million annually on maintenance and growth projects throughout our system. We are constantly looking to expand our existing system in a profitable manner. For example, as discussed above, we are currently developing (1) our Guadalajara LPG storage facility, an 80,000 Bbl (4.4 MMTh) LPG storage facility which we expect to become operational in the second quarter of 2013, (2) our Energía Sierra Juárez wind farm, with a capacity of up to approximately 156 MW in the initial phase (expected to become operational in 2014), (3) the Sonora Pipelines, located in the states of Sonora and Sinaloa, with a combined length of approximately 835 km and total combined firm take-or-pay capacity of 1,280 MMcfd (13.3 MMThd), pursuant to two natural gas transportation service agreements entered into with the Mexican Federal Electricity Commission in October 2012 and (4) a 226 km ethane pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) (expected to become operational in the third quarter of 2014). The Sonora Pipelines will be located in a region that is not currently served by natural gas pipelines, and we expect that the introduction of natural gas infrastructure there will foster new industry growth and represent an opportunity for further pipeline expansion.
- ***Grow our joint venture with Pemex Gas***. Our joint venture with Pemex Gas has provided us with substantial opportunities for the development of natural gas and LPG pipelines and storage facilities. We continue to seek additional growth through this joint venture by adding contracted energy infrastructure projects to its existing asset base.
- ***Continue to expand our network of energy assets in Mexico.*** As pioneers in private investment in the Mexican energy industry, we are well-positioned to increase our revenues and profitability by expanding into new energy sectors that we anticipate could be opened to private investment by additional changes to Mexican regulations. We also believe there are numerous long-term expansion opportunities available to our existing asset base, such as building additional natural gas, ethane and LPG pipelines and storage facilities, connecting our Mexicali power plant to the Mexican Federal Electricity Commission's electrical grid and implementing additional phases of development at our Energía Sierra Juárez wind farm, which is designed to include up to 1,200 MW of capacity at full build-out. We will continue to seek to develop and acquire assets capable of producing attractive rates of return, primarily through long-term, firm capacity contracts that generate stable cash flows.
- ***Long-term investment in energy infrastructure assets in Mexico.*** We believe continued economic growth in the country should drive increases in overall energy consumption and require significant additional investments in energy infrastructure assets. The Mexican Energy Ministry expects that demand for natural gas and electricity will increase from current levels by 35.2% and 64.8%, respectively, by 2025. In addition, the integration of infrastructure at the Mexico – U.S. border offers significant opportunities to develop additional resources to meet the strong demand in both countries. We believe these factors and historical under-investment in energy infrastructure in Mexico have resulted in an insufficient energy supply to meet Mexico's future needs, providing significant investment opportunities to capitalize on our business strategy.
- ***Liquefaction opportunities.*** Currently the spreads between natural gas prices in the U.S. and elsewhere in the world provide unique opportunities to export LNG, and several participants in the industry are developing LNG liquefaction and export facilities in the United States and Canada. Given our proximity to the Mexico – U.S. border and our existing infrastructure, we believe our facilities are well positioned to take advantage of potential LNG liquefaction and export opportunities, depending on obtaining governmental authorization, market demand and a variety of other factors.

Segment Overview – Gas Segment

Our gas segment includes (1) our pipelines business, which owns and operates systems for receiving, transporting, storing and delivering natural gas and LPG (and which includes our interest in our joint venture with Pemex Gas), (2) our LNG business, which owns and operates an LNG storage and regasification terminal, and also purchases LNG and sells natural gas to its customers, and (3) our natural gas distribution business, which distributes natural gas to approximately 93,000 residential, commercial and industrial customers in Northern Mexico. A more detailed description of each of the businesses within our gas segment follows.

Pipelines Business

Overview

Our pipelines business owns and operates systems for receiving, transporting, storing and delivering natural gas and LPG, which includes more than 500 km of natural gas pipelines, 190 km of LPG pipelines, six natural gas compression stations with an aggregate of over 155,000 horsepower, and an 80,000 Bbl (4.4 MMTh) LPG storage facility currently under construction near Guadalajara, located throughout the states of Baja California, Chihuahua, Jalisco, Nuevo León, Sonora and Tamaulipas. Our natural gas pipelines have an aggregate designed capacity of over 5,700 MMcfd (59.3 MMThd) and our LPG pipeline has a designed transportation capacity of 30,000 Bbld (1.6 MMThd). Our pipelines assets include our Baja East pipelines, Baja West pipeline, Aguaprieta pipeline and Naco compression station, as well assets held by our joint venture with Pemex Gas, in which we hold a 50% interest. This joint venture owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station, as well as the Guadalajara LPG storage facility that we currently have under construction and the ethane pipeline project we are currently developing. Upon their completions, our pipelines business will also include the Sonora Pipelines, which will add approximately 835 km of natural gas pipeline infrastructure and a designed natural gas transportation capacity of 1,280 MMcfd (13.3 MMThd) to our assets. The ethane pipeline which we are currently developing will, upon its completion, add approximately 226 km of pipeline infrastructure and a designed ethane transportation capacity of up to 151.9 MMcfd (2.7 MMThd) to our assets.

The majority of our pipelines and compression stations, and the LPG storage facility we are constructing, have long-term fixed-capacity contracts with leading industry players, including Shell, Gazprom, Intergen, TransCanada and Pemex Gas. Similarly, our Sonora Pipelines project currently in development also has two 25-year fixed-capacity take-or-pay contracts with the Mexican Electricity Commission and our ethane pipeline project currently under development has a 21-year fixed capacity take-or-pay contract with Pemex Gas. The following table summarizes the operating assets of our pipelines business as of December 31, 2012, including those in which we have a 50% interest through our joint venture with Pemex Gas.

Assets	Ownership Interest	Length of Pipelines (km)	Design Capacity (MMcfd)	% of Capacity Under Long-Term Contract[(1)(2)]	Available Compression (Horsepower)	Commercial Operation Date
Natural Gas Systems						
Baja East Pipelines	100%	302[(3)]	3,324[(3)]	90%	30,000	August 2002[(4)]
Baja West Pipeline	100%	45	940	100%	8,000	June 2000[(5)]
Aguaprieta Pipeline	100%	13	200	25%	N/A	November 2002
Naco Compression Station	100%	N/A	90	100%	14,340	September 2001
San Fernando Pipeline[(6)]	50%	114	1,000	100%	90,000	November 2003
Samalayuca Pipeline[(6)]	50%	37	272	51%	N/A	December 1997
Gloria a Dios Compression Station[(6)]	50%	N/A	60	100%	14,300	October 2001
LPG System						
TDF Pipeline[(6)]	50%	190	30,000 Bbld/40,000 Bbl[(7)]	100%	N/A	December 2007
LPG Storage Facilities						
Guadalajara LPG Storage Facility[(6)]	50%	N/A	80,000 Bbl[(7)]	100%	N/A	2nd Quarter, 2013[(8)]

(1) We define long-term capacity contracts as firm capacity contracts with a remaining unexpired term of at least eight years.
(2) Reflects the percentage of contracted capacity which, depending on the contract, may be expressed in volume or by a heating value (such as British thermal units). While we sometimes present capacity and contract amounts in this offering circular in both volume and heating value amounts for ease of comparison across our businesses, due to small differences that arise in converting these numbers some figures in this document may not match exactly the percentage of capacity under contract.
(3) The Baja East pipelines system includes three interconnected pipelines of different lengths, diameters and transportation capacity, as more fully explained below. The amounts presented here are the sum of the lengths and capacity of these three pipelines, and exclude additional capacity for compression.
(4) The Baja East pipelines system includes the Algodones compression station, the Rosarito Mainline system and the LNG Spur and Yuma Lateral, which began commercial operations between 2002 and 2010.
(5) The Baja West pipeline includes an expansion that began commercial operations in February 2008.
(6) Assets owned under our 50% joint venture with Pemex Gas. We do not consolidate this joint venture and instead recognize equity earnings under the equity method.
(7) In barrels of LPG. The figures for the TDF LPG pipeline represent 30,000 Bbld of daily transportation capacity for the pipeline, and an additional 40,000 Bbl of capacity at the delivery terminal connected to the west end of the pipeline.
(8) This terminal is currently under construction and we expect that it will become operational in the second quarter of 2013.

The following map shows the locations of the assets of our pipeline business:

Pipelines Firm Transportation Services Agreements

We have entered into long-term firm transportation services agreements with various customers with respect to all of our pipelines, which are the key revenue generating contracts for our pipelines business. Pursuant to these contracts we are obligated to provide to our customers, and our customers are required to pay us for, natural gas transportation service for up to certain maximum daily quantities of natural gas or LPG, as applicable. Each customer pays a monthly fee consisting of a fixed reservation component and a variable component based on the amount of natural gas delivered, plus reimbursement for expenses related to the transportation services we provide. The fixed reservation component of these fees account for the substantial majority of our revenue under these agreements, and must be paid by our customers whether or not they use their contracted capacity.

The majority of these agreements have U.S. dollar-denominated fixed rates that are lower than those authorized by the Mexican Energy Regulatory Commission to be charged to parties generally. The Mexican Energy Regulatory Commission establishes (and periodically adjusts) the maximum rates that we may charge to users that have not agreed upon a lower rate with us. For agreements that reflect the maximum rate allowed by the Mexican Energy Regulatory Commission, the fee is adjusted annually to account for inflation and changes in the U.S. dollar – Mexican peso exchange rate in accordance with the Prices and Tariffs Directive (*Directiva de Precios y Tarifas*) established by the Mexican Energy Regulatory Commission.

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

Our Pipelines Operating Assets

<u>Baja East Pipelines</u>

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

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

This pipelines system also includes our 30,000 horsepower Algodones compression station installed on the Rosarito Mainline in Algodones, Baja California, which increases the system's capacity but does not directly generate revenue.

We have entered into 15 firm transportation services agreements with the Baja East pipelines system's customers, which have 3,450 MMcfd (35.9 MMThd) of aggregate maximum daily quantity, or 90% of the system's design capacity (including compression), contracted on a fixed-capacity basis. The following table sets forth certain characteristics of firm transportation services agreements with certain of the Baja East pipelines system's key customers:

Customer	Purpose and Characteristics	Execution Date	Term	Contracted Capacity(1)
Shell	Transportation of natural gas from our LNG terminal to the interconnection point of the Rosarito Mainline with the North Baja Pipeline at the international border in Los Algodones, Baja California.	June 19, 2008	20 years	1,396 MMcfd maximum daily quantity
LNG Marketing (our subsidiary)(2)	Transportation of natural gas from our LNG terminal to the interconnection point of the LNG Spur and the Rosarito Mainline in Tecate, Baja California.	May 1, 2008	20 years	1,260 MMcfd maximum daily quantity
Gazprom	Transportation of natural gas from the interconnection point of the LNG Spur and the Rosarito Mainline in Tecate, Baja California to the interconnection point of the Rosarito Mainline with the North Baja Pipeline at the international border in Los Algodones, Baja California.	April 14, 2009	20 years	204 MMcfd maximum daily quantity
LNG Marketing (our subsidiary)(2)	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja Pipeline at the international border in Los Algodones, Baja California to an interconnection point with our Baja West pipeline near Tijuana, Baja California.	February 15, 2002	20 years	202 MMcfd maximum daily quantity
Intergen	Transportation of natural gas from an interconnection point of the Rosarito Mainline and the North Baja Pipeline at the international border in Los Algodones, Baja California to a point near Las Palmas, Mexicali, Baja California.	February 28, 2002	25 years	130 MMcfd maximum daily quantity

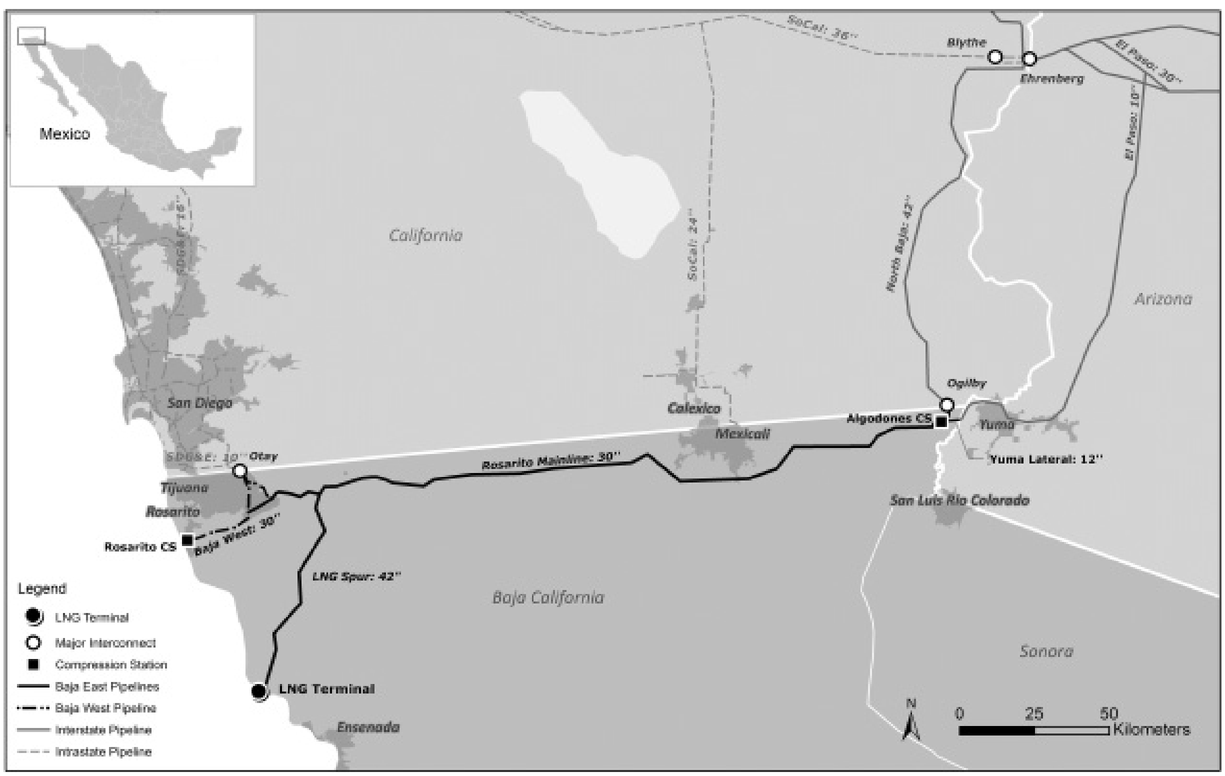
Customer	Purpose and Characteristics	Execution Date	Term	Contracted Capacity(1)
Termoeléctrica de Mexicali (our subsidiary)(3)	Transportation of natural gas from the interconnection point of the Rosarito Mainline with the North Baja Pipeline at the international border in Los Algodones, Baja California to an interconnection point at the Termoeléctrica de Mexicali power plant in Mexicali, Baja California.	February 26, 2002	20 years	101 MMcfd maximum daily quantity

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

(2) Our indirect controlling shareholder Sempra Energy has provided credit support in respect of LNG Marketing's obligations under its contracts with our Baja East pipelines in an aggregate amount of US$125.8 million. LNG Marketing is currently utilizing its contracted capacity to transport natural gas that it supplies to its customers, the Mexican Federal Electricity Commission's 1,300 MW Presidente Juárez power plant and JPM Ventures Energy. See "—Segment Overview—Gas Segment—Liquefied Natural Gas Business—LNG and Natural Gas Purchase and Sale Operations."

(3) Our indirect controlling shareholder Sempra Energy has provided credit support in respect of Termoeléctrica de Mexicali's obligations under this contract in the amount of US$29.4 million. Termoeléctrica de Mexicali currently utilizes its contracted capacity to transport gas to our Termoeléctrica de Mexicali natural-gas-fired combined-cycle power plant for operation of its generators.

The following map shows the routes of each of this system's three pipelines, as well as the routes of our Baja West pipeline:



Baja West Pipeline

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

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

Customer	Purpose and Special Characteristics	Execution Date	Term	Contracted Capacity
LNG Marketing (our subsidiary)(1)	Transportation of natural gas from an interconnection point of the Rosarito Mainline in Tijuana, Baja California to an interconnection point between the Baja West pipeline and San Diego Gas & Electric Company's pipeline system in Otay Mesa, California and to an interconnection point with the Presidente Juárez power plant in Rosarito, Baja California.	May 1, 2008	20 years	519 MMcfd maximum daily quantity
Shell	Transportation of natural gas from an interconnection point of the Rosarito Mainline in Tijuana, Baja California to an interconnection point between the Baja West pipeline and San Diego Gas & Electric Company's pipeline system in Otay Mesa, California.	June 19, 2008	20 years	385 MMcfd maximum daily quantity

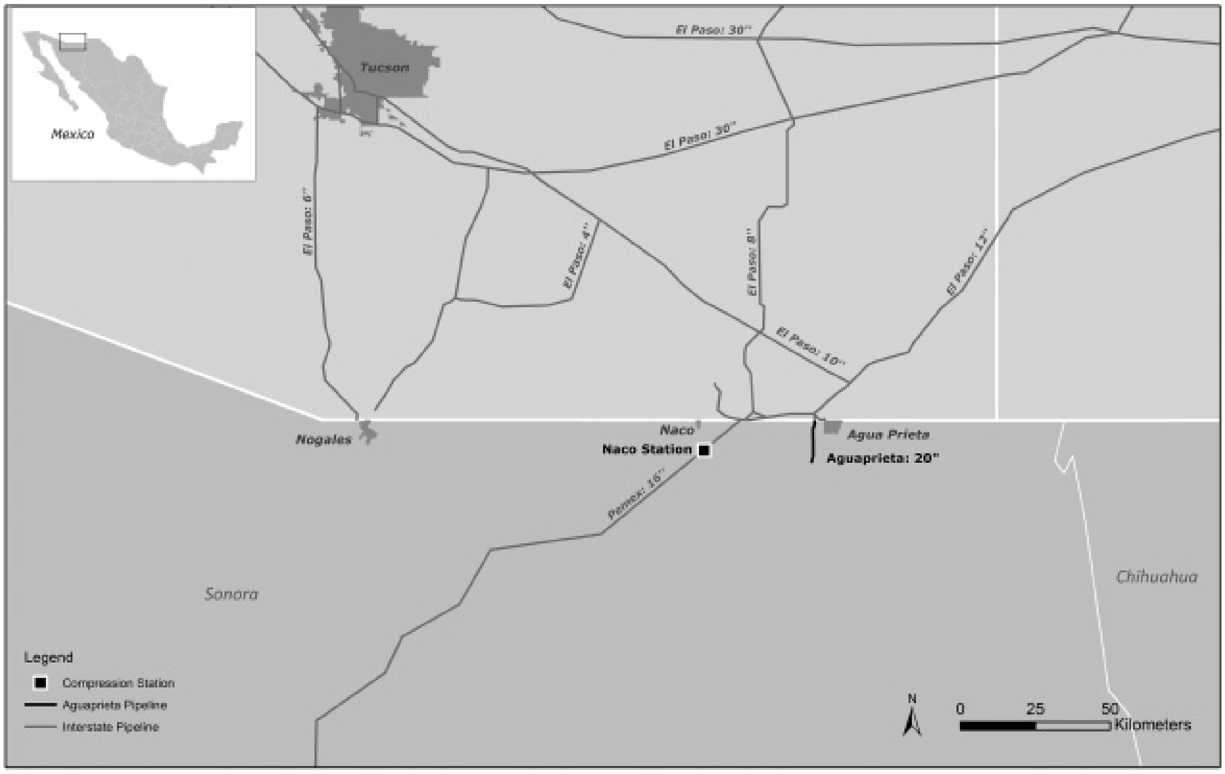
(1) Our indirect controlling shareholder Sempra Energy has provided credit support in respect of LNG Marketing's obligations under this contract in the amount of US$45.6 million. LNG Marketing currently utilizes its contracted capacity to transport natural gas it provides to its customers, the Mexican Federal Electricity Commission's 1,300 MW Presidente Juárez power plant and JPM Ventures Energy. In addition, under the contract with the Mexican Federal Electricity Commission, LNG Marketing is reimbursed for the portion of the contracted capacity related to transportation to the Presidente Juárez power plant. See "—Segment Overview—Gas Segment—Liquefied Natural Gas Business—LNG and Natural Gas Purchase and Sale Operations."

Aguaprieta Pipeline

Our Aguaprieta pipeline transports natural gas for its main customer, Kinder Morgan, from the interconnection of Kinder Morgan's Willcox Lateral pipeline, located at the Mexico – U.S. border, to the Fuerza y Energía Naco – Nogales combined-cycle power plant located southeast of the city of Agua Prieta, Sonora, which provides electricity to the Mexican Federal Electricity Commission. This system is comprised of approximately 13 km of 20-inch diameter pipeline and has a designed capacity of 200 MMcfd (2.1 MMThd).

The main firm transportation services agreement for this pipeline is for 50 MMcfd (0.5 MMThd) of aggregate maximum daily quantity, or 25% of the system's design capacity, contracted on a firm basis. This agreement includes a rate which will allow us to recover the entire cost of this pipeline. The term of this agreement commenced on November 20, 2002 and has a term of 25 years. This pipeline system was built in anticipation of two additional power plants in the area which the Mexican Federal Electricity Commission intended to construct. One of these power plants, Agua Prieta II, is currently under construction, and represents a potential additional revenue opportunity for this system once completed.

The following map shows the route of the Aguaprieta pipeline and the location of the Naco compression station:



Naco Compression Station

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

The location of this compression station can be seen in the map above.

Joint Venture with Pemex Gas

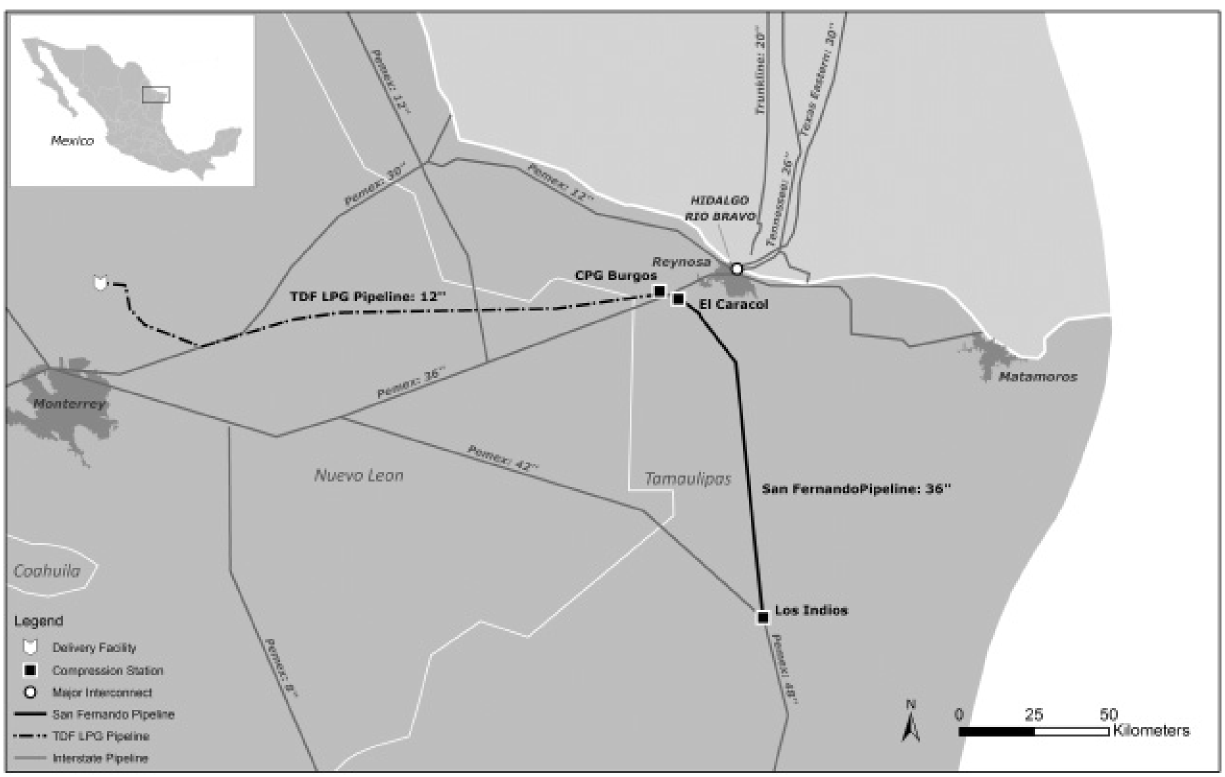
We have a 50% interest in our joint venture with Pemex Gas, which owns the San Fernando pipeline, the Samalayuca pipeline, the TDF LPG pipeline system, and the Gloria a Dios compression station. In addition, the joint venture owns the Guadalajara LPG storage facilities that are currently under construction. We acquired our interest in this joint venture from El Paso Corporation in April 2010. Pemex Gas is a wholly owned subsidiary of PEMEX, in charge of PEMEX's natural gas processing, transmission and marketing, among other activities. Pemex Gas currently operates approximately 11,000 km of natural gas and LPG pipelines throughout Mexico. In certain cases the joint venture contracts, on an arms'-length basis, with Pemex Gas as a counterparty.

San Fernando Pipeline

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

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

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



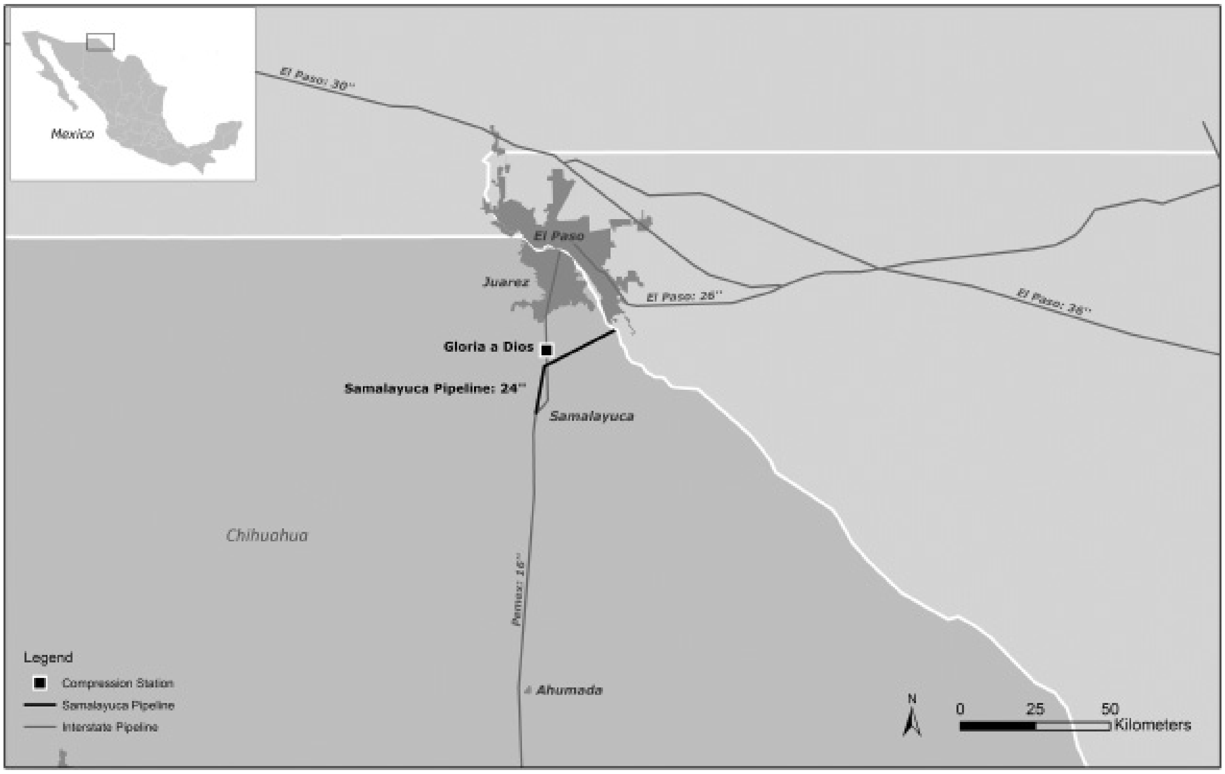
Samalayuca Pipeline

Our joint venture's Samalayuca pipeline consists of approximately 37 km of 24-inch diameter pipeline with a capacity of 272 MMcfd (2.8 MMThd). The Samalayuca pipeline, in operation since 1997, was the first privately-owned natural gas pipeline in Mexico. The pipeline runs from Ejido San Isidro to the Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex Gas, which runs from Ciudad Juárez to Chihuahua. The Samalayuca pipeline is operated by Pemex Gas under an operation and maintenance agreement between Pemex Gas and the joint venture.

The existing firm transportation services agreements with the Samalayuca pipeline's customers have 140 MMcfd (1.5 MMThd) contracted on a firm basis. The following table sets forth certain characteristics of the Samalayuca pipeline's firm transportation services agreements:

Customer	Purpose and Special Characteristics	Execution Date	Term	Contracted Capacity
Pemex Gas	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with Pemex Gas's pipeline system.	December 11, 2009	Annual renewal	40 MMcfd maximum daily quantity
Mexican Federal Electricity Commission	Transportation of natural gas from an interconnection point at the international border in Ejido San Isidro, Chihuahua to interconnection points with the Mexican Federal Electricity Commission's Samalayuca I and II and Chihuahua III pipeline systems.	December 11, 2009	Annual renewal	100 MMcfd maximum daily quantity

The following map shows the route of the Samalayuca pipeline and the location of the Gloria a Dios compression station:



Gloria a Dios Compression Station

Our joint venture's Gloria a Dios compression station consists of a 14,340 horsepower compressor installed at the interconnection point of our Samalayuca pipeline and Pemex Gas's Ciudad Juárez—Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. Under a compression and transportation services agreement with the Mexican Federal Electricity Commission, the compression station's sole customer, we have 60 MMcfd (0.6 MMThd) of compression services contracted on a firm basis. The Mexican Federal Electricity Commission pays for these services based on a rate established by the Mexican Energy Regulatory Commission.

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

TDF LPG Pipeline System

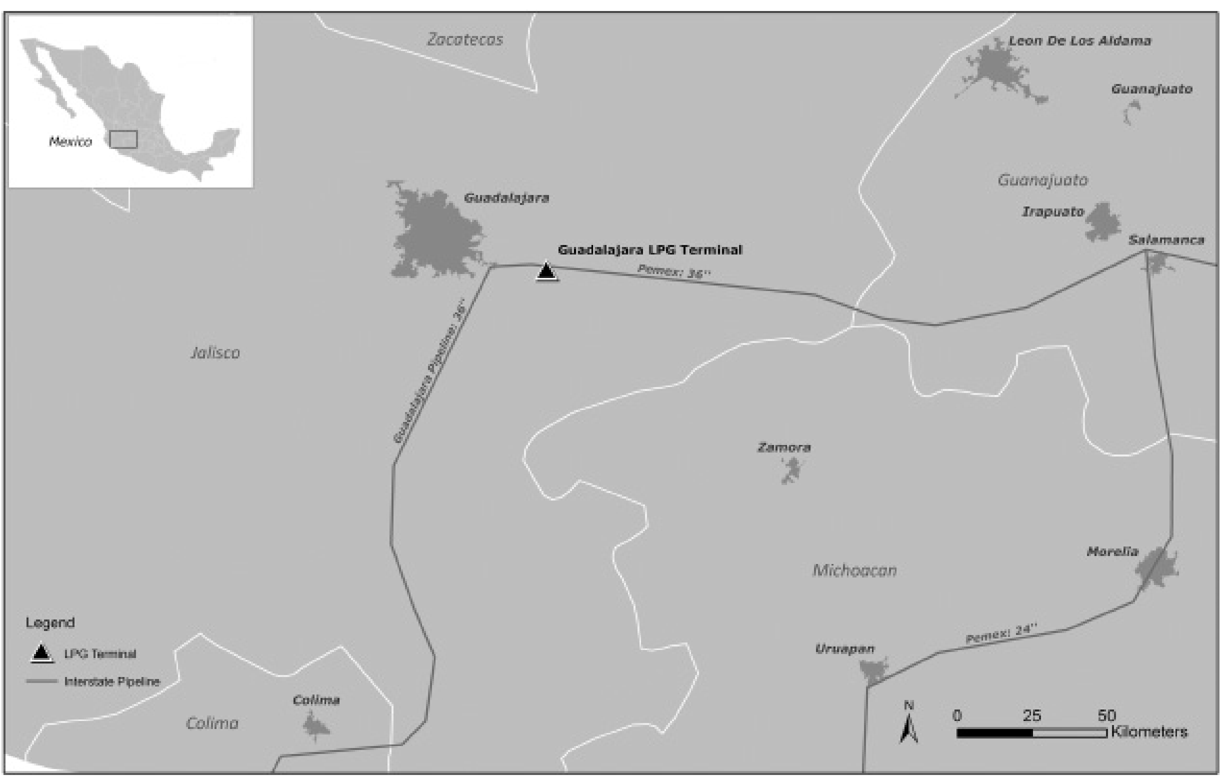
Our joint venture's TDF LPG pipeline system consists of approximately 190 km of 12-inch diameter pipeline with an average daily transportation capacity of 30,000 Bbld (1.6 MMThd) of LPG, a pumping station near the pipeline's point of reception and a delivery facility with two storage spheres, with a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

The location and route of the TDF LPG pipeline system can be seen in the map on page 101.

Guadalajara LPG Terminal

We are currently constructing an 80,000 Bbl (4.4 MMTh) LPG storage facility near Guadalajara, Jalisco, through our joint venture. The facility will consist of four storage spheres, each with a capacity of 20,000 Bbl (1.1 MMTh), ten loading bays and an interconnection to Pemex Gas's separately-owned LPG pipeline system. The facility, which will replace an LPG storage facility owned by Pemex Gas that is located within Guadalajara, will be operated by Pemex Gas and will serve the Jalisco market. The joint venture has agreed to invest US$65 million in the construction of this facility. The cost of construction for the facility is expected to be paid for entirely by the joint venture without any additional capital contributions from the partners. We have entered into an LPG Storage Services Agreement with Pemex Gas, as a counterparty, pursuant to which the joint venture will provide storage services to Pemex Gas utilizing the full capacity of the terminal. Under the terms of this agreement the joint venture will receive LPG from Pemex Gas at the terminal and deliver Pemex Gas's LPG as directed by Pemex Gas, in exchange for a monthly fee which will contain a fixed component that Pemex Gas will be required to pay regardless of the facility's use, and a variable fee based upon its actual monthly use of the services of the terminal. This agreement has a 15-year term. We expect the facility to become operational in the second quarter of 2013.

The following map shows the location of the LPG storage facility we are constructing outside of Guadalajara:



Ethane Pipeline

In December 2012, our joint venture with Pemex Gas executed an ethane transportation services agreement with Pemex Gas to construct and operate an approximately 226 km pipeline with a designed capacity of up to 151.9 MMcfd (2.7 MMThd) that will supply ethane from the PEMEX processing plants located in the states of Tabasco, Chiapas and Veracruz to the Etileno XXI ethylene cracker and polyethylene plant located in the state of Veracruz. The pipeline is scheduled to begin operations in the third quarter of 2014. Pemex Gas will be the sole customer of this pipeline under a 21-year dollar-denominated take-or-pay capacity agreement, which will be indexed to inflation. The Etileno XXI plant is owned by Braskem IDESA, S.A.P.I. de C.V. See "Recent Developments."

Corporate Governance of Our Joint Venture with Pemex Gas

The corporate governance of our joint venture with Pemex Gas is conducted pursuant to the terms of the bylaws of Gasoductos de Chihuahua, S. de R.L. de C.V., the special purpose company that was formed to hold the joint venture's assets, and a partnership agreement with Pemex Gas. The following is a summary of the material terms of the bylaws and partnership agreement.

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

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

Generally, so long as we and Pemex Gas hold equal 50% interests in the joint venture, actions (including additional capital contributions) may only be taken as agreed to by both partners at the members' meetings and the board meetings through their respective representatives. However, if at any time the series A or series B represents more than 50% of the contributed capital of the joint venture, only a majority of the capital will be required to take action; provided that if the action relates to an increase of capital, issuance of debt, change in corporate purpose, change of nationality, voluntary dissolution, a change in the legal type of company, a merger or any modification of the organizational documents, the affirmative vote of 75% of the capital is required to approve the action.

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

Transfers of Interests in the Joint Venture. Any sale, assignment, transfer or encumbrance of ownership interest in the joint venture by its partners requires the prior written consent of the other partner, provided that such consent will not be unreasonably withheld. For transfers of partnership interests, new partners must first agree in writing to become a party of the joint venture's partnership agreement. In addition, each partner has a right of first refusal in the event the other partner desires to transfer its stake to a third party.

Liquefied Natural Gas Business

Overview

Our LNG business consists of two related operations. The first of these is our LNG storage and regasification terminal in Ensenada, Baja California, which stores LNG on behalf of customers, regasifies our customers' LNG and delivers the resulting natural gas to our Baja East pipelines system. Our LNG terminal provides its customers with a secure delivery point for LNG and the option value of access to the Mexican and Southern California markets for natural gas.

The second operation is LNG Marketing, our subsidiary which has contracted 50% of the capacity of our LNG terminal. This subsidiary has contracted to purchase LNG, which it stores in our LNG terminal until it is regasified and used to serve its customers, including the Mexican Federal Electricity Commission's Presidente Juárez power plant and JPM Ventures Energy, which supplies our Termoeléctrica de Mexicali power plant and other consumers.

Our LNG Terminal

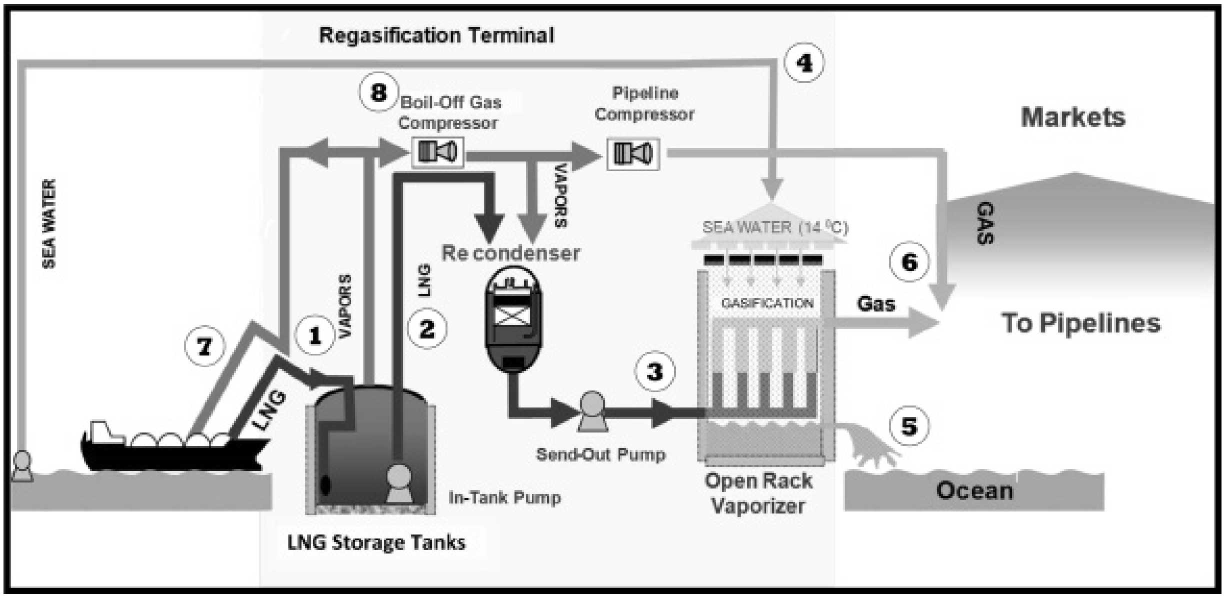
LNG is natural gas that has been cooled to approximately -160° Celsius in order to condense the gas into a liquid. Liquefaction of natural gas reduces its volume by a factor of 600, making it more feasible to transport by ship or truck.

Our LNG terminal consists of:

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

Our LNG terminal has firm natural gas send-out capacity of 1,000 MMcfd (10.4 MMThd) of natural gas. The facility is capable of supplying an equivalent of approximately one-eighth of Mexico's 2012 domestic natural gas needs. Our LNG terminal can also be expanded to accommodate an additional marine berth and two additional LNG storage tanks in the future.

Operation of Our LNG Terminal. The diagram below illustrates the operation of our LNG terminal. First, our customers deliver LNG from cryogenic LNG tankers to the terminal for storage in our LNG tanks (see 1 below), where they maintain ownership of the LNG that we store on their behalf. When our customers request natural gas from us, we move LNG from our storage tanks through a send-out pump (see 2 below) to open rack vaporizers (see 3 below), where the LNG is regasified using heat drawn from ambient-temperature seawater that we pump through our vaporizers (see 4 below). After flowing through our vaporizers, the sea water used to regasify the LNG is returned to the ocean (see 5 below) at an average temperature of only 2° Celsius less than when it entered the LNG facility, in compliance with local and international standards. When the LNG regasification process is complete, we deliver our customers' resulting natural gas to our Baja East pipelines system (see 6 below).



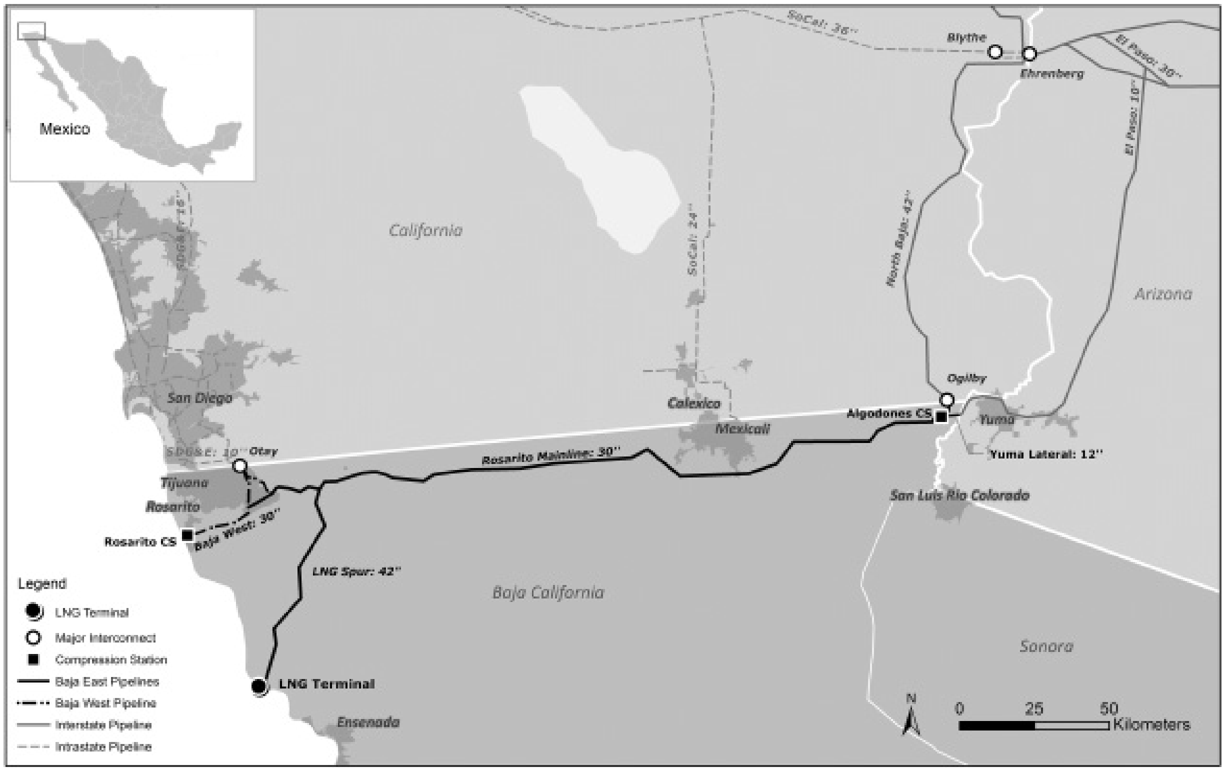
Because there is a large temperature difference between the LNG and ambient conditions, a very small portion of this LNG is continuously converting back to a gaseous state as the LNG warms. This gas is referred to as boil-off gas. As indicated in the above diagram, the boil-off gas can either be returned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

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

Internal Temperature of Our LNG Storage Tanks

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

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



Our LNG Terminal's Customers and Customer Arrangements

Our LNG terminal's primary revenue stream is generated through its long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with our subsidiary, LNG Marketing. Each of our customers must pay for its full contracted LNG storage capacity, natural gas send-out capacity and nitrogen facility capacity regardless of whether it actually delivers LNG to our LNG terminal. Our customers also pay us variable usage charges and fuel in-kind charges based on their actual use of the LNG terminal and the nitrogen facility. Our customers maintain ownership of the LNG they store at our LNG terminal and the natural gas that we deliver to our Baja East pipelines system on their behalf.

Our LNG terminal's LNG storage and natural gas send-out capacity is fully contracted through 2028 under firm storage services agreements with these customers. The obligations of Shell are currently backed by a standby letter of credit from BNP Paribas in the amount of US$210.6 million, the obligations of Gazprom are currently backed by standby letters of credit from BNP Paribas and Barclays Bank plc in an aggregate amount of US$73.2 million, and the obligations of LNG Marketing are currently backed by a financial guarantee from Sempra Energy, our indirect controlling shareholder, in the amount of US$282 million. The amount of credit support required for Shell decreases over the life of the contract. Our customers have also contracted for 100% of the firm nitrogen facility capacity of 12 MMcfd.

The terms of our firm storage services agreements with our customers, which are substantially similar, have been filed with the Mexican Energy Regulatory Commission and are governed by our storage permit and the gas storage general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Natural Licuado*), which may be amended by our LNG business from time to time if approved by the Mexican Energy Regulatory Commission as part of the natural gas storage permit issued to us. For a description of the gas storage general terms and conditions, see "Regulatory, Permits and Environmental Matters—Laws Applicable to Natural Gas Activities—Gas Storage General Terms and Conditions."

Currently, 50% of our LNG terminal's storage and send-out capacity is under contract with Shell and Gazprom, collectively, and the remaining 50% of our LNG terminal's storage and send-out capacity is under contract with our subsidiary LNG Marketing. We believe that the size and creditworthiness of these global energy companies serve to enhance the security and predictability of our LNG terminal's future cash flows. Our existing customers can assign their LNG terminal capacity and/or nitrogen facility capacity to each other on a temporary basis, though the assigning customer remains liable for all payments, credit requirements and other obligations to us. Shell and Gazprom have also agreed to coordinate shipments, storage and gas send-out, and to share their contracted LNG storage capacity, since neither customer has contracted for sufficient storage capacity to unload a standard-sized LNG marine tanker. Shell and Gazprom continue to pay their own monthly LNG storage rate, but can reallocate their joint LNG storage and natural gas send-out capacity between them. If we expand our LNG terminal's capacity, we are required to conduct an open season process to allow any potential customer to contract for the additional capacity. Based on current market conditions, we do not anticipate any near-term expansions of the terminal's capacity.

In the event that we experience a *force majeure* event and are unable to provide a contracted and requested service as a result, our failure to perform will be excused. However, payments from customers are suspended during any *force majeure* event that we experience to the extent that service is made unavailable, and our customers can terminate their firm storage services agreements if we experience a *force majeure* event that materially affects their service and lasts for two consecutive years. If any of our customers experience a *force majeure* event they must continue to make monthly storage capacity payments.

We are required to pay a termination fee to any customer that terminates its firm storage services agreement for cause under the agreement. The termination fee is equal to two years of storage capacity payments or, if termination occurs after 2023, one year of storage capacity payments. Our agreement with Shell also provides that if we fail to pay the required termination fee, Shell will have the right to purchase our LNG terminal for an amount equal to its fair market value less the amount of the unpaid termination fee.

LNG and Natural Gas Purchase and Sale Operations

Through our subsidiary LNG Marketing we sell natural gas to third parties within Mexico and to our U.S. affiliate Sempra Natural Gas at the Mexico – U.S. border. Currently, we have contracts to sell a total of between 247 MMcfd (2.6 MMThd), and 495 MMcfd (5.2 MMThd) of natural gas to these customers, including the Mexican Federal Electricity Commission, for supply to its Presidente Juárez power plant in Rosarito, Baja California, and JPM Ventures Energy, which uses the natural gas to supply our Termoeléctrica de Mexicali power plant pursuant to a separate contract. Through LNG Marketing we have contracted to purchase LNG from Sempra Natural Gas and deliver it to our LNG terminal, where LNG Marketing has contracted firm capacity for storage and regasification. LNG Marketing also has firm capacity contracted to transport the resulting natural gas to its customers through our pipelines under long-term contracts. We can fulfill our natural gas delivery obligations to our customers by delivering regasified LNG from our LNG terminal, or by purchasing natural gas in the open market and arranging for its delivery to our customers. To the extent our supply of regasified LNG is insufficient to meet our obligations to the Mexican Federal Electricity Commission and JPM Ventures Energy, we purchase cover gas from Sempra Natural Gas, which sells the gas to us at rates that make us economically indifferent as to whether we purchase cover gas or receive LNG from Sempra Natural Gas.

We deliver natural gas to the Mexican Federal Electricity Commission at the Presidente Juárez power plant in Rosarito, Baja California, pursuant to a long-term agreement which specifies firm amounts to be delivered for the duration of the contract, with additional variable amounts to be delivered as requested by the Mexican Federal Electricity Commission. In addition to payments for natural gas delivery, the Mexican Federal Electricity

Commission also pays us a fixed monthly fee to cover transportation capacity obligations under a transportation agreement between our LNG Marketing business and our Baja West pipeline system. This natural gas supply agreement terminates in 2022; however, each of the Mexican Federal Electricity Commission and the Mexican Public Administration Ministry (*Secretaría de la Función Pública*) may also terminate the agreement if it determines that doing so would be in the general public interest (*interés público*) by providing evidence that compliance with the agreement would result in losses and damages to Mexico or if, for justified cause, the Mexican Federal Electricity Commission no longer requires the supply of natural gas, in each case subject to a hearing and other due process procedures.

We also supply JPM Ventures Energy with natural gas that it uses to supply the full requirements of our Termoeléctrica de Mexicali power plant pursuant to a separate contract between JPM Ventures Energy and Termoeléctrica de Mexicali. JPM Ventures Energy purchases this gas from LNG Marketing at variable prices based on the relevant natural gas price index value at the time and other factors. We also pay JPM Ventures Energy fees for acting as the scheduling agent to coordinate delivery of natural gas under our agreement with the Mexican Federal Electricity Commission; during the year ended December 31, 2012, these scheduling fees amounted to approximately US$1.3 million. Our agreements with JPM Ventures Energy terminate in September 2014. We have contracted with our affiliates to perform the scheduling and coordination functions currently performed by JPM Ventures Energy after the expiration of these agreements, on terms and conditions similar to those in our current agreement with JPM Ventures Energy.

LNG Purchase and Sale Agreement with Our U.S. Affiliate

As described above, we purchase LNG from our U.S. affiliate, Sempra Natural Gas. This affiliate has agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to us annually. If our U.S. affiliate delivers less than this amount for reasons other than a *force majeure* event, it is required to make payments to us to compensate us for our fixed capacity costs under LNG Marketing's agreements with our LNG terminal and our pipelines business. During the year ended December 31, 2012, our U.S. affiliate paid approximately US$107.8 million to us to compensate us for delivering less than the full contract volume of LNG. In January 2013, we terminated the prior agreement under which we purchased LNG from Sempra Natural Gas and replaced it with a new long-term LNG sale and purchase agreement with Sempra Natural Gas. While the material terms of the new agreement are substantially similar to those of the prior agreement, it does differ in two material respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG cargoes available to us for purchase each year for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. Second, the new agreement corrected unintended economic consequences that resulted in larger payments being made by Sempra Natural Gas to us under the prior agreement when the number of cargoes delivered annually under the prior agreement was substantially lower than had been anticipated when the prior agreement had been entered into. This new LNG purchase and sale agreement with Sempra Natural Gas expires in August 2029. Had the new agreement been entered into as of January 1, 2012, our Adjusted EBITDA for 2012 would have declined by an immaterial amount.

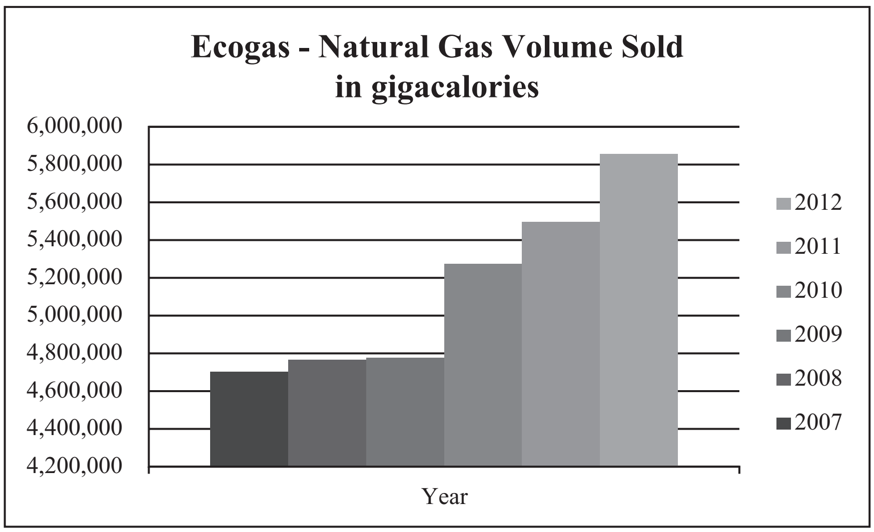
In turn, our U.S. affiliate, Sempra Natural Gas, purchases LNG from suppliers, including pursuant to a long-term contract with the Tangguh partners (a consortium of companies that produce LNG in the Tangguh LNG Project in Indonesia) which have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than this U.S. affiliate. Having non-divertible cargoes available under our U.S. affiliate's agreement with the Tangguh partners increases the likelihood that our LNG terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that we will be able to satisfy at least some portion of our natural gas customer commitments by selling natural gas that has been regasified at our LNG terminal. Our U.S. affiliate's agreement with the Tangguh partners expires in 2029, and we are a party to the agreement solely with respect to the scheduling of delivery of LNG cargoes and to coordinate the parties' rights with respect to the use of our marine terminal.

Natural Gas Distribution Business

Overview

Our subsidiary Ecogas was awarded the first distribution permit under the 1995 natural gas regulation given to a private company to build and operate a natural gas distribution system in Mexico. Through its approximately 3,075 km of pipelines, the Ecogas distribution system currently serves approximately 93,000 residential, commercial and industrial customers in Northern Mexico, with operations in the distribution zones of Mexicali, Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).

In addition to receiving the first distribution permit under the 1995 natural gas regulation, we became the first private distribution company to meet its build-out obligations to the Mexican government in terms of amount of investment and number of customers. Since the Ecogas distribution system became operational, we have endeavored to market natural gas as a better alternative to LPG for industrial, commercial and residential consumption in our markets. The following chart shows the growth in volume of natural gas sold by our distribution business over the last six years.

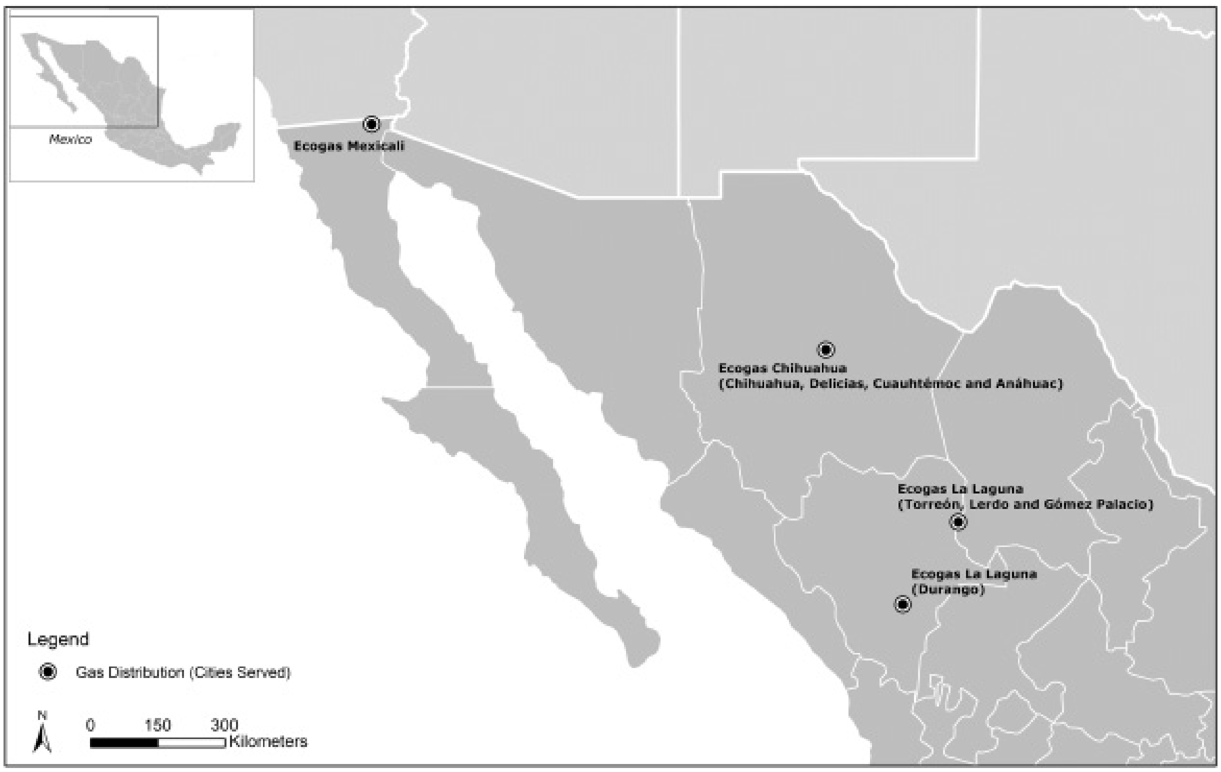


Our natural gas distribution business includes the following key activities:

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

Our revenues are derived from service and distribution fees charged to our customers through monthly invoices. The price we pay to purchase natural gas, which is based on international price indexes, is passed through directly to our customers. Even so, we undertake certain hedging activities on these prices in order to reduce potential volatility in the price for natural gas that our customers ultimately pay. The service and distribution fees charged by our Ecogas business are regulated by the Mexican Energy Regulatory Commission, which performs a review of rates every five years and monitors prices charged to end-users. The rates for our Mexicali and Chihuahua distribution zones are scheduled to be reviewed in 2013, and the rates for our La Laguna-Durango distribution zone are scheduled to be reviewed in 2014. The current natural gas fee structure minimizes our market risk in that rates are adjusted periodically to account for inflation or fluctuations in exchange rates, and inflation indexing includes separate U.S. and Mexican cost components so that U.S. costs can be included in the final distribution rates.

The following map shows the service territory and the geographic zones where the Ecogas distribution system operates: Mexicali, Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).



The following table summarizes, as of December 31, 2012, the main characteristics of the Ecogas service areas:

	Mexicali	Chihuahua	La Laguna – Durango	Total
Distribution System Length (km)	450	1,723	918	3,091
Number of Customers:				
Residential	11,242	54,482	24,772	90,496
Commercial/Industrial	214	1,431	623	2,268
Throughput (MMcfd):				
Residential throughput	0.4	3.2	0.8	4.4
Commercial/Industrial throughput	20.2	28.9	9.9	59.0

Natural Gas and Our Market Opportunity

We believe that our customer service at each stage of the natural gas service cycle has led to high levels of customer satisfaction and differentiates our business from traditional Mexican LPG distributors, which historically have held a strong position in the Mexican gas market, in particular with respect to residential heating. We believe our excellent customer service and quick response time are key competitive advantages that have helped us establish a reputation for quality and build customer loyalty.

Natural Gas Customer Arrangements

Our residential customers comprise 98% of our customers (in terms of number of accounts), and contribute 55% of the profit margin of our distribution business. We do not typically enter into long-term agreements with our residential customers, and they pay the rates for our distribution services that are established by the Mexican Energy Regulatory Commission. We invoice these customers on a monthly basis and their service can be terminated by them or us at any time.

Our commercial and industrial customers together comprise 2% of our customers (in terms of number of accounts), but are responsible for 93% of our systems' aggregate throughput volume and 45% of the profit margin of our distribution business. We have entered into long-term supply agreements with certain of these customers; while the Mexican Energy Regulatory Commission sets the maximum rate we can charge for our distribution service, we may negotiate a rate that is at a discount to the maximum authorized rate, in exchange for a long-term obligation from these customers to purchase contractual minimum volumes. In certain cases our customers are required to provide us with guarantees in the form of letters of credit or cash deposits.

Segment Overview – Power Segment

Our power segment includes a natural-gas-fired, combined-cycle power generation facility and a wind power generation project currently in development. A more detailed description of the businesses within our power segment follows.

Natural Gas Fired Power Generation Business

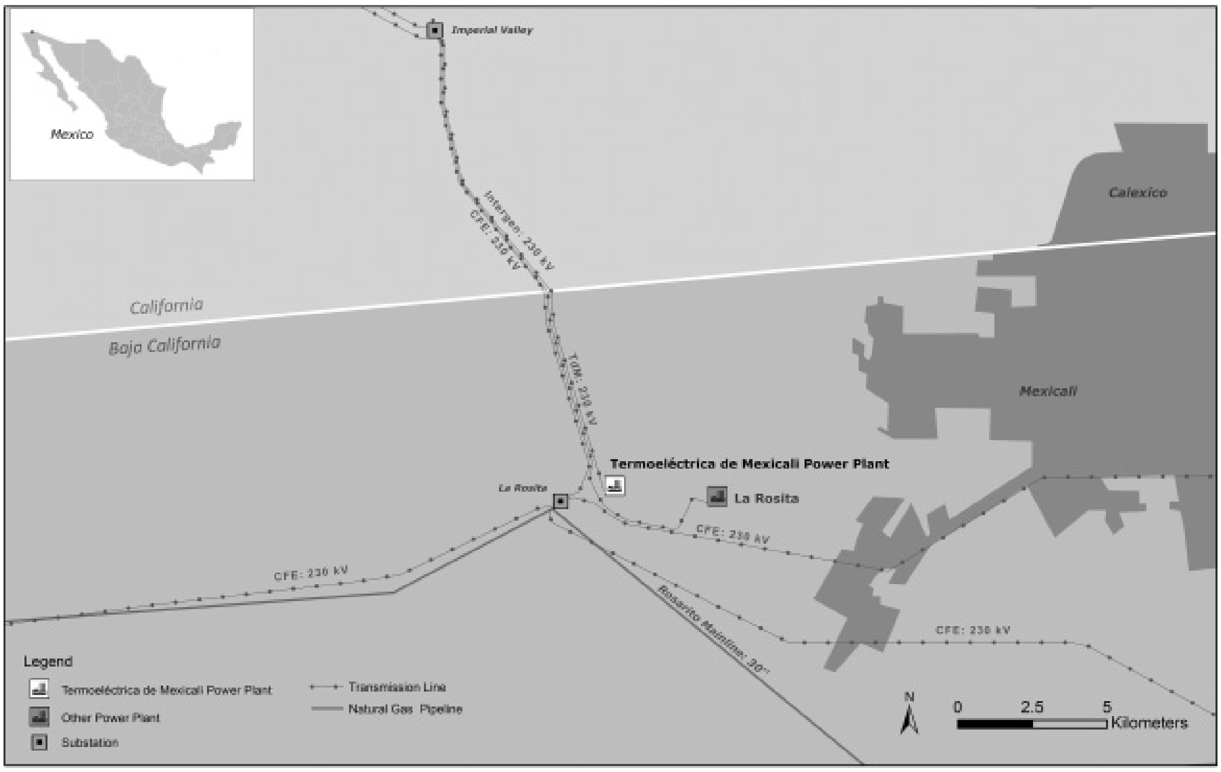
Termoeléctrica de Mexicali

We own and operate the Termoeléctrica de Mexicali power plant in the vicinity of Mexicali, Baja California, adjacent to the Mexico – U.S. border. This 625 MW, natural-gas-fired, combined-cycle power generation facility commenced commercial operation in June 2003 and is well-positioned to access both the United States and Mexican electricity grids. The power plant is connected to our Baja East pipelines which allows it to receive regasified LNG from our LNG terminal as well as gas supplied from the United States on the North Baja Pipeline. Termoeléctrica de Mexicali's customer base is currently comprised of California utilities, California municipalities, energy service providers and financial institutions.

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

Termoeléctrica de Mexicali is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the power grid controlled by the California Independent System Operator at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California. While the entire output of the plant is currently connected to the U.S. grid, the physical transmission could be modified so that a portion or all of the plant's output could be delivered to the Mexican Federal Electricity Commission system in Mexico at the La Rosita substation if an approximately two km transmission line is built and the necessary permits, including from the Mexican Energy Regulatory Commission, are obtained.

The following map shows the location of the Termoeléctrica de Mexicali power generation facility:



Termoeléctrica de Mexicali Key Agreements

<u>Power Purchase Agreements</u>

We are parties to an energy management services agreement with our affiliate, Sempra Generation, with respect to the electricity generated at our Termoeléctrica de Mexicali power plant. Pursuant to this agreement, which is effective as of January 1, 2012, Sempra Generation has marketed and served as scheduling coordinator for our electricity sales and performed other related administrative, hedging and U.S. regulatory support tasks on our behalf. Under this agreement, we reimburse Sempra Generation's expenses in connection with these services and pay Sempra Generation an annual energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant (depending on, among other factors, the amount of energy scheduled and sold by Sempra Generation). The term of this agreement runs through 2017. This agreement replaced a prior agreement with Sempra Generation for the full capacity of the Termoeléctrica de Mexicali power plant. Whereas under the prior agreement Sempra Generation reimbursed us for the natural gas required for electricity generation at the power plant, under the current energy management services agreement we bear the cost of the natural gas used to fuel the power plant, and we sell the electricity generated by the power plant on a merchant basis, which creates greater volatility in the income generated by this facility. Additionally, under this new agreement our annual costs of energy management services rose by approximately US$5.0 million in connection with Termoeléctrica de Mexicali.

Natural Gas Purchase Agreement

We entered into a contract with JPM Ventures Energy in 2011 pursuant to which JPM Ventures Energy supplies between 67 MMcfd (0.7 MMThd) and 101 MMcfd (1.1 MMThd) of natural gas to the Termoeléctrica de Mexicali power generation facility. This agreement expires on September 1, 2014, and at that time we expect to supply our Termoeléctrica de Mexicali facility with natural gas purchased directly from our subsidiary LNG Marketing. Because the agreement between us and JPM Ventures Energy provides for JPM Ventures Energy to sell natural gas to us at a price that is currently less than the rate we would otherwise have to pay to have natural gas delivered to the facility, we expect that our costs will increase as a result of the expiration of this agreement in September 2014, assuming market conditions remain substantially the same.

Wind Power Generation Business

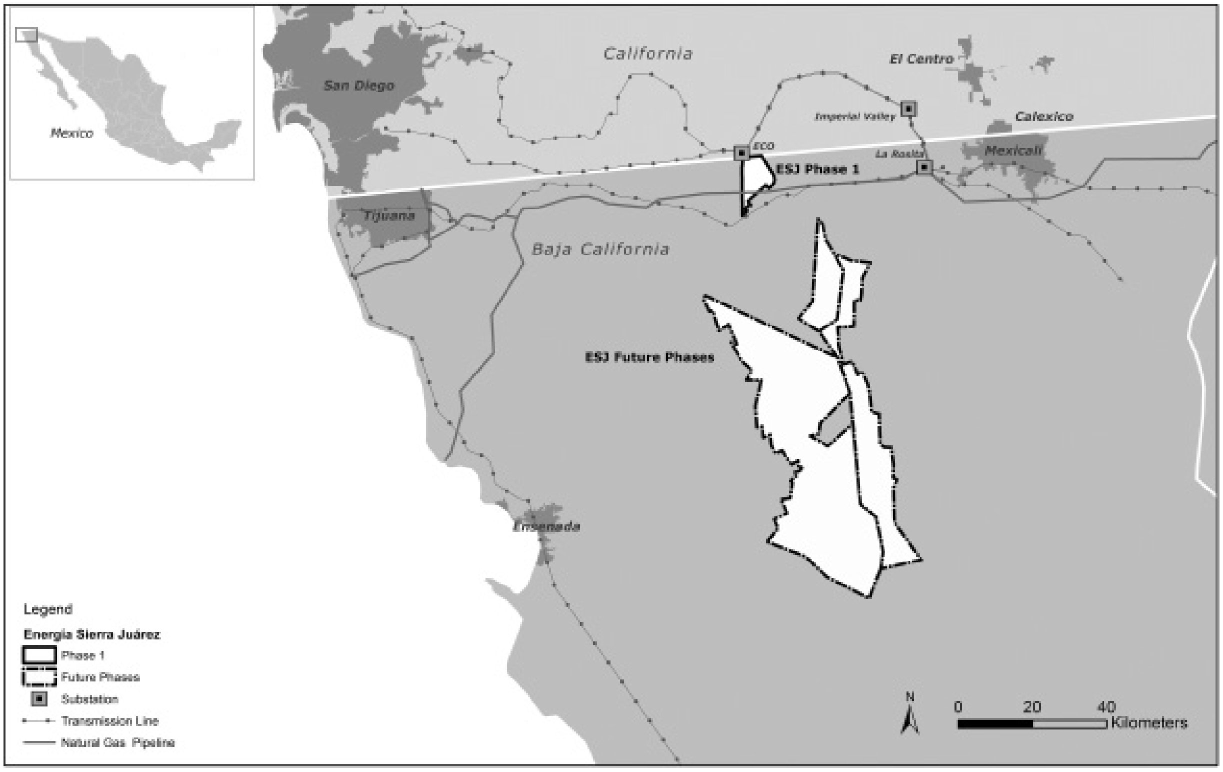
Energía Sierra Juárez

We have commenced development of a wind powered generation project, Energía Sierra Juárez, along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico. This region is one of the strongest wind resources on the west coast of North America. The initial phase of this potential project will be located about 70 miles east of San Diego and just south of the Mexico – U.S. border. The project would interconnect to the existing Southwest Powerlink at our affiliate San Diego Gas & Electric Company's proposed East County Substation in eastern San Diego County via a new cross-border transmission line, and could potentially also connect directly with the Mexican power grid. The East County Substation was approved by the California Public Utilities Commission on June 21, 2012.

Upon completion, the initial phase of Energía Sierra Juárez is expected to generate up to 156 MW from up to 52 wind turbines, or enough power for approximately 65,000 average U.S. homes. Based on five years of meteorological data, we expect that these wind turbines will operate at a net capacity factor of between 34% and 36% (net capacity factor is a measure of the percentage of peak power a facility generates on average over an extended period of time, reflecting wind resource availability and other factors). We expect that the electricity generated from the initial phase of this project will be sold entirely to our affiliate San Diego Gas & Electric Company, pursuant to a 20-year power purchase agreement. This power purchase agreement has been approved by the California Public Utilities Commission and the U.S. Federal Energy Regulatory Commission, and the project has received a U.S. Presidential Permit required to construct the cross-border transmission line. In Mexico, the project has been approved by the Mexican Environmental Protection Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*) and has received conditional approvals from the Mexican Energy Regulatory Commission for the initial phase of the project. We expect to begin construction in 2013, subject to our meeting certain financing conditions and obtaining regulatory approvals. See "Regulatory Permits and Environmental Matters—Permits—Power Generation Permits." The initial phase of this potential project would require a total investment of approximately US$320 million. Future expansion of Energía Sierra Juárez will depend, among other factors, on the ability to obtain additional power purchase contracts. At full build-out, the project could produce up to 1,200 MW of wind power. We are considering entering into a 50/50 joint venture with a third party for the development of all phases of this project.

We believe that utilities located throughout California are prime potential customers for the power generated by this project, and if we obtain additional permits we have the potential to also sell this power to the Mexican Federal Electricity Commission. California is one of the most politically supportive regions in the United States for renewable power generation development, with a legislated target for renewable energy generation of 33% of retail sales by 2020. Mexico is also politically supportive of renewable energies, and wind farms in particular, as they play a key role in the achievement of legislative goals to elevate electricity generation from renewable sources from the 56 terawatt-hours produced in 2011 to 156 terawatt-hours in 2026.

The following map shows the approximate locations of the sites where the Energía Sierra Juárez wind power generation development would be constructed:



Energía Sierra Juárez Key Agreements

Power Purchase Agreement

All of the electricity generated from the initial phase of this potential project would be supplied to our affiliate Energia Sierra Juarez U.S., LLC, for sale to San Diego Gas & Electric Company, pursuant to a purchase agreement entered into in April 2011. This contract is subject to our meeting certain financing conditions and obtaining regulatory approvals. The agreement has a term of 20 years from the date we first deliver electricity, and provides for a fixed payment per megawatt-hour, with adjustments for "time-of-day" factors. We anticipate entering into a similar agreement with our affiliate Energia Sierra Juarez U.S., LLC to provide this wind-generated electricity that could be sold to San Diego Gas & Electric Company. However, delays in obtaining the necessary permits for this project could potentially prevent us from being operational at the time required by this agreement, which would allow San Diego Gas & Electric Company to terminate its agreement without penalty. Energia Sierra Juarez U.S., LLC also has the right to terminate the agreement if we are unable to timely obtain the necessary permits. The Mexican Federal Electricity Commission issued a negative advisory opinion prior to the issuance of one of the conditional permits under which we would operate this project; however, we continue to work with the Mexican Federal Electricity Commission to obtain a positive advisory opinion from it in order to comply with such conditional permits. See "Risk Factors—Business development activities may not be successful and projects under construction may not commence operation as scheduled, which could materially increase our costs and materially impair our ability to recover our investments."

Competition

Gas Segment

Pipelines Business

While the substantial majority of our natural gas pipeline capacity is contracted under long-term, firm capacity transportation services agreements, in the event that we bid for new natural gas pipeline projects, we may face competition for customers from other large, well-capitalized providers of energy infrastructure services, such as TransCanada, Kinder Morgan, Elecnor and GDF Suez. In addition, we may also face competition from PEMEX itself, to the extent that PEMEX elects to construct its own natural gas transportation pipelines, rather than soliciting bids from the private sector.

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

Liquefied Natural Gas Business

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

Natural Gas Distribution Business

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

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

Our ability to compete in the natural gas distribution market is also subject to limitations based on the regulatory environment in which we operate. For example, in order to obtain the favorable opinion of the Mexican Antitrust Commission (*Comisión Federal de Competencia*) in connection with a permit we required for the operation of our Baja East pipelines, we were required to agree to divest ourselves of the Mexicali components of our Ecogas natural gas distribution system. We have been subject to this obligation since 2000 and have made good faith efforts to comply with the obligation to divest ourselves of our Mexicali gas distribution system, but have not yet located a purchaser for these assets. See "Risk Factors—Risks Relating to Our Business and Our Industry—We operate in a highly regulated environment, and our profitability depends on our ability to comply with various laws and regulations on a timely and efficient basis."

Power Segment

In Mexico, power generation by private companies is limited by applicable laws and regulations to certain types of generation facilities, namely, independent power producer, export, small scale, and captive/self-supply. See "Regulatory, Permits and Environmental Matters – Laws Applicable to Electricity Generation." The Termoeléctrica de Mexicali power plant was originally conceived as a U.S.-export-only facility. The Mexican Federal Electricity Commission is currently considering issuing bids for provisioning of electricity under long-term supply contracts to the Mexican Federal Electricity Commission. To the extent we seek to provide electricity to the Mexican Federal Electricity Commission in the future, we would face competition from other developers, including Gas Natural Fenosa and Iberdrola, that have made significant investments in Mexico in the past and are likely to compete with us in the future. With respect to our Energía Sierra Juárez wind power generation project, we expect that all of the electricity to be generated by the initial phase of this potential project will be contracted to our U.S. affiliate under a long-term supply contract, subject to our meeting certain financing conditions and obtaining regulatory approvals. See "—Segment Overview—Power Segment—Wind Power Generation Business—Energía Sierra Juárez Key Agreements—Power Purchase Agreement." For U.S.-based clients, we mainly face competition from other generation facilities and the spot market in general. In terms of sales to U.S.-based clients, our sales and, through our affiliates, marketing, of electric power compete directly with other generators and marketers serving the market areas. Competitors can include government-owned electric generation companies, local distribution companies with self-generation capability and other privately-owned electric generation and marketing companies. Since our indirect controlling shareholder Sempra Energy, through our U.S. affiliates, also participates in the electricity generation sector, we may face competition with such affiliates. The principal elements of competition are price and availability, terms of service, flexibility and reliability of service. General economic activity, conservation, legislation, governmental regulations, weather, additional generation capacities and other factors affect the supply and demand for electricity.

Real Property and Land Use Rights

Gas Segment

Pipelines Business

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

Liquefied Natural Gas Business

Our LNG terminal is located on 4,700 acres of land that we own in a relatively remote, previously undeveloped area of the Baja California coast. The marine facilities include a single jetty and berth with provision to install a second jetty and berth. The berth is protected from the open ocean by a 648 meter long breakwater, which is 38 meters wide and extends 4.5 meters above the mean low water level, and consists of 12 caissons. The water depth is 25 meters and the marine facilities have been approved by the Mexican Energy Regulatory Commission to accept LNG ships that have a capacity of 70,000 m^3 to 217,000 m^3 (16.0 MMTh to 49.7 MMTh). A portion of this land has been leveled and graded for the potential expansion of the facility to include two additional LNG storage tanks. We also hold a 30-year concession for the occupation and use of federal maritime terrestrial zone adjacent to our property, which is subject to periodic renewals. Such concession title covers a jetty and berth, among other infrastructure ancillary to the LNG terminal. We are currently facing certain lawsuits related to the real property on which our LNG terminal is located. See "—Legal, Administrative and Arbitration Proceedings—LNG Terminal—Matters Challenging Ownership of LNG Terminal Real Property."

Natural Gas Distribution Business

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

Power Segment

The Termoeléctrica de Mexicali power plant owns approximately 30.6 hectares (75.6 acres) of real property located approximately 15 km west of Mexicali, Mexico and five km south of the Mexico – U.S. border. The plant and ancillary assets, including the sewage-water treatment plant, are located on owned property. We also have rights of way with the U.S. Bureau of Land Management with respect to the property upon which our generation tie-line runs into the United States to connect the power plant to the Imperial Valley substation. We hold title to various permits and agreements relating to certain rights-of-way for the aqueduct that services the power generation plant, including those for the occupation and crossing of public lands. Except as described below under "Legal, Administrative and Arbitration Proceedings," we have no knowledge of any challenge to the underlying title of the property or of any material right-of-way permit used by our power segment.

With respect to the potential Energía Sierra Juárez wind project we are developing, we have entered into three lease agreements with various landowners, for approximately 219,000 hectares (548,000 acres) for the construction and operation of wind power generation facilities. We entered into the first of these leases in November 2006 with the Jacume Ejido, a group of approximately 74 individual landowners, for the lease of approximately 5,000 hectares, and it is on this land that we intend to construct the initial phase of this potential project beginning in 2013. We entered into the second of these leases in June 2007 with the Cordillera Molina Ejido, a group of approximately 56 individual landowners, for the lease of up to approximately 141,000 hectares. We entered into the last of these leases in August 2009 with the Sierra de Juárez Ejido, a group of approximately 67 individual landowners, for the lease of approximately 73,000 hectares. Under each of these leases all structures and fixtures remain our property and can be removed when the lease is terminated, and if the lessors decide to sell the land, we hold a right of first refusal to purchase it. All of these leases have an initial term of 30 years and each provides for extensions of up to 30 years.

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

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

Under the Sierra de Juárez Ejido lease we made initial payments of approximately US$0.3 million and we are obligated to make quarterly rent payments of US$73,000 for the first 10 years of the lease or until operations begin, whichever comes first. We will make an additional payment of US$6,000 per affected landowner when ground is broken for the facilities and US$1,450 per affected landowner for additional construction milestones. Once commercial operations begin we will pay rent equal to the higher of (1) US$1,500 per affected landowner per month or (2) 3.5% of gross revenues from the operations on the land, plus a quarterly payment of US$1,500 per non-affected landowner (if any). If we have not begun construction of the facilities in the first ten years of the lease then the lease automatically terminates.

We intend to obtain rights-of-way in due course from the owners of the lands where the power transmission line associated with our wind project will be located, in compliance with our internal policies and guidelines.

Insurance

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

All coverages are subject to industry accepted policy terms, conditions, limits, exclusions and deductibles comparable to those obtained by other energy companies with similar operations. Our insurance includes coverage both through our own insurance policies, and through certain global insurance policies of our indirect controlling shareholder which extend coverage to us.

Intellectual Property

We or our affiliates currently hold several registered trademarks in Mexico, including for the name and logos of "Ecogas." Such trademark licenses are current and we expect they will be renewed prior to their expiration in accordance with applicable laws. In Mexico, trademark registrations can generally be renewed indefinitely every ten years as long as they are being used. To our knowledge, there are no disputes regarding the ownership of our trademarks. To the extent we consider any trademarks owned by our affiliates to be material to our business, we may enter into licenses with our affiliates for their use. We have no patents for our business activities.

Employees

As of December 31, 2012, we had a total of 437 employees, 8% of which were unionized. The following table shows the number of our full-time employees by area of activity and business segment:

	Employees
By Activity	
Management	46
Operations	383
Construction and Engineering	8
By Business Segment	
Gas(1)	371
Power	42
Corporate	24
Total employees	437

(1) Does not include 78 employees employed by our joint venture with Pemex Gas.

Unions and Labor Relations

The collective bargaining agreements that we have entered into with labor unions are subject to renegotiation by each facility on an annual basis with respect to wages, and otherwise on a bi-annual basis. We have not experienced any significant labor disruptions with our workforce. We believe that our relationships with the labor unions are satisfactory.

Seasonality

Our gas and power segments experience seasonal fluctuations. In the gas segment, in cold weather, the demand for natural gas distribution service is higher than during warm weather. In the power segment, the demand for electricity supply is higher in warm weather.

Legal, Administrative and Arbitration Proceedings

From time to time we may become involved in litigation and administrative proceedings relating to claims arising out of our operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, we believe that there are no material governmental, legal or arbitration proceedings against us which may have a material adverse effect on our business, financial condition, cash flows, prospects, results of operations and/or the market price of our Shares.

LNG Terminal

Matters Challenging LNG Terminal Permits and Authorizations

Inmuebles Vista Golf Appeal of the LNG Terminal Environmental Authorization. In May 2003, Inmuebles Vista Golf, S.A. de C.V. filed an administrative appeal with the Mexican Environmental Protection Ministry challenging the issuance of the environmental authorization for the LNG terminal granted to us in April 2003. Inmuebles Vista Golf claimed that the Mexican Environmental Protection Ministry failed to give proper notices and follow applicable procedures in issuing the environmental authorization; that our LNG terminal's activities are industrial and therefore do not comply with the Regional Program for Urban, Touristic and Ecological Development for the Tijuana Rosarito Ensenada Coastal Corridor; and that the conditions and mitigation measures imposed in the environmental authorization were inadequate. The Mexican Environmental Protection Ministry denied the appeal, and in October 2006, Inmuebles Vista Golf submitted an annulment claim before the Mexican Federal Tax and Administrative Court in Mexico City seeking to annul the Mexican Environmental Protection Ministry's resolution. In December 2010, the Mexican Federal Tax and Administrative Court confirmed the validity and lawfulness of the Mexican Environmental Protection Ministry's action denying the administrative appeal. In April 2012, Inmuebles Vista Golf obtained a ruling from the federal circuit court in Mexico City in an *amparo* (a specialized suit seeking redress for actions of governmental authorities alleged to have violated constitutional rights) against the Mexican Federal Tax and Administrative Court's refusal to admit certain testimony in its proceedings, ordering the Mexican Federal Tax and Administrative Court to issue a new resolution taking into account the excluded testimony. In August 2012, the Mexican Federal Tax and Administrative Court issued a new resolution again finding the issuance of the environmental authorization to have been proper and the conditions and mitigation measures sufficient to prevent damage to the environment. Inmuebles Vista Golf filed an appeal alleging that the resolution failed to comply with the *amparo* ruling. In October 2012, the federal circuit court in Mexico City ruled that the Mexican Federal Tax and Administrative Court's resolution did comply, and Inmuebles Vista Golf filed an *amparo* challenging the Federal Tax and Administrative Court's resolution. We believe that Inmuebles Vista Golf's claims are without merit.

Castro, Valdez and Fabiola Appeals of the LNG Terminal Environmental Authorization. In May 2003, Hiram Castro Cruz and Roberto Valdez Castañeda in one proceeding, and Mónica Fabiola Palafox in another, filed administrative appeals with the Mexican Environmental Protection Ministry challenging the issuance of the environmental authorization for the LNG terminal granted to us in April 2003, alleging claims similar to those alleged by Inmuebles Vista Golf described above. The Mexican Environmental Protection Ministry dismissed the appeals. The claimants appealed the dismissals, and in January 2006 and May 2010, the Mexican Federal Tax and Administrative Court in Mexico City issued judgments nullifying the Mexican Environmental Protection Ministry's dismissals and ordering the Mexican Environmental Protection Ministry to issue new resolutions in compliance with the judgments. In the Castro and Valdez case, the Mexican Environmental Protection Ministry considered the appeal, and in January 2012 it issued a new resolution confirming the validity of the environmental authorization. In March 2012, Valdez appealed the Mexican Environmental Protection Ministry's resolution to the Mexican Federal Tax and Administrative Court in Mexico City and we filed an appeal with the Mexican Federal Tax and Administrative Court in Mexico City challenging its admittance of Valdez's appeal. In the Fabiola case, the Mexican Environmental Protection Ministry has not yet issued its new resolution concerning the environmental authorization. We believe that the Castro, Valdez, and Fabiola claims are without merit.

Inmuebles Vista Golf Challenge to the LNG Terminal Port Concession. In January 2005, Inmuebles Vista Golf requested the Mexican Communications and Transportation Ministry to revoke our Port Concession, which authorizes our use of national port facilities for our marine operations. Inmuebles Vista Golf alleges that the Mexican Communications and Transportation Ministry should have applied certain environmental requirements in connection with its authorization of our Port Concession; that the LNG terminal conducts activities beyond the scope of its authorization; that we failed to perform a risk study; and that the Mexican Environmental Protection Ministry modified the environmental authorization without notifying the Mexican Communications and Transportation Ministry. In March 2005, the Mexican Communications and Transportation Ministry dismissed the appeal, and Inmuebles Vista Golf then filed an annulment claim with the Mexican Federal Tax and Administrative Court in Mexico City. In March 2010, the Mexican Federal Tax and Administrative Court overturned the Mexican Communications and Transportation Ministry's dismissal, and ordered the Mexican Communications and Transportation Ministry to consider the appeal. In May 2011, the Mexican Communications and Transportation Ministry issued a resolution again rejecting the appeal. In August 2011, Inmuebles Vista Golf filed a second annulment claim with the Mexican Federal Tax and Administrative Court, repeating its prior assertions and also alleging that the Mexican Communications and Transportation Ministry lacked the legal powers to issue the resolution. We appealed the Mexican Federal Tax and Administrative Court's acceptance of the second annulment claim, on the grounds that Inmuebles Vista Golf's claims had been resolved in the earlier proceeding. In June 2012, the Mexican Federal Tax and Administrative Court agreed and dismissed Inmuebles Vista Golf's second annulment claim. Inmuebles Vista Golf filed an *amparo* in federal court challenging the Mexican Federal Tax and Administrative Court's dismissal. In August 2012, we and the Mexican Communications and Transportation Ministry filed responses. The final hearing has not been held. We believe that Inmuebles Vista Golf's claims are without merit.

Sánchez Ritchie *Amparo*. In June 2010, Ramón Eugenio Sánchez Ritchie, or Sánchez Ritchie, filed an *amparo* in the federal district court in Baja California, Mexico. The suit challenges all of the permits and authorizations issued for the construction and operation of our LNG terminal, or the LNG terminal permits. Sánchez Ritchie's suit was filed against 17 different government agencies, including the Mexican Environmental Protection Ministry, the Mexican Energy Regulatory Commission, and the Municipality of Ensenada, among others. Although the primary permits for the LNG terminal were issued more than six years prior to his filing, Sánchez Ritchie alleged that the operation of the LNG terminal would endanger him as the alleged owner of property adjacent to the LNG terminal and that the LNG terminal permits therefore were granted in violation of his rights (all of which we dispute). He requested injunctive relief and demanded that the court order the applicable government agencies to revoke the LNG terminal permits. On June 17, 2010, the federal district court issued a provisional order calling for the various authorities to suspend the LNG terminal permits, but that provisional order was reversed by the federal circuit court on June 24, 2010 before any governmental authority responded. Thereafter, each of the governmental authorities named in the *amparo* denied the allegations and asserted the validity of its respective permits and authorizations. The hearing on the merits of Sánchez Ritchie's *amparo* has been delayed by numerous procedural motions and appeals. In May 2012, the case was transferred to the federal district court in Tijuana. No date is set for the resolution on the merits. We believe that Sánchez Ritchie's claims are without merit.

Inmuebles Baja Pacífico Challenge to the LNG Terminal Environmental Authorization. In May 2006, Inmuebles Baja Pacífico, S.A. de C.V. filed a complaint (known as a *denuncia popular*) against the Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*), alleging that the conditions and mitigation measures imposed in the environmental authorization are inadequate and that our operations cause damage to the environment, and seeking an order to modify or nullify the environmental authorization. The Mexican Environmental Protection Enforcement Agency inspected the LNG terminal and by official communication dated May 18, 2010, the Mexican Environmental Protection Enforcement Agency notified Inmuebles Baja Pacífico that our operations comply with the mitigation measures imposed in the environmental authorization and do not cause damage to the environment. Inmuebles Baja Pacífico appealed this determination to the Mexican Federal Tax and Administrative Court in Mexico City, and Inmuebles Baja Pacífico's appeal remains pending. We believe that Inmuebles Baja Pacífico's allegations are without merit.

Sánchez Ritchie Municipal Complaint. In February 2011, Sánchez Ritchie filed an administrative complaint with the Ensenada Zoning Commission for the Municipality of Ensenada in Baja California, Mexico challenging the legality of the land use permits and the construction permits issued for the LNG terminal in 2003 and 2004, respectively. Although the Municipality had confirmed the validity of those permits in its response to Sánchez Ritchie's *amparo* described above, shortly after receiving the complaint the Ensenada Zoning Commission issued a temporary "closure order" calling for the terminal to cease operations. Actions by state and federal government authorities prevented interruption of the terminal's operations while we filed a response to the administrative complaint with the Ensenada Zoning Commission and an *amparo* in federal district court in Ensenada. In March 2011, the federal district court issued injunctions precluding enforcement of the closure order pending resolution of our *amparo*. Sánchez Ritchie and the Municipality appealed the injunctions, which appeals are pending before the federal circuit court in Mexicali. The resolution on the merits of our *amparo* was stayed by the federal district court in Ensenada pending the resolution of procedural appeals filed by Sánchez Ritchie. The resolution of the administrative proceeding is stayed until our *amparo* is decided. We believe that Sánchez Ritchie's claims are without merit.

Matters Challenging Ownership of LNG Terminal Real Property

State Court Civil Action. In November 2004, Raúl Francisco Miranda Pelayo, or Pelayo, filed an action in state civil court in Ensenada against us and other parties, some of them initially involved in the development of the LNG terminal. Pelayo's complaint seeks a declaration of superior title, repossession of property and damages with respect to land allegedly underlying the LNG terminal. Although we own recorded titles to the land upon which the LNG terminal is located, Pelayo alleged that another property to which he holds title is located in approximately the same place, overlapping the LNG terminal property. During the course of the proceedings Pelayo died; thereafter, his widow sought to have her rights as joint tenant recognized in the case. The widow's request was denied, and she appealed to the state superior court in Mexicali. The court denied her appeal. In January 2012, she filed an *amparo* in the federal circuit court in Mexicali challenging the state appellate court's ruling. The *amparo* cannot proceed without formal notice by the court to the other defendants in the underlying civil action, which has not occurred. We believe that the Pelayo claims are without merit.

Agrarian Court Action. In February 2006, Saloman Arya Furst and Abraham Hanono Raffoul filed an annulment action in the federal agrarian court in Ensenada naming as defendants the Ministry of Agrarian Reform (*Secretaría de la Reforma Agraria*), us, and 20 other parties. The suit seeks to annul property titles granted by the National Agrarian Registry for parcels on which the LNG terminal is situated, as well as restitution of a different parcel that allegedly sits in the same place, on the grounds that the titles to the LNG terminal parcels were improperly issued to our predecessors and without regard to the allegedly existing title. In September 2011, a final hearing was held in the case, in which the plaintiffs offered certain evidence to extend their claim. The court denied admission of the evidence, and before a decision was issued, the plaintiffs filed an *amparo* challenging the court's denial. The court action is stayed by the *amparo*, and the *amparo* cannot proceed until the court formally notifies all of the defendants in the underlying action, which has not occurred. We believe that the annulment action is without merit.

Additional LNG Terminal Legal Matter

Criminal Investigation. In or about May 2009, Sánchez Ritchie filed with the state District Attorney in Ensenada a complaint alleging that "Sempra affiliates," several LNG terminal employees, and former members of the District Attorney's office committed the crime of procedural fraud in connection with a criminal prosecution we initiated against Sánchez Ritchie in 2006 relating to a dispute over the possession of property to which we hold title that is adjacent to the LNG terminal. In particular, we complained to the District Attorney's office in September 2006 that Sánchez Ritchie had committed the crime of *despojo*, or dispossession, when he forcibly entered the property. In connection with that criminal proceeding, the District Attorney issued a provisional order removing Sánchez Ritchie from the property. Sánchez Ritchie alleged in his 2009 complaint that we and the other defendants gave false information to procure that order. The District Attorney, the official charged with investigating such complaints, determined there was insufficient evidence to indict any defendant and closed its investigation, and in March 2011, the criminal court in Tijuana confirmed the dismissal. In September 2011, Sánchez Ritchie filed an *amparo* in federal district court in Ensenada challenging the court's ruling. The hearing on the merits of the *amparo* was held in March 2012 and in July 2012 the court granted the *amparo* with respect to the criminal court's failure to take into account certain evidence and arguments offered by Sánchez Ritchie. The district court ordered the criminal court to issue a new ruling addressing those matters. We appealed the ruling in the federal circuit court, which has not issued a resolution. We believe that Sánchez Ritchie's allegations are without merit.

Termoeléctrica de Mexicali

In October 2009, José Andrés Hernández Raygoza and a related party, or the Plaintiffs, filed suit in state civil court in Mexicali against Termoeléctrica de Mexicali, Termoeléctrica de Mexicali's predecessor-in-title to certain property, and the Public Registry of Property and Commerce (*Registro Público de la Propiedad y de Comercio*), claiming superior rights to property owned by Termoeléctrica de Mexicali and upon which Termoeléctrica de Mexicali's generating plant is located. Plaintiffs' claim is based on the alleged failure by the predecessor-in-title Camilo Wence Oseguera, or Wence, to give Plaintiffs notice of proceedings in 1987 by which Wence acquired title, on the grounds that such proceedings were valid only to confer title to uncontested property, but that the Plaintiffs had claimed rights resulting from their alleged possession of the property. They seek possession of the property and damages. This is the second such claim instigated by Hernández. The first claim was against Wence and the government officials only, and Termoeléctrica de Mexicali was not named. The court in the first case issued a decree finding Hernández had failed to establish that he was in possession of the property. The final hearing in the second case was held in March 2012, and in June 2012, the court issued its ruling in the matter finding that Plaintiffs should have been, but were not, given notice of the 1987 proceedings, and therefore Wence's title and, in turn, Wence's sale to Termoeléctrica de Mexicali, are null. The court, however, declined to award title to Plaintiffs. Termoeléctrica de Mexicali has appealed the ruling in the state superior court. We believe that the Plaintiffs' allegations are without merit.

Energía Sierra Juárez

In November 2011, Terra Peninsular, A.C., a Mexican environmental organization, filed an administrative appeal with the Mexican Federal Tax and Administrative Court in Mexico City challenging the Mexican Environmental Protection Ministry's issuance of an environmental authorization to Energía Sierra Juárez for the construction and operation of a wind electric generation project. Terra Peninsular alleges that it was not notified of the resolution granting the environmental authorization and that the environmental authorization was not evaluated in compliance with applicable law, and further alleges that had the Mexican Environmental Protection Ministry done so, it would have denied the environmental authorization. However, Terra Peninsular does not specify which laws or regulations were not properly applied. Terra Peninsular further alleges that separate authorizations should have been required for the different phases of the project, and that the project's conditional authorization permitting future development phases that are not yet fully defined is inadequate to protect the environment. The Mexican Federal Tax and Administrative Court in Mexico City denied a provisional injunction sought by Terra Peninsular, but admitted Terra Peninsular's complaint. We and the Mexican Environmental Protection Ministry filed our responses to Terra Peninsular's complaint in June 2012, contending that Terra Peninsular's challenge is not timely and that the environmental authorization was validly issued. The court has admitted experts appointed by the parties, and the experts appointed by us and the Mexican Environmental Protection Ministry have submitted their reports. Once Terra Peninsular's expert submits his report, the court will set the trial for 15 days later. Terra Peninsular's request for a final injunction also remains pending. We believe that Terra Peninsular's challenges are without merit.

Sonora Pipelines

Sásabe Pipeline, a second place bidder in the public tender pursuant to which the Mexican Federal Electricity Commission recently awarded us the Sásabe – Guaymas segment of the Sonora Pipelines project, filed an *amparo* in October 2012 challenging the tender process and the award resolution in our favor. Sásabe Pipeline's *amparo* was filed against 11 different governmental authorities, including the President of Mexico, the

Mexican Energy Ministry, and the Mexican Federal Electricity Commission. The *amparo* alleges, in general terms, that Sásabe Pipeline's rights were violated, and specifically that it was discriminated against in the bidding process. No date has been set for the hearing, and consequently the agreement between us and the Mexican Federal Electricity Commission is effective. In February 2013, we were notified of an *amparo* filed by Guaymas Pipeline, which forms part of the same business group as Sásabe Pipeline, pursuant to which Guaymas Pipeline demanded nullification of the bidding process related to the award of the Guaymas – El Oro segment to us. Guaymas Pipeline did not present a proposal to the Mexican Federal Electricity Commission in this bidding process and did not request a suspension of the award to us. We believe that Sásabe Pipeline's and Guaymas Pipeline's claims are without merit.

If either of these claimants prevails, the applicable award could be nullified, which would prevent our development of that segment of the Sonora Pipelines project and have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. If an award is nullified, the Mexican Federal Electricity Commission would be legally obligated to pay us the damages we suffer as a result of such nullification. However, we cannot provide any assurance of the result of the *amparo* proceedings, nor can we determine whether such damages would be sufficient to compensate us for the total loss we could suffer as a result of an award being nullified.

Other

On November 28, 2012, Mexican federal prosecutors officially dismissed a complaint filed against us and certain of our affiliates, including officers of our indirect controlling shareholder. The claim, which included allegations of tax fraud, smuggling and money laundering, was dismissed as a result of the lack of any supporting evidence.

Litigation Summary

The operations at our LNG terminal and at Termoeléctrica de Mexicali's generating plant have not been affected as a result of the various claims described above, with each facility continuing to operate normally during these proceedings. Similarly, the challenges brought by Sásabe Pipeline and Guaymas Pipeline have not affected our development of the Sonora Pipelines project. However, a resolution against us on any of these claims could have a material adverse effect on the operations of the LNG terminal or the Termoeléctrica de Mexicali generating plant or the development of the Sonora Pipelines project, and in turn, on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares. For a description of certain risks to our business relating to the legal and administrative matters described above, see "Risk Factors—Risks Relating to Our Business and Our Industry—Our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares may be materially adversely affected by the outcome of pending litigation against us or affecting our permits or property rights in connection with our LNG terminal, Termoeléctrica de Mexicali power generation facility, wind power generation project and our development of the Sonora Pipelines project."

REGULATORY, PERMITS AND ENVIRONMENTAL MATTERS

As holders of LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas distribution permits and electric power generation permits, our activities in Mexico are governed by the Mexican Constitution together with a diverse body of laws, regulations, general provisions, guidelines and official technical standards. Although the Mexican Constitution restricts natural gas exploration and production activities in Mexico to the Mexican state, private sector enterprises such as ours are allowed to participate in the natural gas midstream and downstream industry. We are also subject to other laws applicable to Mexican stock companies, and, after the offering, we will be governed by standards applicable to issuers of securities registered with the RNV.

We are subject to Mexican legislation governing the following principal midstream and downstream natural gas and LPG activities:

- ***Storage***: Includes receiving, storing, regasifying (if applicable) and delivering natural gas, LNG or LPG with respect to facilities other than pipelines.
- ***Transportation***: Includes building, operating and owning pipeline systems for receiving, transporting and delivering natural gas or LPG in routes authorized by the Mexican Energy Regulatory Commission.
- ***Distribution***: Includes receiving, transporting, delivering and marketing natural gas via pipelines within defined geographical zones authorized by the Mexican Energy Regulatory Commission.

Activities in the midstream and downstream natural gas industry are subject to the provisions of the Mexican Petroleum Regulatory Law (*Ley Reglementaria del Artículo 27 Constitucional en el Ramo del Petróleo*), the Mexican Energy Regulatory Commission Law (*Ley de la Comisión Reguladora de Energía*), the Mexican Natural Gas Regulations (*Reglamento de Gas Natural*), and with respect to LPG storage and transportation our activities are subject to the Mexican LPG Regulations (*Reglamento de Gas Licuado de Petróleo*). In both cases, directives issued by the Mexican Energy Regulatory Commission, Mexican Official Standards (*Normas Oficiales Mexicanas*) and terms and conditions set forth in any related permits also regulate our activities.

Building and operating natural gas storage facilities, pipelines and distribution systems also require governmental permits and authorizations from federal and local authorities, principally a permit from the Mexican Energy Regulatory Commission, environmental permits, real estate rights-of-way, municipal land-use permits, municipal construction permits and other authorizations. These permits are granted in accordance with the Mexican Natural Gas Regulations, environmental, civil and urban development laws. Permits issued by the Mexican Energy Regulatory Commission also impose a series of regulatory obligations and specific terms and conditions commonly referred to as "general terms and conditions" (*Términos y Condiciones Generales*).

Laws Applicable to Natural Gas Activities

Article 27 of the Mexican Constitution sets forth the general principles that regulate activities involving petroleum and other hydrocarbons in Mexico, including natural gas. Historically, Article 27 prohibited the Mexican government from entering into agreements or granting concessions with respect to hydrocarbons, and specified that activities involving petroleum and other hydrocarbons were exclusively reserved to the Mexican government, through PEMEX, under a vertical integration system.

In 1995, the Mexican Congress passed a bill allowing private participation (Mexican or foreign) in the transportation, storage, distribution and marketing of natural gas in Mexico, as well as the sale and marketing of natural gas by foreign entities. The Mexican Natural Gas Regulations were also published in 1995. In addition, in 2002 the Mexican Congress allowed private participation with respect to LNG regasification and recondensation terminals.

Mexican Petroleum Regulatory Law

In accordance with the Mexican Constitution, the Mexican Petroleum Regulatory Law grants exclusive, permanent, non-transferable ownership rights over hydrocarbons in Mexico to the Mexican government. The Mexican Petroleum Regulatory Law also provides that all activities with respect to hydrocarbons are exclusively limited to PEMEX and its subsidiaries. However, subject to prior permit, the Mexican Petroleum Regulatory Law allows private sector enterprises to store, transport and distribute hydrocarbon gases as well as to own and operate pipelines, facilities and related equipment in accordance with technical and other regulations. Such permits are issued by the Mexican Energy Regulatory Commission consistent with Mexican law.

Gas Storage General Terms and Conditions

The LNG and LPG storage general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Natural Licuado* and the *Términos y Condiciones Generales para la Prestación del Servicio de Almacenamiento de Gas Licuado de Petróleo*) that form part of our LNG and LPG storage permits regulate services agreements for the receipt and storage of LNG and LPG and delivery of natural gas and are self-executing provisions that form part of such agreements. The LNG and LPG storage general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission.

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

Services. We are required to provide storage services for our customers by receiving LNG or LPG at our storage facilities, providing storage (and, with respect to LNG, regasification) services and delivering the resulting product to our customers at any authorized point of delivery.

Access to Available Storage Capacity. We are required to provide customers with reasonable access to the available storage capacity at our LNG terminal not yet under contract pursuant to a firm storage services agreement. Customers can access such capacity by executing a relevant services agreement, provided that they have the necessary pipeline connection to our facilities at the points of delivery specified in the services agreement. In addition, customers must provide a financial guarantee covering compliance with their obligations under the services agreements and the LNG or LPG general terms and conditions.

Firm Storage Services. Firm storage services consist of storing LNG or LPG delivered at the receipt point up to the customer's maximum storage quantity specified in the relevant services agreement and delivering natural gas at the point of delivery at any time in accordance with the services agreement. Our firm storage services may not be subject to reductions or interruptions, with exceptions specified in the LNG or LPG general terms and conditions and the relevant services agreement.

Interruptible Storage Services. Interruptible storage services consist of storing LNG up to the maximum storage quantity specified in the relevant services agreement. Our customers have the right to request this service while the services agreement is in effect. However, interruptible storage services are subject to any available capacity remaining after fulfilling the firm storage services obligations.

Interruption of Services. Customers are not entitled to receive storage services if they are not in compliance with any of their storage services payment obligations, subject to an exception for customers that provide a satisfactory guarantee to cover the overdue payment, with our consent.

Creditworthiness. Customers must be solvent or provide evidence of creditworthiness within 30 days after our request to be eligible to receive LNG or LPG storage services. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee securing their obligations under the LNG or LPG general terms and conditions.

Suspension, Reduction or Modification of the Storage Service. If customers fail to comply with their obligations under their services agreements, we may suspend LNG and LPG storage services. Subject to a cure period, we may terminate the relevant services agreement. The services agreement will terminate automatically in the event of a customer's insolvency, and we will have the right to make a claim under any financial guarantee granted by such customer. If we suspend LNG or LPG storage services without a justified cause, we will provide a credit equal to five times the rate of the LNG or LPG storage service that would have been available for such customer during the suspension, to be calculated in accordance with the terms of the LNG general terms and conditions.

Miscellaneous Purchases and Sales. We are not obligated to execute a services agreement at a lower rate than the regulated rate.

Payment. If customers breach their payment obligations, the overdue amounts accrue interest at a daily rate calculated pursuant to the LNG or the LPG general terms and conditions. Failure to pay within a certain period of time provided in the LNG or the LPG general terms and conditions may result in suspension of service.

Responsibility, Warranty and Assignments. We are deemed to be in control of and responsible for any stored LNG or LPG from the time of receipt until delivery to customers. Customers are deemed to be in control of and responsible for LNG or LPG prior to our receipt thereof, or after delivery.

Storage services agreements may be assigned or pledged by either party with the prior written consent of the other party. Customers are deemed to have unconditionally consented to the assignment of our rights and obligations to lenders for purposes of securing financing and to any entity that acquires the LNG or LPG terminals from us, with prior authorization of the Mexican Energy Regulatory Commission.

Our liability to customers is limited to damages suffered directly as a result of our failure to perform our obligations under a storage services agreement (suspension or interruption of delivery of LNG or LPG at the point of delivery). Customers must ensure that their vessels are fully covered by insurance (including environmental insurance) and manned and maintained in accordance with applicable national and international standards.

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

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

Gas for the Operation of the LNG Terminal. We require a certain amount of natural gas for the operation of the LNG terminal and provision of storage services, and are entitled to retain and use, at no cost or charge, our customers' available stored LNG for such purposes.

Dispute Resolution. Any disputes will be resolved through arbitration.

Assignment of Shipper's Capacity. Any customer may temporarily or permanently assign all or a portion of its supplied quantity of natural gas to another customer with prior notice to us. Any such transfers of contractual rights must be approved by us and are subject to the creditworthiness requirements.

Connection Policy. We have an obligation to allow any entity to connect to our LNG or LPG terminals and related pipelines, subject to certain conditions related to available capacity and technical viability, provided that the party seeking the connection must bear all connection and other costs.

Gas Transportation Pipeline General Terms and Conditions

The gas pipeline general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Transporte de Gas Natural* and the *Términos y Condiciones Generales para la Prestación del Servicio de Transporte de Gas Licuado de Petróleo*) included in our natural gas and LPG transportation permits regulate transportation services agreements executed in connection with gas pipelines and are self-executing provisions that form part of such agreements. The gas pipeline general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission with respect to each gas transportation permit that it grants.

Although the general terms and conditions for each of our gas transportation permits are substantially similar, there may be certain provisions that vary between each permit and its related agreement. Below is a summary of the principal provisions that are common to the general terms and conditions for each of our gas transportation permits and their related agreements:

Term. The gas pipeline general terms and conditions are in effect for the term of the corresponding permit granted by the Mexican Energy Regulatory Commission.

Increase of Capacity. In the event that requests for pipeline services exceed our pipelines' available capacity, we must build additional facilities to increase our pipelines' available capacity to fulfill such requests if technically and economically viable.

Pipeline Services Agreements. We may only render pipeline services to customers that have executed a pipeline services agreement based on forms prescribed by the gas pipeline general terms and conditions and after the customer fulfills all of the requirements provided in the gas pipeline general terms and conditions. We enter into agreements after a full analysis of the services requests received from potential customers.

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

Creditworthiness. Under the gas pipeline general terms and conditions, we are not obligated to provide pipeline services to customers with outstanding balances with us or impaired creditworthiness. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee securing their obligations under the gas pipeline general terms and conditions.

Assignment. Gas pipeline capacity may be assigned with our prior written consent, provided that the assignee complies with the gas pipeline general terms and conditions, including providing a required guarantee.

Payments. If customers breach their payment obligations, the overdue amounts accrue interest at a daily rate. Failure to pay within the grace period, which pursuant to each of the general terms and conditions may vary from ten to ninety days, may result in suspension of service and termination of the agreement.

Interruption of Services. Most of the general terms and conditions specifically provide that we are not liable for interruptions of pipeline services if there is a *force majeure* event, in the event of failure of a customer's facilities, in the event interruption is required for the maintenance or adjustment of our facilities, or in case of breach of obligations by the customer. Under some of the general terms and conditions and under certain circumstances, customers are required to pay the corresponding capacity fee during the interruption period. A service interruption, other than as described above, requires us to provide a premium to the affected customer equivalent to five times the amount of natural gas that would have been available during the interruption period as if such interruption had not occurred.

In the event of an interruption attributable to a *force majeure* event that lasts more than five business days, we must file a corrective plan with the Mexican Energy Regulatory Commission.

A *force majeure* event is any event, foreseeable or unforeseeable but unavoidable, that hinders or prevents the affected party from complying with its obligations under a pipeline services agreement. After a certain term, which may vary in each of the general terms and conditions, from such *force majeure* event, the affected party may terminate the services agreement.

Indemnification. Customers must indemnify us and our officers, agents, employees and contractors for any damage or loss suffered in connection with any breach of the customer's obligations under their pipeline services agreements.

Dispute Resolution. Any disputes will be resolved through arbitration. If a customer is deemed a consumer for purposes of the Mexican Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), any disputes will be resolved in accordance with such law.

Rates. We are allowed to negotiate lower rates than the ones provided in the relevant list of rates approved by the Mexican Energy Regulatory Commission. In any case, rates for interruptible services must be lower than rates for firm services. We must publish any applicable rates annually in the Mexican Federal Official Gazette and in the official gazettes of the states in which we provide distribution services.

Natural Gas Distribution General Terms and Conditions

The natural gas distribution general terms and conditions (*Términos y Condiciones Generales para la Prestación del Servicio de Distribución de Gas Natural*) included in our natural gas distribution permits regulate the receipt, delivery and marketing of natural gas. The gas distribution general terms and conditions are approved and registered with the Mexican Energy Regulatory Commission with respect to each natural gas distribution permit that it grants for certain geographic zones.

Although the general terms and conditions for each of our gas distribution permits are substantially similar, there may be certain provisions that vary between each permit. Below is a summary of the principal provisions that are common to the general terms and conditions for each of our gas distribution permits:

Services. We provide firm and interruptible distribution services by delivering natural gas to our customers at different delivery points in our pipeline system. In the event we must interrupt, restrict or modify our services, the firm services will have priority over the interruptible services. In the event that we interrupt services without cause, we must compensate our customers in an amount equivalent to five times of the amount of natural gas that would have been available for such customers if interruption had not occurred.

Interconnection. After expiration of the exclusivity periods granted to us by the Mexican Energy Regulatory Commission for each geographic zone, we must allow other concessionaires to connect to our pipeline system as long as we have sufficient available capacity and if such connection is economically viable. Any connection fees will be agreed by us and the other concessionaires.

Rates. We are allowed to negotiate lower rates than the ones provided in the relevant list of rates approved by the Mexican Energy Regulatory Commission. In any case, rates for interruptible services must be lower than rates for firm services. We must publish any applicable rates annually in the Mexican Federal Official Gazette and in the official gazettes of the states in which we provide distribution services.

Capacity of the System. In order to calculate the maximum daily use of our distribution system we are required to use the "Stoner Workstation" simulation model, which is the international standard in our industry to calculate pipeline flows. If the requested capacity exceeds our available capacity, our residential and commercial services have priority, and we must consult with our industrial customers regarding reduction or interruption of their industrial service.

Credit, Deposits and Guarantees. Our customers must comply with at least one of the following creditworthiness requirements: (1) make a cash deposit in our favor equivalent to three times the monthly consumption estimated for such customer; (2) obtain a joint obligor, a letter of credit or a bond to guaranty the payment of the invoices; or (3) comply in a timely manner with the payment of all invoices for 12 consecutive months.

Safety Obligations. If there is an occurrence that may cause a risk to public health and safety, we must provide an immediate notice to the Mexican Energy Regulatory Commission and to the appropriate local authorities, informing them also of the measures adopted to resolve the problem. We are also obligated to use equipment, materials and systems that comply with the specifications provided by the Mexican Official Standards or, in the absence of such provisions, with the specifications internationally adopted in our industry. Likewise, we are obligated to train our personnel to prevent and remedy accidents, as well as to provide any needed assistance to government authorities in case of emergencies or disasters. In addition, we must acquire and keep in full force the insurance required by the relevant permits to cover any liabilities that may arise.

Liabilities. We will be liable for the damages that may be caused while rendering the services up to the delivery point, except in case of willful misconduct or negligence of the damaged party. After the delivery point, the customers will be liable for any damages suffered by such customer or any third parties.

Interruption of the Services. We may interrupt the services without any liability in the following cases: (1) if we determine that the system or equipment of a customer represents a significant danger or risk; or (2) by written order issued by a competent authority stating that the system of the customer represents a danger or risk or that it does not comply with applicable legal provisions. We are also entitled to suspend service in the event that customers fail to pay more than one invoice that is due.

In addition, we will not be liable for the interruption of the services as consequence of (1) acts of God or *force majeure* event; (2) failures of the systems of the customer due to operator error; (3) maintenance, extension or modification work on the systems, if we provide prior notice to the customers; or (4) breach by the customers of their obligations under the services agreements.

Termination. Any customer may terminate a services agreement with us by providing us with at least two days advance notice before the termination date.

Dispute Resolution. Disputes arising in connection with the services will be resolved through arbitration. The disputes in which the customer is considered a consumer in terms of the Federal Law for the Protection of Consumers will be resolved in accordance with such law.

Energy Regulatory Commission Law

As a holder of LNG and LPG storage permits, natural gas and LPG transportation permits, natural gas distribution permits and the electric power generating permits, the Mexican Energy Regulatory Commission is our main supervising authority.

The Energy Regulatory Commission Law establishes the authorities of the Mexican Energy Regulatory Commission as well as its structure and internal organization. The Mexican Energy Regulatory Commission is a branch of the Mexican Energy Ministry that has technical, operating and management autonomy, and is the sole body responsible for granting storage, transportation and distribution permits to participants of the natural gas sector in Mexico, and for supervising, monitoring and inspecting their operations and full performance of the corresponding permits.

Pursuant to the Energy Regulatory Commission Law, the Mexican Energy Regulatory Commission has broad powers and authority to regulate natural gas storage, transportation and distribution activities, such as the issuance of terms and conditions that shall govern such services provided by the public and private sectors and the issuance of guidelines to calculate the rates applicable to such services.

Natural Gas Regulations

The Mexican Natural Gas Regulations also regulate Mexico's gas market and establish the following with respect to natural gas storage, transportation and distribution permits:

- technical and financial requirements applicable to the operations of permit-holders, such as capitalization requirements and vertical integration prohibitions;
- the rules applicable to the term, duration and renewal of the permits;
- the rules applicable to the modification, transfer, extinguishment and revocation of permits;
- the requirements to be met for the receipt of permits;
- the procedures for the granting of permits;
- specific rules applicable to distribution permits, such as those related to the establishment of a geographical zone and amendments thereto, as well as the exclusivity provided to the initial permit-holders in a specific geographical zone;
- the rules related to the provision of the different services, including specific obligations of permit-holders; and
- the regulation of rates and terms of the service.

Pursuant to the Mexican Natural Gas Regulations, there are two types of natural gas storage and transportation permits: open-access and self-use. Open-access permits are granted to entities (with a storage facility or a transportation system) that will serve very much like a utility: they are compelled to grant open access on a not unduly discriminatory basis to any shipper that requests the service, provided there is available capacity in the system/facility and the parties reach an agreement on the subject matter, as provided under the applicable General Terms and Conditions. Open-access permit holders are heavily regulated and supervised by the Mexican Energy Regulatory Commission. Self-use permits, on the other hand, are exclusively granted to end-users or a group of end-users organized in a special purpose vehicle or company, whose systems/facilities will not be providing open-access services. Our transportation systems are open access pipelines and our LNG terminal is an open access storage facility. A self-use natural gas pipeline serves our Termoeléctrica de Mexicali power generation facility.

Unlike natural gas transportation permits, distribution permits are granted to supply the commodity within a designated geographic zone determined by the Mexican Energy Regulatory Commission. As a general rule, the first distribution permit for a designated geographic zone should always be awarded through an international tender or bidding process under Mexican law. Distribution permits are commonly granted by the Mexican Energy Regulatory Commission for 30 years, renewable for subsequent periods of 15 years and are subject to regulated rates and the requirement to provide the service to a minimum number of end-users. Likewise, distribution permits grant their holder an exclusivity period (12 years) as of the issuance of the permit. The exclusivity is limited to the distribution of the commodity within the predetermined geographic zone and not with respect to its marketing. We currently operate three natural gas distribution systems in the areas of Mexicali, Chihuahua and La Laguna—Durango, and have distribution permits for these geographic zones.

As opposed to distribution companies, transportation companies are not obligated to provide transportation services in any predetermined geographic zone or to connect any given number of users; and natural gas transportation permits are granted by the Mexican Energy Regulatory Commission on a non-exclusive basis.

As common carriers subject to open-access and unbundling rules, transportation and distribution companies are generally barred from vertical integration if they are serving the same geographic zone. However, exceptions are granted if efficiencies are demonstrated or there is no other party interested in providing the service. Open-access gas transportation and distribution services are subject to "maximum regulated rates" determined based on the methodology established in the Prices and Tariffs Directive (*Directiva de Precios y Tarifas*) issued by the Mexican Energy Regulatory Commission.

Finally, the Mexican Natural Gas Regulations also include provisions governing natural gas marketing activities. Marketers are not subject to permit by the Mexican Energy Regulatory Commission. Authorized gas suppliers, transporters and distributors are free to participate in such marketing companies without any specific restriction as a result of their character as permit holders.

Mexican Official Standards and Directives Related to Natural Gas

In addition to the laws and regulations mentioned above, the legal framework that regulates natural gas activities also includes (1) the Mexican Official Standards issued by the Mexican Energy Ministry in connection with technical matters of our business, such as natural gas quality and technical specifications related to the design, construction, safety, operation and maintenance of our transportation, storage and distribution systems and facilities, and (2) the Directives issued by the Mexican Energy Regulatory Commission that regulate economic matters applicable to our business such as prices and rates and accounting and insurance matters.

Laws Applicable to Liquefied Petroleum Gas Activities

The Mexican LPG Regulations regulate first-hand sales, as well as the transportation, storage and distribution of liquefied petroleum gas, which activities are exclusively under federal jurisdiction, pursuant to the Mexican Petroleum Regulatory Law, and which may be conducted, upon prior permit, by the public and private sectors, which may construct, operate and own pipelines, facilities and equipment, upon the terms of such regulations.

A 2007 reform brought the introduction of reception, keeping and delivery installations (*instalaciones de recepción, guarda y entrega*, or IRGEs). This new system gives transportation permit holders (it is technically an extension of a regular transportation permit issued by the Mexican Energy Regulatory Commission) the chance to have a small-scale LPG terminal strictly for intermediary transport purposes such as filling tanker trucks for further transport.

However, the IRGE system does not allow LPG to be sold to third parties, and cannot be used for self-supply storage either. Different permits are required for those activities. If a transportation permit holder requires those other permits, a favorable opinion will need to be obtained from the Mexican Antitrust Commission (*Comisión Federal de Competencia*).

LPG permits are not completely regulated by the Mexican Energy Regulatory Commission as is the case with natural gas and power. The Mexican Energy Ministry and the Ministry of Economy, among others, are also regulatory authorities in the LPG market.

Other Authorities

The Mexican Antitrust Commission, a branch of the Ministry of Economy, has a joint jurisdiction in the activities of natural gas and LPG concerning the prevention and enforcement against monopolistic practices and economic concentrations. According to the Mexican Natural Gas Regulations, notice must be given to the Mexican Antitrust Commission by parties interested in obtaining a natural gas storage, transportation or distribution permit from the Mexican Energy Regulatory Commission.

There are several other permits and/or licenses which may be required by the three different levels of government (municipal, state or federal) for the development, construction and operation of natural gas and LPG systems. These include environmental permits, zoning permits, construction permits, concessions over and/or crossing of federal areas such as rivers, streams and maritime zones for a dry dock, among others.

Other Relevant Provisions

Our business operations are subject to other standards that may affect our business, including state and municipal laws, and regulations related to zoning, construction and civil protection.

Laws Applicable to Electricity Generation

Under the Mexican Constitution, the generation, transfer, distribution and marketing of electricity for public utility purposes are exclusive activities of the Mexican government carried out through the Mexican Federal Electricity Commission. The Electric Power Public Utility Law (*Ley del Servicio Público de Energía Eléctrica*) was amended to allow private participation in the construction and operation of power plants through independent generation of power for exclusive sale to the Mexican Federal Electricity Commission, small production, export or self-supply, which are activities not considered strategic for Mexico. Transmission and distribution of electric power, however, remain exclusive activities of the Mexican government, through the Mexican Federal Electricity Commission. The Electric Power Public Utility Law provides for private participation in electricity generation in Mexico pursuant to various permits issued by the Mexican Energy Regulatory Commission, which has authority to regulate the electricity sector pursuant to the Energy Regulatory Commission Law. The generation permit for our Termoeléctrica de Mexicali power generation facility, issued in 2001, is effective for a 30-year term from its issuance and permits the generation of electricity for export purposes.

As facilities interconnected to the grid controlled by the California Independent System Operator, the Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind generation project are subject to the electric reliability standards promulgated by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council pursuant to Section 215 of the Federal Power Act.

United States electric utility regulations apply to the sales of electricity from the Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind generation project into the United States. A company engaged in the wholesale sale of electricity for resale in interstate commerce is subject to regulation under the Federal Power Act by the U.S. Federal Energy Regulatory Commission, or FERC. FERC regulation under the Federal Power Act includes regulations establishing the rates, terms and conditions under which electricity generators are able to sell electricity at wholesale, as well as other ongoing regulation regarding requirements to file electronic quarterly reports, periodic market power reports and, in the event that an issuer or an affiliate acquires ownership or control of additional energy assets, to notify FERC of these acquisitions, and to comply with applicable FERC requirements, including with respect to securities issuances, transfers of FERC-jurisdictional facilities, reliability standards, market behavior and manipulation, and accounting requirements.

The Termoeléctrica de Mexicali power generation facility and the Energía Sierra Juárez wind generation project are subject to the U.S. Public Utility Holding Company Act of 2005, or PUHCA. Under PUHCA, a "holding company" is any business entity, trust, or organized group of persons which directly or indirectly owns or controls 10% or more of the outstanding voting interests in a "public-utility company" or company which is a "holding company" of a public-utility company. Unless it qualifies for an exemption or obtains a waiver from FERC, a holding company is subject to certain regulations granting FERC access to books and records relating to transactions with affiliated public utilities or "natural gas companies," as defined in PUHCA, and FERC regulation of certain affiliate transactions and certain disclosure, accounting and cost-allocation matters. State utility regulatory commissions in some instances also have access to books and records of holding companies or public-utility companies that are not exempt from PUHCA. FERC regulations exempt companies that are holding companies only by virtue of their direct or indirect ownership of (1) "qualifying facilities" under the Public Utility Regulatory Policies Act of 1978, (2) Exempt Wholesale Generators (as defined in PUHCA), or EWGs, or (3) "foreign utility companies," as defined in PUHCA. In addition, FERC regulations provide that an EWG is exempt from FERC regulation under PUHCA, other than the procedures for obtaining EWG status. In order to be an EWG, a project company must be exclusively engaged in owning or operating, or both owning and operating, an "eligible facility" and selling electricity at wholesale. An "eligible facility" is a generation facility used exclusively for the sale of electricity at wholesale.

Mexican Federal Anticorruption Law in Public Contracting

On June 12, 2012, the Mexican Federal Anticorruption Law (*Ley Federal Anticorrupción en Contrataciones Públicas*) became effective. The Mexican Federal Anticorruption Law sets forth liabilities and penalties applicable to both Mexican and foreign individuals and legal entities that participate in corrupt practices in federal public contracting, as well as to those Mexican individuals and legal entities that participate in corrupt practices in commercial international contracting with the public sector of a foreign state, or the granting of permits and concessions thereby. We are subject to the Mexican Federal Anticorruption Law with respect to any activities that require the granting of a permit or a concession by a federal governmental entity, through a public or private bid process, or the contracting with a federal governmental entity.

The Mexican Federal Anticorruption Law states that an individual or legal entity will be liable when, in federal public contracting or the granting of permits or concessions by federal governmental authorities, it directly or indirectly promises, offers, or delivers money or any other gift to a public servant or a third party, in exchange for such public servant's performance or abstinence from performing an act related to his/her duties or those of another public servant, with the intent of obtaining or maintaining a benefit or advantage, regardless of whether the money or gift was accepted or received or the result was obtained. The Mexican Federal Anticorruption Law also applies to similar conduct related to international commercial contracting with the public sector of a foreign state.

The Mexican Federal Anticorruption Law provides for the investigation of possible infringers and includes an administrative procedure to address claims. The Ministry of Public Administration (*Secretaría de la Función Pública*) is the authority in charge of investigating and penalizing infringement of the Anticorruption Law. Other authorities also have authority to penalize for infringement of the Mexican Federal Anticorruption Law within the scope of their duties.

Individuals and legal entities may be subject to fines of up to 50,000 times the daily minimum wage and legal entities may be subject to fines of up to 2,000,000 times the daily minimum wage, with the possibility of being increased by an additional 50% when the benefit received exceeds the amount of the fine, among other reasons. Additionally, individuals may be penalized with prohibition from participating in federal public contracting for up to eight years and legal entities may be penalized with prohibition from participating in federal public contracting and the award of permits or concessions for up to 10 years. The Mexican Federal Anticorruption Law includes a fine reduction regime ranging between 50% and 70% of the penalty if the conduct is spontaneously disclosed or "confessed" before the initiation of the administrative procedure and 50% of the penalty if the conduct is disclosed or "confessed" once initiated.

Data Protection Law

We are subject, and in particular the Ecogas distribution system is subject, to the provisions of the Data Protection Law (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*) that entered into effect in Mexico as of July 6, 2010. The Data Protection Law is applicable for natural persons or private legal entities that process personal data concerning Mexican citizens.

Pursuant to the Data Protection Law, the processing and transfer of personal data requires consent by the data owner prior to such processing or transfer. Consent can be obtained by means of a document referred to in the law as a "privacy notice", which informs the data owner of the personal data being collected, the purpose for the use of the personal data, any intended transfers and the data owner's rights of access, rectification, and cancellation or opposition to the processing of the personal data. A data owner grants consent for the use of the personal data if it does not oppose the privacy notice. The privacy notice can be delivered through printed, digital, visual, electronic or sonorous means or in any other format. According to the Data Protection Law, data owners are entitled to revoke their consent at any time. The Data Protection Law provides certain requirements for the transfer of personal data to third parties and certain exceptions for such requirements in which the transfer of information is permitted.

Mexican Ports Law

As holders of a concession for the use and occupation of a federal maritime zone for the construction and operation of a maritime terminal for our LNG Terminal, including a dry dock and ancillary maritime infrastructure, we are subject to the Mexican Ports Law (*Ley de Puertos*) and its regulations and to the jurisdiction of the federal government through the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*).

Pursuant to the Ports Law, the construction and operation of maritime infrastructure as well as dredging activities require specific authorizations from the Mexican Ministry of Communications and Transportation. Likewise, the use of federal maritime zones requires special personal authorizations known as concessions, which are exclusive to Mexican corporations.

Concessions may be granted for up to 50 years, subject to the characteristics and investment of the project in question, and are subject to renewal for a period of time equivalent to the one originally granted. A concession may be terminated by the Mexican Ministry of Communications and Transportation for certain reasons set forth in the Ports Law, including (1) termination of the purpose for which the concession was granted, (2) bankruptcy or liquidation of the permit holder, or (3) redemption. In addition, our concession may be revoked in certain circumstances, including if we do not comply with our obligations under the permits, or if we experience partial or total interruption in the operation of the system or facility without justified cause.

Constitutional Amendments on Class Actions

On July 29, 2010, Article 17 of the Mexican Constitution was amended in order to allow class actions to be brought in federal courts in connection with civil actions on matters related, among others, to consumer protection and environmental law. Consequently, on August 30, 2011, the Federal Code of Civil Procedure, the Federal Law for Consumer Protection (*Ley Federal de Protección al Consumidor*) and the Mexico's General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*) were amended to incorporate class actions. Such amendments became effective on March 1, 2012, though as of the date of this offering circular, to our knowledge, no class action has been brought before the federal courts in connection with these or with any other matters.

Federal Labor Law

On November 30, 2012, the Federal Labor Law (*Ley Federal del Trabajo*) was amended in order to incorporate, among other things, (1) labor principles recognized by the International Labor Organization regarding non-discrimination towards women and the disabled in the labor environment, (2) three new employment arrangements (the "initial training contract," the "contract on trial" and the "seasonal discontinuous contract"), and (3) a new subcontracting regime providing a legal framework for the contracting of employees through third parties. While we do not expect these amendments to have a material impact on us, we cannot predict with certainty the potential effects from the application of this new law.

Permits

LNG Permits

LNG Storage Permit

We operate our LNG storage facility under an LNG storage permit granted by the Mexican Energy Regulatory Commission on August 7, 2003. This permit allows us to provide LNG storage and regasification services through 2033, and requires that we allocate LNG storage and regasification capacity on a non-discriminatory basis and in accordance with open access principles. In addition, the permit requires that operation and maintenance of the storage facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable regulations.

Assignment and transfer of this permit is only permitted if the permit is transferred together with the LNG storage facility. Any modification of the permit requires prior approval by the Mexican Energy Regulatory Commission. The permit is subject to revocation in the event that (1) there is an interruption of storage service without justified cause or without the authorization of the Mexican Energy Regulatory Commission, (2) we engage in unduly discriminatory practices or infringe the rates authorized by the Mexican Energy Regulatory Commission, (3) we assign, transfer, convey or modify the permit in violation of its terms, or (4) we do not comply with the obligations set forth in the permit.

In October 2007, the Mexican Energy Regulatory Commission approved the expansion of the terminal's peak send-out capacity to 2,600 MMcfd (27.0 MMThd) and the addition of up to two additional LNG storage tanks. The LNG storage general terms and conditions (as amended from time to time by us and approved by the Mexican Energy Regulatory Commission as part of the natural gas storage permit issued by the Mexican Energy Regulatory Commission) require an open bidding process in the event that we wish to expand the capacity of the terminal. Based on current market conditions, we do not anticipate any near-term expansions of the terminal's capacity.

Power Generation Permit

We conduct our electrical power generation activities at our LNG terminal under a self-use power generation permit granted by the Mexican Energy Regulatory Commission on February 2, 2005. This permit allows us to engage in power generation activities at the terminal for an indefinite term. In addition, the permit requires that operation and maintenance of the power generation facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations.

Assignment and transfer of this permit is only permitted if the permit is transferred together with the power generation facility and the Mexican Energy Regulatory Commission has previously approved the transfer. The permit is subject to revocation in the event that we (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for selling, reselling, or in any other way transferring the electricity generated in violation of the permit, (2) generate electricity in violation of the conditions established in the permit, (3) make an assignment, transfer or modification to the permit without the authorization of the Mexican Energy Regulatory Commission, or (4) otherwise fail to comply with the terms and conditions of the permit.

Transportation Permits

Each of our transportation systems holds a separate transportation permit issued by the Mexican Energy Regulatory Commission allowing it to engage in its natural gas transportation operations. These permits each have a term of 30 years and their expiration dates range from 2028 to 2035.

These permits provide that allocation of pipeline capacity must be conducted on a non-discriminatory basis in accordance with open access principles. In addition, these permits require that operation and maintenance of the transportation system be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations. Any modification of these permits requires the prior approval of the Mexican Energy Regulatory Commission and these permits can only be assigned if the applicable transportation system is transferred together with the permit.

A transportation system permit can be revoked in the event that (1) there is an interruption of transportation service without cause or the authorization of the Mexican Energy Regulatory Commission, (2) we engage in unduly discriminatory practices or charge rates in excess of those authorized by the Mexican Energy Regulatory Commission, or (3) we assign, transfer, convey or modify the permit in violation of the permit's requirements.

Distribution Permits

The Ecogas distribution system holds separate distribution permits for each of its three distribution zones, allowing it to conduct natural gas distribution services in those locations. These permits each have a term of 30 years and their expiration dates range from 2027 to 2029. These permits provide that allocation of distribution services should be granted in an efficient way and in accordance with principles of uniformity, homogeneity, regularity, safety and continuity. In addition, the allocation of distribution service capacity must be conducted on a non-discriminatory basis in accordance with open access principles. Operation and maintenance of the distribution systems must be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations. These permits can only be assigned if the applicable distribution system is transferred together with the permit.

Power Generation Permits

Termoeléctrica de Mexicali Permits

Our Termoeléctrica de Mexicali power plant holds two-way electric power permits issued by the Mexican Energy Regulatory Commission. Under the first of these we are able to produce and export up to 679.7 MW of electric power to the United States, with the term of the permit running through August 2031. In June 2011 we also received a permit to import 12.0 MW of electricity from the United States to power the generation station, with an indefinite term. The export permit requires that operation and maintenance of the power generation facility be performed by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable regulations.

Assignment, transfer or modification of either of these permits requires previous approval from the Mexican Energy Regulatory Commission. Additionally, with respect to our export permit, its assignment or transfer is only permitted if the permit is transferred together with the power generation facility.

The permits are subject to revocation in the event that we: (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for impermissibly selling, reselling, or in any other way transferring the electricity generated or the generation capacity or importing electric energy in violation of applicable law or our permits, (2) assign, transfer or modify either permit without the authorization of the Mexican Energy Regulatory Commission and without following the requirements provided in the permit to that effect, or (3) seriously, repeatedly or continuously fail to comply with the legal terms and conditions of applicable law or our permits, Mexican Official Standards or applicable technical and operational specifications.

Energía Sierra Juárez Permits

Our proposed Energía Sierra Juárez wind powered generation project is scheduled to be developed in phases over several years. The first phase is currently being developed under an environmental impact authorization, granted for all phases of the project, and an initial change of forestry to industrial use of land permit, granted for the first phase. Both permits were granted by the Mexican Environmental Protection Ministry. In addition, we obtained a state environmental impact authorization specifically for the opening and conditioning of access roads to the project.

The Mexican Environmental Protection Ministry environmental impact authorization, covering an up to 1,000 MW wind generation project and the removal of 490 acres of forest and forest-like vegetation, was issued in July 2010, with a 20-year term for the site preparation and project construction and a 60-year term for the operational stage.

The wind farm would be operated under two electric power permits granted on a conditional basis in June 2012 by the Mexican Energy Regulatory Commission: (1) an electric energy import permit which will allow the import of electric power to Mexico from the United States exclusively to cover the needs of the wind farm, with an indefinite term; and (2) an electric energy export permit which will enable us to produce electric power under an independent power producer scheme with an installed capacity of 156 MW for a 30-year term, subject to renewals under certain conditions. The conditional permits granted by the Mexican Energy Regulatory Commission depend upon the acquisition of a favorable opinion from the Mexican Federal Electricity

Commission, as well as subsequent actions required to keep such permits in effect. The Mexican Federal Electricity Commission has issued a negative advisory opinion prior to the issuance of the conditional permit. We continue to work with the Mexican Energy Regulatory Commission and Mexican Federal Electricity Commission to obtain a positive advisory opinion from the latter in order to comply with such conditional permits, but we can provide no assurance that we will be able to do so. Under these permits, electricity will be imported and exported through a transmission line which will be interconnected with San Diego Gas & Electric Company's East County substation. Assignment or transfer of these permits requires the prior approval of the Mexican Energy Regulatory Commission. Further phases of the project will also require Mexican Energy Regulatory Commission permits for the power to be generated and sold pursuant to such phases.

The permits are subject to termination in the event that we: (1) are repeatedly sanctioned by the Mexican Energy Regulatory Commission for impermissibly selling, reselling, or in any other way transferring the power capacity or electricity in violation of applicable laws or our permits, (2) assign, transfer or modify the permits without the prior authorization of the Mexican Energy Regulatory Commission, (3) repeatedly fail to make payments of governmental charges regarding supervision services related to these permits, or (4) seriously, repeatedly or continuously fail to comply with applicable law, Mexican Official Standards or applicable technical and operational specifications.

Environmental Matters

Environmental Regulations

Our Mexican operations are subject to federal, state and local environmental authorities, laws, regulations, Mexican Official Standards and other technical standards. The distribution of jurisdiction over environmental matters among governmental authorities at the federal, state and municipal levels is based on a "residual formula" provided in the Mexican Political Constitution which establishes that those matters which are not expressly reserved to the federal government fall under the jurisdiction of the state governments. While energy projects mainly fall under the jurisdiction of the federal government, some specific environmental matters such as the handling of non-hazardous waste and the opening of new access roads may fall under state or municipal jurisdiction.

The primary federal environmental laws in Mexico applicable to our business are: Mexico's General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*); Mexico's General Law for the Prevention and Comprehensive Management of Wastes (*Ley General para la Prevención y Gestión Integral de los Residuos*); Mexico's National Waters Law (*Ley de Aguas Nacionales*); Mexico's General Law for Sustainable Forestry Development (*Ley General de Desarrollo Forestal Sustentable*); and the General Law of National Assets (*Ley General de Bienes Nacionales*). Pursuant to these laws, rules and regulations have been promulgated concerning environmental impact and risk matters, noise emissions, emissions into the atmosphere, water extraction and wastewater discharges, waste handling, etc., to which our businesses are also subject. Our businesses may also be subject to other laws, regulations and technical requirements relating to the protection of the environment such as Mexico's General Health Law (*Ley General de Salud*) and Mexico's Federal Regulations on Safety, Hygiene and Work Environment (*Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo*).

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

Our projects operate under licenses, permits, authorizations, concessions and registrations issued under these environmental laws. We believe that we have all material permits, licenses, registrations, concessions and/or authorizations for the facilities and projects that we operate, and that we are in substantial compliance with applicable environmental laws and the respective permits. There are currently no material legal or administrative proceedings pending against us with respect to any environmental matters, except for the matters described in "Business—Legal, Administrative and Arbitration Proceedings—LNG Terminal—Matters Challenging LNG Terminal Permits and Authorizations" and "Business—Legal, Administrative and Arbitration Proceedings —Energía Sierra Juárez."

We follow internal policies and procedures to ensure compliance with applicable laws, regulations and our permits. From time to time we update our permits, authorizations, licenses, concessions and registrations and make periodic assessments in connection with their validity, including the amendment, renewal, extension or termination of such permits. In the event that as a result of such assessments any action is needed to renew, maintain, transfer or obtain any permit, authorization, license or approval, we undertake the necessary actions to maintain the effectiveness thereof.

Regulatory and Supervising Authorities

The Mexican Environmental Protection Ministry is the primary environmental agency responsible for environmental policies and management and is empowered, among other things, to grant federal environmental impact and risk authorizations and federal air emissions licenses and to issue Mexican Official Environmental Standards.

There are four administrative departments within the Mexican Environmental Protection Ministry (which are economically dependent on the Mexican Environmental Protection Ministry and act on its behalf) and two decentralized administrative departments (with legal standing and economic autonomy from the Mexican Environmental Protection Ministry) under the coordination of the Mexican Environmental Protection Ministry, which oversee specific areas of environmental law.

The Mexican Environmental Protection Enforcement Agency is the enforcement branch of the Mexican Environmental Protection Ministry. The Mexican Environmental Protection Enforcement Agency is responsible for investigating and inspecting facilities (including through the voluntary environmental audit program described below), imposing sanctions, as well as presiding over administrative appeals filed by persons who have been sanctioned for failure to comply with the law.

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

Environmental Certifications, Policies and Programs

Clean Industry Certification

Several of the businesses in our gas segment participate in voluntary environmental audit programs sponsored by the Mexican Environmental Protection Enforcement Agency, and these businesses currently hold renewed clean industry certificates. We expect that our other businesses will participate in this program in the near future.

As part of these voluntary environmental audit programs, companies agree to conduct environmental audits of their own operations through an authorized third party consultant. Based on the audit findings, the consultant prepares and proposes to the company a corrective and/or improvement action plan and advises the Mexican Environmental Protection Enforcement Agency on the results of the audit and the appropriateness of the resulting action plan. Subject to its review and approval of the audit findings and recommendations, the Mexican Environmental Protection Enforcement Agency enters into an agreement with the audited company for the implementation of the action plan.

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

Corporate Environmental Policies

We conduct our business in compliance with the Corporate Environmental Policy of Sempra Energy, a policy developed and implemented globally for the companies of the Sempra Energy group of companies, which is communicated to our employees and contractors and applied in new projects and operation and maintenance of our facilities and processes. We expect to continue following this or similar policies in the future. The commitments stated in this policy include:

- complying with all laws, regulations and environmental permit requirements;
- joining the efforts of clients, governmental officers and other community leaders to take care of the environment in a sensible and responsible manner;
- promoting public policies which protect the environment, using sensible science, cost-effective technology, rational thinking and common sense as the bases for such policies;
- encouraging the development and use of efficient, clean and cost-effective technologies, by helping our clients satisfy their energy needs in an environmentally responsible manner;
- decreasing our environmental impact through activities such as recycling and minimization of waste;
- including appropriate environmental management and compliance in strategic planning and operating decision-making;
- encouraging the innovation and improvement of cost-effective compliance methods, and the use of practical means to evaluate our performance;
- implementing appropriate training and environmental education programs for employees and shareholders;
- reviewing existing operation and management results and practices to allow continuous improvement; and
- conducting work consistently with environmental policies.

We often impose internal standards beyond Mexican regulatory requirements.

Environmental Programs

We have several ongoing environmental programs, such as the re-vegetation and protection of marine species programs under our LNG terminal's sponsorship. These programs involve the rescue and relocation of certain protected species such as the *ferocactus viridescens*, as well as reforestation and flora compensation and conservation. The marine species protection program is aimed both at monitoring of marine mammals and relocation of certain species such as sea urchins and other benthonic species in collaboration with local universities and the community of local fishermen.

We do not believe that we will incur material costs and liabilities related to environmental matters with respect to our current projects, based on our existing clean industry certificates, the implementation of our corporate environmental policies and ongoing compliance monitoring programs. However we cannot assure that future costs and liabilities associated with our projects could not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our Shares.

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to our bylaws, we are managed by a board of directors. Following the completion of this offering, we will be subject to certain corporate governance and management rules established in our bylaws and the Mexican Securities Market Law, as discussed below. This discussion does not purport to be complete and is qualified by reference to our bylaws, and the applicable provisions of the Mexican Securities Market Law, Mexican corporate law and the regulations of the CNBV and of the Mexican Stock Exchange.

Board of Directors

Our board of directors currently consists of nine members and one alternate member and is responsible for the management of our business. Each director is appointed for a term of one year, may be re-elected and must remain in office until a successor has been appointed and has assumed office. Further, such members may be reelected and removed from office at any time by a decision of our shareholders at a general shareholders' meeting. The members of the board of directors are elected by our shareholders. Our board of directors meets at least once quarterly, and can meet extraordinarily as necessary.

Pursuant to Mexican law, at least 25% of the members of the board of directors must be "independent," as such term is defined in the Mexican Securities Market Law. Our bylaws provide for an alternate director to serve in place of an elected director if such director is unable to attend a meeting of the board of directors.

The current members of our board of directors were elected or ratified by unanimous shareholders' resolutions dated March 6, 2013. The composition and authority of our board of directors and committee members are contained in our amended and restated bylaws that were approved by unanimous shareholders' resolutions dated March 6, 2013 at our general extraordinary shareholders' meeting.

The following table sets forth certain information regarding the current members of our board of directors as of March 6, 2013:

Name	Age	Title	Original Date of Appointment
Carlos Ruiz Sacristán	63	Chairman	June 2012
George S. Liparidis	54	Member	June 2012
Mark A. Snell	56	Member	June 2012
Joseph A. Householder	57	Member	March 2013
Arturo Infanzón Favela	41	Member	December 2012
Luis Eduardo Pawluszek	50	Member	December 2012
James H. Lambright	42	Alternate Member	March 2013
Jeffrey Davidow	69	Member*	March 2013
Aaron Dychter	60	Member*	March 2013
Andrés Conesa Labastida	43	Member*	March 2013
Randall L. Clark	43	Secretary (non-member)	November 2010
Rodrigo Cortina Cortina	44	Alternate Secretary (non-member)	June 2012
Rene Buentello Carbonell	44	Alternate Secretary (non-member)	June 2012

* *Indicates independent directors pursuant to Mexican Securities Market Law standards.*

The following is a summary of the experience and principal business interests of the current members of our board of directors:

Carlos Ruiz Sacristán. Carlos Ruiz is our Chief Executive Officer and Chairman of the board of directors. Prior to his appointment in June 2012, Mr. Ruiz served as a partner of Proyectos Estratégicos Integrales, S.A., a developing and financing company that provides comprehensive financial advisory and investment banking services to the private and public sectors, mainly in energy, infrastructure, transportation and communications. From 2007 until June 2012 he also served on Sempra Energy's board of directors. Mr. Ruiz currently serves on the board of directors of Southern Copper Corporation, OHL Concesiones Mexico, S.A. de C.V., Banco Ve por Más, S.A. de C.V., Grupo Creatica, S.A. de C.V., Grupo de Autopistas Nacionales, S.A. (GANA), Administradora Mexiquense del Aeropuerto Internacional de Toluca, S.A. de C.V., and on the development board of Anahuac University. He is a former director of ASARCO LLC and Constructora y Perforadora Latina S.A. de C.V. Prior to joining Proyectos Estratégicos Integrales in 2001, Mr. Ruiz served as Mexico's Secretary of Communications and Transportation during the administration of Dr. Ernesto Zedillo Ponce de León (from 1994 to 2000) where he oversaw the restructuring of the country's communications and transportation sectors to increase investment, broaden competition and improve infrastructure. Previously he served in several posts at the Central Bank of Mexico, the Mexican Treasury and with PEMEX, Mexico's largest company. Mr. Ruiz holds a Bachelor's Degree from Anahuac University in Mexico City and a Master's Degree in Business Administration from Northwestern University.

George S. Liparidis. George S. Liparidis is President and Chief Executive Officer of Sempra International, a subsidiary of Sempra Energy which develops, builds and operates energy infrastructure assets and distributes electricity and natural gas to customers in Chile, Peru, Argentina and, through us, Mexico. Prior to his appointment to his current position with Sempra International in 2011, Mr. Liparidis was President and Chief Executive Officer of Sempra Pipelines & Storage. Before joining Sempra Energy, Mr. Liparidis was Vice President of Enova International, the international subsidiary of Enova Corporation. Enova Corporation merged with Pacific Enterprises to form Sempra Energy in 1998. In this position, he was responsible for business development and operations in Mexico. Before that, Mr. Liparidis served as project manager for San Diego Gas & Electric Company, another Enova Corporation subsidiary, from 1992 to 1996. Prior to San Diego Gas & Electric Company, he worked for Energy America, an independent power producer, as director of Financial Analysis and Planning. Mr. Liparidis currently serves on the board of directors of Chilquinta Energía, S.A., and Luz del Sur, S.A.A., companies controlled by Sempra Energy, and on the board of the Institute of the Americas and Council of the Americas. Mr. Liparidis has a Bachelor's Degree in Mechanical Engineering from the University of Utah and a Master's Degree in Business Administration from San Diego State University.

Mark A. Snell. Mark A. Snell is president of Sempra Energy. In that position, Mr. Snell oversees the company's non-California utilities, infrastructure and international businesses. From 2005 to 2011, Mr. Snell was Executive Vice President and Chief Financial Officer of Sempra Energy and prior to 2005 he served as Group President of Sempra Global. In that position, Mr. Snell oversaw all aspects of Sempra Global in competitive energy markets, including energy trading, electric generation, liquefied natural gas, pipelines and storage facilities, international utilities and retail energy marketing. Prior to serving as Group President, Mr. Snell was Chief Financial Officer of Sempra Global, and previously served as Vice President of Planning and Development for Sempra Energy. Before joining Sempra Energy in 2001, Mr. Snell served as Executive Vice President and Chief Financial Officer for Earth Tech, a Long Beach, California-based water management, engineering and environmental services firm. Prior to that, Mr. Snell was Executive Vice President and Chief Financial Officer at Dames and Moore, an NYSE-listed engineering and construction firm headquartered in Los Angeles. Mr. Snell also served as Chief Financial and Administrative Officer for Latham & Watkins, a law firm with more than 1,600 partners and employees worldwide. He also served as Executive Vice President and Chief Financial Officer of World Oil Corp., a privately held, integrated oil company. As a senior manager at the Los Angeles office of KPMG Peat Marwick, Mr. Snell supervised activities that supported acquisitions by client companies. Mr. Snell is a member of the board of directors of Venoco, Inc. He holds a Bachelor's Degree in Accounting from San Diego State University and is a Certified Public Accountant.

Joseph A. Householder. Joseph A. Householder is Executive Vice President and Chief Financial Officer of Sempra Energy. From 2006 to 2011, Mr. Householder was Senior Vice President, Controller and Chief Accounting Officer of Sempra Energy, in which capacity he was responsible for financial reporting, accounting and controls, and tax functions for Sempra Energy and its companies. Before that, he served as Vice President of Corporate Tax and Chief Tax Counsel for Sempra Energy, where he oversaw Sempra Energy's worldwide tax affairs. Prior to joining Sempra Energy in 2001, Mr. Householder was a partner at PricewaterhouseCoopers in the firm's national tax office. From 1986 to 1999, he served in a number of legal and financial roles at Unocal, including ultimately as Vice President of Corporate Development and Assistant Chief Financial Officer, where he was responsible for worldwide tax planning, financial reporting and forecasting, and mergers and acquisitions. Mr. Householder currently serves on the board of directors of Pacific Enterprises Inc., Southern California Gas Company, EnergySouth Inc., the San Diego Regional Economic Development Corporation, and San Diego Gas & Electric Company, and is a member of the Tax Executives Institute, the American Institute of Certified Public Accountants, the California Bar and the American Bar Association. He holds a law degree from Loyola Law School and a Bachelor's Degree in Business Administration from the University of Southern California.

Arturo Infanzón Favela. Arturo Infanzón is our Chief Operating and Financial Officer. Prior to his appointment in July 2012, he served as Vice President—Mexico and Director of Operations for Sempra International. Mr. Infanzón also served as Controller of Operations in Mexico from January 2005 to August 2005 and General Manager of Ecogas from January 2002 to December 2003. Prior to joining Sempra Energy in 1997, he worked for PricewaterhouseCoopers and First National Bank. Mr. Infanzón currently serves on the board of directors of Chilquinta Energía, S.A. and Luz del Sur, S.A.A., companies controlled by Sempra Energy. He holds a Bachelor's Degree in Accounting from Universidad Autónoma de Baja California in Mexico and a Master's Degree in Finance from San Diego State University.

Luis Eduardo Pawluszek. Eduardo Pawluszek has been the Vice President of South American Operations for Sempra International since 2011, where he is responsible for the operations of Chilquinta Energía, S.A. in Chile and Luz del Sur, S.A.A. in Peru. Prior to that position, Mr. Pawluszek served in various positions at AEI Houston between September 2009 and July 2011, including as Executive Vice President and Chief Financial Officer. Before that, he was Chief Executive Officer at AEI Houston's Argentinian subsidiaries Emgasud and EDEN. Between June 1999 and August 2007 he served as Director of Finance at TGS, where he was responsible for financial management and investor relations. He previously served as Representative at Royal Bank of Canada in Argentina and Chile. Mr. Pawluszek currently serves on the board of directors of Chilquinta Energía, S.A. and Luz del Sur, S.A.A., companies controlled by Sempra Energy, and previously served on the board of directors of Emgasud and EDEN. He holds a Bachelor's Degree in Public Accounting from Universidad de Buenos Aires and a Master's Degree in Finance and Capital Markets from Escuela Superior de Economia y Administracion de Empresas (ESEADE).

James H. Lambright. James H. Lambright is Senior Vice President of Corporate Development for Sempra Energy. In that position, Mr. Lambright directs Sempra Energy's investments, strategic partnerships and acquisitions. Mr. Lambright's earlier leadership roles include four years as Chairman and Chief Executive Officer of the United States Export-Import Bank, an independent government corporation based in Washington, D.C. which is responsible for financing U.S. exports to more than 150 countries. During the financial crisis of 2008 to 2009, Mr. Lambright served as Chief Investment Officer of the U.S. Treasury Department's $700 billion Troubled Asset Relief Program (TARP). He has also worked as a vice president in private equity and served on the board of directors of Sapphire Energy and the United States Export-Import Bank. Mr. Lambright graduated with honors from Harvard Law School and with distinction from Stanford University. He is a Henry Crown Fellow of the Aspen Institute and currently serves on the board of PeacePlayers International, a Washington, D.C.-based nonprofit organization.

Jeffrey Davidow. Jeffrey Davidow has extensive diplomatic experience in both Latin America and Africa. Ambassador Davidow served as U.S. Ambassador to Venezuela from 1993 to 1996 and as U.S. Assistant Secretary of State for the western hemisphere from 1996 to 1998. From 1998 to 2002, he served as U.S. Ambassador to Mexico. In 2003, Ambassador Davidow retired from the U.S. State Department with the rank of Career Ambassador, the highest position in the Foreign Service which, by law, can be held by no more than five individuals at one time. Since leaving the Foreign Service, Ambassador Davidow has served as President of the Institute of the Americas in San Diego. Ambassador Davidow has published articles in Foreign Policy and Foreign Affairs and authored two books, one on international negotiations and the other, "The U.S. and Mexico: The Bear and the Porcupine." In addition to speaking frequently on hemispheric policy and on Mexican developments for organizations such as the North American Forum, the Trilateral Commission, the Woodrow

Wilson Center, the Pacific Council, the Chinese Academy of Social Sciences and the InterAmerican Development Bank, Ambassador Davidow served as an adviser to President Obama for the 2009 Summit of the Americas. He received a Bachelor of Arts from the University of Massachusetts and a Master of Arts from the University of Minnesota.

Aaron Dychter. Dr. Aaron Dychter is the President and Founder of ADHOC Consultores Asociados, S.C., providing consulting services in Infrastructure, Transport and Energy Investment Projects. From December 1994 to December 2006, Dr. Dychter was Undersecretary of Transportation in the Mexican Department of Communications and Transportation, in which capacity he led privatization processes for railways and airports in Mexico, as well as the creation of the first suburban train system for Mexico City. Previously, he worked in the Mexican Department of the Treasury, the Department of Programming and Budget and the Department of Energy, Mines and State Owned Industries. Dr. Dychter serves on the board of directors of Grupo Aeroportuario del Centro Norte and Empresas ICA, and was previously on the board of directors of Grupo Aeroportuario Del Sureste, Grupo Aeroportuario Centro Norte, Grupo Aeroportuario del Pacifico and Grupo Aeroportuario de la Ciudad de Mexico. Dr. Dychter is a graduate of the University of the America and holds a Master's Degree and a Ph.D. in Economics from George Washington University.

Andrés Conesa Labastida. Dr. Andrés Conesa Labastida has been the Chief Executive Officer of Aeroméxico since 2005. Dr. Conesa has held several positions in the Mexican Public Administration, including as Advisor to the Secretary of the Economic Cabinet of the Presidency from 1991 to 1993, as Chief Advisor to the Undersecretary of Finance and Public Credit from 1997 to 1998, and as Director General for International Financial Affairs in the Ministry of Finance from 1998 to 2000. Dr. Conesa served as Director General of Economic Policy at the Mexican Ministry of Finance from 2000 to 2003 and as Deputy Undersecretary for Public Credit from 2003 to 2004, when he was appointed Chairman of the Board of CINTRA, the holding company of Aeroméxico and Mexicana. He has been a member of the Board of Governors of the International Air Transport Association since 2008. Dr. Conesa obtained his Bachelor of Arts in Economics from the Instituto Tecnológico Autónomo de México and his Ph.D. in Economics from the Massachusetts Institute of Technology. He was awarded Fulbright and Ford-MacArthur scholarships, and in 1997 he was the recipient of the National Prize in Economic Research.

Actions of the Board

The board of directors is our legal representative and is authorized to take any action, as a collegiate body, in connection with our operations not expressly reserved to our shareholders.

The board of directors must approve, among other matters:

- our general strategy;
- with the prior opinion from the audit and corporate practices committees, on an individual basis: (1) transactions with related parties, subject to very limited exceptions, (2) the election of our chief executive officer, his compensation and removal for just cause and policies for the description and comprehensive remuneration of other members of our senior management, (3) the guidelines on our internal control and internal audit and those of our subsidiaries; (4) our financial statements and those of our subsidiaries, (5) unusual or non-recurring transactions and any transactions or series of related transactions during any calendar year that involve (a) the acquisition or sale of assets with a value equal to or exceeding 5% of our consolidated assets or (b) the giving of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of our consolidated assets, and (6) contracts with external auditors;
- calling shareholders' meetings and acting on their resolutions;
- creation of special committees and granting them the power and authority, provided that the committees will not have the authority which, by law, or under our bylaws is expressly reserved for the shareholders or our board of directors;

- the opinion to be submitted to our general shareholders' meeting in respect of the report prepared by our Chief Executive Officer (which includes our audited annual financial statements) and a report to be submitted to our general shareholders' meeting in respect of the accounting policies and criteria used for the preparation of our financial statements;
- the opinion to be rendered in respect of the offering price in connection with a tender offer for our Shares;
- policies for disclosure of information;
- determinations in respect of action to be taken regarding irregularities; and
- the exercise of our general powers in order to comply with our corporate purpose.

Meetings of the board of directors will be validly convened and held if a majority of our members are present. Resolutions at the meetings will be valid if approved by a majority of the directors present, unless our bylaws require a higher number. The chairman of the board of directors has a tie-breaking vote. Notwithstanding the board's authority, at all times our shareholders, pursuant to decisions validly taken at a shareholders' meeting, may override a decision made by the board.

Meetings of our board of directors may be called by (1) 25.0% of our board members, (2) the chairman of the board of directors, (3) the chairman of the audit committee or the corporate practices committee, or (4) the Secretary of the board of directors.

The Mexican Securities Market Law imposes a duty of care and a duty of loyalty on our directors. For further information see "The Mexican Securities Market —The Mexican Securities Market Law."

Members of the board and, if applicable, the secretary of the board, with a conflict of interest must abstain from participating and being present during the deliberation and voting of the matter at the relevant board or committee meeting, without this affecting the necessary quorum for that particular meeting.

Members of the board of directors and the secretary of the board, will breach their duty of loyalty to us and be liable for damages to us and, if applicable, our subsidiaries if they have a conflict of interest and they vote or make a decision with respect to us or our subsidiary's assets or if they fail to disclose any conflict of interest they may have unless confidentiality duties prevent them from disclosing such conflict.

Committees of the Board of Directors

Our board of directors has established an audit committee and a corporate practices committee to provide particular focus on the oversight of important parts of our business.

Audit Committee

The Mexican Securities Market Law requires us to have an audit committee, which must be comprised of at least three independent members appointed by the board of directors.

We established an audit committee at our shareholders' meeting held on March 6, 2013. The audit committee members are Aaron Dychter, Andrés Conesa Labastida and Jeffrey Davidow. The current members of the audit committee were appointed or ratified at our shareholders' meeting held on March 6, 2013. We believe that all of the members of the audit committee are independent pursuant to Mexican Securities Market Law standards and at least two of the members qualify as financial experts. Standards for independence and financial expertise under the Mexican Securities Market Law, however, differ from New York Stock Exchange, NASDAQ or U.S. securities law standards, which our audit committee members are not required to meet.

The audit committee's principal duties are the following:

- make recommendations to our board of directors about which external auditor to appoint and provide recommendations about any removal of such external auditor;
- supervise our external auditors and analyze their reports;
- analyze and supervise the preparation of our financial statements;
- inform the board about our internal controls and their adequacy;
- request reports from the members of our senior management whenever the committee deems appropriate;
- assist our board of directors in the preparation of a report about the operations and activities in which the board of directors has intervened pursuant to the Mexican Securities Market Law;
- inform the board of directors about any irregularities that the committee may encounter;
- receive and analyze recommendations and observations received from the shareholders, members of the board of directors, the members of our senior management, our external auditors or any third party and take the necessary actions based on such recommendations or observations;
- call shareholders' meetings;
- ensure that transactions executed with related parties comply with applicable laws;
- oversee the execution by our chief executive officer of resolutions by the shareholders or the directors in accordance with the instructions provided by the shareholders or the directors in such resolutions; and
- provide an annual report of its activities to the board of directors.

The chairman of the audit committee has the responsibility to prepare an annual report to our board of directors with respect to the findings of the committee, which shall include, among other things (1) the status of our internal controls and internal audits and any deviations and deficiencies thereof, taking into consideration the reports of external auditors and independent experts, (2) the results of any preventive and corrective measures taken based on results of investigations in respect of non-compliance with operating or financial policies, (3) the evaluation of our external auditors, (4) the main results from the review of our financial statements and those of our subsidiaries, (5) the description and effects of changes to accounting policies, (6) the measures adopted as a result of observations of shareholders, directors, the members of our senior management and third parties relating to accounting, internal controls, and internal or external audits, (7) compliance with shareholders' and directors' resolutions, (8) observations with respect to relevant directors and officers, and (9) the remunerations paid to our directors and officers.

Corporate Practices Committee

The current members of our corporate practices committee were appointed on March 6, 2013 for an indefinite term and are Aaron Dychter, Andrés Conesa Labastida, Jeffrey Davidow and Arturo Infanzón Favela. In accordance with the provisions of the Mexican Securities Market Law, the majority of the members of our corporate practices committee are independent from our indirect controlling shareholder, who owns at least 50% of our capital stock.

The corporate practices committee's principal duties are the following:

- provide opinions and recommendations to our board of directors;
- provide assistance to our board of directors in the preparation of reports about the main accounting and information guidelines used in the preparation of financial information;
- provide assistance to our board of directors in the election of our chief executive officer compensation and comprehensive remuneration of the other members of our senior management;
- provide assistance to the board of directors in the preparation of reports for the annual shareholders' meeting;

- request and obtain opinions and recommendations from independent experts;
- provide opinions with respect to transactions with related parties; and
- call shareholders' meetings.

The chairman of the corporate practices committee has the responsibility to prepare an annual report to our board of directors with respect to: (1) observations regarding the development of the members of our senior management, (2) transactions executed between related parties, describing the main characteristics of the relevant transactions, (3) the remuneration paid to our directors and the members of our senior management, and (4) evaluating any waivers granted to directors or the members of our senior management for taking of corporate opportunities.

Senior Management

The following table sets forth certain information regarding the current members of our senior management as of March 6, 2013:

Name	Age	Position
Carlos Ruiz Sacristán	63	President and Chief Executive Officer
Arturo Infanzón Favela	41	Chief Operating and Financial Officer
Gerardo de Santiago Tona	41	Vice President of Operations and Construction
Tania Ortíz Mena	42	Vice President of External Affairs and Business Development
Manuela Molina Peralta	40	Vice President of Finance
Roberto Rubio Macías	40	Comptroller
Rene Buentello Carbonell	44	General Counsel

The following is a summary of the experience and principal business interests of our current senior management members (biographical information with respect to Mr. Ruiz and Mr. Infanzón is set forth above under " —Board of Directors"):

Gerardo de Santiago Tona. Gerardo de Santiago has been our Vice President of Operations and Construction since May 2010. Previously he was Manager at Sempra Pipelines & Storage Mexico from 2008 to 2010. Mr. de Santiago served as Chief Executive Officer of Ecogas from 2001 to 2008. Before joining Sempra Energy, Mr. de Santiago worked for the Municipal Water System of Saltillo from 1997 to 2000 and for the Mexican Federal Electricity Commission from 1992 to 1997. Mr. de Santiago holds a Bachelor's Degree in Industrial Engineering from the Universidad Autónoma del Noreste and a Master's Degree in Business Administration from the Universidad Autónoma de Nuevo León.

Tania Ortíz Mena. Tania Ortíz has been our Vice President of External Affairs and Business Development since September 2012. Previously she served as our Director of Governmental and Regulatory Affairs from 2002 to 2009 and as our General Manager from 2000 to 2002. Before joining Sempra Energy in 1999, Ms. Ortíz worked at PMI Comercio Internacional, a subsidiary of PEMEX, as Assistant Commercial and Refined Products Manager. Ms. Ortíz holds a Bachelor's Degree in International Relations from the Universidad Iberoamericana and a Master's Degree in International Relations from the Boston University. Ms. Ortiz currently serves as vice president of the Mexican Natural Gas Association (*Asociación Mexicana de Gas Natural, A.C.*).

Manuela Molina Peralta. Manuela ("Nelly") Molina has been our Vice President of Finance since July 2010. Previously she served as Vice President of Finance at El Paso Corporation in Mexico from 2001 to 2010. Before El Paso Corporation, Ms. Molina was General Manager of Kinder Morgan (México), the first distributor of natural gas in Hermosillo, Sonora, from 1997 to 2001. Ms. Molina holds a Bachelor's Degree in Accounting from the Universidad de Sonora and a Master's Degree in Finance from the Instituto Tecnológico de Estudios Superiores de Monterrey. Currently Ms. Molina serves as President of the Mexico City chapter of the Mexican Institute of Finance Executives (*Instituto Mexicano de Ejecutivos de Finanzas*), and she was also a board member and founder of NatGas Queretaro, S.A.P.I. de C.V.

Roberto Rubio Macías. Roberto Rubio has been our Comptroller since October 2012. He was Foreign Investments Accounting Manager at Sempra Energy from July 2011 to October 2012 and Manager of Internal Auditing of Luz del Sur, S.A.A in Peru from January 2011 to June 2011. Mr. Rubio served as our Financial Reporting Manager from 2007 to 2010, as Comptroller of Termoeléctrica de Mexicali from 2005 to 2007, as our Accounting Manager in Tijuana from 2003 to 2005 and as Comptroller at Ecogas – Chihuahua from 2001 to 2003. Before joining Sempra Energy in 2001, Mr. Rubio worked from 1998 to 2001 as Administrative Manager in Denimtex, a textile products manufacturer, as Regional Administrative Supervisor at British American Tobacco from 1996 to 1998 and as Senior Auditor at Deloitte in Chihuahua. Mr. Rubio holds an Accounting Degree and a Master's Degree in Business Administration, both from the Universidad Autónoma de Chihuahua, and is a Certified Public Accountant.

Rene Buentello Carbonell. Rene Buentello has been our General Counsel since 2010. Previously he served as Business Development Director at El Paso Corporation in Mexico from 2008 to 2010. From 2002 to 2008, Mr. Buentello served in various positions at PEMEX developing infrastructure projects in the transportation and logistics fields. From 1990 to 2002 he was Legal Manager at Grupo Nacobre and Grupo Aluminio (subsidiaries of Grupo Carso), where he was secretary and alternate secretary, respectively, of the board of directors. Mr. Buentello holds a law degree and graduate degrees in Economic and Corporate Law and in Commercial and Finance Law, all from the Universidad Panamericana.

Actions of Senior Management

Our chief executive officer and the other members of our senior management are required to focus their activities on creating value for us. Our chief executive officer and senior management may be held liable for damages to us, our subsidiaries and others for: (1) favoring a single group of shareholders, (2) approving transactions between us, or our subsidiaries, with "related persons" without complying with legal disclosure requirements, (3) taking advantage for him or herself of our or our subsidiaries' assets against company policy (or authorizing a third party to do so), (4) making inappropriate use of our, or our subsidiaries', non-public information, or (5) knowingly disclosing or revealing false or misleading information.

Our chief executive officer and the members of our senior management are required, under the Mexican Securities Market Law, to act for our benefit and not that of a particular shareholder or group of shareholders. Our chief executive officer is required, principally, to (1) implement the instructions of our shareholders' meeting and our board of directors, (2) submit to the board of directors for approval the principal strategies for the business, (3) submit to the audit and corporate practices committees proposals for the systems of internal control, (4) disclose all material information to the public, and (5) maintain adequate accounting and registration systems and mechanisms for internal control. Our chief executive officer and the members of our senior management are also subject to the same fiduciary duty obligations as are our directors.

As of the date of this offering circular, none of our directors or the members of our senior management own any of our capital stock.

Internal Control

We have internal control policies and procedures designed to provide reasonable assurance that our transactions and other aspects of our operations are carried out, recorded and reported pursuant to guidelines set forth by our management using IFRS, applied in conformity with available interpretive guidance thereunder. In addition, our operational processes are subject to periodic internal audits, and our internal control systems are subject to an annual review by our external auditors as part of their audit of our financial statements; however, that review is not for the purpose of expressing an opinion on the effectiveness of our internal control over financial reporting.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid by us to the members of our senior management was US$2.3 million for the year ended December 31, 2012. We continuously review our salary, bonus and other compensation plans to offer competitive compensation arrangements for our management.

Our director compensation plan covers only independent, non-employee directors. Each of our independent directors receives an annual retainer of approximately US$25,000 for service as a director. In addition, each independent director receives a fee of approximately US$4,000 for each board of directors meeting attended and a fee of approximately US$2,500 for each committee meeting attended. Independent directors are also reimbursed for reasonable expenses incurred to attend board of directors and committee meetings.

In addition, our independent directors will receive additional "phantom stock" compensation of approximately US$25,000 per year, the value of which will vary based on the performance of our Shares. This phantom stock will vest annually on the anniversary of its grant date, subject to the independent director remaining in service on such date. The definitive terms of this phantom stock compensation will be determined by a committee of the board of directors composed entirely of non-independent directors.

Executive Stock Option Plan

We are currently analyzing whether to establish an executive stock option plan and the related objectives, terms and conditions in the event such a plan is established.

External Auditors

Our independent auditors are Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, whose offices are located in Mexico City, Mexico. Our independent auditors were appointed by Sempra Energy's audit committee, taking into consideration their expertise, professionalism and quality.

Galaz, Yamazaki, Ruiz Urquiza, S.C., has served as our external auditor since fiscal year 1996. In the past three years, they have not issued a qualified opinion or a negative opinion, nor have they refrained from giving an opinion on our financial statements.

Our audited financial statements included in this offering circular were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., and for the audit services corresponding to the 2012 fiscal year, it charged us approximately US$1.4 million. In addition, during 2012 Galaz, Yamazaki, Ruiz Urquiza, S.C. provided services to us in addition to the audit, including services related to tax and transfer pricing, which did not affect their independence as our external auditors. It charged approximately US$0.8 million for these additional services, representing 37% of the total amount paid to the independent auditors in 2012.

Business Address of the Members of our Board of Directors and Senior Management Members

The business address of the members of our company's board of directors and the members of our senior management is: care of Infraestructura Energética Nova, S.A.B. de C.V., Torre Esmeralda I, Blvd. Manuel Ávila Camacho No. 40, Floor 20, Lomas de Chapultepec, 11000 México, D.F.

Family Relationships

There are no family relationships among our directors and the members of our senior management or among our directors and the members of our senior management and our indirect controlling shareholder.

Proceedings Involving Our Board of Directors and Senior Management Members

As of the date of this offering circular, there are no material judicial or administrative proceedings involving our directors and/or the members of our senior management.

CONTROLLING SHAREHOLDER

The table below sets forth certain information regarding the ownership of the Shares (1) prior to the Global Offering, reflecting our transformation into a *sociedad anonima de capital variable*, which became effective on February 20, 2013, and the amendment and restatement of our bylaws to, among other things, conform them to the provisions of the Mexican Securities Market Law applicable to public companies and adopt the form of a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*), which was approved by our shareholders on March 6, 2013, and (2) after giving effect to the Global Offering. On March 8, 2013, Sempra Energy Holdings XI, B.V., a Dutch *Besloten Vennootschap*, which is controlled by Sempra Energy, as seller, subscribed for a capital increase in Semco Holdco S. de R.L. de C.V., a Mexican *sociedad de responsabilidad limitada de capital variable*, which is controlled by Sempra Energy, agreeing to pay for such capital increase through a contribution of our Shares in an amount to be determined based on the price per share in this offering, and in each case subject to the Shares being duly registered with the Mexican National Securities Registry. The following chart shows our corporate structure reflecting these changes.

			Shares owned after the Global Offering			
	Shares owned prior to the Global Offering		No exercise of over-allotment option		Exercise of over-allotment option	
Name of Shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Sempra Energy Holdings XI, B.V.	935,913,302	99.99%	—	0%	—	0%
Sempra Energy Holdings IX, B.V.	10	0.00000001%	10	0.00000001%	10	0.00000001%
Semco Holdco S. de R.L. de C.V.	—	0%	935,913,302	83.15%	935,913,302	81.10%
New Investors.	—	0%	189,661,305	16.85%	218,110,500	18.90%
Total	935,913,312	100%	1,125,574,617	100%	1,154,023,812	100%

Immediately prior to this offering and registration of our Shares with the Mexican National Securities Registry, we were directly owned by Sempra Energy Holdings XI, B.V., and Sempra Energy Holdings IX, B.V., a Dutch *Besloten Vennootschap*. On the effective date of this offering and registration of our Shares with the Mexican National Securities Registry, Semco Holdco S. de R.L. de C.V., a Mexican *sociedad de responsabilidad limitada de capital variable*, acquired 100% of the Shares of Sempra Energy Holdings XI, B.V. pursuant to the capital increase described above. Semco Holdco S. de R.L. de C.V., Sempra Energy Holdings IX, B.V., and Sempra Energy Holdings XI, B.V. are controlled by Sempra Energy, a publicly-traded U.S. energy services holding company based in San Diego, California and listed on the New York Stock Exchange [NYSE: SRE]. No person or entity "controls" or has "significant influence" on Sempra Energy, as such terms are defined in the Mexican Securities Market Law.

Prior to and as of the date of the Global Offering, none of our directors or the members of our senior management owned any of our Shares. Immediately after the date of the Global Offering, none of our directors or the members of our senior management will own any of our Shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2010 to which we have been a party, in which the amount involved exceeds US$120,000, and in which one or more of our directors, the members of our senior management or our indirect controlling shareholder, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unaffiliated third parties.

In the ordinary course of our business we engage in a number of transactions with our indirect controlling shareholder and with companies that are owned or controlled, directly or indirectly, by our indirect controlling shareholder or an affiliate thereof.

Intercompany Loan Agreements

Loans from Related Parties (Outstanding as of December 31, 2012)

We have revolving credit facilities in place with several affiliates of our indirect controlling shareholder as lenders. We may prepay all or part of the outstanding amount under each loan without penalty. The following table summarizes the key terms of these credit facilities as of December 31, 2012:

Lender	Loan Limit	Principal Outstanding(1)	Interest Rate	Maturity Date
Sempra Global	US$1.0 billion	US$25.0 million	0.89% (U.S. Treasury mid-term AFR)	November 10, 2013
Sempra Oil Trading	US$100.0 million	US$91.7 million	2.93% (U.S. Treasury mid-term AFR + 200 bps)	March 18, 2017
Sempra Chile	US$215.0 million	US$215.0 million	3.136% (six-month LIBOR + 250 bps)	November 16, 2014
Sempra Energy International Holdings	US$300.0 million	US$83.3 million	3.136% (six-month LIBOR + 250 bps)	December 16, 2013
Sempra Generation	US$12.0 million	US$0.1 million	2.7% (fixed rate)	December 31, 2027

(1) Since December 31, 2012, we have repaid all outstanding principal under these loans except for (i) approximately US$38.5 million under our loan from Sempra Chile and (ii) US$0.1 million under our loan from Sempra Global (including the application of a portion of the net proceeds of our CEBURES offering).

Between January 1, 2010 and December 31, 2012, the largest aggregate amount outstanding (including principal and interest) under the credit facilities with Sempra Global, Sempra Oil Trading, Sempra Chile, Sempra Energy International Holdings and Sempra Generation was US$291.8 million, US$91.7 million, US$215.0 million, US$86.1 million and US$2.0 million, respectively. In that period we paid a total of US$1.065 billion in principal and US$4.1 million in interest to Sempra Global, US$0.5 million in principal and US$10.2 million in interest to Sempra Oil Trading, US$7.9 million in interest to Sempra Chile, US$2.8 million in principal and US$0.1 million in interest to Sempra Energy International Holdings, and US$2.0 million in principal to Sempra Generation.

Loans from Related Parties (Repaid in Full as of December 31, 2012)

We received the following loans from affiliates of our indirect controlling shareholder since January 1, 2010, each of which has been repaid in full:

- We received long-term loans from SET International in 2010, which bore a variable interest rate based on the six-month LIBOR plus 394 bps. The largest aggregate amount outstanding under these loans after January 1, 2010 was US$37.7 million in principal and US$19.4 million in interest. During this period we paid a total of US$289.3 million in principal and US$19.4 million in interest on these loans. We paid off the balance on these loans in 2011.
- We received a long-term loan from SE Holdings VII in 2010, which bore a variable interest rate based on the six-month LIBOR plus 394 bps. The largest aggregate amount outstanding under this loan after January 1, 2010 (including principal and interest) was US$202.0 million. During this period we paid a total of US$199.0 million in principal and US$9.4 million in interest on this loan. We paid off the balance on this loan in 2011.

Loans to Related Parties

We made the following loans to affiliates of our indirect controlling shareholder since January 1, 2010:

- We made long-term loans to Sempra Services Company in 2010 and 2011, which bore a variable interest rate based on the U.S. Treasury mid-term AFR. The largest aggregate amount outstanding under these loans after January 1, 2010 (including principal and interest) was US$0.5 million. During this period we received a total of US$2.8 million in principal and US$10,037 in interest on these loans. Sempra Services Company paid off the balance on these loans in 2011.
- We extended a line of credit to Sempra Servicios México in June 2011, denominated in Mexican pesos, which bore a variable interest rate based on the 28-day Mexican Interbank Equilibrium Interest Rate plus 178 bps. The credit facility had a limit of Ps.10.0 million (US$0.8 million) and was paid off at its maturity on January 30, 2013. The largest aggregate amount outstanding under this credit facility from its inception through December 31, 2012 (including principal and interest) was Ps.7.3 million (US$0.6 million). During this period we received payments totaling Ps.3.7 million (US$0.3 million) in principal and Ps.0.4 million (US$28,469) in interest on this loan.

Guarantees and Letters of Credit

Our indirect controlling shareholder Sempra Energy provides credit support (including direct guarantees and letters of credit issued by third parties which are to be drawn on the account of Sempra Energy) for certain of our obligations, including the following:

Obligor	Beneficiary of Guarantee/Letter of Credit	Supported Agreement	Maximum Amount of Guarantee/Letter of Credit
Termoeléctrica de Mexicali	JPM Ventures Energy	Assignment of Base Contract for Sale and Purchase of Natural Gas, dated April 15, 2011	US$40.0 million guarantee
Termoeléctrica de Mexicali	Baja East Pipelines	Firm Transportation Service Agreement, dated February 26, 2002	US$29.4 million guarantee
LNG Marketing	JPM Ventures Energy	Assignment of Base Contract for Sale and Purchase of Natural Gas, dated April 15, 2011	US$100.0 million guarantee
LNG Marketing	Baja East Pipelines	Interruptible Transportation Service Agreement, dated December 18, 2009	US$3.9 million guarantee

Obligor	Beneficiary of Guarantee/Letter of Credit	Supported Agreement	Maximum Amount of Guarantee/Letter of Credit
LNG Marketing	Baja East Pipelines	Firm Transportation Service Agreement, dated May 1, 2008	US$59.6 million guarantee
LNG Marketing	Baja East Pipelines	Firm Transportation Service Agreement, dated February 15, 2002	US$62.3 million guarantee
LNG Marketing	Baja West Pipeline	Firm Transportation Service Agreement, dated May 1, 2008	US$45.6 million guarantee
LNG Marketing	Energía Costa Azul LNG Terminal	Firm Storage Services Agreement, dated November 29, 2004	US$282.0 million guarantee
Energía Costa Azul LNG Terminal	Shell	Firm Storage Services Agreement, dated April 17, 2009	Unlimited guarantee
Energía Costa Azul LNG Terminal	Gazprom	Firm Storage Services Agreement, dated April 17, 2009	Unlimited guarantee
IEnova	Royal Bank of Scotland plc	Interest Rate Swap Agreement, dated September 16, 2005	Unlimited guarantee
Energía Sierra Juárez	Ejido Cordillera Molina	Lease Agreement, dated June 10, 2007	US$5.0 million guarantee
IEnova	Banco Santander Mexico	Letter of Credit, issued by Banco Santander (México) in favor of the Mexican Federal Electricity Commission, dated October 31, 2012	US$90.0 million guarantee
Baja East Pipelines	Energía Azteca X, S. de R.L. de C.V.	Firm Transportation Service Agreement, dated February 8, 2002	US$12.0 million guarantee
Not applicable	Travelers Casualty and Surety Co. of America	Surety bond issued by Travelers Casualty and Surety Co. of America to the Mexican government in connection with construction of our LNG terminal	US$3.2 million letter of credit
LNG Marketing	Mexican Federal Electricity Commission	Natural Gas Supply Agreement, dated January 21, 2005	US$85.0 million letter of credit
Aguaprieta Pipeline	Stupp Corporation	Pipe Supply Agreement, dated November 20, 2012	US$155.3 million guarantee

Our subsidiary Energía Sierra Juárez provides a credit support guarantee for the contractual obligations of Energia Sierra Juarez U.S., LLC, an affiliate of our indirect controlling shareholder, to San Diego Gas & Electric Company, another affiliate of our indirect controlling shareholder. Energia Sierra Juarez U.S., LLC is the U.S. entity through which we expect to sell power to San Diego Gas & Electric Company. There is no limit on this guarantee, which continues for the life of the power purchase agreement it supports.

Power Purchase Agreements

Previously, Sempra Generation, an affiliate of our indirect controlling shareholder, contracted with us to purchase up to the full electricity output of the Termoeléctrica de Mexicali power plant, or approximately 625 MW. Under this agreement Sempra Generation reimbursed us for the natural gas required for electricity generation at the power plant, as well as for any additional costs we incurred related to the procurement of natural gas. We also made payments to Sempra Generation for transmitting electricity generated at Termoeléctrica de Mexicali, as well as payments for load electricity generation charges and administrative services provided by Sempra Generation in connection with these transactions. Total payments received from Sempra Generation pursuant to this agreement (net of the payments made by us to Sempra Generation for the services described above) during the years ended December 31, 2011 and 2010 were approximately US$178.8 million and US$152.6 million, respectively.

In January 2013, we entered into an energy management services agreement with Sempra Generation. Under this agreement, effective as of January 1, 2012, Sempra Generation began acting as marketing and scheduling coordinator for our electricity sales and performing other related administrative, hedging and U.S. regulatory support tasks on our behalf. This agreement replaced the agreement that we previously had in place with Sempra Generation for the full capacity of the Termoeléctrica de Mexicali power plant. Under this agreement, we reimburse Sempra Generation's expenses in connection with these services and pay Sempra Generation an annual energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant (depending on, among other factors, the amount of energy scheduled and sold by Sempra Generation). The term of this agreement runs through 2017. For the year ended December 31, 2012, we paid Sempra Generation a total of US$16.9 million under this agreement.

Natural Gas Purchase and Sale Agreement

In 2009, we entered into several agreements with RBS Sempra Energy Trading México, an affiliate of our indirect controlling shareholder, pursuant to which our LNG business supplied RBS Sempra Energy Trading México with natural gas and RBS Sempra Energy Trading México sold natural gas to our generation business for use at our Termoeléctrica de Mexicali power plant. The costs of the natural gas purchased for use at Termoeléctrica de Mexicali were reimbursed by Sempra Generation. RBS Sempra Energy Trading México also acted as scheduling agent for our LNG business to coordinate delivery of natural gas under our agreement with the Mexican Federal Electricity Commission, for which we paid US$1.1 million and US$1.1 million in 2011 and 2010, respectively. During 2011 and 2010 we paid RBS Sempra Energy Trading México approximately US$30.2 million and US$85.8 million, respectively, for natural gas and other related services performed under these agreements. During 2011 and 2010, RBS Sempra Energy Trading México paid us approximately US$29.8 million and US$83.6 million, respectively, for natural gas sold to it by our LNG business.

In September 2011, RBS Sempra Energy Trading México assigned its obligations under these agreements to an unrelated third party, JPM Ventures Energy. This agreement expires in September 2014. See "Business—Segment Overview—Gas Segment—Liquefied Natural Gas Business—LNG and Natural Gas Purchase and Sale Operations" and "Business—Segment Overview—Power Segment—Natural Gas Fired Power Generation Business—Termoeléctrica de Mexicali Key Agreements—Natural Gas Purchase Agreement."

In January 2013, we entered into a scheduling agreement with Sempra Generation, an affiliate of our indirect controlling shareholder, which will be effective September 1, 2014. Pursuant to this agreement, Sempra Generation will provide scheduling and coordination services relating to delivery of natural gas to our customers, including the Mexican Federal Electricity Commission, and to our Termoeléctrica de Mexicali facility. These scheduling and coordination services will replace those currently being provided pursuant to our agreement with JPM Ventures Energy which expires in September 2014, at similar prices. The agreement with Sempra Generation will expire on December 31, 2022.

Transportation Services Agreements and Pipeline Improvements

We have entered into a firm transportation services agreement with Southern California Gas Company, an affiliate of our indirect controlling shareholder, whereby Southern California Gas Company transports natural gas for our distribution business from the United States to the Mexico – U.S. border near Mexicali. We pay for these transportation services based on applicable rate provisions filed with the California Public Utilities Commission. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$1.1 million, US$1.3 million and US$1.3 million, respectively, for transportation services provided by Southern California Gas Company pursuant to this agreement.

Southern California Gas Company has also entered into several contracts with us for natural gas transportation services on an interruptible basis on our Baja East pipelines and our Baja West pipeline. These interruptible transportation services agreements renew monthly and are terminable by either party on 30 days' notice. During the years ended December 31, 2012 and 2011, we received approximately US$0.2 million and US$0.2 million, respectively, for transportation services provided to Southern California Gas Company pursuant to these agreements; amounts received in 2010 were less than US$120,000.

Pursuant to an interconnection agreement entered into in 2007, we agreed to reimburse San Diego Gas & Electric Company for expenses relating to pipeline improvements on the interconnector's pipeline. In 2010, we paid San Diego Gas & Electric Company US$0.3 million as reimbursement for these pipeline improvements. There were no reimbursable improvements made in 2012 or 2011.

LNG Purchase and Sale Agreement with Sempra Natural Gas

Since 2009, our subsidiary LNG Marketing has purchased LNG from Sempra Natural Gas pursuant to an LNG purchase and sale agreement which terminated in January 2013. Pursuant to the terms of this agreement, Sempra Natural Gas agreed to sell and LNG Marketing agreed to purchase up to 8.2 million m^3 (1,880 MMTh) of LNG annually. To the extent that Sempra Natural Gas delivered to LNG Marketing less than 8.2 million m^3 (1,880 MMTh) per year, Sempra Natural Gas made payments to LNG Marketing pursuant to this agreement to cover terminal and pipeline capacity fixed costs associated with each cargo not delivered, unless Sempra Natural Gas's failure to schedule such deliveries resulted from a *force majeure* event.

During the years ended December 31, 2012, 2011 and 2010, under this agreement, LNG Marketing paid Sempra Natural Gas approximately US$216.7 million, US$51.0 million and US$275.2 million, respectively, for purchases of LNG and Sempra Natural Gas made payments to LNG Marketing in the amount of approximately US$107.5 million, US$109.9 million and US$56.6 million.

In January 2013, LNG Marketing and Sempra Natural Gas terminated the prior LNG sale and purchase agreement and entered into a new long-term LNG sale and purchase agreement. While the material terms of the new agreement are substantially similar to those of the prior agreement, it does differ in two material respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG cargoes available to LNG Marketing for purchase each year for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. Second, the new agreement corrected unintended economic consequences that resulted in larger payments being made by Sempra Natural Gas to LNG Marketing under the prior agreement when the number of cargoes delivered annually under the prior agreement was substantially lower than had been anticipated when the prior agreement had been entered into. The term of this new agreement expires in August 2029. Had the new agreement been entered into as of January 1, 2012, our Adjusted EBITDA for 2012 would have declined by an immaterial amount.

Amended and Restated LNG Sale and Purchase Agreement with the Tangguh Partners

Our affiliate Sempra Natural Gas purchases LNG from suppliers, including pursuant to a long-term contract with the Tangguh partners (a consortium of companies who produce LNG in the Tangguh LNG Project in Indonesia) who have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Natural Gas annually. However, the Tangguh partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than Sempra Natural Gas. Having non-divertible cargoes available under Sempra Natural Gas's agreement with the Tangguh partners increases the likelihood that our LNG terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation, and ensures that we will be able to satisfy at least some portion of our natural gas customer commitments by selling natural gas that has been regasified at our LNG terminal. Sempra Natural Gas's agreement with the Tangguh partners expires in 2029, and we are a party to the agreement solely with respect to the scheduling of delivery of LNG cargoes and to coordinate the parties' rights with respect to the use of our marine terminal.

Natural Gas Sale and Purchase Agreement with Sempra Natural Gas

We entered into a base contract for sale and purchase of natural gas with Sempra Natural Gas in April 2008. Pursuant to this agreement, when LNG Marketing has regasified natural gas in excess of the amount it is obligated to deliver to its other customers, we can sell this excess natural gas to Sempra Natural Gas. During the years ended December 31, 2011 and 2010, Sempra Natural Gas paid LNG Marketing approximately US$7.8 million and US$117.1 million, respectively, for purchases of natural gas pursuant to this agreement. Sempra Natural Gas purchased approximately US$7.9 million of natural gas from LNG Marketing in the year ended December 31, 2012.

Pursuant to this same agreement, we purchase natural gas from Sempra Natural Gas in order to meet the natural gas delivery obligations of our subsidiary, LNG Marketing, to its other customers in the event LNG Marketing does not have sufficient regasified LNG to meet those obligations. The rate we pay Sempra Natural Gas makes us economically indifferent as to whether we purchase this cover gas or receive LNG under our LNG Purchase and Sale Agreement with Sempra Natural Gas. During the years ended December 31, 2012, 2011 and 2010, LNG Marketing paid Sempra Natural Gas approximately US$216.8 million, US$57.1 million and US$209.4 million, respectively, for purchases of natural gas pursuant to this agreement.

In January 2013, we entered into a separate agreement with Sempra Natural Gas which will replace the previous Natural Gas Sale and Purchase Agreement with Sempra Natural Gas, effective September 1, 2014. This new agreement, which will expire on December 31, 2022, provides that the rate we will pay for natural gas will equal then-current market rates plus a markup of 1%.

Services Agreements

We have contracted with various affiliates of our indirect controlling shareholder for certain services provided to us in the ordinary course of our business, including financial, marketing, commercialization, regulatory, engineering, technical and information systems services, as well as operational and management support. These agreements generally provide for reimbursement for expenses incurred plus a 5% to 7.5% markup, and are terminable by either party upon 30 days' notice. The following is a summary of these transactions:

- Sempra Servicios México provides services to our gas and power segments, including administrative and operational services, and other services related to the operations in our Mexican corporate offices. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$1.4 million, US$1.5 million and US$0.8 million, respectively, for these services.
- Sempra Services Company provides services to our gas and power segments, including administrative services. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$1.6 million, US$1.8 million and US$3.2 million, respectively, for these services.
- Sempra Pipelines & Storage provides services to our gas and power segments, including administrative services, operational services and technical services relating to asset maintenance and project development. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$6.0 million, US$3.0 million and US$0.7 million, respectively, for these services.
- Sempra LNG Corporation provides services to our gas segment, including administrative services. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$5.2 million, US$5.4 million and US$2.4 million, respectively, for these services.
- Sempra Global provides general administrative services to our corporate segment. During the years ended December 31, 2012, 2011 and 2010, we paid approximately US$0.4 million, US$0.2 million and US$0.3 million, respectively, for these services.

In January 2013, we entered into an Information Technology Services Agreement with Sempra U.S. Gas & Power, an affiliate of our indirect controlling shareholder. Pursuant to this agreement Sempra U.S. Gas & Power will continue to provide us with certain software and information technology services that had been provided to us historically by affiliates of our indirect controlling shareholder. We expect to pay approximately US$7 million per year to Sempra U.S. Gas & Power pursuant to this agreement. This agreement has an initial term of five years.

In February 2013, we entered into a Management, Technical and Advisory Services Agreement with Sempra International, an affiliate of our indirect controlling shareholder, pursuant to which Sempra International (directly or through affiliates) will provide us with certain support services. We expect to pay approximately US$8 million per year for these services.

Gas Control and Monitoring Agreements

We have entered into gas dispatch and transportation services agreements with Sempra Midstream, an affiliate of our indirect controlling shareholder. Pursuant to these agreements, Sempra Midstream provides monitoring and gas control services, using electronic monitoring and control systems owned by us, in order to optimize pipeline capacity and operations and enable us to timely respond to operational events or emergencies affecting our Baja East pipelines, Baja West pipeline, Aguaprieta pipeline and Naco compression station. The agreements were entered into on January 1, 2011 and have a term of 10 years. Sempra Midstream may terminate these agreements if we and Sempra Midstream cease to be under the common control of our indirect controlling shareholder. During the years ended December 31, 2012 and 2011 we paid, in the aggregate, approximately US$0.5 million and US$0.4 million, respectively, to Sempra Midstream for gas control services under these agreements. The amounts that we pay Sempra Midstream for these services will be adjusted for inflation in future years.

Other Related Party Transactions

Our indirect controlling shareholder and its affiliates pay us fees for certain administrative services and for the use of our facilities. During the years ended December 31, 2012, 2011 and 2010, we had revenues of approximately US$1.7 million, US$1.8 million and US$2.2 million, respectively, relating to these transactions.

We provide Sempra Pipelines & Storage with administrative services. During the years ended December 31, 2012 and 2010, we received approximately US$0.2 million and US$0.2 million, respectively, relating to these services; amounts received in 2011 were less than US$120,000.

We have in the past entered into certain hedging transactions with Sempra Energy Solutions, an affiliate of our indirect controlling shareholder, relating to the natural gas prices paid by our distribution business's customers. During 2010, we paid Sempra Energy Solutions approximately US$0.2 million relating to these hedges. We terminated these agreements in 2010.

RBS Sempra Commodities, an affiliate of our indirect controlling shareholder, provided our natural gas distribution business with gas procurement, scheduling, balancing and risk management services pursuant to an agreement entered into in 2009. During 2010, we paid RBS Sempra Commodities approximately US$26.0 million pursuant to this agreement. In November 2010 RBS Sempra Commodities assigned this agreement to an unrelated third party.

In 2008, we entered into an agreement with Sempra Natural Gas, pursuant to which Sempra Natural Gas used the capacity reserved by our subsidiary Termoeléctrica de Mexicali on our Baja East pipelines. During 2010, Sempra Natural Gas paid us approximately US$0.9 million relating to this contract. This contract was terminated in January 2011.

Sempra Generation provides us with project development services and other administrative services with respect to the development of our Energía Sierra Juárez wind powered generation project in the Sierra de Juárez Mountains in Baja California, Mexico. During the years ended December 31, 2012, 2011 and 2010, we made payments to Sempra Generation for these services of approximately US$0.2 million, US$0.8 million and US$2.2 million, respectively.

Sempra International provides us with professional services pursuant to various agreements with our subsidiaries. During the year ended December 31, 2012, we made payments to Sempra International for these services of approximately US$6.2 million.

DESCRIPTION OF OUR CAPITAL STOCK AND BYLAWS

Set forth below is a description of our capital stock and a brief summary of certain significant provisions of our bylaws and Mexican law. This description does not purport to be complete and is qualified in its entirety by reference to our bylaws and the relevant provisions of Mexican law.

General

We were incorporated on April 2, 1996 under the name "Enova de México, S.A. de C.V." and subsequently on April 25, 2008 became a limited liability company (*sociedad de responsabilidad limitada*) organized pursuant to the Mexican Corporations Law and changed our name to "Sempra Energy México, S. de R.L. de C.V." On December 3, 2008 we changed our name to "Sempra México, S. de R.L. de C.V." On February 15, 2013, we transformed into a variable capital stock corporation (*sociedad anónima de capital variable*), which transformation became effective on February 20, 2013. On March 1, 2013, we changed our name to "Infraestructura Energética Nova, S.A. de C.V." Through a unanimous resolution on March 6, 2013, our shareholders approved amending and restating our bylaws to conform them to the provisions of the Mexican Securities Market Law applicable to public companies, to adopt the form of a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) and to change our name to "Infraestructura Energética Nova, S.A.B. de C.V." This resolution was subject to the registration of our Shares with the RNV, which condition has been satisfied on the date of the Global Offering. A copy of our amended and restated bylaws has been filed with the CNBV and the Mexican Stock Exchange and is available for review at www.bmv.com.mx.

The duration of our corporate existence is indefinite. We are a holding company and conduct all of our operations through our subsidiaries.

Capital Stock

Because we are a variable capital stock corporation, our capital stock must have a fixed portion and may have a variable portion. As of the date of this offering circular, our issued and outstanding capital stock consists of 935,913,312 shares of common stock, without stated par value, of which 5,000 represents Class I shares of common stock, representing fixed capital, and 935,908,312 represents Class II shares of common stock, representing variable capital. In addition, there are 233,978,328 Shares held in treasury for use in connection with this offering. Immediately after giving effect to this offering, assuming the initial purchasers and the Mexican underwriters do not exercise their options to purchase additional Shares from us, 1,125,574,617 Shares will be issued and outstanding. Our Shares may be issued to and held by both Mexican and non-Mexican investors.

Capital Stock Variations

As of the date of this offering circular, as a result of the increase in ownership of our capital stock in the amount of Ps.1.00 by Sempra Energy Holdings XI, B.V., and our transformation into a variable capital stock corporation (*sociedad anónima de capital variable*), approved at our shareholders' meeting on February 15, 2013, our capital stock prior to the Global Offering consisted of 935,913,312 Shares of common stock, no par value, of which 5,000 Shares represent fixed capital and 935,908,312 Shares represent variable capital.

During the years ended December 31, 2012, 2011 and 2010, our capital stock has been increased on only one occasion. At our shareholders' meeting on September 10, 2012, an increase of Ps.5.862 billion in the variable portion of our capital stock was approved, which was fully subscribed and paid for by Sempra Energy Holdings XI, B.V.

Voting Rights and Shareholders' Meetings

All of our Shares have full voting rights. Each Share entitles the holder to one vote at any meeting of our shareholders.

Under our current bylaws, we may hold two types of shareholders' meetings: ordinary and extraordinary. Ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings. An ordinary shareholders' meeting must be held at least once each year within the first four months following the end of our fiscal year to discuss, among other things, the approval of our financial statements, the report prepared by the board of directors on our financial statements, the appointment of members of the board of directors and the determination of compensation for members of the board of directors.

Extraordinary shareholders' meetings are those called to consider any of the following matters, among other things:

- an extension of our duration;
- our dissolution;
- an increase or decrease in our capital stock;
- a change in our corporate purpose or nationality;
- any transformation, merger or spin-off involving us;
- any stock redemption or issuance of preferred stock;
- redemption of our Shares using retained earnings;
- the issuance of bonds, debentures, obligations, debt or capital instruments or any similar instrument;
- the delisting of our Shares on the RNV or any stock exchange;
- amendments to our bylaws; and
- any other matters for which applicable Mexican law or our bylaws specifically require an extraordinary meeting.

Shareholders' meetings are required to be held in the same city as our corporate offices, which are in Mexico City. The chairman of the board of directors, the chairman of the audit committee, the chairman of the corporate practices committee, the secretary or a Mexican court of competent jurisdiction may call shareholders' meetings. In addition, any shareholder holding at least 10% of our outstanding capital stock has the right to request that the board of directors, the audit committee and the corporate practices committee call a shareholders' meeting to discuss the matters indicated in the relevant request.

Notices of shareholders' meetings must be published in one of the newspapers of general circulation in Mexico City at least 15 calendar days prior to the date of the meeting. Each notice must set forth the place, time and agenda for the meeting and must be signed by the person convening the meeting. From the date on which a notice is published until the date of the corresponding meeting, all relevant information regarding the meeting must be made available to the shareholders.

To be admitted to any shareholders' meeting, shareholders must present evidence that they own stock certificates deposited with a financial institution, brokerage house or deposit institution at least one day prior to the shareholders' meeting. We will then issue certificates that can be used to gain admission to the meeting. Shareholders may appoint one or more attorneys-in-fact to represent them pursuant to general or special powers of attorney or by a proxy signed before two witnesses in the form distributed by us 15 days prior to the meeting.

Quorums

Ordinary meetings are legally convened on a first notice when over 50% of our outstanding Shares are present or duly represented. Resolutions at ordinary meetings of shareholders pursuant to a first notice are valid when approved by the holders of the majority of the voting Shares present at such meeting. At meetings called by a second notice, any number of Shares represented at an ordinary meeting of shareholders constitutes a quorum and resolutions are valid when approved by the holders of a majority of the Shares represented at the meeting.

Extraordinary shareholders' meetings and special shareholders' meetings are legally convened on a first notice when at least 75% of our outstanding Shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders or special shareholders' meetings pursuant to a first notice are valid when adopted by the holders of over 50% of our outstanding voting Shares. At extraordinary shareholders' meetings called by a second or subsequent notice, meetings are legally convened when over 50% of our outstanding Shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders called pursuant to a second or subsequent notice are valid when adopted by the holders of Shares representing over 50% of our outstanding voting Shares.

Approval from the Shares representing 95% of our capital stock, with or without voting rights, is required to make a request to the CNBV that the registration of the Shares on the RNV be cancelled, as indicated by the terms of the Mexican Securities Market Law and all other applicable laws.

Dividends and Distributions

Typically, at an annual ordinary shareholders' meeting, the board of directors submits our financial statements for the previous fiscal year to the shareholders for approval. Once shareholders approve the financial statements, they determine the allocation of our net profits for the preceding fiscal year. By statute, prior to any distribution of dividends, we are required to allocate 5% of our net profits to a legal reserve fund until the legal reserve fund equals 20% of our paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts allocated to a reserve for the repurchase of Shares. The remaining balance, if any, may be distributed as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been restored.

All Shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution. If and when we declare dividends, we will distribute through Indeval cash dividends for Shares held through Indeval. Any cash dividends on Shares evidenced by physical certificates will be paid upon surrendering to us the relevant dividend coupon registered in the name of its holder. See "Dividends and Dividend Policy."

Changes to Our Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted by our shareholders in an extraordinary shareholders' meeting, provided that our bylaws are concurrently amended to reflect the increase or decrease in capital stock. The variable portion of our capital stock may be increased or decreased by our shareholders in an ordinary shareholders' meeting without the amendment of our bylaws.

Increases or decreases in the fixed or variable portion of our capital stock must be recorded in our registry of capital variations, which we are required to maintain under the Mexican Corporations Law. The minutes of any shareholders' meeting where the fixed capital of the Company is increased or decreased must be notarized and registered before the corresponding Public Registry of Commerce. New Shares cannot be issued unless the issued and outstanding Shares at the time of the issuance have been paid in full, except in certain limited circumstances.

Share Repurchases

We may choose to acquire our own Shares through the Mexican Stock Exchange on the following terms and conditions:

- the acquisition must be carried out through the Mexican Stock Exchange;
- the acquisition must be carried out at market price, unless a public tender offer or auction has been authorized by the CNBV;
- the acquisition must be carried out against our net worth (*capital contable*) without adopting a reduction in capital stock or against our capital stock, and the Shares so acquired will be held as treasury stock without any requirement to adopt a reduction in capital stock. No shareholder consent is required for such purchases;
- the amount and price paid in all Share repurchases must be made public;

- the maximum amount to be spent in the fiscal year for the repurchase of Shares must be determined by our shareholders at the annual meeting;
- we may not be delinquent on payments due on any outstanding debt issued by us that is registered with the RNV National Securities Registry;
- any acquisition of Shares must be in conformity with the requirements of Article 54 of the Mexican Securities Market Law; and
- we must maintain a sufficient number of outstanding Shares to meet the minimum trading volumes required by the stock markets on which our Shares are listed.

The economic and voting rights corresponding to repurchased Shares may not be exercised during the period in which we own such Shares, and such Shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting.

Ownership of Capital Stock by Subsidiaries

Our subsidiaries may not, directly or indirectly, invest in our Shares, except for Shares acquired as part of an employee stock option plan and in conformity with the Mexican Securities Market Law.

Redemption

In accordance with our bylaws, shares representing our capital stock are subject to redemption in connection with either (1) a reduction of capital stock, or (2) a redemption with retained earnings, which in either case must be approved by our shareholders. In connection with a capital reduction, the redemption of shares must be made pro rata among the shareholders. In the case of a redemption with retained earnings, such redemption shall be conducted (a) by means of a tender offer conducted on the Mexican Stock Exchange at prevailing market prices, in accordance with Mexican law and our bylaws, (b) pro rata among the shareholders, or (c) if the redemption is at a price different from the prevailing market price, shares to be redeemed shall be selected by lot.

Dissolution or Liquidation

In the event of our dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up our business and affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any liquidation proceeds.

Registration and Transfer

Our Shares have been registered with the RNV, as required under the Mexican Securities Market Law and regulations issued by the CNBV. Shares are evidenced by certificates issued in registered form, which are to be deposited with Indeval at all times. Our shareholders may only hold their Shares in book-entry form through participants that have accounts with Indeval. Indeval is the holder of record in respect of all of the Shares. Accounts may be maintained at Indeval by brokers, banks and other Mexican and non-Mexican financial institutions and other entities authorized by the CNBV to be participants at Indeval. In accordance with Mexican law, only persons listed in our stock registry and holders of certificates issued by Indeval or by Indeval participants will be recognized as our shareholders. Such shareholders may exercise rights in respect of those Shares at meetings of shareholders or otherwise. Transfers of Shares must be registered through book entries on the records of Indeval.

Preemptive Rights

Under Mexican law and our bylaws, our shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time periods set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 days following the publication of notice of the issuance in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) and in a newspaper of general circulation in Mexico City.

Under Mexican law, shareholders cannot waive their preemptive rights in advance, and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. Preemptive rights will not apply to (1) shares issued by us in connection with mergers, (2) shares issued in connection with the conversion of convertible securities, the issuance of which was approved by our shareholders, (3) shares issued in connection with the capitalization of accounts specified in our statements of financial position, (4) the resale by us of shares held in our treasury as a result of repurchases of shares conducted by us on the Mexican Stock Exchange, and (5) shares to be placed in a public offering pursuant to Article 53 of the Mexican Securities Market Law, which permits the non-applicability of preemptive rights in connection with public offerings by existing public companies, if the issuance of those shares was approved at a general shareholders' meeting.

Certain Minority Protections

Pursuant to the Mexican Securities Market Law and the Mexican Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that allow holders of at least 10% of our outstanding shares entitled to vote (including voting in a limited or restricted manner):

- to request that a shareholders' meeting be called;
- to request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and
- to appoint or revoke the appointment of one member of our board of directors and one alternate member of our board of directors.

The minority protections include provisions that also allow holders of at least 20% of our outstanding share capital to oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend any resolution adopted at a shareholders' meeting if the claim is filed within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; however, these provisions have seldom been invoked in Mexico, and, as a result, it is uncertain how a competent court may enforce such provisions.

The minority protections include provisions that also allow holders of at least 5% of our outstanding shares to initiate an action for civil liabilities against some or all of our directors in a shareholder derivative suit for our benefit, for violations of their duty of care or their duty of loyalty, in an amount equal to the damages or losses caused to us. Any such actions have a five-year statute of limitations.

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or indirect controlling shareholders than it would be for shareholders of a company in the United States or certain other countries.

Anti-Takeover Protections

We have included anti-takeover protections in our bylaws. Generally, these provisions require board approval for acquisitions of our Shares at thresholds that are different than the statutory tender offer rules described in the section below entitled "The Mexican Securities Market—Tender Offers."

General

Subject to certain exceptions, our bylaws provide that any person who, individually or together with other related persons, wishes to acquire our shares or the beneficial ownership of our shares, directly or indirectly, in one or more transactions, regardless of the time of each transaction or the percentage of shares maintained by such person individually or together with related persons prior to the acquisition, that result in such person holding individually, or together with such other related persons, shares representing 10% or more of our outstanding capital stock, must (1) obtain the prior written approval of our board of directors before undertaking the transaction, and (2) where such acquisition would result in a 20% participation, a 40% participation or a change of control, fulfill additional requirements as set forth below.

The term "20% participation" means the ownership, individually or jointly, directly or indirectly through any entity or association, of 20% or more of our common shares. The term "40% participation" means the ownership, individually or jointly, directly or indirectly through any entity or association, of 40% or more of our common shares.

We will not recognize the ownership of shares acquired without approval or in violation of our anti-takeover provisions, nor will we record such shares in our stock registry, even if the acquirer holds other shares of our common stock. Furthermore, a person that is deemed to have acquired our shares in violation of the anti-takeover provisions of our bylaws will not be able to vote such shares or exercise any corporate rights associated with them (other than dividend and other economic rights). In addition, a person that acquires shares in violation of our bylaws is obligated to sell those shares through one or more transactions in the Mexican Stock Exchange within 90 days of the date on which such shares are acquired.

Board of Directors Requirements and Approvals

A potential acquirer must obtain the prior approval of our board before undertaking any of the transactions described above. To obtain such approval, the potential acquirer must deliver to the board a written authorization request that contains certain details about the transaction, the acquirer and the source of the funds. In determining whether to approve a request, our board may take into account certain factors set forth in our bylaws, as well as consider any prior approvals of governmental authorities applicable to such acquisition, including antitrust or other regulatory approvals. For example, in certain circumstances an investor acquiring 10% or more of our voting capital stock may need to obtain the prior approval of the U.S. Federal Energy Regulatory Commission. If the board of directors does not approve the request in the manner and within the time periods provided in our bylaws, the authorization request will be deemed to be denied.

Mandatory Tender Offers in the Case of Certain Acquisitions

If our board of directors authorizes an acquisition of our shares that results in the acquisition of a 20% participation but less than a 40% participation, regardless of the authorization, the acquirer must make a cash tender offer for the greater of (1) the percentage of our outstanding capital stock that it is expected to acquire, or (2) 10% of our outstanding capital stock, provided that such acquisition would not result in a 40% participation or a change of control. In the event that our board of directors authorizes an acquisition that results in a 40% participation or a change of control, regardless of the authorization, the acquirer must make a cash tender offer for 100% of our outstanding capital stock at a price which cannot be lower than any of the following: (i) the book value of the shares as reported on the last quarterly income statement approved by the board of directors; (ii) the highest closing price of the shares on any stock exchange during any of the 365 days preceding the date of the board resolution approving the acquisition; or (iii) the highest price paid for any shares, at any time, by the acquirer. Furthermore, all shareholders must be paid the same price for shares tendered during the offer. The mandatory tender offer provisions of our bylaws generally are more stringent than similar provisions contained in the Mexican Securities Market Law. We believe the provisions of our bylaws are more protective of minority shareholders than the current Mexican Securities Market Law.

Exceptions

Certain transactions are exempt from the anti-takeover provisions of our bylaws, including, among others, direct or indirect acquisitions or transfers through inheritance, acquisitions or transfers by a person or persons controlling us, such as our indirect controlling shareholder, Sempra Energy (including transfers resulting in a change of control of the person or persons controlling us), acquisitions or transfers by us, our subsidiaries, our affiliates or any trust created by us or any of our subsidiaries, or acquisitions or transfers authorized by our board of directors or at a meeting of our shareholders.

Legend and Registry of Anti-Takeover Provisions

Our anti-takeover provisions must be printed on any share certificates representing our shares, and any amendments to these anti-takeover provisions must be registered with the Public Registry of Commerce.

Additional Matters

Variable Capital

We are permitted to issue shares representing fixed capital and shares representing variable capital. The issuance of variable-capital shares, unlike the issuance of fixed capital shares, does not require an amendment of our bylaws, although it does require a majority vote of our shareholders. A holder of variable capital shares that wishes to effect a total or partial withdrawal of such shares is required to notify us in writing to that effect. If a notice of withdrawal is received prior to the last quarter of the fiscal year, the withdrawal becomes effective at the end of the fiscal year in which the notice was given. Otherwise, the withdrawal becomes effective at the end of the following fiscal year.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that any non-Mexican shareholders will be treated like Mexican citizens with respect to shares held by them, and with respect to, property rights, concessions, participations and interests, and rights and obligations derived from any agreements we have with the Mexican government. Non-Mexican shareholders will be deemed to have agreed not to invoke the protection of their own government with respect to such matters, and the breach of such deemed agreement may result in the forfeiture to the Mexican government of such interest or participation. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless the bylaws prohibit ownership of shares by non-Mexican persons.

Conflicts of Interest

Pursuant to the Mexican Corporations Law, none of our shareholders may participate in any deliberation of, or vote on, any business transaction in which its interest conflicts with ours. Violation of this law may result in the shareholder being liable for damages, but only if the transaction would have not been approved without the shareholder’s vote.

Appraisal Rights

Pursuant to the Mexican Corporations Law, whenever our shareholders approve a change in our corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter is entitled to withdraw its shares and receive the book value of such shares, as set forth in the financial statements last approved by our shareholders. This appraisal right may only be exercised within 15 days following the adjournment of the meeting at which the relevant change was approved.

THE MEXICAN SECURITIES MARKET

The information concerning the Mexican securities market set forth below has been prepared based on materials obtained from public sources, including the CNBV, the Mexican Stock Exchange, Banco de México and information made public by market participants. The following summary does not purport to be a comprehensive description of all of the material aspects related to the Mexican securities market.

Our Capital Stock

Prior to this offering, there has been no trading market for any of our outstanding capital stock in Mexico, the United States or elsewhere. Our Shares have been registered with the RNV and have been approved for listing on the Mexican Stock Exchange under the symbol "IENOVA."

We cannot predict the extent to which a trading market in Mexico, the United States or elsewhere will develop with respect to our Shares. We also cannot predict the liquidity of any trading market for our Shares, should any develop. If the trading volume of our Shares on the Mexican Stock Exchange falls below certain levels, the price for our Shares may be affected and our Shares may be delisted or deregistered in that market.

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange commenced operations in 1907 and is the only stock exchange in Mexico. The Mexican Stock Exchange is organized as a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*). Securities trading on the Mexican Stock Exchange occurs each business day from 8:30 a.m. to 3:00 p.m., Mexico City time, subject to adjustments to operate during times in which markets in the United States are open.

Since January 1999, all trading on the Mexican Stock Exchange has been electronic. The Mexican Stock Exchange may impose a number of measures to promote an orderly and transparent trading price of securities, including mechanisms of automatic suspension of trading in shares of a particular issuer, and, in times of extreme fluctuations of the Mexican Stock Exchange generally, when price fluctuations exceed certain limits.

The period for settlement of the sale of Shares on the Mexican Stock Exchange is three business days following the sale. Deferred settlement is not permitted without the prior approval of the Mexican Stock Exchange. The certificates representing most securities traded on the Mexican Stock Exchange, including our Shares, are deposited with Indeval, an institution in charge of acting as a securities clearinghouse, depositary and custodian, as well as an agent for settlement, transfer and registration of Mexican Stock Exchange transactions, eliminating the need for the physical transfer of securities.

Settlement of transactions through the Mexican Stock Exchange must be done in pesos although, under certain limited circumstances, settlement in foreign currencies may be permitted.

Although the Mexican Securities Market Law provides for the existence of an over-the-counter market, no such market for securities in Mexico has developed.

Shares issued by foreign entities may be traded by brokerage firms and lending institutions through the International Foreign Trading System (*Sistema Internacional de Cotizaciones*, or SIC), pursuant to the Mexican Securities Market Law. These securities may be listed through the SIC provided that (1) they are not already listed on the RNV, (2) the home market of the company issuing the shares has received, based on its characteristics, recognition from the CNBV, and (3) they satisfy the in-house requirements of the applicable stock exchange.

The trading in shares of a particular issuer may be suspended by the Mexican Stock Exchange when there is unusual price or volume volatility or when changes in the trading pattern of the relevant shares are not consistent with the historic performance of the shares of the issuer in question and such volatility or changes may not be explained solely through information made publicly available pursuant to the CNBV's Mexican Securities Issuer Regulations (*Circular Única de Emisoras*).

Market Regulation and Registration Standards

The Mexican Banking Commission (*Comisión Nacional Bancaria*) was established in 1925 with the purpose of regulating banking activity and, in 1946, the CNBV was established to regulate stock market activity. In 1995, the CNBV was created as a result of the merger of these two governmental agencies.

The CNBV is in charge of regulating the public offering and trading of securities as well as participants in the Mexican securities market and has authority to impose sanctions for insider trading and other violations of the Mexican Securities Market Law. The CNBV also supervises and regulates the Mexican securities market, the Mexican Stock Exchange, and brokerage firms through its staff and a board of governors composed of 11 members.

The Mexican Securities Market Law

Publicly traded companies are principally regulated by the provisions of the Mexican Securities Market Law and supplementally regulated by the Mexican General Corporation Law (*Ley General de Sociedades Mercantiles*). The Mexican Securities Market Law was enacted and published in the Mexican Federal Official Gazette on December 30, 2005, and became effective on June 28, 2006. The Mexican Securities Market Law changed the then current Mexican securities regulation in various material respects, introducing reforms aiming to bring the Mexican regulatory framework applicable to the securities market and publicly traded companies up to international standards.

The Mexican Securities Market Law, among other relevant aspects, (1) sets forth that public companies and the entities controlled by them (e.g., majority and wholly owned subsidiaries) are considered a single economic unit, (2) sets forth the rules for tender offers, dividing them into voluntary and mandatory categories, (3) establishes standards for disclosure of shareholder holdings in public companies, (4) expands and strengthens the role of the board of directors of public companies, (5) defines the responsibility and standards applicable to the board of directors and the duties of the board, each director, its secretary, the chief executive officer and the other members of senior management, (6) provides that publicly traded companies must have an audit committee, a corporate practices committee and external auditors, (7) provides the rights of minority shareholders relating to legal remedies and access to company information, (8) regulates and defines concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, (9) defines applicable sanctions for violations of the Mexican Securities Market Law, including punitive damages, (10) provides rules relating to types of equity securities that may be offered by public companies, (11) sets forth rules for share repurchases, and (12) specifies requirements for anti-takeover measures.

Under the Mexican Securities Market Law, public companies must have a board of directors comprised of no more than 21 members, of which at least 25% must be independent. Independent board members must be selected at the issuer's general ordinary shareholders' meeting based on their experience, ability and reputation, among other factors. The conclusion as to whether a director is independent is made by the issuer's shareholders, and such determination may be challenged by the CNBV. As a departure from legislative precedents, the Mexican Securities Market Law permits current members of the board of directors, under certain circumstances, to appoint, on a temporary basis, new members of the board of directors. The Mexican Securities Market Law permits the designation of provisional directors without shareholders' meeting approval when a substitute for the relevant director has not been designated, or the designee has not accepted such position, or when a director's membership is revoked pursuant to the terms of Article 155 of the Mexican General Corporation Law. In the event provisional directors have been designated, the next following shareholders' meeting must consider ratifying such appointments or designate substitute directors. The Mexican Securities Market Law provides concepts such as the duty of care, duty of loyalty and certain safe harbors, in connection with the performance of the members of the board.

Broadly defined, the duty of care calls for the members of the board to obtain sufficient information and be sufficiently prepared to support their decisions, and to act in the best interests of the public company. The duty of care is principally complied with when a director requests and obtains from the issuer or officers of the issuer, as the case may be, all information that may be necessary to participate in discussions requiring the presence of such director, and by requesting and obtaining information from third-party experts, as well as by attending board meetings and disclosing material information in possession of such board member. Failure of a director to act pursuant to the duty of care would make the relevant director jointly and severally liable for damages and losses caused to the company and its subsidiaries, which may be limited (other than in the case of bad faith, willful misconduct and illegal acts) under the company's bylaws or by resolution of a shareholders' meeting. Liability for a breach of the duty of care may also be covered by indemnification provisions and director and officer liability insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of a director's duties and abstaining from discussing or voting on matters where the board member has a conflict of interest. Additionally, the duty of loyalty is breached where a director knowingly favors the interests of a shareholder or group of shareholders without the express approval of the board of directors, and when a director takes advantage of a corporate opportunity. The duty of loyalty further implies not disclosing information that is false or misleading, or omitting to register any such information in the issuer's minute books and other corporate records. The duty of loyalty is also breached if the director uses corporate assets or approves the use of corporate assets in violation of an issuer's policies, discloses false or misleading information, orders or causes an incorrect entry of any transaction in an issuer's records that could affect its financial statements, or causes material information not to be disclosed or to be modified. The violation of the duty of loyalty makes the relevant directors jointly and severally liable for damages and losses caused to the company and its subsidiaries. This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by the breaching board member. As opposed to the duty of care, liability for breach of the duty of loyalty may not be limited by the company's bylaws, by resolution of the shareholders' meeting or otherwise.

Claims for liability of the breach of the duty of care and the duty of loyalty may be made solely for the benefit of an issuer (as a derivative suit) and may only be made by the issuer or directly by shareholders holding shares of any class representing at least 5% of the aggregate amount of such issuer's outstanding capital stock.

As a safe-harbor for directors, the liabilities described above do not arise if the director acted in good faith and (1) complied with applicable law and the bylaws of the issuer, (2) the decision was made based on information provided by officers, external auditors or third-party experts, the capacity and credibility of which were not subject to reasonable doubt, (3) adverse effects of such decision were not reasonably foreseeable, and (4) the actions were taken in compliance with resolutions adopted at the shareholders' meeting.

Under the Mexican Securities Market Law, an issuer's principal executives are also required to act for the benefit of the public company and not for the benefit of any shareholder or group of shareholders. Principal executives are required to submit major business strategies to the board of directors for approval, submit proposals for internal controls to the audit committee, disclose all material information to the public and maintain adequate accounting and registration systems and mechanisms for internal control.

The Mexican Securities Market Law requires that public companies have audit and corporate practices committees. The audit committee must consist of at least three members appointed by the board of directors, and each member must be independent. The principal activities of the audit committee are to (1) supervise the external auditors of the company and analyze their reports, (2) inform the board of directors of matters relating to the company's controls, (3) supervise related party transactions, (4) request the members of the issuer's senior management to prepare all reports as may be necessary, (5) report any financial irregularities to the board of directors, (6) supervise the activities of the issuer's executives, and (7) provide an annual report to the board of directors. The activities performed by the audit committee, together with certain obligations now entrusted to the board of directors, replace the statutory auditor (*comisario*), a position previously required for public companies by the Mexican Corporations Law.

The corporate practices committee must consist of at least three members appointed by the board of directors. Each member of a corporate practices committee of a company must be independent, except for corporations controlled by a person or group holding 50% or more of the outstanding capital stock of the related company, in which case only the majority of the members of the committee in charge of corporate practice functions must be independent. The corporate practices committee is in charge of corporate practice functions and is required to (1) provide corporate practice opinions to the board of directors, including opinions with respect to related party transactions, (2) request and obtain opinions from independent third-party experts (primarily in respect of transactions with related parties and securities transactions), (3) call shareholders' meetings, (4) provide assistance to the board of directors in connection with the preparation of annual reports, and (5) provide an annual report to the board of directors.

The Mexican Securities Market Law also requires that any transaction or series of transactions which in the aggregate represent 20% or more of the consolidated assets of a public company during any fiscal year be approved at a shareholders' meeting.

In addition, the Mexican Securities Market Law provides minority shareholders' rights, including (1) certain rights granted to shareholders representing 5% or more of the outstanding capital stock of the issuer to initiate a shareholder derivative suit for the benefit of the issuer in an amount equal to the damages or losses incurred by the issuer against directors for a breach of the duty of care or the duty of loyalty, (2) the right of shareholders representing at least 10% of the outstanding voting shares of the issuer to appoint a board member, call a shareholders' meeting and request that a vote on matters of which they were not sufficiently informed be postponed, and (3) rights of holders of at least 20% of the outstanding voting shares of the issuer to judicially oppose resolutions that were passed by a shareholders' meeting and file a petition for a court order to suspend the resolution under certain circumstances.

Limited or Non-voting Shares

Under the Mexican Securities Market Law, a public company may not allow for its common shares and limited- or non-voting shares to be jointly traded or offered to public investors, unless (1) the limited- or non-voting shares are convertible into common shares within a period of no more than five years, or (2) if the voting rights of the shares or the securities representing such shares are limited solely as a result of the nationality of the holder and compliance with foreign investment laws. The aggregate amount of shares with limited or non-voting rights that are not convertible may not exceed 25% of the aggregate amount of publicly traded shares. The CNBV may authorize an increase of this 25% limit, provided that the limited- or non-voting shares exceeding 25% of the aggregate amount of publicly held shares are convertible into common shares within five years of their issuance.

Disclosure of Shareholders' Agreements

Shareholders of a public company must notify the issuer within five business days following the execution of any shareholders' agreements (1) containing non-compete clauses, (2) governing the sale, transfer or exercise of preemptive rights (as set forth under article 132 of the Mexican General Corporation Law), or (3) which allow for the sale and purchase of shares, voting rights, and sale of shares in a public offering. The public company is then required to disclose the existence of any such agreement to investors through the stock exchanges on which its securities are traded and to disclose such agreements in an annual report prepared by the company. These agreements are required to be available for the public to review at the company's offices. These shareholders' agreements are not enforceable against the company and their breach will not affect the validity of the vote at shareholders' meetings, and will only be effective between the parties until they have been disclosed to the public.

Regulations Applicable to Issuers, Brokerage Firms and Other Market Participants

In March 2003, the CNBV issued the Mexican Securities Issuer Regulations applicable to issuers and other securities market participants. Such regulations, which repealed several previously enacted CNBV regulations (*circulares*), provided a single set of rules governing issuers and issuer activity, among other things. In

September 2006, these general regulations were amended to give effect to the provisions of the then recently enacted Mexican Securities Market Law, and have been amended from time to time thereafter by the CNBV. These amendments included the requirement in 2009 for publicly traded companies to prepare their financial statements in accordance with IFRS, and the inclusion in 2012 of certain rules related to the implementation of IFRS and the presentation of financial information.

Additionally, in September 2004, the CNBV issued general rules applicable to brokerage firms, (*Circulares Aplicables a Casas de Bolsa*, or Mexican Brokerage Firm Regulations), as amended from time to time. The Mexican Brokerage Firm Regulations now provide a single set of rules governing, among other things, participation of Mexican underwriters in public offerings.

Registration and Listing Standards

Only securities that have been registered with the RNV pursuant to the CNBV's approval may be listed on the Mexican Stock Exchange, although the CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV.

To offer securities to the public in Mexico, an issuer must comply with certain qualitative and quantitative requirements set forth in the general regulations issued by the CNBV. Generally, the general regulations provide that the Mexican Stock Exchange must adopt and implement minimum requirements for issuers to maintain the listing of their securities in Mexico related to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, among others. The CNBV may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each class of shares of the relevant issuer.

The Mexican Stock Exchange will review compliance with the requirements described above and other requirements on an annual, semi-annual and quarterly basis, and may also do it at any other time.

The Mexican Stock Exchange must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the listing requirements, the Mexican Stock Exchange will request that the issuer propose a plan to comply with such requirements. The Mexican Stock Exchange will temporarily suspend the trading of the relevant series of shares, on the Mexican Stock Exchange, if the public company (1) fails to propose a plan, (2) the plan is not satisfactory to the Mexican Stock Exchange, or (3) an issuer does not make substantial progress with respect to the corrective measures. If an issuer further fails to propose a plan or ceases to follow the plan once proposed, the CNBV may cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100% of the outstanding shares of the issuer, in accordance with the tender offer rules discussed below.

Reporting Obligations

Public companies with listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as certain periodic reports, with the CNBV and the Mexican Stock Exchange, as follows:

- an annual report prepared in accordance with the Mexican Securities Issuer Regulations by no later than April 30 of each year;
- quarterly reports within 20 business days following the end of each of the first three quarters and 40 business days following the end of the fourth quarter;
- reports disclosing material events promptly upon their occurrence;
- reports regarding corporate restructurings such as mergers, acquisitions, splits or assets sales approved by shareholders' meetings or the board of directors; and
- reports regarding the policies and guidelines with respect to the use of the company's (or its subsidiaries') assets by "related persons."

Pursuant to the CNBV's Mexican Securities Issuer Regulations, the internal rules of the Mexican Stock Exchange were amended to implement an automated electronic information transfer system known as *Sistema Electrónico de Comunicación con Emisoras de Valores*, or EMISNET, for information required to be filed with the Mexican Stock Exchange. Issuers of listed securities must prepare and disclose their financial information and any other required information via EMISNET. Immediately upon its receipt, the Mexican Stock Exchange makes the financial or other required information submitted via EMISNET by the issuer available to the public.

The CNBV's Mexican Securities Issuer Regulations and the rules of the Mexican Stock Exchange require issuers of listed securities to file information through EMISNET that relates to any material act, event or circumstance that could influence an issuer's share price (*eventos relevantes*). If listed securities experience unusual price volatility, the Mexican Stock Exchange will immediately request that the issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect. In addition, the Mexican Stock Exchange will immediately request that the issuer disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct the issuer to clarify information when necessary. The Mexican Stock Exchange may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The Mexican Stock Exchange must immediately inform the CNBV of any such requests.

The CNBV may also make any of the informational requests directly to an issuer. An issuer may defer the disclosure of material events under certain circumstances, so long as (1) the issuer implements adequate confidentiality measures (including maintaining records of persons or entities in possession of material non-public information), (2) the information is related to incomplete transactions, (3) there is no misleading public information relating to the material event, and (4) no unusual price or volume fluctuation occurs.

If an issuer's securities are traded on both the Mexican Stock Exchange and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the Mexican Stock Exchange.

Suspension of Trading

In addition to the authority of the Mexican Stock Exchange under its internal regulations as described above, pursuant to the rules of the CNBV, the CNBV and the Mexican Stock Exchange may suspend trading in an issuer's listed securities (1) if the issuer does not disclose a material event, or (2) when there is price or volume volatility or when changes in the trading pattern of the relevant shares are not consistent with the historic performance of the shares of the relevant issuer and such volatility or changes may not be explained solely through information made publicly available pursuant to the Mexican Securities Issuer Regulations. Any such suspension must be immediately disclosed by the Mexican Stock Exchange to the CNBV and the general public. An issuer may request that the CNBV or the Mexican Stock Exchange resume trading, provided that the issuer demonstrates that the causes triggering the suspension have been resolved and, if applicable, that it is in full compliance with the reporting requirements under applicable law. The Mexican Stock Exchange may reinstate trading in suspended shares when it deems that the material events have been adequately disclosed to investors, when it deems that the issuer has adequately explained the reasons for the price and volume volatility or when the events affecting the share price have ceased to exist. If an issuer's request is granted, the Mexican Stock Exchange will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose through EMISNET the causes that resulted in the suspension and reasons why it is now authorized to resume trading, before trading may resume.

In cases where the relevant securities are simultaneously traded on stock exchanges located outside of Mexico, the Mexican Stock Exchange may consider the measures adopted by other non-Mexican stock exchanges to suspend and/or resume trading in an issuer's shares.

Insider Trading, Trading Restrictions and Disclosure Requirements

Specific regulations regarding insider trading are set forth in the Mexican Securities Market Law, including:

- the requirement that persons in possession of information deemed privileged abstain (1) from trading, directly or indirectly, in any relevant issuer's securities whose trading price could be affected by such information, (2) from making recommendations to third parties to trade in such securities (except for those entitled to such information due to their role or employment position), and (3) from trading in options and derivatives of the underlying security issued by such authority; and
- the requirement that the following persons must notify the CNBV of any transactions undertaken as in respect of a listed issuer's stock: (1) members of a listed issuer's board of directors, (2) shareholders controlling 10% or more of a listed issuer's outstanding share capital, (3) groups controlling 25% or more of a listed issuer's outstanding share capital, and (4) other insiders.

In addition, under the Mexican Securities Market Law, insiders must abstain from purchasing or selling securities of the issuer within 90 days from their last sale or purchase, respectively. Subject to certain exceptions, any acquisition of a public company's shares that results in the acquirer owning between 10.0% and 30.0% of an issuer's outstanding capital stock must be publicly disclosed to the CNBV and the Mexican Stock Exchange by no later than one business day following the acquisition.

Any acquisition by an insider that results in the insider holding an additional 5% or more of a public company's outstanding capital stock must also be publicly disclosed to the CNBV and the Mexican Stock Exchange no later than one business day following the acquisition. Certain insiders must also notify the CNBV of share purchases or sales that occur within any three-month or five-day period and that exceed certain value thresholds. The Mexican Securities Market Law requires that convertible securities, warrants and derivatives be settled in kind and be taken into account in the calculation of share ownership percentages.

Tender Offers

Provisions relating to public tender offers in Mexico are set forth in the Mexican Securities Market Law. Tender offers may be voluntary or mandatory. Voluntary tender offers and mandatory tender offers are each subject to the prior approval of the CNBV and must comply with general legal and regulatory requirements. Any intended acquisition of a public company's shares that results in the buyer owning 30% or more, but less than a percentage that would result in the buyer acquiring control of the company, requires the buyer to make a mandatory tender offer for the greater of (1) the percentage of the capital stock intended to be acquired, or (2) 10% of the company's outstanding capital stock. Any acquisition of a public company's shares that is undertaken to obtain voting control requires the potential buyer to make a mandatory tender offer for 100% of the company's outstanding capital stock. The CNBV may, however, permit a tender offer for less than 100% under certain circumstances.

A tender offer must be made to all shareholders of any classes of shares at the same price. The board of directors, with the advice of the audit committee, must issue its opinion in respect of any tender offer resulting in a change of control, which opinion must consider minority shareholder rights. This opinion may be accompanied by an independent fairness opinion.

All tender offers must be open for at least 20 business days and purchases thereunder are required to be made pro rata among all tendering shareholders. Pursuant to the Mexican Securities Market Law, the payment of certain amounts to controlling shareholders over and above the offering price are permitted, if such amounts are fully disclosed, approved by the board of directors and paid in connection with non-compete or similar obligations of such controlling shareholders. The Mexican Securities Market Law also provides certain exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with tender offer rules (e.g., suspension of voting rights, possible annulment of purchases, among others) and other rights available to former shareholders of the issuer.

Additionally, pursuant to the Mexican Securities Market Law, any convertible securities, warrants and derivatives that can be settled in kind representing underlying listed securities, are required to be taken into account in the calculation of the individual or group of individuals that, directly or indirectly, intends to acquire shares of a public company.

Anti-Takeover Protections

The Mexican Securities Market Law allows public companies to include anti-takeover provisions in their bylaws, provided that such provisions:

- are approved by a majority of the shareholders, without the opposing vote of shareholders representing 5% or more of the capital stock present at the meeting; and
- do not (1) exclude any shareholders or group of shareholders, (2) preclude a change of control, or (3) contravene legal provisions related to tender offers or have the effect of disregarding the economic rights of the shares held by the acquiring party.

TAXATION

The following summary contains a description of certain Mexican and U.S. federal income tax consequences of the acquisition, ownership and disposition of our Shares. It is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase, hold or dispose our Shares, it is not applicable to all categories of investors, some of which may be subject to special rules, and it does not specifically address all of the Mexican and U.S. federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Mexico and the United States in effect as of the date of this offering circular, which are subject to change, possibly with retroactive effect, and to differing interpretations. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality or municipality or taxing jurisdiction other than certain federal laws of Mexico and the United States of America.

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective holders of our Shares. This summary includes a discussion of certain provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering circular as the Treaty, all of which are subject to change. Mexico has also entered into or is negotiating several other income tax treaties with various countries, which may have an impact on the tax treatment of the purchase, ownership or disposition of our Shares. Prospective purchasers should consult their tax advisors concerning the Mexican, U.S. federal, state, local and other foreign tax consequences of an investment in our Shares.

Certain Mexican Tax Considerations

The following summary contains a description of certain tax consequences, under the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) of the acquisition, ownership and disposition of our Shares by a holder of such shares that is a non-Mexican holder (as described below), and it does not purport to be a comprehensive description of all of the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. In addition, this summary does not address any United States or other country or Mexican state or municipal tax considerations that may be relevant to any non-Mexican holder.

This summary is intended to be for general information purposes only, and is based upon the Mexican Income Tax Law as in effect on the date of this offering circular, which is subject to change. Prospective investors in our Shares should consult their own tax advisors as to the United States, Mexican or other tax consequences of the purchase, ownership and disposition of our Shares including, in particular, the effect of any foreign, state or local tax laws, and their entitlement to the benefits, if any, afforded by the income tax treaty between Mexico and the United States (Treaty) and other tax treaties to which Mexico may be a party and which are in effect.

For purposes of this summary, the term "non-Mexican holder" shall mean a holder that is not a resident of Mexico for tax purposes, and that will not hold our Shares, or a beneficial interest therein, in connection with the conduct of a trade or business, through a permanent establishment for tax purposes in Mexico.

For purposes of Mexican taxation:

- Individuals are residents of Mexico for tax purposes if they have established their principal place of residence in Mexico or, if they have established their principal place of residence both within and outside Mexico, if their center of vital interests (*centro de intereses vitales*) is located within Mexican territory. This will be deemed to occur if (1) at least 50.0% of their aggregate annual income derives from Mexican sources, or (2) the main center of their professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which their income is subject to a preferential tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years;

- Unless proven differently, a Mexican national individual shall be deemed a Mexican resident for tax purposes. An individual will also be considered a resident of Mexico for tax purposes if such individual is a state employee, regardless of the location of the individual's center of vital interests; and
- A legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business, or the place of effective management, in Mexico. Non-residents of Mexico who have or are deemed to have a permanent establishment in Mexico for tax purposes, shall be subject to Mexican tax laws, and all income attributable to such permanent establishment will be subject to Mexican taxes in accordance with the Mexican Income Tax Law.

Mexican Income Tax

Taxation on Dividends

Pursuant to the provisions of the Mexican Income Tax Law, dividends paid to holders that qualify as nonresidents of Mexico for tax purposes, with respect to our Shares, are currently not subject to Mexican withholding tax or any similar tax.

Dividends paid from distributable earnings that have not been subject to Mexican corporate income tax, are subject to a tax at the corporate level, payable by us. This corporate tax on the distribution of earnings is not final and may be credited by us against income tax payable by us during the fiscal year in which the tax was paid and for the following two years. Dividends paid from distributable earnings, after corporate income tax has been paid on such earnings, are not subject to corporate income tax.

Taxation on Capital Gains

Gains on the sale of our Shares by a non-Mexican holder will generally not be subject to Mexican income tax, if the transaction is carried out through the Mexican Stock Exchange or other stock exchange or securities market approved by the Secretary of Finance and Public Credit.

The Mexican Income Tax Law provides that, any person or group of persons that, directly or indirectly, hold 10.0% or more of our outstanding Shares, are not exempt from income tax on the gains realized from the sale or other disposition of our Shares, regardless of whether the sale or disposition is carried out through the Mexican Stock Exchange or such other approved securities market, if the sale comprises a block of shares equal to or exceeding 10.0% of our outstanding Shares, in a single transaction or a series of transactions, during any 24-month period, except in the case described below. The same applies for a person or group of persons who control the Company and sell their control through one transaction or more than one simultaneous or successive transactions in a period of twenty-four months, including transactions conducted through derivatives or in any other analogous or similar manner. For purposes of the above, "control" and "group of persons" will be understood as defined in the Mexican Securities Market Law. In this case, the tax payable would be 5.0% of the gross sales price (or 20.0% on the gain obtained, at the seller's election), to be withheld by the financial intermediary executing the disposal of our Shares.

Transfers of our Shares by a non-resident shareholder not carried out through the Mexican Stock Exchange or other stock exchange or securities market approved are generally subject to a 25.0% income tax rate in Mexico, which is applicable to the gross proceeds realized from the sale. Should the buyer in any such transactions be a Mexican resident for tax purposes, or a non-resident with a permanent establishment in Mexico for tax purposes, the applicable tax would be withheld by such Mexican resident from the acquisition price. Alternatively, a non-resident shareholder may, subject to certain requirements, opt to pay taxes on the gains realized from the sale of our Shares on a net basis at a rate of 29.0% in 2013 and 28.0% thereafter.

Under the Treaty, a holder that is eligible to claim the benefits under such Treaty may be exempt from Mexican taxes on gains realized from a sale or other disposition of shares issued by a Mexican entity in a transaction that is or is not conducted through the Mexican Stock Exchange or such other approved securities market, to the extent such holder did not own, directly or indirectly, 25.0% or more of the outstanding shares of the issuer at any time during the twelve-month period preceding the date of the sale or disposition, and provided that certain formal requirements set forth by the Mexican Income Tax Law are also complied with. Notwithstanding, the Treaty specifically excludes this benefit in the case of shares issued by an entity whose main value derives from real estate located in Mexico. Therefore, in this latter case, a tax exemption will apply only in the case of a sale in the Mexican Stock Exchange of less than 10.0% of our Shares.

Other Mexican Taxes

There is currently no Mexican estate, gift, inheritance or value-added tax applicable to the purchase, ownership or disposition of our Shares by a non-Mexican resident for tax purposes; however, gratuitous transfers of our Shares may, in certain circumstances, result in the imposition of Mexican federal income tax on the recipient. There is currently no Mexican stamp, issue, registration or similar tax or duty payable by a nonresident of Mexico for tax purposes with respect to the purchase, ownership or disposition of our Shares.

Certain U.S. Federal Income Tax Considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT: (1) THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE; (2) THIS OFFERING CIRCULAR IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (3) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Shares. This discussion applies only to U.S. Holders that acquire Shares in this offering, hold such Shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the Internal Revenue Code of 1986, as amended and in effect on the date of this offering circular (the "Code"), and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this offering circular, as well as judicial and administrative interpretations thereof available as of such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. This summary does not address any estate, gift or other U.S. federal tax consequences (including the Medicare tax imposed at 3.8% on unearned income that may apply to dividends and capital gain on the Shares) or any state, local or non-U.S. tax consequences.

The following discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such holder's particular circumstances or to U.S. Holders in special tax situations such as:

- banks;
- certain financial institutions;
- regulated investment companies and real estate investment trusts;
- insurance companies;
- broker dealers;
- traders in securities that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;

- U.S. expatriates;
- persons holding the Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction;
- persons that actually or constructively own 10% or more of the issuer's voting stock;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons who acquired the Shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- partnerships or other pass-through entities (or persons holding the Shares through partnerships or other pass-through entities).

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Share that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) the administration of the trust is subject to the primary supervision of a court within the United States and one or more U.S. persons have authority to control all substantial decisions of the trust, or (2) a valid election is in effect under applicable U.S. Treasury regulations to treat the trust as a U.S. person.

The tax treatment of a partner in a partnership or other entity taxable as a partnership for U.S. federal income tax purposes that holds Shares generally will depend on such partner's status and the activities of the partnership.

Dividends

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of distributions made by the issuer with respect to the Shares (including the amount of any foreign taxes withheld therefrom, if any) generally will be includable in a U.S. Holder's gross income, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes, as dividend income, but only to the extent that such distributions are paid out of the issuer's current or accumulated earnings and profits as determined under U.S. federal income tax principles. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. With respect to non-corporate U.S. Holders, dividends may be "qualified dividend income," which is taxed at the lower applicable net capital gain rate provided that (1) the issuer is eligible for the benefits of the income tax treaty between the United States and Mexico (the "Treaty"), (2) the issuer is not a PFIC (as discussed below) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) the U.S. Holder satisfies certain holding period requirements, and (4) the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Shares.

The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency on the date such distribution is includible in income by the recipient, regardless of whether the payment is in fact converted into U.S. dollars at that time. Any gain or loss on a subsequent conversion or other disposition of the currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Foreign withholding tax (if any) paid on dividends on Shares at the rate applicable to a U.S. Holder (taking into account any applicable income tax treaty) will, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or, at such holder's election, eligible for deduction in computing such holder's U.S. federal taxable income. Dividends paid on Shares will generally constitute foreign source income and generally will be considered "passive category" income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. However, if the issuer is a "United States-owned foreign corporation," a portion of the dividends allocable to the issuer's U.S. source earnings and profits may be re-characterized as U.S. source. A "United States-owned foreign corporation" is any foreign corporation in which U.S. persons own, directly or indirectly, 50% or more (by vote or by value) of the stock. In general, United States-owned foreign corporations with less than 10% of earnings and profits attributable to sources within the United States are excepted from these rules. The issuer currently is a United States-owned foreign corporation. As a result, if 10% or more of the issuer's earnings and profits are attributable to sources within the United States, a portion of the dividends allocable to the issuer's U.S. source earnings and profits will be treated as U.S. source, and, as such, a U.S. Holder may not offset any foreign tax withheld as a credit against U.S. federal income tax imposed on that portion of dividends. The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex, and U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

Sale or Other Taxable Disposition of the Shares

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of Shares, a U.S. Holder will generally recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and its tax basis in such Shares. Any such gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder's holding period for such Shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

If the consideration received for the Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received translated at the spot rate of exchange on the date of disposition. A U.S. Holder may realize additional gain or loss upon the subsequent sale or disposition of such currency, which will generally be treated as U.S. source ordinary income or loss. If the Shares are treated as traded on an established securities market and the relevant holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Internal Revenue Service), such holder will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If the Shares are not treated as traded on an established securities market, or the relevant U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, such U.S. Holder will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of disposition (as determined above) and the U.S. dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder's initial tax basis in the Shares generally will equal the cost of such Shares. If a U.S. Holder used foreign currency to purchase the Shares, the cost of the Shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. If the Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such holder will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

The issuer would be classified as a PFIC for any taxable year if either: (1) at least 75% of its gross income for such year was passive income, or (2) at least 50% of the value of its assets (determined on the basis of a quarterly average) during such year was attributable to assets that produce or are held for the production of passive income. For this purpose, the issuer will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the anticipated market price of the Shares in this offering, the expected market price of the Shares following this offering and the composition of our income, assets and operations, we do not expect to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. This is a factual determination, however, that must be made annually after the close of each taxable year. Therefore, there can be no assurance that the issuer will not be classified as a PFIC for the current taxable year or for any future taxable year.

If the issuer were classified as a PFIC for any taxable year during which a U.S. Holder held Shares, such holder would be subject to special tax rules with respect to any "excess distribution" that it receives and any gain it realizes from a sale or other disposition (including a pledge) of the Shares, unless such holder makes a "mark-to-market" election as discussed below. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Shares;
- the amount allocated to the current taxable year, and any taxable year in such holder's holding period prior to the first taxable year in which the issuer became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

A U.S. Holder will be required to make an annual filing with the Internal Revenue Service if such holder holds the Shares in any year in which the issuer is classified as a PFIC.

If the issuer is a PFIC for any year during which a U.S. Holder holds the Shares, it generally will continue to be treated as a PFIC with respect to such holder for all succeeding years during which the holder holds the Shares. If the issuer ceases to be a PFIC, such a holder may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the Shares, as applicable.

If a U.S. Holder is eligible to and does make a mark-to-market election, such holder generally will include as ordinary income the excess, if any, of the fair market value of the Shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the Shares will be treated as ordinary income. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of the Shares.

A timely election to treat the issuer as a qualified electing fund under the Code would result in an alternative treatment. However, the issuer does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to the Shares and proceeds from the sale, exchange or redemption of the Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Foreign Financial Asset Reporting

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain threshold amounts are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non U.S. persons, (2) financial instruments and contracts held for investment that have non U.S. issuers or counterparties, and (3) interests in foreign entities. The Shares may be subject to these rules. Additionally, under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of this requirement to their ownership of the Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES UNDER THE INVESTOR'S CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. will act as initial purchasers with respect to the offering of Shares sold to investors located outside of Mexico. The Global Offering consists of the International Offering of 91,037,426 Shares in the United States and in other countries outside of Mexico and a concurrent initial public offering of 98,623,879 Shares in Mexico by means of a separate Spanish-language prospectus.

Pursuant to the terms and subject to the conditions set forth in the purchase agreement dated March 21, 2013, each of the initial purchasers has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the number of Shares set forth opposite such initial purchaser's name:

Initial Purchasers	Number of Shares
Credit Suisse Securities (USA) LLC	31,610,217
Deutsche Bank Securities Inc.	31,610,217
Citigroup Global Markets Inc.	27,816,992
Total	91,037,426

In respect of the Mexican Offering, subject to the terms and conditions set forth in the Mexican underwriting agreement (*contrato de colocación*) dated March 21, 2013, the Mexican underwriters, in their capacity as leaders of the syndicate of underwriters in Mexico, have agreed to purchase, and we have agreed to sell to the Mexican underwriters, the number of Shares set forth opposite such Mexican underwriter's name.

Mexican Underwriters	Number of Shares
Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante de Grupo Financiero Banamex	42,024,885
Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer	42,055,175
Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México)	14,543,819
Total	98,623,879

Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc. are acting as global coordinators of the Global Offering.

The purchase agreement and the Mexican underwriting agreement each provide that the obligations of the initial purchasers and the Mexican underwriters to purchase the Shares, are subject to approval of legal matters by counsel and to other conditions. The initial purchasers and the Mexican underwriters must purchase all the Shares (other than those covered by the initial purchasers' and the Mexican underwriters' options to purchase additional Shares described below) if they purchase any of the Shares.

The initial purchasers and Mexican underwriters have entered into an intersyndicate agreement, pursuant to which sales may be made between the initial purchasers and the Mexican underwriters of a number of Shares as may be determined jointly by the initial purchasers and the Mexican underwriters. To the extent that there are sales between the initial purchasers and the Mexican underwriters pursuant to the intersyndicate agreement, the number of Shares initially available for sale by the initial purchasers and the Mexican underwriters may be more or less than the amounts appearing on the cover page of this offering circular. The initial purchasers and the Mexican underwriters have agreed to coordinate their efforts to stabilize and, if discretionally decided by Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México) (the "Stabilizing Agent"), exercise the over-allotment options, in each case, on the terms and subject to the conditions set forth in the intersyndicate agreement and observing the applicable rules prescribed by the CNBV.

The closing of the International Offering and the Mexican Offering are conditioned upon one another and will occur simultaneously. We have granted the initial purchasers an option, exercisable on one occasion within a period of 30 days from the date of this offering circular, to purchase up to an additional 13,655,614 Shares at the offering price, set forth on the cover of this offering circular less discounts and commissions, to cover over-allotments, if any. We have also granted the Mexican underwriters an option, exercisable on one occasion within a period of 30 days from the date of this offering circular, to purchase up to an additional 14,793,581 Shares at the offering price, set forth on the cover of this offering circular less discounts and commissions, to cover over-allotments, if any. To the extent an option is exercised, each initial purchaser and Mexican underwriter, as applicable, must purchase an additional number of Shares approximately proportionate to that person's initial commitment. Any Shares issued or sold under the option will be issued and sold on the same terms and conditions as the other Shares that are the subject of this offering. Each of the options granted to the initial purchasers and the Mexican underwriters may be exercised independently, in accordance with applicable law in the relevant jurisdiction; however, they are expected to be exercised in a coordinated fashion. The amount of additional Shares may be reallocated between syndicates in accordance with the provisions of the intersyndicate agreement.

The initial purchasers and the Mexican underwriters propose to resell the Shares at the offering price set forth on the cover page of this offering circular. The initial purchasers propose to sell such Shares within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The purchase agreement further provides that if any of the Shares covered by such agreement are not so purchased, offered or resold, the initial purchasers are obligated, severally and not jointly, to purchase them on a firm commitment basis on the settlement date subject to certain conditions and exceptions contained therein. See "Transfer Restrictions."

The Shares have not been, and will not be, registered under the Securities Act, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S under the Securities Act. Resales of the Shares are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of the offering, an offer or sale of Shares within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than pursuant to Rule 144A.

The purchase agreement and the Mexican underwriting agreement provide that the obligation of the initial purchasers and the Mexican underwriters to purchase, offer and sell the Shares is subject to, among other conditions, the delivery of certain legal opinions by our legal counsel in Mexico and in the United States, as well as from our general counsel, and comfort letters from our independent accountants. The initial purchasers must purchase all the Shares (other than those covered by the initial purchasers' option to purchase additional shares described above) if they purchase any of the Shares. The Shares will initially be offered at the price indicated on the cover page of this offering circular and the Mexican prospectus, respectively, less the underwriting discounts and commissions. Purchasers of Shares outside of the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

We have agreed to indemnify the initial purchasers and the Mexican underwriters, under the terms of each of the purchase agreement and the Mexican underwriting agreement, against liabilities, including liabilities under the Securities Act and under the Mexican securities laws, and, in the case of the purchase agreement, to contribute to payments that they may be required to make in that respect, subject to limitations set forth in the purchase agreement in respect of indemnification and contribution and the Mexican underwriting agreement in respect of indemnification.

The initial purchasers and/or their affiliates may enter into derivative transactions in connection with the Shares, acting at the order and for the account of their clients. The initial purchasers and/or their affiliates may also purchase some of the Shares in this offering as a hedge for such transactions. These transactions may have an effect on demand, price or other terms of the Global Offering.

Lock-up Agreements

We, our indirect controlling shareholder (on behalf of itself and its controlled affiliates) and its and our respective directors and officers have agreed that for a period of 180 days, subject to certain exceptions, we and they will not directly or indirectly, take any of the following actions with respect to any of the Shares, or any securities convertible into or exchangeable or exercisable for any of our Shares (except as discussed in the section "Controlling Shareholder" in connection with transfers between subsidiaries of our indirect controlling shareholder): (1) offer, sell, issue, contract to sell, pledge or otherwise dispose of our Shares, (2) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase our Shares, (3) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of our Shares, (4) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (5) file with the SEC or the CNBV a registration statement relating to our Shares or, in each case, publicly disclose the intention to take any such action, without the prior written consent of the initial purchasers and the Mexican underwriters. We will not at any time directly or indirectly, take any action referred to under (1) through (5) above with respect to any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of our Shares.

Prior to this offering, there has been no public market for our Shares. Consequently, the offering price for the Shares was determined by negotiations among us, the selling shareholder and the representatives. Among the factors considered in determining the offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, currently prevailing general conditions in the equity securities markets, and current market valuations of publicly traded companies considered comparable to our company.

The Shares will constitute a new class of securities with no established trading market. The Shares have been listed on the Mexican Stock Exchange. However, we cannot assure you that the prices at which the Shares will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Shares will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the Shares. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Shares at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Shares.

Stabilization Transactions

In connection with the offering, the initial purchasers may purchase and sell Shares in the open market. Purchases and sales in the open market may include short sales and purchases to cover short positions, which may include purchases pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional Shares, and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of Shares than they are required to purchase in the offering.
  - "Covered" short sales are sales of Shares in an amount up to the number of Shares represented by the initial purchasers' option to purchase additional Shares.
  - "Naked" short sales are sales of Shares in an amount in excess of the number of Shares represented by the initial purchasers' option to purchase additional Shares. Mexican law does not permit naked short sales.
- Covering transactions involve purchases of Shares either pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional Shares or in the open market after the distribution has been completed in order to cover short positions.

- To close a covered short position, the initial purchasers must purchase Shares in the open market after the distribution has been completed or must exercise their option to purchase additional Shares. In determining the source of Shares to close the covered short position, the initial purchasers will consider, among other things, the price of Shares available for purchase in the open market as compared to the price at which they may purchase Shares by exercising their option to purchase additional Shares.

Stabilizing transactions involve bids to purchase Shares so long as the stabilizing bids do not exceed a specified maximum. The Stabilizing Agent may purchase additional Shares or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Agent (or persons acting on behalf of any Stabilizing Agent) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or option to purchase additional Shares must be conducted by the relevant Stabilizing Agent (or person(s) acting on behalf of any Stabilizing Agent) in accordance with all applicable laws and rules.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Shares. They may also cause the price of the Shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers also may impose a penalty bid. This occurs when a particular initial purchaser repays to the initial purchasers a portion of the underwriting discount received by it because the initial purchasers have repurchased shares sold by or for the account of such initial purchaser in stabilizing or short covering transactions.

Neither we nor any of the initial purchasers or Mexican underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, neither we nor any of the initial purchasers or Mexican underwriters makes any representation that the initial purchasers or Mexican underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Relationships Between Company and the Initial Purchasers and the Mexican Underwriters

The initial purchasers and the Mexican underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In addition to the commercial relationships arising from the Global Offering, from time to time, certain of the initial purchasers and the Mexican underwriters and their respective affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In the ordinary course of their various business activities, the initial purchasers and the Mexican underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours (except when such investments or transactions involving securities of ours are expressly prohibited by law). In the case of derivatives transactions on behalf of clients outside of Mexico, in connection with our Shares, the initial purchasers and the Mexican underwriters and their respective affiliates may also purchase some of the securities in the Global Offering as a hedge for such transactions, and these transactions may have an effect on the demand, price or other terms of the Global Offering. The initial purchasers and the Mexican underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Except for the commissions and discounts to be received within the scope of the Global Offering, no other remuneration will be paid by us to the initial purchasers and the Mexican underwriters, or their respective affiliates.

Selling Restrictions

Other than with respect to the public offering of the Shares listed on the Mexican Stock Exchange, no action has been or will be taken in the United States, the United Kingdom or any country or jurisdiction by us, our indirect controlling shareholder, the initial purchasers or the Mexican underwriters that would permit a public offering of the Shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering circular does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering circular comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Shares, the distribution of this offering circular and resale of the Shares. See “Transfer Restrictions.”

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the Shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of Shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this offering circular or any other prospectus, disclosure document, offering material or advertisement relating to the Shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding monies lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Hong Kong

The Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

China

The Shares may not be offered or sold directly or indirectly to the public in the People's Republic of China, or China, and neither this offering circular, which has not been submitted to the Chinese Securities and Regulatory Commission, nor any offering material or information contained herein relating to the Shares, may be supplied to the public in China or used in connection with any offer for the subscription or sale of the Shares to the public in China. The Shares may only be offered or sold to China-related organizations which are authorized to engage in foreign exchange business and offshore investment from outside of China. Such China-related investors may be subject to foreign exchange control approval and filing requirements under the relevant Chinese foreign exchange regulations.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented;
- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons per relevant Member State (other than qualified investors as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

For the purposes of this provision, the expression an "offer of Shares to the public," in relation to any Shares in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EC.

United Kingdom

Each of the initial purchasers has agreed that this document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

France

No prospectus (including any amendment, supplement, or replacement thereto) has been prepared in connection with the offering of our Shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another Relevant Member State and notified to the *Autorité des marchés financiers*. No Shares have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French *Code monétaire et financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*; none of this offering circular or any other materials related to the offer or information contained therein relating to the Shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any Shares acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

Italy

The offering of our Shares has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Societá e la Borsa, or the CONSOB) pursuant to Italian securities legislation and, accordingly, our Shares may not and will not be offered, sold or delivered, nor may or will copies of this offering circular or any other documents relating to our Shares or the offer be distributed in Italy other than to professional investors (operatori qualificati), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of our Shares or distribution of copies of this offering circular or any other document relating to our Shares or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;
- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing our Shares in the offer is solely responsible for ensuring that any offer or resale of Shares it purchased in the offer occurs in compliance with applicable laws and regulations. This offering circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading " – Selling Restrictions – European Economic Area" above shall apply to Italy.

Switzerland

The Shares may not and will not be publicly offered, distributed or re-distributed on a professional basis in or from Switzerland and neither this offering circular nor any other solicitation for investments in the Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering circular may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering circular is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our Shares on any Swiss stock exchange or other Swiss regulated market and this offering circular may not comply with the information required under the relevant listing rules. The Shares have not and will not be registered with the Swiss Federal Banking Commission and have not and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994, does not extend to acquirers of the Shares.

Spain

Neither the Shares nor this offering circular have been approved or registered in the administrative registries of the Spanish Comisión Nacional del Mercado de Valores (National Securities Exchange Commission). Accordingly, the Shares may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Portugal

This offering circular has not been nor will it be subject to the approval of the Portuguese Securities Market Commission (the "CMVM"). No authorization has been made nor has been requested from the CMVM for the marketing of our Shares, therefore the same cannot be offered to the public in Portugal. Each initial purchaser and has represented, warranted and agreed, and each further initial purchaser appointed will be required to represent, warrant and agree that it has not offered or sold, and it will not offer or sell any of our Shares in Portugal or to residents of Portugal except in circumstances that will result in compliance with the rules concerning marketing of our Shares and with the laws of Portugal generally.

No action has been or will be taken that would permit a public offer of our Shares in Portugal. Accordingly, our Shares have not been or may not be offered or sold to unidentified addressees or to 100 or more addressees who are not qualified investors and no offer has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, publication of any promotional material or in any similar manner.

In particular, this offering circular and the offer of our Shares is only intended for qualified investors acting as final investors. Qualified investors within the meaning of the Securities Code (*Código dos Valores Mobiliários*) includes credit institutions, investment firms, insurance companies, collective investment institutions and their respective managing companies, pension funds and their respective pension fund-managing companies, other authorized or regulated financial institutions, notably securitization funds and their respective management companies and all other financial companies, securitization companies, venture capital companies, venture capital funds and their respective management companies, financial institutions incorporated in a state that is not a member state of the EU that carry out activities similar to those previously mentioned, entities trading in financial instruments related to commodities and regional and national governments, central banks and public bodies that manage debt, supranational or international institutions, namely the European Central Bank, the European Investment Bank, the International Monetary Fund and the World Bank, as well as entities whose corporate purpose is solely to invest in securities and any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts. It also includes high net worth individuals who request to be qualified as such, in case they comply with certain requirements and subsequently register with the CMVM.

Germany

The Shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlicken Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffenlichen ist—Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus (*Verkaufsprospeckt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

The Netherlands

Our Shares may not be offered, sold, transferred or delivered, in or from the Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering circular nor any other document in respect of the offering may be distributed in or from the Netherlands, other than to individuals or legal entities which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of Shares is publicly announced that the offer is exclusively made to said individuals or legal entities.

Republic of Ireland

The Shares are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Brazil

The offer of the Shares described in this offering circular will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under *Comissão de Valores Mobiliários* (CVM) Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the Shares have not been and will not be registered with the CVM in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Shares in Brazil is not legal without such prior registration. Documents relating to the offering of the Shares, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the Shares is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the Shares to the public in Brazil. This offering circular is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Chile

Neither we nor the Shares are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or the "SVS"), or subject to the control and supervision of the SVS. This offering circular and other offering materials relating to the offer of the Shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the Shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Argentina

We have not made, and will not make, any application to obtain an authorization from the National Securities Exchange Commission (*Comisión Nacional de Valores* or the "CNV") for the public offering of the Shares in Argentina. The CNV has not approved the Shares, the Global Offering nor any document relating to the offering of the Shares. The Shares will not be offered or sold in Argentina, except in transactions that will not constitute a public offering of securities within the meaning of Section 16 of the Argentine Public Offering Law N° 17,811, as amended. Argentine insurance companies may not purchase the Shares.

Colombia

The Shares have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and may not be offered, sold or negotiated or otherwise be subject to brokerage activities in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Part 4 of Decree 2555 of 2010 to privately market and offer the Shares to their Colombian clients.

Peru

Neither the Shares nor this offering circular have or will be registered with or approved by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*). Accordingly, the Shares cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among others, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

Panama

Neither our Shares, nor their offer, or the transactions related to them have been registered with the National Securities Commission. The exemption of registration is made based on numeral 3 of Article 83 of Decree-Law 1 of 1999 (institutional investors). In consequence, the fiscal system provided in Articles 269 to 271 of Decree-Law 1 of 1999 is not applicable to them. The Shares do not fall under the supervision of the National Securities Commission.

Qatar

This offering of the Shares does not constitute a public offer of the Shares in the State of Qatar under Law No. 5 of 2002 or the Commercial Companies Law. The Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in the Shares, or have sufficient knowledge of the risks involved in an investment in the Shares or are benefiting from preferential terms under a directed share program for directors, officers and employees. No transaction will be concluded in the jurisdiction of the State of Qatar.

United Arab Emirates

The Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates, or the U.A.E., other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this offering circular does not constitute a public offer of the Shares in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. This offering circular has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. If you do not understand the contents of this offering circular you should consult an authorized financial adviser. This offering circular is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

Dubai International Financial Center

This offering circular relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares should conduct their own due diligence on the Shares. If you do not understand the contents of this offering circular you should consult an authorized financial adviser. For the avoidance of doubt, the Shares are not interests in a "fund" or "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. l of 2006) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

Kuwait

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990, its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, as amended, have been given in relation to the marketing, of and sale of the Shares in Kuwait, these may not be offered for sale, sold nor may any marketing or solicitation or inducement to buy any Shares be made in Kuwait. Neither this offering circular, any related document, nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

TRANSFER RESTRICTIONS

The Shares have not been and will not be registered under the Securities Act or with any state or other jurisdiction except Mexico and, accordingly, may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Shares are being offered and sold only:

- in the United States to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and
- outside of the United States to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser (other than the initial purchasers) of Shares offered to U.S. persons, and therefore in reliance on Rule 144A, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico; and
- such Shares may not be offered, sold, pledged or otherwise transferred except (1) to a person whom the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in accordance with Regulation S under the Securities Act, including through the Mexican Stock Exchange or any other stock exchange outside of the Unites States on which the Shares or any beneficial interest therein may be listed and traded in accordance with Regulation S, or (3) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States.

Each purchaser (other than the initial purchasers) of Shares offered to non-U.S. persons outside the United States, and therefore in reliance on Regulation S, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico; and
- such securities may not be offered, sold, pledged or otherwise transferred prior to the expiration of 40 days after the date of this offering circular, except (1) in accordance with Regulation S under the Securities Act, including through the Mexican Stock Exchange or any other stock exchange outside of the Unites States on which the Shares or any beneficial interest therein may be listed and traded in accordance with Regulation S, or (2) to a person whom the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in either case in accordance with any applicable securities laws of any state of the United States.

ENFORCEMENT OF CIVIL LIABILITIES

As of the date of this offering circular, we are a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Most of our directors, the members of our senior management and our advisors named herein are non-residents of the United States and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have appointed CT Corporation System, New York, New York, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon United States federal or state securities laws. We have been advised by our special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case. See "Risk Factors – Risks Relating to Our Shares and to this Offering – Holders of our Shares may face difficulties in serving process on or enforcing judgments against us and other persons."

LEGAL MATTERS

Mijares, Angoitia, Cortés y Fuentes, S.C. will pass on certain Mexican legal matters for us in connection with this offering. Latham & Watkins LLP will pass on certain U.S. legal matters for us in connection with this offering. Creel, García-Cuéllar, Aiza y Enríquez, S.C. will pass on certain Mexican legal matters for the initial purchasers and the Mexican underwriters in connection with this offering. Cleary Gottlieb Steen & Hamilton LLP will pass on certain U.S. legal matters for the initial purchasers and the Mexican underwriters in connection with this offering.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2012, 2011 and 2010 and for each of the three years ended December 31, 2012, 2011 and 2010 have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their report appearing herein.

The consolidated financial statements as of December 31, 2012 and 2011 and for each of the two years ended December 31, 2012 and 2011 of Gasoductos de Chihuahua, S. de R.L. de C.V. have also been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their report appearing herein.

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Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Financial Statements for
the Years Ended December 31, 2010,
2011 and 2012, and Independent
Auditors' Report Dated February 24, 2013

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Independent Auditors' Report and Consolidated Financial Statements 2010, 2011 and 2012

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Independent Auditors' Report to the Board of Directors and Stockholders of Sempra México, S.A. de C.V. (formerly Sempra México, S. de R.L. de C.V.)

We have audited the accompanying consolidated financial statements of Sempra México, S. A. de C.V. (previously Sempra México S. de R.L. de C.V.) subsidiaries and affiliates (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2010, 2011 and 2012, and the consolidated statements of profit and loss, profit and loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes for the years then ended.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sempra México S. A. de C.V. (formerly Sempra México S. de R.L. de C.V.) and subsidiaries as of December 31, 2010, 2011 and 2012, and the results of its operations, changes in its stockholders' equity and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C.P.C. Martin Guillermo Manrique Gómez
February 24, 2013

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Statements of Financial Position
(In thousands of U. S. Dollars)

	Notes	December 31, 2010	December 31, 2011	December 31, 2012
Assets				
Current assets				
Cash and cash equivalents	5	$ 54,379	$ 27,364	$ 85,073
Trade and other receivable—Net	6	39,210	35,685	78,968
Due from related parties	7	48,621	35,952	28,946
Income tax receivable	20	22,651	17,269	8,840
Inventory of natural gas	8	24,133	10,579	9,273
Derivative financial instruments	19	3,975	3,191	2,827
Other assets	10	22,423	19,880	23,029
Total current assets		215,392	149,920	236,956
Non-current assets				
Due from related parties	7	185	261	416
Derivative financial instruments	19	7,457	4,144	2,330
Finance lease receivables	9	14,825	14,794	14,756
Deferred tax asset	20	2,512	1,714	2,375
Investment in joint venture	11	272,572	294,155	331,599
Goodwill	12	25,654	25,654	25,654
Property, plant and equipment—Net	13	1,937,914	1,885,959	1,884,739
Other assets	10	7,521	7,221	1,893
Total non-current assets		2,268,640	2,233,902	2,263,762
Total assets		$2,484,032	$2,383,822	$2,500,718
Equity and liabilities				
Current liabilities				
Trade and other payables	14	$ 25,116	$ 24,397	$ 24,448
Due to related parties	7	20,548	36,776	93,455
Income tax liabilities	20	901	382	18,170
Derivative financial instruments	19	19,213	11,484	11,434
Other financial liabilities	16	581	1,542	1,605
Provisions	18	8,648	2,981	2,788
Other liabilities	17	11,735	10,447	8,307
Total current liabilities		86,742	88,009	160,207
Non-current liabilities				
Due to related parties	7	534,705	334,660	331,803
Deferred tax liabilities	20	173,466	190,753	170,169
Provisions	18	26,159	31,942	34,820
Derivative financial instruments	19	27,606	41,814	38,448
Employee benefits	15	1,394	1,381	2,153
Total non-current liabilities		763,330	600,550	577,393
Total liabilities		850,072	688,559	737,600
Members' equity				
Social parts	21	524,842	524,842	618,752
Additional paid-in capital	21	536,577	536,577	536,577
Accumulated other comprehensive income items		10,256	(23,544)	(9,604)
Retained earnings		562,285	657,388	617,393
Total equity attributable to owners of the Company		1,633,960	1,695,263	1,763,118
Total equity and liabilities		$2,484,032	$2,383,822	$2,500,718

See accompanying notes to consolidated financial statements.

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Statements of Profit and Loss
(In thousands of U. S. Dollars, except per social part amounts)

	Notes	Year ended December 31, 2010	2011	2012
Revenue	23	$ 799,737	$ 822,476	$ 607,607
Cost of natural gas		(436,686)	(422,680)	(253,299)
Administrative and other expenses	25	(80,932)	(73,793)	(76,423)
Depreciation and amortization expenses	28	(62,897)	(63,080)	(61,349)
Interest income	24	545	883	1,027
Finance costs	27	(26,581)	(18,182)	(11,346)
Other losses and gains	26	(13,681)	(16,092)	(8,845)
Profit before tax and share of profits in joint ventures		179,505	229,532	197,372
Income tax expense	20	(26,389)	(76,006)	(40,801)
Share of profits of joint ventures, net of income tax	11	18,461	21,577	37,444
		(7,928)	(54,429)	(3,357)
Profit for the year	29	$ 171,577	$ 175,103	$ 194,015

All results are from continuing activities.

All earnings are attributable to Sempra México, S. A. de C. V. and Sempra Gasoductos México, S. de R. L. de C. V.

	2010	2011	2012
Earnings per social part:			
Basic and diluted earnings per social part:			
Sempra Mexico, S. A. de C. V.	$0.04	$0.04	$0.02
Sempra Gasoductos Mexico, S. de R. L. de C. V.	0.01	0.01	—

See accompanying notes to consolidated financial statements.

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Statements of Profit and Loss and Other Comprehensive Income
(In thousands of U. S. Dollars)

	Years ended December 31, 2010	2011	2012
Profit for the year	$171,577	$175,103	$194,015
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefits plans	$ (268)	$ 346	$ 414
Income tax relating to components of other comprehensive income	81	(104)	(124)
Total items that will not be reclassified to profit and loss	(187)	242	290
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	3,867	(34,042)	13,650
Total items that may be reclassified subsequently to profit and loss	3,867	(34,042)	13,650
Other comprehensive income (loss) for the year	3,680	(33,800)	13,940
Total comprehensive income for the year	$175,257	$141,303	$207,955

All comprehensive income is attributable to Sempra México, S. A. de C. V. and Sempra Gasoductos México, S. de R. L. de C. V.

See accompanying notes to consolidated financial statements.

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Statements of Changes in Members' Equity
(In thousands of U. S. Dollars)

	Social parts	Additional paid-in capital	Foreign currency translation	Actuarial gains (losses)	Retained earnings	Total
Balance at January 1, 2010	$347,709	$453,786	$ 6,549	$ 27	$ 347,607	$1,155,678
Profit for the year	—	—	—	—	171,577	171,577
Other comprehensive income for the year	—	—	3,867	(187)	—	3,680
Total comprehensive income for the year	—	—	3,867	(187)	171,577	175,257
Effect of combining Sempra Gasoductos México	177,133	82,791	—	—	43,101	303,025
Balance at December 31, 2010	524,842	536,577	10,416	(160)	562,285	1,633,960
Profit for the year	—	—	—	—	175,103	175,103
Other comprehensive income for the year	—	—	(34,042)	242	—	(33,800)
Total comprehensive income for the year	—	—	(34,042)	242	175,103	141,303
Payment of dividends (Note 22)	—	—	—	—	(80,000)	(80,000)
Balance at December 31, 2011	524,842	536,577	(23,626)	82	657,388	1,695,263
Profit for the year	—	—	—	—	194,015	194,015
Other comprehensive income for the year	—		13,650	290	—	13,940
Total comprehensive income for the year	—	—	13,650	290	194,015	207,955
Capitalization of retained earnings of Sempra Gasoductos Mexico, S. de R. L. de C. V. (Note 21.2.)	93,910	—	—	—	(93,910)	—
Payment of dividends (Note 22)	—	—	—	—	(140,100)	(140,100)
Balance at December 31, 2012	$618,752	$536,577	$ (9,976)	$ 372	$ 617,393	$1,763,118

See accompanying notes to consolidated financial statements.

Sempra México, S. A. de C. V. and Subsidiaries
(formerly Sempra México, S. de R. L. de C. V. and Subsidiaries)

Consolidated Statements of Cash Flows
(In thousands of U. S. Dollars)

	Notes	Years ended December 31, 2010	2011	2012
Cash flows from operating activities				
Profit for the year		$ 171,577	$ 175,103	$ 194,015
Adjustments for:				
Income tax expense		26,389	76,006	40,801
Share of profits of joint ventures, net of income tax		(18,461)	(21,577)	(37,444)
Finance costs		26,581	18,182	11,346
Interest income		(545)	(883)	(1,027)
Loss on disposal of property, plant and equipment		15,583	2,918	561
Impairment loss recognized on trade receivables		672	474	281
Depreciation of non-current assets		62,750	62,929	61,199
Amortization of non-current assets		147	151	150
Net foreign exchange gain		(1,216)	(9,864)	1,631
Loss (gain) on derivative financial instruments valuation		1,588	10,575	(1,238)
		285,065	314,014	270,275
Movements in working capital:				
Decrease (increase) in trade and other receivables		(11,859)	16,629	(36,520)
Decrease (increase) in inventories		(21,275)	13,554	1,306
Decrease (increase) in other assets		(11,658)	2,387	2,028
Increase in trade and other payables		6,531	15,513	(26,591)
Increase in provisions		25,825	2,381	513
(Decrease) increase in other liabilities		6,081	(5,057)	(2,077)
Cash generated from operations		278,710	359,421	208,934
Income taxes paid		(71,527)	(61,512)	(35,502)
Net cash generated by operating activities		207,183	297,909	173,432
Cash flows from investing activities:				
Effects of combining Sempra Gasoductos México		15,325	—	—
Interest received		545	883	1,003
Payments for property, plant and equipment		(37,800)	(20,517)	(47,297)
Payments for long-term service agreements		(5,508)	(6,117)	(2,981)
Net cash used in investing activities		(27,438)	(25,751)	(49,275)
Cash flows from financing activities:				
Interest paid		(25,688)	(18,022)	(9,421)
Proceeds from loans from related parties		816,185	488,100	209,013
Repayment of loans to related parties		(931,523)	(688,145)	(128,699)
Dividends paid		—	(80,000)	(140,100)
Net cash used in financing activities		(141,026)	(298,067)	(69,207)
Net (decrease) increase in cash and cash equivalents		38,719	(25,909)	54,950
Cash and cash equivalents at the beginning of the year		14,281	54,379	27,364
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,379	(1,106)	2,759
Cash and cash equivalents at the end of the year	5	$ 54,379	$ 27,364	$ 85,073

See accompanying notes to consolidated financial statements.

1. General information

Sempra México, S. A. de C. V. and Subsidiaries (formerly Sempra México, S. de R. L. de C. V. and Subsidiaries) ("Sempra México") (collectively, the "Company") are companies domiciled and incorporated in Mexico. Their parent and ultimate holding company is Sempra Energy ("Parent") domiciled and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 35. The nature of the Company's operations and principal activities are described in Note 2.

2. Business activities

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments consisting of Gas and Power. Amounts labeled as Corporate consist primarily of professional services rendered by parent organizations (Note 23).

The Gas segment develops, owns and operates, or holds interests in, natural gas and propane pipelines, LPG storage facilities, and natural gas distribution and sale operations, in the following Mexican States: Baja California, Sonora, Chihuahua, Durango, Tamaulipas, Nuevo León and Jalisco. It also owns and operates a liquefied natural gas ("LNG") terminal in Baja California, Mexico for importing LNG.

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

2.1. *Gas segment.* The Company's subsidiaries assigned to this segment are:

a. Ecogas México, S. de R. L. de C. V. ("ECO") is engaged in the distribution and sale of natural gas for industrial, residential and commercial use in three local distribution zones, Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtémoc and Anáhuac) and La Laguna-Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).

During 1996, 1997 and 1999, the Mexican Energy Regulatory Commission (Comisión Reguladora de Energía, "CRE" by its initials ins Spanish), granted ECO the first natural gas distribution permits for the local distribution zones of Mexicali, Baja California, Chihuahua, Chihuahua and La Laguna-Durango, under which ECO receives, transports, delivers and sells natural gas through a pipeline system.

In May 2009, the CRE approved the third five-year plan of ECO for the local distribution zone of Chihuahua, Chihuahua and Mexicali, Baja California, and in June 2010 for the local distribution zone of La Laguna-Durango. Additionally, in 2010, the CRE authorized the adjustment to authorized tariffs to be applied in the five-year plan related to the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2012, ECO had over 93,000 customers.

b. PE International Canada, S. de R. L. de C. V. ("PEI") is a subholding company of the group.

c. Servicios DGN de Chihuahua, S. A. de C. V. ("SDGN") provides administrative, personnel and operational services to other subsidiaries of the group.

d. Gasoducto Bajanorte, S. de R. L. de C. V. ("GBN") is engaged in transportation of natural gas, serving the energy requirements of Baja California, México. The GBN transportation system, which is also known as the Baja East pipelines system, is comprised of three natural gas pipelines (*Rosarito Mainline, LNG Spur and Yuma Lateral)* and a 30,000 horse power ("HP") compressor station located in Baja California. The total length of the pipeline system is approximately 302 kilometers. The system begins at the interconnection with the El Paso Natural Gas Co. pipeline near Ehrenberg, Arizona, United States of America ("North Baja Pipeline"), and ends in southern Tijuana at the interconnection with the Transportadora de Gas Natural de Baja California, S. de R. L. de C. V. ("TGN," a related party) pipeline. The Mexican portion of the pipeline begins at the interconnection in Algodones with the North Baja Pipeline and travels through Mexicali and Tecate, ending at the interconnection with TGN. These three pipelines operate under one transportation permit issued by the CRE.

Rosarito Mainline: This system was originally placed in service in August 2002 to supply natural gas from the United States of America to several power plants and industrial customers in the Baja California, México market. This system is a 30-inch diameter pipeline with a length of approximately 225 kilometers and a design transportation capacity of 534 million cubic feet per day ("MMcfd").

LNG Spur: This system was completed in May 2008 and transports natural gas to the Rosarito Mainline for delivery to power plants and the Baja California market. This system is a 42-inch diameter pipeline with a length of approximately 72 kilometers and a design transportation capacity of 2,600 MMcfd.

Yuma Lateral: This system was the latest addition to the GBN transportation system and was placed in service in March 2010 to transport natural gas to the Arizona border. This system is a 12-inch diameter pipeline with a length of approximately five kilometers and a design transportation capacity of 190 MMcfd.

e. Gasoducto Rosarito, S. de R. L. de C. V. ("GRO") is engaged in the sale of natural gas exclusively to the Mexican Federal Electricity Commission (Comisión Federal de Electricidad, "CFE" by its initials in Spanish). Transportation services were provided by GBN and TGN (related parties). The agreement under which GRO sold natural gas to the CFE expired on December 31, 2009.

On October 10, 2011, a merger between GRO and GBN became effective with GRO continuing as the legal entity. Under the merger agreement, GBN transferred its assets, properties and rights to GRO, which fully assumed the obligations and liabilities, including the entirety of the outstanding contracts at the time of the merger.

f. TGN (also known as the Baja West pipeline system) is engaged in the transportation of natural gas in accordance with a permit issued by the CRE, through a 45-kilometer, 30-inch pipeline with a design transportation capacity of 940 MMcfd. TGN interconnects with the GBN pipeline system in the Tijuana, Baja California, México, area and extends north to interconnect with the San Diego Gas & Electric Company ("SDG&E," a related party in the United States of America) system at the Otay Mesa International border and southwest to the CFE's 600 megawatt ("MW") Presidente Juárez Power Plant in Rosarito, Baja California, México. The TGN pipeline system was placed in service in June 2000. A 19-kilometer expansion to the TGN system began operations in May 2008.

g. Sempra Gasoductos México, S. de R. L. de C. V. ("Sempra Gasoductos México") (formerly Grupo El Paso, S. de R. L. de C. V.) is engaged in the acquisition and subscription of any kind of participation in the capital stock of any kind of companies; its subsidiaries are engaged in the compression, storage and transportation of natural and propane gas as well as in rendering all kind of services related to such activities, including the coordination, consulting and supervision of construction and development of energy infrastructure projects. Sempra Gasoductos México was acquired by Sempra Energy on April 30, 2010 (see Note 3.3.1).

h. Sempra Compresión México, S. de R. L. de C. V. ("SCM") (formerly El Paso Compression Services de México, S. de R. L. de C. V.) was incorporated on August 8, 2003 as a result of a spin-off of El Paso Energy Marketing de México, S de R. L. de C. V. It is primarily engaged in the compression of natural gas using compression equipment located in Naco, Sonora, which is also referred to as the Naco Compression Station.

In 2001, SCM entered into an agreement with PEMEX Gas y Petroquímica Básica ("PGPB") for the rendering of natural gas compression services for a 20-year period. The term of the agreement may be extended up to five additional years by mutual agreement of SCM and PGPB.

i. Gasoducto de Aguaprieta, S. de R. L. de C. V. ("GAP") (formerly El Paso Gas Transmission de México, S. de R. L. de C. V.) a wholly owned subsidiary of Sempra Gasoductos México, was incorporated on July 4, 2001 and commenced operations on November 20, 2002. GAP is primarily engaged in the transportation of natural gas.

On July 19, 2002, GAP obtained its natural gas transportation permit from the CRE. The term of the permit is 30 years and is renewable every 15 years.

On June 28, 2002, GAP entered into a 25-year gas transportation agreement with El Paso Energy Marketing de México, S. de R. L. de C. V. ("EPEMM"), a related party until April 2010. The 13 km pipeline operated by GAP, which is also referred to as the Aguaprieta Pipeline, starts on the border with Arizona, United States of America, and runs to the Naco-Nogales combined-cycle thermoelectric power station owned by Fuerza y Energía de Naco-Nogales, S.A de C.V., located in Agua Prieta, Sonora, México.

j. Sempra Gasoductos Holding, S. de R. L. de C. V. ("SGH") (formerly EPGM Gasoductos, S. de R. L. de C. V.) is engaged in the acquisition and subscription of participation in other companies.

In April, 30, 2010, SGH acquired a 50% equity ownership with equivalent voting power in Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC"), a jointly controlled entity with PGPB. GdC operates two natural gas pipelines, a natural gas compression station and a propane system in northern Mexico, in the states of Chihuahua, Tamaulipas, and Nuevo Leon.

k. Sempra Management, S. de R. L. de C. V. ("Sempra Management") (formerly El Paso Mexico Management, S. de R. L. de C. V.) provides administrative, personnel and operational services to other subsidiaries of the group.

l. Energía Costa Azul, S. de R. L. de C. V. and its subsidiary (collectively "ECA"), own and operate an LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, México.

Through 2007, ECA obtained all necessary operating permits from Mexican regulatory agencies, and commenced its operations in May 2008.

In December 2009, ECA completed construction of a nitrogen injection facility to allow customers to deliver LNG with a greater range of gross heating value. The nitrogen injection facility produces nitrogen that can be mixed with natural gas when it is necessary to lower the heating content to meet pipeline gas quality standards in Mexico and the United States of America.

ECA entered into a 20-year firm storage service agreement with an independent third party for which the shipper committed to lease 50% of the total storage capacity of the LNG Terminal. The agreement commenced in May 2008 after the LNG Terminal was placed in service. In April 2009, the shipper assigned up to 29 % of its contracted storage capacity to another independent third party.

m. Sempra LNG Marketing México, S. de R. L. de C. V. ("Sempra LNG Marketing México," which is also known as LNG Marketing) provides LNG services related to the purchase and sale of LNG and natural gas. In May 2008, Sempra LNG Marketing México began operation jointly with ECA. Up to that date, the activities of Sempra LNG Marketing México were primarily focused on obtaining necessary permits.

Sempra LNG Marketing México entered into a natural gas supply agreement with a third party and began delivering natural gas in September 2009. The contract ends in December 2022.

2.2. *Power segment*. The Company's subsidiaries assigned to this segment are:

a. Termoeléctrica de Mexicali, S. de R. L. de C. V. and its subsidiaries (collectively "TDM") are engaged in the generation and sale of electricity. In August 2001, TDM received a favorable resolution by the CRE to generate electricity for exportation through an independent power production project.

Through a maquila agreement with Sempra Generation ("SGEN"), TDM delivers all of its power output directly to the California's Independent System Operator power grid ("CAISO") in the United States at the border with México. SGEN schedules and dispatches TDM's committed output to the California Department of Water Resources ("CDWR") and markets TDM's uncommitted capacity to other market participants. On January 1, 2013 (with effective date on January 1, 2012), SGEN and TDM entered into a new commercial agreement, for which TDM will continue to deliver all of its power output directly to the CAISO and SGEN provides marketing, scheduling, and dispatch services for TDM.

b. Energía Sierra Juárez Holding, S. de R.L. of C.V. ("ESJH") and Energía Sierra Juárez, S. de R.L. of C.V. ("ESJ") have been developing a wind power plant in Baja California, Mexico since 2007 that could produce up to 1,200 MW of renewable wind power at full build-out. During April 2011, SDG&E, entered into a 20-year contract to import up to 156 MW of renewable power supplied from the first phase of the project. The first phase of the project is expected to require an estimated investment of approximately $325 million.

c. Jacume Wind, S. de R. L. de C. V. ("JW") is an early-stage developer of wind power projects in Baja California, México and is currently inactive.

2.3. *Corporate segment* holds interest in pipeline, distribution, regasification, natural gas sale, and power generation operations in Mexico.

a. Sempra México is essentially a holding company that invests in affiliated companies in the electricity and natural gas industries.

b. Sempra Servicios Energéticos, S. de R. L. de C. V. ("SSE") provided maintenance services to power plants through February 2009. On this date, SSE entered into an assignment of rights and obligations agreement by which it transferred the rights and obligations of its maintenance service agreement with a third party to GBN. On March 2009, SSE essentially became a holding company that invests in affiliated companies in the electricity and natural gas industries.

3. Significant accounting policies

The principal accounting policies are set out below:

3.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

3.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3. Consolidation of financial statements

3.3.1. Consolidation basis

The consolidated financial statements of Sempra México incorporate the financial statements of all entities where it maintains control (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the Parent.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Company.

All intra company transactions, balances, income and expenses are eliminated in full on consolidation.

Sempra México's ownership percentage in the social parts of its subsidiaries for the year ended December 31, 2012 is shown below:

Company	Ownership percentage
Gas segment:	
Ecogas México, S. de R. L. de C. V. ("ECO")	100.00
PE International Canadá, S. de R. L. de C. V. ("PEI")	98.99
Servicios DGN de Chihuahua, S. A. de C. V. ("SDGN")	100.00
Gasoducto Bajanorte, S. de R. L. de C. V. ("GBN")	100.00
Gasoducto Rosarito, S. de R. L. de C. V. ("GRO")	100.00
Transportadora de Gas Natural de Baja California, S. de R. L. de C. V. ("TGN")	100.00
Sempra Gasoductos Mexico, S. de R. L. de C. V. ("Sempra Gasoductos Mexico")	100.00
Sempra Compresión México, S. de R. L. de C. V. ("SCM")	98.99
Gasoducto de Aguaprieta, S. de R. L. de C. V. ("GAP")	100.00
Sempra Gasoductos Holding, S. de R. L. de C. V. ("SGH")	99.00
Sempra Management, S. de R. L. de C. V. ("Sempra Management")	100.00
Energía Costa Azul, S. de R. L. de C. V. and subsidiary ("ECA")	100.00
Sempra LNG Marketing México, S. de R. L. de C. V. ("Sempra LNG Marketing México")	99.99
Power segment:	
Termoeléctrica de Mexicali, S. de R. L. de C. V. and subsidiaries ("TDM")	99.99
Energía Sierra Juárez Holding, S. de R. L. de C. V. ("ESJH")	99.00
Energía Sierra Juárez, S. de R. L. de C. V. ("ESJ")	99.99
Jacume Wind, S. de R. L. de C. V. ("JW")	100.00
Corporate segment:	
Sempra Servicios Energéticos, S. de R. L. de C. V. ("SSE")	99.00

Sempra Energy acquired Sempra Gasoductos México on April 30, 2010 ("acquisition date"), and therefore the consolidated financial statements for the years ended December 31, 2011 and 2010 include the operations of Sempra Gasoductos México on a consolidated and combined basis as of such acquisition date (see Notes 3.9 and 12 for the acquisition impacts resulting from this transaction). The effects of the acquisition by Sempra Energy are included in the consolidated statement of cash flows within the line item "Effects of combining Sempra Gasoductos México."

The consolidated financial statements as of December 31, 2011 and 2010 include those of Sempra México and Sempra Gasoductos México, for purposes of evaluating the results of the combined entities, which are both under the common control of Sempra Energy. When preparing the combined financial statements, the individual balances of the combined entities were aggregated on a line-by-line basis. When necessary, adjustments were made to the financial statements of the combined entities to bring their accounting policies into line with those used by the Company. All intra-company transactions, balances, income and expenses are eliminated in full on combination.

Pursuant to a resolution of the general ordinary members' meeting on September 10, 2012 ("increasing of membership interest date"), the equity of Sempra México was increased in its variable part by $5,861,622,509 Mexican Pesos, through the contribution by the Parent company of its membership interest in Sempra Gasoductos México as of that date. As a result of such membership increase, Sempra México obtained ownership and control of Sempra Gasoductos México.

The contribution of Sempra Gasoductos México had no effect in the Company's financial position, operating results or cash flows since the transaction was accounted for on a retrospective basis since both entities where under the common control of Sempra Energy. Therefore, the financial statements of the Company for the year ended December 31, 2012, and beginning on the increasing of membership interest date, include those of the Company on a consolidated basis.

3.4. Classification of costs and expenses

Costs and expenses presented in the consolidated statements of profit and loss were classified according to their function because this is the practice of the sector to which the Company belongs.

3.5. Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in the consolidated statements of profit and loss.

3.6. Inventory of natural gas

Liquefied natural gas inventory is recorded at the lower of cost or net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to sell.

3.7. Leasing

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.7.1 The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

The Company does not have operating leases as a lessor.

3.7.2 The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Company does not have finance leases as a lessee.

3.8. Interests in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Company reports its interests in jointly controlled entities using the equity method.

Any goodwill arising on the acquisition of the Company's interest in a jointly controlled entity is accounted for in accordance with the Company's accounting policy for goodwill (see Note 3.9) and incorporated into the equity method investment for presentation purposes and subsequent impairment tests.

Profits and losses resulting from transactions with the jointly controlled entities are recognized in the Company's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Company.

3.9. Goodwill

Goodwill arising from the acquisition of Sempra Gasoductos México by Sempra Energy on April 30, 2010, has been included in the consolidated financial statements as it forms part of Sempra Energy's net investment in such entity, and is carried at cost as established at the date of acquisition.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, on October 1, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit and loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.10. Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Acquisition costs include labor, material costs and construction service agreements.

The Company recognizes an asset retirement obligation ("ARO") for the present value of liabilities of future costs expected to be incurred when assets are retired from service, if the retirement process is legally required and if a reasonable estimate of fair value can be made.

Property, plant and equipment include major expenditures for improvements and replacements parts, which extend useful lives or increase capacity. Routine maintenance costs are expensed as incurred.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. The buildings and land, equipment and other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write-off the cost of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.11. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.13. Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days' wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans, such as the Company's sponsored pension plans as well as its seniority premium benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All remeasurements of the Company's defined benefit obligation such as actuarial gains and losses are recognized directly in other comprehensive income ("OCI"). The Company presents service costs within administrative and other expenses in the consolidated statements of profit and loss. The Company presents net interest cost within finance costs in the consolidated statements of profit and loss. The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as of the end of each reporting period.

The Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days' wages for each year of service payable upon involuntary termination without just cause. The Company records a liability for such severance benefits when the event that gives rise to an obligation occurs upon the termination of employment as termination benefits result from either Company's management's decision to terminate the employment or an employee's decision to accept an offer of benefits in exchange for termination of employment.

3.14. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.15.1. Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.15.2. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further details about fair value of financial instruments are provided in Note 19. The Company early adopted IFRS 13.

3.16. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.16.1. Financial assets at FVTPL

Financial assets are classified, other than held-for-trading, as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if, certain conditions are met. The Company has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the cost of natural gas and electric fuel and in other gains and losses line items in the consolidated statement of profit and loss. Fair value is determined in the manner described in Note 19.

3.16.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Company does not hold any held-to-maturity financial assets.

3.16.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and amounts due from related parties) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.16.4. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3.16.5. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.17. Financial liabilities and equity instruments

3.17.1. Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.17.2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.17.3. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3.17.3.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if certain conditions are met. The Company has not designated any financial liabilities as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statements of profit and loss. Fair value is determined in the manner described in Note 19.

3.17.3.2. Other financial liabilities

Other financial liabilities (including borrowings, due to related parties, trade payables and customers deposits) are subsequently measured at amortized cost using the effective interest method.

3.17.3.3. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.18. Derivative financial instruments

The Company enters into derivative financial instruments to reduce its exposure to fluctuations of natural gas prices. Such instruments are also used by the Company to help reduce customers' exposure to changes in natural gas prices. The Company may also use interest rate instruments to help manage exposure to fluctuations in interest rates. These instruments are negotiated with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is to carry out transactions with derivative financial instruments for the purpose of offsetting exposure for management of risk. Further details of derivative financial instruments are disclosed in Note 19.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value on the consolidated statements of financial position, regardless of its intent for holding them. Fair value is determined using prices quoted on recognized markets or derived from directly or indirectly observable inputs. If such instruments are not traded, fair value is determined by applying valuation techniques recognized in the financial sector utilizing standard industry models.

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

3.18.1. Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3.18.2. Own use exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements fall within the "own use"(or "normal purchase or sale") exemption. Under this scope exemption, ordinary physical supply arrangements are excluded from derivative accounting treatment.

3.19. Hedge accounting

The Company may designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives as cash flow hedges.

For its hedging instruments, the Company documents the relationship between the hedging instrument and the hedged item at the inception of the hedge relationship, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.19.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statements of profit and loss as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

The Company does not have any cash flow hedges for the periods presented.

3.19.2. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statements of other comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The Company does not have any fair value hedges for the periods presented.

3.20. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.20.1. Current tax

Income tax and the Business Flat Tax ("ISR" and "IETU," respectively, by their initials in Spanish) are recorded in the results of the year they are incurred.

The current ISR tax payable is based on taxable profit for the year and IETU based on taxable cash flows. Taxable profit differs from profit as reported in the consolidated statements of profit and loss because of items of income or expense that are taxable or deductible in other years, items that are not taxable or deductible, and items that are taxable or deductible but do not affect accounting results. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax on Assets ("IMPAC," by its initials in Spanish) paid through 2007 that is expected to be recovered was recorded as an advanced payment of ISR and is classified in the consolidated statements of financial position within other assets.

3.20.2. Deferred tax

To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are presented as long-term and calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carry forwards and certain tax credits. Deferred tax assets are generally recognized for tax loss carryforwards as well as deductible temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses or deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.20.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.21. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue includes amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates, value added tax (Impuesto al Valor Agregado, "IVA" by its initials in Spanish) and other sales-related taxes.

3.21.1. Sale of goods and services

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The following revenue streams related to the sale of goods and rendering of services are recognized in accordance with the previous accounting policy as disclosed in more detail below.

- Sales of natural gas and the related costs are recognized upon the transfer of title, which coincides with the physical delivery of natural gas to customers.
- Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements.
- Revenues and related costs from natural gas distribution are recognized when the distribution services are rendered
- Revenues also include net realized gains and losses and the net change in the fair value of unrealized gains and losses on derivative contracts for natural gas.
- Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.
- Power generation revenues are recognized when generated power is delivered.

3.21.2. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.21.3. Rental income

The Company's policy for recognition of revenue from finance leases is described in Note 3.7.1.

3.22. Foreign currencies

The Company's functional currency is the U.S. Dollar, except for ECO in its Gas segment, which is the Mexican peso.

In preparing the financial statements of each individual subsidiary of the Company, transactions in currencies other than the subsidiaries' functional currency (U.S. Dollar or Mexican peso) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiaries with Mexican peso functional currency are translated into U.S. Dollars (the Company's reporting currency) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

On the disposal of an operation with a Mexican peso functional currency all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 4.2 below), that the Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4.1.1. Finance lease of natural gas compression station

The Company has a long-term natural gas compression arrangement with PGPB. The contract provides PGPB with the right to use 100% of the compression station's output for 20 years, with an additional five years, in return for fixed capacity payments.

Company management has determined that the arrangement should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the compression station as of such date. Details of the finance lease asset are included in Note 9.

4.1.2. Regulatory accounting

Rate regulation is the setting by regulatory bodies or governments of prices that can be charged to customers for services or products through regulations, often where an entity has a monopoly or dominant market position that gives it significant market power.

There is no explicit guidance in IFRS regarding whether entities operating in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation. Mexican Financial Reporting Standards ("MFRS") and U. S. Generally Accepted Accounting Principles ("U.S. GAAP") provide specific guidance on this matter, but there is no equivalent guidance in IFRSs.

The IFRS Interpretations Committee ("IFRS IC") has previously commented that the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with IFRS. As a result, the

Company does not recognize rate-regulated assets or liabilities in its consolidated financial statements. The Company's management will continue to monitor the status of future deliberations by the IASB and IFRS IC as it relates to this matter and its potential impact on the Company's consolidated financial statements.

4.1.3. Contingencies

The Company accrues losses for the estimated impacts of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, the Company accrues for the loss if an event has occurred on or before the date of the consolidated statements of financial position and:

- information available through the date the consolidated financial statements are issued indicates it is probable that a loss has been incurred, given the likelihood of uncertain future events; and
- the amount of the loss can be reasonably estimated.

The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

4.1.4. Own use exemption

IAS 39, Financial Instruments: Recognition and Measurement, contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity's "own use." The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments. If a non-financial item can be settled net either in cash or another financial instrument, or by exchange of financial instruments, it must be accounted for as a financial instrument.

There are various ways in which a contract can be settled net. The Company's management has to apply its judgment in assessing whether, among others, past practices of net settling similar contracts or of taking delivery and selling the item within a short period; or, the commodity is readily convertible to cash, would lead to net settlement. The Company's management has determined that none of its physical delivery contracts of nonfinancial items fall within the own use exemption from derivative accounting treatment.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities presented in the Company's consolidated statements of financial position.

4.2.1. Estimated useful lives of property, plant and equipment

As described at Note 3.10. above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

No changes to the useful lives of property, plant and equipment were identified for the periods presented within the Company's consolidated financial statements.

4.2.2. Impairment of long-lived assets (property, plant and equipment, and goodwill)

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of such cash flows. Impairment testing is performed on an annual basis.

The recoverable amount for TDM was determined using value in use calculations with discounting the future cash flows using a pre-tax discount rate that is within the range from 7.0 to 12.0 percent; using a discount rate at the higher end of the range, would trigger the recognition of an impairment loss by $10,000, approximately. The carrying amount of TDM as of September 30, 2012 amounts to $288,257. Cash inflows are based on forward market prices for power for the active period of the market and internal models thereafter, with production profiles based on the best economic running decision. Forward market prices include mainly electricity prices, resource adequacy and natural gas prices. Cash outflows are based on planned operating and capital expenditures. Future operating expenses include fees to be paid to U.S. Gas & Power for marketing and scheduling services. The Company's management considers that, based on the value in use calculation, no impairment was identified.

4.2.3. Asset retirement obligations

The estimated cost of decommissioning at the end of the useful lives of the Company's long-lived assets is reviewed periodically and is based on estimates at the date of the consolidated statements of financial position of the present value of future costs expected to be incurred when assets are retired from service as required by law or per its contractual obligations. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the long-lived assets, but are currently anticipated to be between 25 to 50 years. The Company uses its long-term "borrowing cost" rate as the discount rate for calculating its provision related to its asset retirement obligations, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by Bloomberg.

4.2.4. Valuation of financial instruments (fair value measurement)

As described in Note 19, the Company uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of certain types of financial instruments. Note 19 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments.

The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4.2.5. Purchase price allocation in the acquisition of Sempra Gasoductos México by Sempra Energy

Purchase price allocation adjustment requires most identifiable assets acquired and liabilities assumed or incurred to be measured at fair value. Therefore, a fair value measurement was determined based on the assumptions that market participants would use in pricing the acquired assets or assumed liabilities of Sempra Energy's investment in Sempra Gasoductos México.

4.2.6. Allowance for doubtful accounts

The methodology for determining the allowance for doubtful accounts on trade and other receivables is set out in Note 6. The estimates and assumptions used to determine the allowance are reviewed periodically. Although the provisions recognized are considered appropriate, changes in economic conditions could lead to changes in the allowance and, therefore, impact profit or loss.

4.2.7. Recoverability of deferred tax assets

As mentioned in Note 20, the Company has accumulated recoverable tax losses, for which an evaluation of recoverability is performed on an annual basis.

The use of estimates and assumptions is particularly important in the recognition of deferred tax assets.

5. Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	12/31/10	12/31/11	12/31/12
Cash and bank balances	$40,090	$ 9,422	$56,125
Short term investments	14,289	17,942	28,948
	$54,379	$27,364	$85,073

6. Trade and other receivables—Net

	12/31/10	12/31/11	12/31/12
Trade receivables	$37,464	$35,929	$45,875
Allowance for doubtful debts	(672)	(474)	(193)
	36,792	35,455	45,682
Other receivables	2,418	230	33,286
	$39,210	$35,685	$78,968

For the Gas segment, in ECO, the Company has recognized an allowance for doubtful accounts of 80% against all receivables outstanding between 180 and 269 days and 100% against all receivables outstanding over 270 days, based on historical experience. Allowances for doubtful accounts are recognized against trade receivables for customers whose outstanding balances are outstanding between 30 and 179 days when such receivables are estimated not to be recoverable based on an analysis of the customers' financial position.

For all the other companies within the Gas segment and for the Power segment, the average credit period on trade receivables is 30 days.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because the amounts are still considered recoverable.

6.1. Age of receivables that are past due but not impaired

	12/31/10	12/31/11	12/31/12
31-120 days	$ 19	$ 14	$10
121-180 days	22	5	3
181-270 days	12	3	2
Total	$ 53	$ 22	$15
Average age (days)	$140	$111	$62

6.2. Movement in the allowance for doubtful debts

	12/31/10	12/31/11	12/31/12
Balance at beginning of the year	$(570)	$(672)	$(474)
Impairment losses recognized on receivables	(141)	(86)	(49)
Amounts written off during the year as uncollectible	75	224	365
Foreign exchange translation gains and losses	(36)	60	(35)
Balance at end of the year	$(672)	$(474)	$(193)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk associated with ECO is limited due to the fact that the customer base is large and unrelated.

6.3. Age of impaired trade receivables

	12/31/10	12/31/11	12/31/12
181-270 days	$ (48)	$ (12)	$ (9)
Over 270 days	(624)	(462)	(184)
Total	$(672)	$(474)	$(193)

7. Related party transactions

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

7.1. Trading transactions

During the year, Company entities entered into the following trading transactions with related parties that are not members of the Company:

	Sales of goods and services Year ended			Purchases of goods and services Year ended		
	12/31/10	12/31/11	12/31/12	12/31/10	12/31/11	12/31/12
SGEN	$211,333	$269,491	$127,656	$ 60,985	$ 91,493	$ 59,072
Sempra Natural Gas	174,274	117,745	107,754	334,314	261,490	195,593
Sempra Global	2,225	1,840	1,739	280	221	358
Southern California Gas Company	69	178	150	1,275	1,294	1,137
Sempra Pipelines and Storage	180	99	55	707	3,031	6,015
Sempra LNG	—	52	46	2,398	5,360	—
Sempra Midstream, Inc.,	—	—	—	—	415	532
RBS Sempra Energy Trading México, S. de R. L. de C. V.	83,604	29,780	—	85,829	30,195	—
San Diego Gas & Electric	—	8	—	272	—	—
Sempra Services Company, S. de R. L. de C. V. (“Sempra Services Company”)	36	1	—	3,214	1,790	—
Sempra Servicios México, S. de R. L. de C. V. (“Sempra Servicios México”)	—	—	—	761	1,525	—
Sempra Energy Solutions	—	—	—	239	—	—
RBS Sempra Commodities	—	—	—	26,049	—	—

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

	Amounts owed by related parties Year ended		
	12/31/10	12/31/11	12/31/12
SGEN	$33,992	$35,939	$28,822
Sempra Global	791	13	124
RBS Sempra Commodities	11,729	—	—
Sempra LNG Marketing Corp	1,591	—	—
Sempra Servicios México	383	—	—
Southern California Gas Company	76	—	—
El Paso Netherland Energy B.V.	58	—	—
Sempra Energy International	1	—	—
	$48,621	$35,952	$28,946

	Amounts due from related parties Year ended		
	12/31/10	12/31/11	12/31/12
Sempra Energy International Holdings, N. V. (“SEIH”)(a)	$ —	$ —	$83,300
Sempra Natural Gas	19,525	30,306	8,011
Sempra International, LLC	—	—	822
Sempra Servicios México	187	161	668
Sempra Services Company	322	318	331
Sempra LNG	164	3,410	181
Southern California Gas Company	90	121	121
Sempra Services Company(b)	—	—	21
Sempra Pipelines and Storage	260	2,433	—
San Diego Gas & Electric	—	27	—
	$20,548	$36,776	$93,455

(a) During 2012, the Company received short-term loans from SEIH for $86.1 million. During 2012, the Company made payments of capital and interest for $2,800 and $75, respectively. The loans mature on December 16, 2013 and bear variable interest at the six-month LIBOR plus 250 bps (average annual rate of 3.12% during 2012).

(b) During 2012, the Company received short-term loans from Sempra Services Company for $200. During 2012, the Company made payments of capital and interest for $180 and $1, respectively. The loans mature on January 31, 2013 and bear variable interest based on 30-days LIBOR plus 200 bps (an average annual rate of 2.23% during 2012).

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 years 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 $9,596, $13,259 and $26,725 for 2010, 2011 and 2012 respectively, which were charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

7.2. Loans to related parties

	12/31/10	12/31/11	12/31/12
Sempra Servicios México(a)	$—	$261	$416
Sempra Services Company(b)	185	—	—
	$185	$261	$416

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

(a) During 2011 and 2012, the Company provided loans to Sempra Servicios México of $261 and $412, respectively. The amounts were due on January 31, 2013 and bore variable interest based on the Mexican Interbank Interest Rate ("TIIE", by its initials in Spanish) plus 178 basis points ("bps") (an average of 6.05% and 6.57% during 2011 and 2012, respectively). The accrued interest were $- and $4 during 2011 and 2012, respectively.

(b) The Company provided loans to Sempra Services Company during 2010 and 2011 for $1,757 and $240, respectively. During 2010 and 2011, the Company received payments of $1,682 and $425, respectively, and charged variable interest based on the previous month midterm annual Applicable Federal Rate ("AFR") (an average of 5.27% and 4.79% during 2010 and 2011, respectively).

7.3. Loans from related parties

	12/31/10	12/31/11	12/31/12
Sempra Chile, S. A. ("Sempra Chile")(c)	$ —	$215,000	$215,000
Sempra Oil Trading Suisse ("SOT Suise")(d)	85,360	91,660	91,660
Sempra Global(e)	1,000	28,000	25,000
SGEN(f)	—	—	143
SET International B. V. ("SET International")(g)	249,345	—	—
SE Holdings VII B. V. ("SE Holdings VII")(h)	199,000	—	—
	$534,705	$334,660	$331,803

(c) During 2011, the Company received a long-term loan from Sempra Chile for $215 million. During 2011 and 2012, the Company made payments of interest for $823 and $7,049, respectively. The loan matures in November 16, 2014 and bears variable interest based on the six-month London Interbank Offered Rate ("LIBOR") plus 250 bps (average annual rate of 3.06% and 3.23% during 2011 and 2012, respectively).

(d) During 2010, 2011 and 2012, the Company received long-term loans from SOT Suisse for $3.1 million, $6.3 million and $- million, respectively. During 2010, the Company made payments of capital and interest for $0.5 million and $3.7 million, respectively; during 2011 and 2012, the Company made payments of interest for $3.6 million and $2.8 million, respectively. The loans mature in March 2017 and bear variable interest based on the previous month midterm annual AFR plus 200 bps (an average annual rate of 4.31%, 4.02% and 3.04% during 2010, 2011 and 2012, respectively).

(e) The Company received loans from Sempra Global during 2010, 2011 and 2012 for $576.4 million, $266.8 million and $122.0 million, respectively. During 2010, the Company made payments of capital and interest for $700.3 million and $3.4 million, respectively; during 2011, the Company made payments of capital and interest for $239.8 million and $0.3 million, respectively, and, during 2012, the Company made payments of capital and interest for $125.0 million and $0.4 million, respectively. The amounts are due from November 10, 2013 to December 15, 2027 and bear variable interest based on the previous month midterm annual AFR (an average annual rate of 2.63%, 2.02% and 0.95% during 2010, 2011 and 2012, respectively).

(f) During 2010, 2011 and 2012, the Company received long-term loans from SGEN for $0.01 million, $- million and $0.02 million, respectively. During 2010, 2011 and 2012, the Company made payments of interest for $658, $744 and $587, respectively. The loans mature on December 31, 2017 and bear variable interest based on the previous month midterm annual AFR plus 200 bps (an average annual rate of 2.7% during 2010, 2011 and 2012, respectively).

(g) During 2010, the Company received long-term loans from SET International for $37.7 million. During 2010 and 2011, the Company made payments of $40 million and $249.3 million, respectively; and bore variable interest based on the six-month LIBOR plus 394 bps (an average annual rate of 4.53% and 4.37% during 2010 and 2011, respectively). The Company paid off the balance in 2011.

(h) During 2010, the Company received short-term loans from SE Holdings VII for $199.0 million. The loan matured in June 2011 and bore variable interest at the six-month LIBOR plus 394 bps (an average annual rate of 4.69% and 4.37% for 2010 and 2011, respectively).

7.4. Compensation of key management personnel

The Company's operational and financial key decisions are made by the Parent's management. Intercompany charges from U.S. affiliates have been made to allocate the remuneration of directors and key executives during 2010 and 2011. During 2012, the Company has begun hiring directly certain of its key management positions, however, compensation has not been significant and is not representative of a full period of compensation due to the vacancies and timing of hiring of each individual.

8. Inventory of natural gas

	12/31/10	12/31/11	12/31/12
Liquefied natural gas	$24,133	$10,579	$9,273

The cost of inventories recognized as a cost was $311,106, $272,772 and $196,682 for the years ended December 31, 2010, 2011, and 2012 respectively.

The cost of inventories recognized as an expense includes $ -, $1,779 and $(1,779) for years ended December 31, 2010, 2011 and 2012, respectively, in regards of write-downs of inventory to net realizable value. Previous write-downs have not been reversed.

9. Finance lease receivables

	12/31/10	12/31/11	12/31/12
Current finance lease receivables	$ 31	$ 41	$ 56
Non-current finance lease receivables	14,794	14,753	14,700
	$14,825	$14,794	$14,756

Due to materiality, the Company's management decided to present the current receivable amount within the non-current portion.

9.1. Leasing arrangements

The Company entered into a finance lease arrangement for one of its compression stations. The lease is denominated in U.S. Dollars. The term of the finance lease entered into is 25 years.

9.2. Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	12/31/11	12/31/12	12/31/11	12/31/11
Not later than one year	$ 5,136	$ 5,136	$ 41	$ 56
Later than one year and not later than five years	20,544	22,458	414	1,264
More than five years	49,648	25,869	14,339	13,436
	75,328	53,463	14,794	14,756
Less: unearned finance income	(60,534)	(38,707)	n/a	n/a
Present value of minimum lease payments receivable	14,794	14,756	14,794	14,756
	$ 14,794	$ 14,756	$14,794	$14,756

No residual values of assets leased under finance lease at the end of the reporting period are estimated.

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 34.48% per annum for 2010, 2011 and 2012.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

The receivable under finance lease balance as of December 31, 2012 is neither past due nor impaired.

10. Other assets

	12/31/10	12/31/11	12/31/12
Prepayments	$ 2,485	$ 3,927	$ 5,677
Pipeline interconnection rights	2,692	2,571	1,629
Land leases	724	435	70
Other recoverable taxes (mainly VAT)	18,313	14,541	12,623
IMPAC	5,062	5,037	4,261
Guarantee deposits	287	209	266
Natural gas imbalance	381	381	396
	$29,944	$27,101	$24,922
Current	$22,423	$19,880	$23,029
Non-current	7,521	7,221	1,891
	$29,944	$27,101	$24,922

11. Joint venture

The Company has a 50% equity ownership in the members' equity of GdC, an entity jointly controlled with PGPB. As of December 31, 2012, 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:

	12/31/10	12/31/11	12/31/12
Cash and cash equivalents	$ 792	$ 5,500	$ 74,527
Investments in securities	181,450	207,777	151,766
Other current assets	28,334	27,163	29,343
Current assets	210,576	240,440	255,636
Property, plant and equipment	323,789	322,135	349,925
Other non-current assets	540	538	901
Non-current assets	324,329	322,673	350,826
Total assets	$534,905	$563,113	$606,462
Current liabilities	$ 32,037	$ 29,962	$ 20,684
Non-current liabilities	87,610	74,727	52,467
Total liabilities	119,647	104,689	73,151
Total members' equity	$415,258	$458,424	$533,311
Share of members' equity	$207,629	$229,212	$266,656
Goodwill and indefinite lived intangible assets	64,949	64,943	64,943
Carrying amount of investment in joint venture	$272,578	$294,155	$331,599

	For the period from 4/30/10 to 12/31/10	Year ended 12/31/11	Year ended 12/31/12
Revenue	$ 78,213	$125,809	$139,196
Cost and expenses	(23,705)	(45,699)	(49,492)
Interest income, net	(2,344)	(5,538)	(1,337)
Income tax expense	(15,242)	(31,418)	(13,479)
Profit from continuing operations	36,922	43,154	74,888
Other comprehensive income	—	—	—
Total comprehensive income	$ 36,922	$ 43,154	$ 74,888
Share of profits of joint venture	$ 18,461	$ 21,577	$ 37,444

12. Goodwill

	12/31/10	12/31/11	12/31/12
Cost	$25,654	$25,654	$25,654

	12/31/10	12/31/11	12/31/12
Cost			
Balance at beginning of year	$ —	$25,654	$25,654
Sempra Gasoductos México combined financial information	25,654	—	—
Balance at end of year	$25,654	$25,654	$25,654

There are no accumulated impairment losses.

12.1. Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to Sempra Gasoductos México's cash-generating unit, which is included in the Gas segment.

The recoverable amount of this cash-generating unit is determined based on a 10-year discounted cash flow ("DCF") analysis of Sempra Gasoductos México's projected results. The DCF for 2011 was calculated based on a long-term unlevered cash flow forecast using a discount rate of 9%, which was the same rate used at the acquisition date.

There are no significant changes in Sempra Gasoductos México's operations that would indicate potential impairment since acquisition. Its financial results have been consistent with management's initial projections, there have been no significant changes on the macroeconomic indicators (i.e. risk free rates are unchanged or lower than acquisition date and Sovereign average rating BBB for Mexico are stable), there have been no material changes in the regulatory environment, and there have been no significant changes in workforce, strategy, market trends or impacts due to recent acquisitions/integrations.

Although the Company's management believes the actual rate may be lower as debt market levels have declined since the acquisition, the rate from the acquisition was used as a reasonable rate for testing purposes.

13. Property, plant and equipment—Net

	12/31/10	12/31/11	12/31/12
Carrying amounts of:			
Buildings and plants	$2,046,836	$2,047,554	$2,072,258
Equipment	42,707	43,118	43,729
Other assets	24,503	22,943	27,923
	2,114,046	2,113,615	2,143,910
Accumulated depreciation and amortization	(261,649)	(317,789)	(381,890)
Land	74,238	74,233	74,421
Properties under construction	11,279	15,900	48,298
	$1,937,914	$1,885,959	$1,884,739

Cost	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Balance at January 1, 2010	$74,211	$1,994,283	$40,438	$ 33,197	$ 22,859	$2,164,988
Additions	—	49,610	7,991	(21,918)	2,117	37,800
Disposals	—	(9,234)	(5,801)	—	(1,759)	(16,794)
Sempra Gasoductos México combined financial information	25	131	—	—	919	1,075
Effect of foreign currency exchange differences	2	8,879	79	—	367	9,327
Revisions and additions to decommissioning liability	—	3,167	—	—	—	3,167
Balance at December 31, 2010	$74,238	$2,046,836	$42,707	$ 11,279	$ 24,503	$2,199,563
Additions	—	11,332	3,093	4,621	1,471	20,517
Disposals	—	(281)	(2,535)	—	(1,961)	(4,777)
Effect of foreign currency exchange differences	(5)	(20,138)	(147)	—	(1,070)	(21,360)
Revisions and additions to decommissioning liability	—	9,805	—	—	—	9,805
Balance at December 31, 2011	$74,233	$2,047,554	$43,118	$ 15,900	$ 22,943	$2,203,748
Additions	185	9,349	559	32,398	4,806	47,297
Disposals	—	(553)	(46)	—	(511)	(1,110)
Effect of foreign currency exchange differences	3	11,598	98	—	685	12,384
Revisions and additions to decommissioning liability	—	4,310	—	—	—	4,310
Balance at December 31, 2012	$74,421	$2,072,258	$43,729	$ 48,298	$ 27,923	$2,266,629

Accumulated depreciation	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Balance at January 1, 2010	$ —	$ (184,919)	$ (2,942)	$ —	$(10,103)	$ (197,964)
Eliminated on disposals of assets	—	59	—	—	1,152	1,211
Depreciation expense	—	(59,086)	(1,063)	—	(2,601)	(62,750)
Effect of foreign currency exchange differences	—	(1,385)	(10)	—	(300)	(1,695)
Sempra Gasoductos México combined financial information	—	(11)	(5)	—	(435)	(451)
Balance at December 31, 2010	$ —	$ (245,342)	$ (4,020)	$ —	$(12,287)	$ (261,649)
Eliminated on disposals of assets	—	76	—	—	1,784	1,860
Depreciation expense	—	(59,530)	(1,002)	—	(2,397)	(62,929)
Effect of foreign currency exchange differences	—	4,105	20	—	804	4,929
Balance at December 31, 2011	$ —	$ (300,691)	$ (5,002)	$ —	$(12,096)	$ (317,789)
Eliminated on disposals of assets	—	22	45	—	482	549
Depreciation expense	—	(58,046)	(1,052)	—	(2,101)	(61,199)
Effect of foreign currency exchange differences	—	(2,365)	(13)	—	(1,073)	(3,451)
Balance at December 31, 2012	$ —	$ (361,080)	$ (6,022)	$ —	$(14,788)	$ (381,890)

ECA acquired 19,452,209 square meters of land of which 627,614 were used for the construction of the LNG Terminal. The remaining land is used as buffer and access zones in accordance to the authorization issued by the Mexican Natural Resources and Environmental Secretary (Secretaría de Medio Ambiente y Recursos Naturales, "SEMARNAT" by its initials in Spanish).

The Company capitalized borrowing costs on qualifying assets of $ -, $872 and $76 for the years ended December 31, 2010, 2011 and 2012, respectively.

13.1. Useful lives of property, plant and equipment

Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	40
Plant and equipment for LNG storage, regasification and nitrogen injection facility(1)	5-45
Pipelines system for transportation and distribution of natural gas(1)	34-50
Plant and equipment for generation of electricity(1)	37
Fiber optic network(1)	5-20
Leasehold improvements(2)	3-10
Machinery and other equipment(2)	3-10
Other assets(2)	3-20

(1) Useful lives related to Plant and equipment category
(2) Useful lives related to Other assets category

14. Trade and other payables

	12/31/10	12/31/11	12/31/12
Trade payables	$25,052	$24,378	$24,388
Other miscellaneous payables	64	19	60
	$25,116	$24,397	$24,448

The average credit periods on purchases of goods and services are between 15 to 30 days. No interest has been charged on trade payables. The Company has policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. Employee benefits

15.1. Defined contribution component

The Company provides a defined contribution plan for all permanent full-time employees in Mexico. Employees that leave the Company obtain their employee contributions according to the following vesting schedule: a) Basic Contribution: 100% immediately for the capital accumulated. b) Additional Contribution: for the capital accumulated the vesting rates are: 100% in case of death or disability, and in case of voluntary termination according with the Company policy.

Defined benefit component

The Company also provides a defined benefit plan for all permanent full-time employees of its subsidiaries in Mexico. Under the plans, the employees are entitled to retirement benefits varying between 55% and 100% of their final salary upon reaching the retirement age of 65. No other post-retirement benefits are provided to these employees.

15.2. Seniority premium benefits

The Company provides seniority premium benefits, which consist of a lump sum payment of 12 days of wages per each year worked, calculated using the employee's most recent salary, not to exceed twice the minimum wage established by law.

15.2.1. Costs and obligations for post-employment and other long-term employee benefits

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at		
	12/31/10	**12/31/11**	**12/31/12**
Discount rates	7.50%	7.75%	7.25%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$12.83	$13.16	$13.01

Amounts recognized within current earnings and other comprehensive income as well as benefits paid with respect to the Company's post-employment and other long-term employee benefits were as follows.

	Year ended		
	12/31/10	**12/31/11**	**12/31/12**
Current service cost recognized in administrative and other expenses	$606	$ 199	$208
Interest on obligation recognized in finance costs	60	103	113
Actuarial (gains) losses recognized in OCI	229	(117)	414
Benefits paid recognized in administrative and other expenses	—	(2)	(8)

The amount included in the consolidated statements of financial position arising from the Company's obligation in respect of its defined benefit plans, and movements in the present value of the defined benefit obligation in the current year, were as follows:

	Year ended		
	12/31/10	**12/31/11**	**12/31/12**
Opening defined benefit obligation	$ 654	$1,394	$1,381
Current service cost	417	177	253
Interest cost	61	91	113
Actuarial (gains) losses	229	(117)	414
Exchange differences on plans of entities with Mexican peso as functional currency	37	(162)	—
Benefits paid	(4)	(2)	(8)
Closing defined benefit obligation	$1,394	$1,381	$2,153

16. Other financial liabilities

	12/31/10	**12/31/11**	**12/31/12**
Borrowing(a)	$ —	$ 962	$ 989
Customer deposits	581	580	616
	$ 581	$1,542	$1,605

(a) On November 7, 2011, the Company signed a funding agreement with BP Wind Energy North America Inc., for a credit line in the aggregate principal amount up to $1,106. The availability period of the line of credit was originally until January 31, 2012. Interest would accrue on any outstanding amount of advances thereunder from time to time, calculated at a rate of interest per annum equal to, for any given month, the 30-day LIBOR plus 500 bps. As of December 31, 2011, and 2012, the accrued interest was $3 and $51, respectively. During 2012, the Company made payments of interest for $26. On January 31, 2012 an amendment to the funding agreement described above was made, by which the credit amount and availability period were extended to $1,443 and March 24, 2012, respectively.

17. Other liabilities

	12/31/10	12/31/11	12/31/12
Wages and benefits payable	$ 3,408	$ 3,757	$4,992
Other current liabilities (mainly IVA payable)	8,327	6,690	3,315
	$11,735	$10,447	$8,307

18. Provisions

	12/31/10	12/31/11	12/31/12
Asset retirement obligation(i)	$18,022	$28,862	$34,820
Right of ways(ii)	2,840	—	—
Long term service agreement(iii)	8,517	2,981	2,788
Other(iv)	5,428	3,080	—
	$34,807	$34,923	$37,608
Current	$ 8,648	$ 2,981	$ 2,788
Non-current	26,159	31,942	34,820
Total provisions	$34,807	$34,923	$37,608

18.1. Reconciliation of provisions

	Asset retirement obligation	Right-of-ways	Long term service agreement	Other	Total
Balance at January 1, 2010	$13,922	$ 1,478	$ 3,485	$ 578	$19,463
Additional provisions recognized	—	1,362	10,540	113	12,015
Accretion expense	892	—	—	—	892
Payments and other decreases in provisions recognized	—	—	(5,508)	—	(5,508)
Acquisitions through Sempra Gasoductos México combined financial information	52	—	—	4,707	4,759
Unwinding of discount and effect of changes in the discount rate	3,156	—	—	—	3,156
Effect of foreign currency exchange	—	—	—	30	30
Balance at December 31, 2010	18,022	2,840	8,517	5,428	34,807
Additional provisions recognized		169	662	—	831
Accretion expense	1,031	—	—	—	1,031
Payments and other decreases in provisions recognized	—	(2,451)	(6,198)	—	(8,649)
Reductions resulting from re-measurement or settlement without cost	—	(558)	—	(2,347)	(2,905)
Unwinding of discount and effect of changes in the discount rate	9,809	—	—	—	9,809
Effect of foreign currency exchange	—	—	—	(1)	(1)

	Asset retirement obligation	Right-of-ways	Long term service agreement	Other	Total
Balance at December 31, 2011	28,862	—	2,981	3,080	34,923
Additional provisions recognized	—	—	—	—	—
Accretion expense	1,906	—	—	—	1,906
Payments and other decreases in provisions recognized	—	—	(2,981)	—	(2,981)
Reductions resulting from re-measurement or settlement without cost	—	—	—	(327)	(327)
Unwinding of discount and effect of changes in the discount rate	4,052	—	—	—	4,052
Effect of foreign currency exchange	—	—	—	35	35
Balance at December 31, 2012	$34,820	$ —	$ —	$2,788	$37,608

(i) For tangible long-lived assets, the Company records ARO for the present value of liabilities of future costs expected to be incurred when assets are retired from service, if the retirement process is legally required and if a reasonable estimate of the amount of the obligation can be made. The Company also records a liability if a legal obligation to perform an asset retirement exists and can be reliably estimated, but performance is conditional upon a future event. The Company records the estimated retirement cost over the life of the related asset by depreciating the present value of the obligation (measured at the time of the asset's acquisition) and accreting the discount until the liability is settled. The discount rates used by the Company were 5.7213%, 4.5760% and 4.1130% as of December 31, 2010, 2011, and 2012, respectively.

(ii) The Company recognized a provision related to an agreement with Banco Nacional de Obras y Servicios Públicos ("BANOBRAS") associated with the use of right of ways owned by Petróleos Mexicanos ("PEMEX"). In 2004 PEMEX requested an appraisal of the monthly rent amount. The increase in rent amount was in dispute by both parties and in 2011 the Company agreed to pay the amount outstanding being sought by PEMEX.

(iii) The Company entered into a long-term service agreement ("LTSA") with a third-party to cover certain periodic maintenance, including replacement parts for power generation turbines. The term of the agreement is based on turbine usage, which in the case of TDM is estimated to be approximately 15 years.

(iv) Other provisions include a liability for an onerous contract that represent the present value of the future losses that the Company is expected to receive under one of its service contracts. Since the asset is underutilized, it was determined that the income approach based on the Company's economic model utilizing a DCF analysis was appropriate to measure the provision calculation using a discount rate of 10%. The amounts of the provision as of December 31, 2010, 2011 and 2012 were $2,536, $2,659 and $2,536, respectively.

Other provisions also include a liability that offsets a construction project that was purchased by Sempra Energy as part of the Sempra Gasoductos México acquisition that was being contemplated by the previous management. As Sempra Energy believed it was unlikely that the project would move forward, a provision was recognized in 2010 for $2,048 to offset the value of the capitalized asset. In 2011, the project was effectively cancelled and both the asset and related provision were cancelled.

19. Financial instruments

19.1. Capital management

Decisions on capital management for Sempra México and Sempra Gasoductos México are made by Parent's directors and key executives. The Parent's risk management committee reviews the capital structure of the Company at its regular sessions. As of December 2011, all funding for major capital projects had been received from the Parent. The Company expects its cash flows from operations to fund a substantial portion of future capital expenditures and dividends.

The Company is subject to externally imposed capital requirements for its Gas segment regulated subsidiaries. According to applicable regulations the subsidiaries need to include in their bylaws the requirement to have a minimum fixed capital, without withdrawal rights, equivalent to ten percent (10%) of their investment.

Also, the Company has a commitment with the Mexican regulator for capital contributions based on invested capital for its LNG terminal. As of December 31, 2010, 2011 and 2012 the Company had complied with the above requirements.

19.2. Categories of financial instruments

	12/31/10	12/31/11	12/31/12
Financial assets			
Cash and bank balances	$ 54,379	$ 27,364	$ 85,073
FVTPL			
Held for trading	11,432	7,335	5,157
Loans and receivables	102,841	86,692	119,720
Financial liabilities			
FVTPL			
Held for trading	$ 46,819	$ 53,298	$ 49,882
Amortized cost	580,950	397,375	451,311

19.3. Financial risk management objectives

The activities carried out by the Company may expose it to financial risk, including market risk, which encompasses foreign exchange, interest rate and commodity price risks, credit risk and liquidity risk. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities on the consolidated statements of financial position or off-balance sheet risks (firm commitments and highly probable forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks, including guidelines for permissible losses, for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, or when such instruments can be designated as hedges, or when they do not qualify for hedge accounting, but rather qualify as held-for-trading, which is the case for derivative financial instruments and a certain interest rate swap agreement. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

19.4. Market risk

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

The Company has policies governing its market risk management and trading activities. The Parent's senior officers are members of committees that establish policies, oversee energy risk management activities, and monitor the results of trading and other activities to ensure compliance with the Company's stated energy risk management and trading policies. These activities include, but are not limited to, daily monitoring of market positions that create credit, liquidity and market risk. The respective oversight organizations and committees are independent from the energy procurement departments.

The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price risk and interest rate risk, including:

- interest rate swaps to mitigate the risk of rising interest rates; and
- commodity price contracts to hedge the volatility in the prices and basis of natural gas.

There has been no material change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

ECO uses natural gas derivatives to manage the natural gas price risk associated with servicing load requirements. The use of natural gas derivatives is subject to certain limitations imposed by the Company's policy and is in compliance with risk management and trading activity plans that have been filed with and approved by regulators. Any costs or gains/losses associated with the use of natural gas derivatives are considered to be commodity costs. Commodity costs are generally passed on to customers as incurred. No asset or liability has been recognized regarding the amounts to be passed on to customers in subsequent periods as there is no contractual right or obligation with the customers for reimbursement of such amounts.

19.5. Value at Risk ("VaR") analysis

The VaR measure estimates the potential loss in pre-tax profit, under normal market conditions, over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Along with other tools, the Company uses VaR to measure its exposure to market risk primarily associated with commodity derivative instruments that the Company holds. The Company uses historical volatilities and correlations between instruments and positions in the calculations.

The Company uses a one-day holding period and a 95% confidence interval in its VaR calculations. The one-day 95% VaR number reflects the 95% probability that the daily loss will not exceed the reported VaR.

The variance-covariance approach was used to calculate the VaR values.

	Year ended		
VaR History (95%, one day) by risk type	**12/31/10**	**12/31/11**	**12/31/12**
Interest rate swap	$2,728	$1,679	$1,059
Natural gas purchase and sale	105	64	61
Commodity fixed price swap	159	—	—
Total VaR exposure	$2,747	$1,670	$1,072

VaR is a statistical estimate of how much a portfolio may lose in the given time horizon for the given confidence interval. By using a VaR with a 95% confidence interval, the potential losses above that percentile are not considered; by using historical data possible adverse extreme movements might not be captured, since these did not occur during the time period considered in the calculations; and there is no guarantee that the actual losses will not exceed the calculated VaR.

While VaR captures the Company's daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in commodity prices and interest rates over a year. Details of sensitivity analysis for foreign currency risk are set out in Note 19.7 below.

19.6. Commodity price risk

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

The Company is generally exposed to commodity price risk indirectly through its LNG, natural gas pipeline and storage, and power generating assets. The Company may utilize commodity transactions in the course of optimizing these assets. These transactions are typically priced based on market indexes, but may also include fixed price purchases and sales of commodities. Any residual exposure is monitored as described above.

19.7. Foreign currency risk management

The Company has investments in entities whose functional currency is not the U.S. Dollar; also, it has balances in Mexican Pesos held by its U.S. Dollar functional currency subsidiaries, exposing the Company to foreign exchange movements.

The Company's primary objective in reducing foreign currency risk is to preserve the economic value of the investments and to reduce earnings volatility that would otherwise occur due to exchange rate fluctuations.

As mentioned above, the Company enters into transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency-denominated financial assets and financial liabilities, in relation to its subsidiaries' functional currencies, at the end of the reporting period are as follows.

	Financial assets		
	12/31/10	12/31/11	12/31/12
U.S. Dollar functional currency subsidiaries	$34,439	$73,008	$27,259
Mexican Peso functional currency subsidiaries	50,795	39,100	39,473

	Financial liabilities		
	12/31/10	12/31/11	12/31/12
U.S. Dollar functional currency subsidiaries	$13,304	$11,998	$13,103
Mexican Peso functional currency subsidiaries	3,811	5,256	4,059

For the Company's U.S. Dollar functional currency subsidiaries their Mexican Peso balances include: bank accounts, IVA, ISR, IETU, prepaid expenses, guarantee deposits, trade accounts payable and other tax withholdings.

For the Company's Mexican peso functional currency subsidiaries, their U.S. Dollar balances include: bank accounts, intercompany loans, trade accounts payable and provisions.

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

	12/31/10	12/31/11	12/31/12	24/02/13
One U.S. Dollar	12.3571	13.9787	13.0101	12.7699

19.7.1. Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 19.7 above are exposed to the Mexican peso for its U.S. Dollar functional currency subsidiaries and to the U.S. Dollar for its Mexican peso functional currency subsidiaries.

The following table details the Company's profit or loss and OCI sensitivity to a 10% increase and decrease in the U.S. Dollar against the Mexican Peso. The sensitivity rate used to report foreign currency risk internally to key Company's management is 10%, which represents management's benchmark of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes intercompany loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A negative number below indicates a decrease in profit or equity where the U.S. Dollar strengthens 10% against the Mexican Peso for U.S. Dollar functional currency subsidiaries. For a 10% weakening of the U.S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be positive.

For U.S. Dollar functional currency entities, the sensitivity analysis to changes in the Mexican Peso to U. S. Dollar exchange rate is determined on a pre-tax basis due to the complexity of determining the tax impacts (tax laws recognize taxable or deductible exchange gains and losses based on the U.S. Dollar monetary position, regardless of the functional currency).

For Mexican Peso functional currency subsidiaries, a positive number below indicates an increase in profit or equity where the U.S. Dollar strengthens 10% against the Mexican Peso. For a 10% weakening of the U.S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	U.S. Dollar functional currency			Mexican Peso functional currency		
	2010	2011	2012	2010	2011	2012
Profit or loss	$(1,345)	$(3,882)	$(901)(i)	$ —	$ —	$ —
OCI	—	—	—	2,990	2,154	2,254

(i) This is mainly attributable to the exposure to outstanding Mexican peso receivables in the U.S. Dollar functional currency subsidiaries at the end of each reporting period.

The U.S. Dollars functional currency subsidiaries sensitivity to foreign currency has increased during the years ended December 31, 2011 and 2012 mainly due to consolidated estimated tax payments.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has decreased during the years ended December 31, 2011and 2012 mainly due to lower intercompany loans with affiliates.

19.8. Interest rate risk management

In 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of $450 million in U.S. dollars from third parties for ECA, which were designated as cash flow hedges. In 2007, the original hedged items became probable of not occurring due to a change in the Company's external borrowing needs. Accordingly, a cash flow hedge gain of $30 million was reclassified from OCI in members' equity to current earnings, and changes in the fair value of these instruments were recognized in current earnings prospectively within other gains and losses line item. At December 31, 2011 and 2012, there is one remaining interest rate swap agreement with a notional amount of $174,236 and $166,948 in U.S. Dollars under which Sempra México receives a variable interest rate (three-month LIBOR) and pays a fixed interest rate of 5.0%. The swap expires on December 15, 2027.

The Company recognizes the change in fair value and the settlements of the interest rate swap in the "other losses and gains" line item within the consolidated statements of profit and loss.

The one-year VaR information related to the interest rate swap is included in Note 19.5.

19.8.1. Interest rate swap contracts entered into by the Company's joint venture

The joint venture with PGPB entered into a swap contract to convert its variable interest rate debt, which matures on October 15, 2013, to a fixed interest rate. The notional value on December 31, 2010, 2011 and 2012 amounted to $37,126, $25,811 and $13,461, respectively, hedged the entire outstanding debt with the commercial bank, and the maturity date coincided with that of the debt. The interest was recorded in the gas pipeline construction cost during the construction period, and as part of the financial costs in the joint venture's individual statements of profit and loss as of the commercial startup date. The fair value of derivative instruments is based on the market values in place as of the date of the consolidated financial statements, which impacts investment in the joint venture with a charge to current earnings.

The Company's management considers the results of the sensitivity analysis for this derivative to be insignificant.

19.9. Credit risk management

Credit risk is the risk of loss that would be incurred as a result of nonperformance of the Company's counterparties' contractual obligations. The Company monitors credit risk through a credit-approval process and the assignment and monitoring of credit limits. The Company establishes these credit limits based on risk and return considerations under terms customary for the industry.

As with market risk, the Company has policies and procedures to manage credit risk, which are tailored for each business segment, administered by each subsidiary's respective departments and overseen by their management.

In ECO, depending on the type of service requested by the customer, different criteria are applied as follows:

Minor customers (residential customers for household consumption):

- Copy of official identification;
- Proof of residence or power of attorney from landlord, in case of rental residences;
- Personal references, which are confirmed; and
- Registration with tax agency for commercial customers with minor consumption.

Major customers (customers for industrial and commercial consumption):

- Power of attorney;
- Legal representative official identification;
- Copy of articles of incorporation;
- Proof of address; and
- Depending on consumption volume, a guarantee is required, which could include letter of credit, cash deposit, or promissory notes, among others.

The oversight includes a monthly review of 100% of the balances of major customers by the credit and collection department, to make sure that payments are made on a timely manner and to ensure that they are in compliance with the agreed terms of their contract.

The Company believes that it has allocated adequate reserves for counterparty's nonperformance. For all other entities of the Gas and Power segments, when the Company's development projects become operational, they rely significantly on the ability of their suppliers to perform on long-term agreements and on the ability to enforce contract terms in the event of nonperformance. Also, the factors that the Company considers in evaluating a development project include negotiating customer and supplier agreements and, therefore, rely on these agreements for future performance. The Company may also base its decision to go forward on development projects on these agreements.

19.9.1. Concentration of credit risk

GRO and TGN conduct their businesses based upon ongoing evaluations of their customers' financial conditions and certain guarantees, except when such clients qualify for credit based on their long-term debt credit ratings issued by "Standard & Poors" or other credit rating agency in the U. S. or Canada.

GRO believes that the risk arising from its concentration of credit is mitigated since all customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

TGN provides transportation services mainly to one sole customer. TGN believes that a concentration of credit risk is mitigated since its customer pays on a monthly basis, otherwise service can be suspended until due amounts are collected.

Sempra LNG Marketing México sells natural gas and provides transportation services to three customers. Sempra LNG Marketing México believes that a concentration of credit risk is mitigated since one of its customers is a governmental entity and another is a related party. Additionally, all customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

ECA provides LNG storage and regasification services to Sempra LNG Marketing México and two other third parties. ECA believes that a concentration of credit risk is mitigated based on the creditworthiness of its customers.

Following is a table that shows the Company's revenue concentration by customer:

	Segment	12/31/10	12/31/11	12/31/12
Customer 1 (U.S. related party)	Power	$164,981	$187,775	$127,656
Customer 2	Gas	163,031	176,435	143,901
Customer 3 (U.S. related party)	Gas	175,123	120,014	121,446
Customer 4	Gas	92,254	96,276	95,856
Customer 5	Gas	83,718	97,123	71,674
Others*		120,630	144,853	47,074
		$799,737	$822,476	$607,607

* Within Others, there are no customers with greater than 10% of revenue concentration.

As mentioned above, all major customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected, and as a result of the Company's management does not believe the Company is exposed to significant credit risks.

The Company's maximum credit risk exposure as of December 31, 2010, 2011 and 2012, was $166,324, $121,335 and $205,052, respectively.

19.9.2. Other credit enhancements

The Company held letters of credit to cover its credit risks associated with its derivative financial assets with industrial customers (Note 19.11.4), amounting to $2,328, $1,358 and $27 as of December 31, 2010, 2011 and 2012, respectively.

19.10. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Parent's directors and key executives, who have established an appropriate liquidity risk management framework for management of the Company's funding and liquidity management requirements. All funding for major capital projects has been received from Parent.

19.10.1. Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on contractual maturity, which is the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2010						
Non-interest bearing	—	$ 46,245	$ —	$ —	$ —	$ 46,245
Variable interest rate loan from Sempra Global's	1.59	16	1,030	—	—	1,046
Variable interest rate loan from SOT Suisse's	3.73	3,228	6,456	6,456	89,269	105,409
Variable interest rate loan from SET International	4.69	11,859	255,518	—	—	267,377
Variable interest rate loan from SE Holdings VII	4.69	203,693	—	—	—	203,693
		$265,041	$263,004	$6,456	$89,269	$623,770
December 31, 2011						
Non-interest bearing	—	$ 62,715	$ —	$ —	$ —	$ 62,715
Variable interest rate loan from Sempra Global's	1.20	341	28,293	—	—	28,634
Variable interest rate loan from SOT Suisse's	3.63	3,373	6,747	6,747	92,372	109,239
Variable interest rate loan from Sempra Chile	3.06	6,673	227,524	—	—	234,197
		$ 73,102	$262,564	$6,747	$92,372	$434,785

	Weighted average effective interest rate %	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2012						
Non-interest bearing		$ 36,187	$ —	$ —	$—	$ 36,187
Variable interest rate loan from Sempra Global's	0.89	25,194	—	—	—	25,194
Variable interest rate loan from SOT Suisse's	2.93	2,723	5,446	94,957	—	103,126
Variable interest rate loan from SEIH	3.14	85,840	—	—	—	85,840
Variable interest rate loan from Sempra Chile	3.14	6,836	220,993	—	—	227,829
		$156,780	$226,439	$94,957	$—	$478,176

Prepayments on intercompany loans can be made at the Company's discretion.

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or commodity prices forward curves at the end of the reporting period.

	Less than 1 year	1-3 years	3-5 years	5+ years	Total
December 31, 2010					
Net settled:					
—Interest rate swaps	$ 8,203	$11,357	$4,268	$ 894	$24,722
—Commodity price swaps	6,460	428	—	—	6,888
—Natural gas purchase/sale	4,123	8,578	3,194	—	15,895
	$18,786	$20,363	$7,462	$ 894	$47,505
December 31, 2011					
Net settled:					
—Interest rate swaps	$ 7,484	$13,204	$9,096	$16,286	$46,070
—Commodity price swaps	908	—	—	—	908
—Natural gas purchase/sale	3,134	6,222	—	—	9,356
	$11,526	$19,426	$9,096	$16,286	$56,334
December 31, 2012					
Net settled:					
—Interest rate swaps	$ 7,666	$13,594	$9,806	$13,444	$44,510
—Commodity price swaps	3	—	—	—	3
—Natural gas purchase/sale	3,785	3,189	—	—	6,974
	$11,454	$16,783	$9,806	$13,444	$51,487

19.11. Fair value of financial instruments

19.11.1. Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the Company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	12/31/10		12/31/11		12/31/12	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Financial lease receivables	$ 14,825	$ 52,488	$ 14,794	$ 54,563	$ 14,752	$ 51,936
Financial liabilities						
Financial liabilities held at amortized cost:						
Loans from related parties	534,705	505,147	334,660	302,039	415,124	316,715

19.11.2. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair value of finance lease receivables is determined by calculating the present value of the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.
- The Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount to present value is adjusted to reflect the Company's own credit risk.
- The fair value of commodity and other derivative positions, which include interest rate swaps, are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

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

Finance lease receivables. The fair value of finance lease receivables was estimated to be $52,488, $54,563 and $51,936 as of December 31, 2010, 2011 and 2012, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

19.11.3. Fair value measurements recognized in the consolidated statements of financial position.

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" is defined 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, the Company's management considers the Company's credit standing when measuring its liabilities at fair value.

The Company establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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.

The Company's assets and liabilities that were accounted for at fair value on a recurring basis as listed in the table below are classified as Level 2 within the fair value hierarchy.

	12/31/10	12/31/11	12/31/12
Financial assets at FVTPL			
Derivative financial assets	$11,432	$ 7,335	$ 5,157
Financial liabilities at FVTPL			
Derivative financial liabilities	$46,819	$53,298	$49,882

The Company does not have financial assets or liabilities classified as Level 1 or Level 3 and there were no transfers between Level 1 and 2 during the reporting periods.

19.11.4. Commodities and other derivative positions

On May 26, 2006, Sempra LNG Marketing México entered into a natural gas sales and purchase agreement with RBS Sempra Commodities LLP ("RBS"), an unconsolidated related party who later novated the contract to J.P. Morgan Ventures Energy Corp. ("JPM") in connection with a sale of assets to JPM, who in turn entered into another agreement with TDM to facilitate the sale and purchase transactions between Sempra LNG Marketing México and TDM. The agreement includes the nomination and scheduling service of monthly natural gas quantities to be delivered to TDM by Sempra LNG Marketing México from September 2009 through September 2014 with a notional amount of 70,000 million British Thermal Units ("MMBtus") per day. In the agreement between JPM and TDM, settlement is based on the Southern California Index ("SOCAL Index") price. In the agreement between JPM and Sempra LNG Marketing México, settlement is based on the SOCAL Index price minus a discount. These agreements are recorded as derivatives at fair value.

ECO uses forward purchase agreements to manage the price risk associated with anticipated future purchases of natural gas on behalf of its customers: industrial, commercial and residential. As of December 31, 2010, 2011 and 2012, the notional amounts of the outstanding positions were 3,857,872 MMBtus, 300,000 MMBtus and 6,000 MMBtus, respectively. As mentioned in Note 19.4, ECO passes through the effects or benefits of such forward purchase agreements to its customers. As of December 31, 2010, 2011 and 2012, the notional amounts of the outstanding positions with industrial customers were 600,000 MMBtus, 300,000 MMBtus and 6,000 MMBtus, respectively. No derivative financial instrument is recognized on the residential customer's part since there is no contractual right or obligation with them for future gains or losses.

The Company recognizes the change in fair value and the settlements in the "cost of natural gas" line item within the consolidated statements of profit and loss.

20. Income taxes

The Company is subject to ISR and IETU.

ISR—Through the Federation's Revenue Law for 2013, the ISR rate applicable to enterprises was modified for fiscal years 2013 and 2014. ISR rates were 30% for 2010, 2011 and 2012 and will be: 30% for 2013; 29% for 2014; and 28% for 2015 and subsequent years. Sempra México pays ISR, together with its subsidiaries on a consolidated basis, beginning in fiscal year 2000, except for Sempra Gasoductos México and subsidiaries. For the year ended December 31, 2012 Sempra Gasoductos México and subsidiaries paid ISR on an individual basis.

ISR tax reform—On December 7, 2009, amendments to the ISR Law were published which became effective beginning 2010. These amendments state that: a) ISR related to tax consolidation benefits realized from 1999 through 2004 should be paid in installments beginning in 2010 through 2014, and b) ISR related to tax consolidation benefits realized in the 2005 tax consolidation and thereafter should be paid during the sixth through the tenth year after the benefit was realized. Payment of ISR in connection with tax consolidation benefits realized from 1982 through 1998 may be required in certain cases; however, the Company did not obtain any tax consolidation benefits during this period.

On September 28, 2012, Sempra Gasoductos México and its subsidiaries filed a communication with the SAT, pursuant to which such entities are incorporated into the income tax consolidation regime (as part of Sempra México and the other subsidiaries); therefore, beginning January 1, 2013 such entities will incur income tax on a consolidated basis as part of Sempra México.

IETU—Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17.5%. The IMPAC Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time, may be recovered, according to the terms of the law. In addition, the Company and its subsidiaries incur IETU on an individual basis.

A reconciliation of ISR assets and liabilities resulting from the 2010 tax reform is as follows:

	Deferred tax assets	ISR liabilities	Amounts recognized in 2010 profit and loss
Item:			
Balance before ISR tax reform recognition of:			
Assets and liabilities from tax losses	$ 1,329	$ (1,329)	$—
Liability from dividends not distributed from net income tax account ("CUFIN", by its initials in Spanish) (after-tax accumulated earnings accounts)	32,203	(32,203)	—
Liability for CUFIN differences	610	(634)	(24)
Balance as of December 31, 2012	$34,142	$(34,166)	$ (24)

The ISR liability related to tax consolidation benefits realized in prior years will be paid during the following years.

Years	Amount
2013	$ 4,178
2014	5,227
2015	7,793
2016	7,362
2017	4,167
2018	3,246
2019	2,193
	$34,166

20.1. Income tax recognized in profit or loss

Income tax expense for the years ended December 31, 2010, 2011 and 2012 is comprised as follows:

	12/31/10	12/31/11	12/31/12
Current income tax			
ISR current income tax expense for the year	$30,749	$66,584	$ 58,989
IETU current income tax expense for the year	317	185	75
	31,066	66,769	59,064
Deferred income tax			
Deferred income tax expense (benefit) recognized in the current year	(4,677)	9,237	(18,263)
Total income tax expense recognized in the year relating to continuing operations	$26,389	$76,006	$ 40,801

The income tax expense for the year can be reconciled to the accounting profit as follows:

	12/31/10	12/31/11	12/31/12
Profit before income tax	$179,506	$229,531	$197,372
Income tax expense calculated at 30%	53,852	68,860	59,212
Effect on property, plant and equipment deferred income tax balances due to the change in inflation rate and period conversion	(50,532)	27,167	(33,951)
Effects of foreign exchange rate	11,222	(16,059)	6,682
Effect of unused tax losses not recognized as deferred income tax asset	1,330	(8,167)	2,819
Effects of inflation adjustment	7,587	3,612	2,600
Effect of expenses that are not deductible	1,047	171	201
Effect of income exempt from taxation	(48)	(129)	(267)
Other	1,931	551	3,505
Income tax expense recognized in profit or loss	$ 26,389	$ 76,006	$ 40,801

20.2. Current tax receivable and liabilities

	12/31/10	12/31/11	12/31/12
Current tax assets:			
ISR receivable	$21,486	$15,701	$ 4,657
IETU	1,165	1,568	4,183
	$22,651	$17,269	$ 8,840
Current tax liabilities:			
ISR payable	$ (626)	$ (261)	$(18,049)
IETU	(275)	(121)	(121)
	$ (901)	$ (382)	(18,170)

20.3. Deferred income tax balance

The following is the analysis of deferred income tax assets (liabilities) presented in the consolidated statements of financial position:

	12/31/10	12/31/11	12/31/12
Deferred income tax assets:			
Effect of tax loss carryforwards	$ 30,739	$ 48,803	$ 37,847
Financial instruments	10,616	13,788	12,622
Accrued expenses and provisions	4,568	2,555	12,225
Effect of combining Sempra Gasoductos México	2,752	2,040	1,942
Employee benefits	1,229	1,282	1,931
Asset from dividends not distributed from CUFIN	1,669	983	610
Inventories	57	534	(3,055)
Allowance for doubtful accounts	285	223	234
Other	467	133	963
Total deferred income tax assets	52,382	70,341	65,319
Sempra México consolidated deferred income tax assets	(49,870)	(68,627)	(62,944)
Deferred income tax asset	2,512	1,714	2,375
Deferred income tax liabilities			
Property, plant and equipment	(193,493)	(223,065)	(204,691)
Liability related to tax consolidation benefits	(22,008)	(30,207)	(13,958)
Finance Lease	(4,447)	(4,438)	(4,433)
Liabilities derived from dividends not distributed from CUFIN	(1,606)	(946)	(634)
Prepaid expenses	(1,782)	(724)	(5,792)
Other	—	—	(3,604)
Total deferred income tax liabilities	(223,336)	(259,380)	(233,113)
Sempra México consolidated deferred income tax assets	49,870	68,627	62,944
Deferred income tax liabilities	(173,466)	(190,753)	(170,169)
Net deferred tax liability	$(170,954)	$(189,039)	$(167,794)

20.4. Unused tax losses

	12/31/10	12/31/11	12/31/12
Unused tax losses for which no deferred income tax assets have been recognized	$11,297	$3,130	$6,716

The sum of each individual subsidiary's restated tax loss carryforwards for which a deferred income tax asset has been recognized can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2012, are:

Years	Tax-Loss Carryforwards
2013	$ 106
2016	495
2017	4,880
2018	46,493
2019	5,540
2020	3,767
2021	69,700
2022	9,206
	$140,187

21. Member's equity

	12/31/10	12/31/11	12/31/12
Social parts	$ 524,842	$ 524,842	$ 618,752
Additional paid-in equity	536,577	536,577	536,577
	$1,061,419	$1,061,419	$1,155,329

21.1. Issued member's equity comprise:

Refer to Note 33.e. regarding the new shareholders' equity structure beginning February 15, 2013.

	For the years ended December 31, 2010 and 2011 (Mexican pesos)				
Company / Member	Number of social parts	Fixed social parts	Variable social parts	Total	Total Social parts (Thousands of U.S. Dollars)
Sempra México—Sempra Energy Holdings VIII, B.V.	1	49,900	3,497,460,610	3,497,510,510	$327,600
Sempra México—Sempra Energy Holdings IX, B.V.	1	100	—	100	—
Sempra Gasoductos México—Sempra Energy Holdings XI, B.V.	1	2,999	2,105,786,473	2,105,789,472	197,242
Sempra Gasoductos México—Sempra Energy Holdings IX, B.V.	1	1	—	—	—
	4	53,000	$5,603,247,083	$5,603,300,083	$524,842
Sempra México—Sempra Energy Holdings XI, B.V	1	$50,000	9,359,083,119	$9,359,133,019	$618,752
Sempra México—Sempra Energy Holdings IX, B.V	1	50,000	—	100	—
	2	$50,000	9,359,083,119	$9,359,133,119	$618,752

21.2. Sempra México's equity

As of December 31, 2010 and 2011, Sempra México's equity was comprised of two issued and outstanding membership interests of $50,000 Mexican Pesos as fixed capital and $3,497,460,610 Mexican Pesos as variable capital, amounts owned by Sempra Energy Holdings VIII, B.V. ("BV8") (99.999999%) and Sempra Energy Holdings IX, B.V. ("BV9") (0.000001%), both subsidiaries of Sempra Energy.

On August 16, 2012, BV8 and Sempra Energy Holdings XI, B.V. ("BV11," subsidiary of Sempra Energy) entered into an intercompany share premium agreement by which BV8 agreed to make a non-cash premium contribution to BV11, consisting of its entire ownership interest in Sempra México. As a result of such transaction, BV11 is Sempra México's new parent company.

On September 10, 2012, the members' equity of Sempra México was increased in its variable part by $480,094 ($5,861,622,509 Mexican Pesos), through the contribution of the BV11 membership interest in Sempra Gasoductos México, such increase in comprised by $291,152 ($3,252,367 Mexican Pesos) of social parts and $188,942 ($2,609,256 Mexican Pesos) as additional paid-in members' equity, which is eliminated on consolidation. As a result of such membership increase, Sempra México obtained ownership and control of Sempra Gasoductos México.

As of December 31, 2012, Sempra México's equity was comprised of two issued and outstanding membership interests of $50,000 Mexican Pesos as fixed capital and $9,359,083,119 Mexican Pesos as variable capital, amounts owned by BV11 (99.999999%) and BV9 (0.000001%).

21.3. Sempra Gasoductos México's equity

As of December 31, 2010 and 2011, Sempra Gasoductos México's equity was comprised of two issued and outstanding membership interests of $3,000 Mexican Pesos as fixed capital and $2,105,786,472 Mexican Pesos as variable capital, amounts owned by BV11 (99.999999%) and BV9 (0.000001%).

22. Declared dividends

During 2011 and 2012, pursuant to resolutions passed at ordinary members' meetings, payments of dividends in cash were approved, against CUFIN balance, for the following amounts:

Ordinary members'meetings dates	Millions of USD
December 30, 2011	$ 80.0
March 29, 2012	$ 15.1
December 5, 2012	125.0
	$140.1

23. Segment information

23.1. 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 2.

The following tables show selected information by segment from the consolidated statements of profit and loss and consolidated statements of financial position.

23.2. Segment revenues and results

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

	Segment revenue		
	12/31/10	12/31/11	12/31/12
Gas:			
Sales to customers	$ 585,361	$ 550,921	$ 478,273
Intersegment sales	138,689	144,664	169,595
Power:			
Sales to customers	212,197	269,714	127,656
Intersegment sales	3,208	5,139	5,890
Corporate:			
Allocation of professional services	2,179	1,841	1,678
Intersegment professional services	2,439	1,957	3,117
	944,073	974,236	786,209
Intersegment adjustments and eliminations	(144,336)	(151,760)	(178,602)
Total segment revenue	$ 799,737	$ 822,476	$ 607,607

	Segment revenue		
	12/31/10	12/31/11	12/31/12
Gas	$192,728	$141,075	$226,363
Power	23,372	37,767	3,072
Corporate	(44,523)	(3,739)	(35,420)
Total segment profit	$171,577	$175,103	$194,015

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

23.3. Assets and liabilities by segment

	12/31/10	12/31/11	12/31/12
Assets by segment:			
Gas	$2,031,461	$1,981,205	$2,101,378
Power	388,395	372,714	360,494
Corporate	64,183	29,903	38,846
Consolidated total assets	$2,484,039	$2,383,822	$2,500,718
Liabilities by segment:			
Gas	$ 268,575	$ 297,469	$ 243,904
Power	63,425	64,972	59,084
Corporate	518,078	326,118	434,612
Consolidated total liabilities	$ 850,078	$ 688,559	$ 737,600

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

- All assets are allocated to reportable segments. Goodwill is allocated to reportable segments as described in Note 12.1., and
- All liabilities are allocated to reportable segments.

23.4. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	12/31/10	12/31/11	12/31/12	12/31/10	12/31/11	12/31/12
Gas	$1,759,716	$1,757,312	$1,813,044	$(161,646)	$(197,932)	$(243,429)
Power	429,361	436,280	442,518	(97,844)	(117,538)	(135,421)
Corporate	10,485	10,155	11,066	(2,158)	(2,318)	(3,039)
	$2,199,562	$2,203,747	$2,266,628	$(261,648)	$(317,788)	$(381,899)

	Depreciation and amortization by year			Additions to property, plant and equipment by year		
	12/31/10	12/31/11	12/31/12	12/31/10	12/31/11	12/31/12
Gas	$43,120	$42,543	$42,830	$14,316	$11,706	$40,371
Power	18,954	19,759	17,755	23,173	8,458	5,960
Corporate	823	778	764	311	353	966
	$62,897	$63,080	$61,349	$37,800	$20,517	$47,297

	Interest income			Finance cost		
	12/31/10	12/31/11	12/31/12	12/31/10	12/31/11	12/31/12
Gas	$516	$699	$ 999	$ (1,800)	$ (639)	$ (1,355)
Power	9	2	3	(226)	645	364
Corporate	20	182	25	(24,555)	(18,188)	(10,355)
	$545	$883	$1,027	$(26,581)	$(18,182)	$(11,346)

	Share of profits of joint venture			Income tax benefit (expense)		
	12/31/10	12/31/11	12/31/12	12/31/10	12/31/11	12/31/12
Gas	$18,461	$21,577	$37,444	$(24,967)	$(84,118)	$(29,559)
Power	—	—	—	151	(11,829)	2,479
Corporate	—	—	—	(1,573)	19,941	(13,721)
	$18,461	$21,577	$37,444	$(26,389)	$(76,006)	$(40,801)

23.5. 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:

	12/31/10	12/31/11	12/31/12
Power generation	$211,333	$269,491	$127,656
Sale of natural gas	290,797	205,112	144,483
Storage and regasification capacity	93,681	93,560	94,174
Natural gas distribution	96,021	91,300	78,128
Transportation of natural gas	47,497	49,220	52,298
Other operating revenues	60,408	113,793	110,868
	$799,737	$822,476	$607,607

23.6. Other operating revenues

In November 2009, Sempra LNG Marketing México entered into an agreement with Sempra Natural Gas, a related party, whereby Sempra Natural Gas agreed to deliver and sell LNG cargoes to Sempra LNG Marketing México from the time of the commencing at the startup date of the LNG Terminal. Accordingly, Sempra LNG

Marketing México entered into transportation and storage capacity service agreements to commercialize the LNG. Due to a lack of LNG cargoes, Sempra LNG Marketing México received payments from Sempra Natural Gas related to the losses and obligations incurred in 2010, 2011 and 2012, for $56,564, $109,938 and $107,754, respectively, which are presented within the revenues line item in the accompanying consolidated statements of profit and loss.

23.7. Geographical information

The Company operates in two principal geographical regions in Mexico—Northwest and North.

The Company's revenue from third party customers by location of operations and information about its non-current assets by location of assets* are detailed below.

	Revenue from third party customers			Non-current assets		
	31/12/10	12/31/11	12/31/12	31/12/10	12/31/11	12/31/12
Northwest	$739,022	$768,721	$529,444	$1,819,269	$1,779,454	$1,569,613
North	60,715	53,755	78,163	118,645	106,505	315,126
	$799,737	$822,476	$607,607	$1,937,914	$1,885,959	$1,884,739

* *Northwest region* includes Baja California and Sonora.
North region includes Chihuahua and La Laguna-Durango.

24. Interest income

	12/31/10	12/31/11	12/31/12
Interest income:			
Bank investments	$539	$864	$1,003
Related parties	6	19	24
	$545	$883	$1,027

The following is an analysis of interest income by category of asset.

	12/31/10	12/31/11	12/31/12
Held-to-maturity investments	$539	$864	$1,003
Loans and receivables (including cash and bank balances)	6	19	24
	$545	$883	$1,027

25. Administrative and other expenses

	12/31/10	12/31/11	12/31/12
Employee benefits expenses	$12,227	$ 9,056	$14,328
Purchased materials	14,433	9,364	10,238
Purchased services	41,714	40,519	34,017
Outside services and others	12,558	14,854	17,840
	$80,932	$73,793	$76,423

Outside services and others include charges related to leases of land and buildings with lease terms between five and ten years. Operating lease contracts greater than five years includes review periods of five years to rent. The Company does not have an option to purchase the leased land at the end of the leasing periods.

26. Other losses and gains

	12/31/10	12/31/11	12/31/12
Net foreign exchange gains (losses)	$ 1,216	$ 9,864	$(1,631)
Net (loss) arising on financial liabilities classified as held for trading(i)	(17,118)	(27,341)	(8,399)
Inflation effect on IVA refund	322	393	—
Line pack gas sale	463	611	—
Curtailment refund on gas purchase contract	1,664	—	—
(Loss) on disposal of property, plant and equipment	(85)	(86)	—
Other gains (losses)	(143)	467	1,185
	$(13,681)	$(16,092)	$(8,845)

(i) The amount represents a change in fair value arising from the interest rate swap (see Note 19.8) and the related settlements.

27. Finance costs

	12/31/10	12/31/11	12/31/12
Interest on loans from related parties	$24,600	$16,053	$10,371
ARO accretion expense	892	1,031	1,906
Other finance costs	1,089	1,098	(931)
	$26,581	$18,182	$11,346

Other finance costs include $1,058 in 2010 associated interest on the right of ways provision related to the dispute with PEMEX (see Note 18) and $1,290 in 2011 related to the cost of the loan to Sempra Chile, S.A.

28. Depreciation and amortization expense

	12/31/10	12/31/11	12/31/12
Depreciation of property, plant and equipment	$62,750	$62,929	$61,199
Amortization of other assets	147	151	150
Total depreciation and amortization expense	$62,897	$63,080	$61,349

29. Basic and diluted earnings per social part

The earnings and weighted average number of social parts used in the calculation of basic and diluted earnings per social part are as follows:

	12/31/10	12/31/11	12/31/12
Profit for the year	$171,577	$175,103	$194,015
Earnings used in the calculation of basic and diluted earnings per social part for	—	—	—
Sempra México	148,577	147,304	194,015
Sempra Gasoductos México	23,000	27,799	—
	$171,577	$175,103	$194,015

	12/31/10	12/31/11	12/31/12
Weighted average number of ordinary social parts for the purposes of basic and diluted earnings per social part for:			
Sempra México	2	2	2
Sempra Gasoductos México	2	2	—

The Company does not have potentially dilutive securities.

30. Commitments

30.1. Sale commitments

a. GRO has entered into firm transportation service agreements ("FTSAs") with eight customers. Under the FTSAs, the Company is committed to provide firm natural gas transportation service up to certain daily quantities of natural gas, defined as Maximum Daily Quantities ("MDQ") measured in dekatherms per day ("Dth/d"). The FTSAs establish a transportation service rate which can be a conventional rate or a regulated rate. Such rates are applied to customers' reserved daily transportation capacity. Conventional rates typically remain fixed during the term of the contract. The regulated rates are adjusted annually for inflation and other factors per regulations and the CRE authorization. The range of effective periods and the agreed-upon MDQ for each agreement described above are from five to 25 years and from 800 to 1,307,000 Dth/d, respectively.

b. TGN entered into a 20-year FTSA with a third party that began when LNG Terminal commenced operations. The FTSA provides for 540,000 MMBtus per day of reserved capacity.

c. ECA has a contract to sell 50% of the LNG Terminal's capacity to a third party for 20 years commencing in May 2008. As of April 2009, the customer assigned up to 29% of its contracted capacity to another independent third party.

d. ECA has built a nitrogen facility to provide nitrogen injection services to agreed storage capacity parties. Agreement terms were embedded into the LNG Terminal's FTSAs with same period term of 20 year.

30.2. Purchase commitments

a. TDM entered into a five-year base contract for the sale and purchase of natural gas with RBS Sempra Energy Trading México, S. de R. L. de C. V., a related party, commencing on September 1, 2009. Effective May 1, 2011, the contract was transferred to JPM Ventures Energy Mexico, S. de R. L. de C. V. ("JPM"). TDM is obligated to purchase and JPM is obligated to supply daily base load volumes equal to but not less than the minimum amount (70,000 MMBtus per day) nor greater than the maximum amount (105,000 MMBtus per day).

   During 2010, 2011 and 2012, payments under the agreement were $87,524, $27,870 and $75,809, respectively. Future contractual cash payments are as follows:

Years	Amounts
2013	$ 92,620
2014	70,368
	$162,988

b. Sempra LNG Marketing México and an independent third party entered into a natural gas supply agreement, which stipulates that penalties derived from non-compliance with the terms and conditions established therein could be up to $85 million, including costs and expenses and/or the cancellation of the agreement. Additionally, Sempra LNG Marketing México signed a letter of credit through Sempra

LNG Marketing Corp., a related party, with the Banco Nacional de México, S. A. ("Banamex") for the maximum liability. The Company's management believes that all costs and expenses incurred as of the date of the financial statements related to this agreement have been recognized and that there are no current obligations that need to be recorded or disclosed; however, future obligations could arise.

c. Through an agreement which assigned rights and obligations from Rumorosa Wind Energy, S. de R. L. de C. V. to ESJ, ESJ has acquired the rights to a 30-year land lease agreement with the Ejido Jacume to use land for generating and transmitting electricity using wind turbines. The agreement can be extended by another 30-year term, and includes a four year grace period starting with the beginning of excavation for turbine foundations. If commercial generation of wind power is successfully developed, ESJ will pay a leasing fee to Ejido Jacume equal to 4% of gross revenues from the sale of electricity for the duration of the agreement.

ESJ, Ejido Cordillera La Molina and Parque Eólico La Rumorosa, S.A. de C.V. entered into a land lease agreement under which ESJ acquired rights to use land for generating and transmitting electricity using wind turbines. ESJ made up-front payments of $750 and is obligated to make quarterly payments of $30 during the first five years or until the start of commercial operations. In addition, $1,500 is due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 250 MW, and $300 is due at the beginning of excavation for turbine foundations for each additional block of 100 MW. If commercial generation of wind power is successfully developed, ESJH will also pay a leasing fee equal to 3% of gross revenues from the sale of electricity for the first 20 years, increasing to 4% thereafter. The Company's management believes all costs and expenses related to this agreement have been properly recognized within administrative and other expenses in these consolidated financial statements.

During 2010, 2011 and 2012, payments under the agreement were $144 for each year. Future contractual cash payments are as follows:

Year	Amounts
2013	$ 144
2014	144
2015	144
2016	144
2017	144
Thereafter	2,868
	$3,588

d. ESJH and Ejido de Sierra Juarez entered into a land lease agreement under which ESJH acquired rights to use land for generating and transmitting electricity using wind turbines. ESJH made up-front payments of $296, and is obligated to make quarterly payments of $74 during the first 10 years or until the start of commercial operations. In addition, $294 is due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 100 MW, and $71 is due at the beginning of excavation for turbine foundations for each additional block of 100 MW. If commercial generation of wind power is successfully developed, ESJH will also pay a leasing fee equal to the greater of $75 or 3.5 % of gross revenues from the sale of electricity for the remainder of the term.

During 2010, 2011 and 2012, payments under the agreements were $294 for each year. Future contractual cash payments are as follows:

Years	Amounts
2013	$ 294
2014	294
2015	294
2016	294
2017	294
Thereafter	294
	$1,764

e. ESJ has received its environmental impact manifest permit (Manifiesto de Impacto Ambiental, "MIA" by its initials in Spanish). The MIA is the principal environmental permit in Mexico, and is issued by SEMARNAT. The Company's management believes all costs and expenses related to this permit have been properly recognized within administrative and other expenses in these consolidated financial statements; however, future costs could be incurred.

f. The Company leases the building space of its administrative offices in the cities of Tijuana, Mexicali, Chihuahua, Durango, and Mexico City. During 2010, 2011 and 2012, the rent expense amounted to $593, $396 and $1,113, respectively.

The leases expire in 2013 through 2021 and establish the following future contractual payments:

Years	Amounts
2013	$ 858
2014	540
2015	527
2016	186
2017	146
Thereafter	17
	$2,274

g. During 2003, TDM entered into an LTSA with a third party, which covers certain periodic maintenance, including replacement parts for power generation turbines. The term of the agreement is based on turbine usage, which TDM estimates to be approximately 15 years.

Payments under the agreement consist of a fixed fee of $24 per month, plus a variable escalation percentage and a variable fee based upon unit run-hours and starts.

The fixed monthly fee payments are expensed as incurred. The variable payments are classified as prepayments on the statements of financial position and are capitalized as property, plant and equipment if they relate to the replacement of major components, or expensed when such payments occur. While some services are provided ratably throughout the year, the primary cost driver is planned outages at the facility. Variable payments are subject to fluctuations based on the timing and scope of the services being provided.

During 2010, 2011 and 2012 fixed payments, under the LTSA, were $599, $629 and $639, respectively; variable payments under such LTSA were $5,508, $6,576 and $6,549, respectively.

Future contractual cash payments under the LTSA are as follows:

Years	Amounts
2013	$ 407
2014	407
2015	407
2016	407
2017	407
Thereafter	2,037
	$4,072

h. TDM entered into a 20-year gas transportation service agreement with North Baja Pipeline. The contract was assigned to Sempra LNG Marketing, an affiliate company in the U.S., with an effective date of October 2009.

i. During 2008, ECA entered into a service agreement with a third party which provides extended service and maintenance for turbines utilized at the LNG Terminal. The agreement provides for a monthly fee which covers operational support and extended product warranty. The agreement also provides for an additional cost for major turbine maintenance, which will be capitalized and amortized over a five-year period based on its estimated useful life. The term of the agreement is 60 months starting from the date of first beneficial use.

During 2010, 2011 and 2012, payments under the agreement were $1,567, $1,796 and $1,841, respectively. Future contractual cash payments are as follows:

Years	Amounts
2013	$1,963
2014	1,963
2015	1,963
	$5,889

j. ECA entered into various technical service and maintenance agreements with third parties. During 2010, 2011 and 2012, payments under such agreements were $4,707, $4,056 and $5,914, respectively. Future contractual cash payments of such commitments are as follows:

Years	Amounts
2013	$ 6,284
2014	1,850
2015	1,200
2016	1,200
2017	20,400
	$30,934

k. Through a maquila agreement with SGEN, TDM delivers all of its power output directly to CAISO in the United States at the border with México. SGEN schedules and dispatches TDM's committed output to CDWR and markets TDM's uncommitted capacity to other market participants.

On January 1, 2013 (with effective date on January 1, 2012), SGEN and TDM entered into a schedule coordination, energy management and related services agreement, with a term of 5 years (with the possibility of extending the term one more year), for which TDM will continue to deliver all of its power output directly to the CAISO and SGEN provides marketing, scheduling, and dispatch services for TDM, among others.

During 2012, payments under the agreement were $16,875. Future contractual cash payments are as follows:

Years	Amounts
2013	$1,800
2014	1,800
2015	1,800
2016	1,800
2017	1,800
	$9,000

l. *International public tender LPI-001/12 and LPI-002/2012 convened by the CFE to enter into* contracts *for the provision of gas transmission services.*

In October 2012, GAP was awarded two contracts by the CFE to build and operate an approximately 835 km (500 miles) natural gas pipeline network connecting the Northwestern Mexican states of Sonora and Sinaloa ("Northwest gas pipeline," also known as the "Sonora Pipeline") to the U.S. interstate pipeline. The Northwest gas pipeline will be comprised of two segments; the first one is for an approximate length of 505 km, 36-inch diameter pipeline with 770 Mmcfd of transportation capacity; and the second one is for an approximate length of 330 km, 30-inch pipeline with 510 Mmcfd of transportation capacity. The estimated price per Mmcfd is approximately $0.25. The Company estimates the total cost of the Northwest gas pipeline will be $1.0 billion, approximately, and be completed by August 2016. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Northwest gas pipeline, GAP issued 2 irrevocable standby credit letters, for $90 million and $65 million with CFE as beneficiary, with a term of one year, which can be extended automatically for annual periods until November 30, 2039 and until October 31, 2041, respectively.

m. In order to carry out the construction of the Northwest gas pipeline, the Company has entered into gas supply contracts with several suppliers:

- On November 20, 2012, GAP signed a contract with Stupp Corporation (a division of Stupp Bros., Inc.); the work will take place in several stages with an estimated completion date of August, 2015. The contract value is $155,335; in this transaction Sempra Energy is the guarantor to Stupp Corporation for the total value of the contract, less the amounts paid by GAP.
- On December 12, 2012, GAP held a contract with Tubacero, S. de R. L. de C. V. and Distribuidora Tubacero, S. de R. L. de C. V.; the work will take place in several stages with an estimated completion date of July, 2014. The supply contract value is $123,333, and as a guarantee of compliance, GAP issued an irrevocable standby credit letter for $28,613 regarding the 20% in advance of the contract plus VAT, with a due date of January 4, 2013.
- On February 1, 2013, GAP held a contract with Tuberías Procarsa, S. A. de C. V.; the work will take place in several stages with an estimated completion date of August, 2015. The supply contract value is $53,918, and as a guarantee of compliance, GAP issued an irrevocable standby letter of credit for $28,576 regarding the 47% in advance of the contract plus VAT, with a maturity date of May 14, 2013.

n. During November and December, 2012, the Company entered into trust agreements with the Governments of the Mexican States of Sonora and Sinaloa, for a total of $52 and $35 million, respectively, and for which the Company paid advances for $13.1 and $8.7 million, respectively. These contracts were entered into in order to comply with the bidding rules of the CFE's tender for the construction and operation of Northwest gas pipeline. The trust assets will cover the costs and expenses of real estate rights, permits and studies required for the construction and operation of the Northwest gas pipeline.

o. On December 13, 2012, Gasoductos del Sureste, S. de R.L. de C.V. (“Gasoductos del Sureste”, wholly owned subsidiary of GdC, a joint venture with PGPB), entered into a transportation agreement of ethane and liquid ethane with PGPB between Gas Processors Centers (“CPG,” by its initials in Spanish) of Ciudad PEMEX (Tabasco, México), Nuevo PEMEX (Tabasco, México), Cactus (Chiapas, México), Complejo Etileno XXI and the Petrochemical Complex Cangrejera (both in Coatzacoalcos, Veracruz, México). Gasoducto del Sureste is responsible for the construction of transportation works and its maintenance, which will have an approximate length of 140 miles (225 kilometers, approximately). The scheduled term of the works and commencement date of commercial operation is June 30, 2014; the contract has a term of 21 years, from the date on which the first segment begins commercial operation. Gasoducto del Sureste is also liable to obtain and maintain all permits, as well as comply with all labor obligations according to the Mexican Law; also, Gasoductos del Sureste has to comply with the applicable law to protect the environment, and report in writing to PGPB the physical and financial progress of the work. Gasoductos del Sureste guaranteed to PGPB the fulfillment of its obligations through a corporate guarantee and a standby credit letter for $30 million, up to the date of commercial operation and, after that date, up to an amount equal to the greater of (a) 10% of the estimated amount delivered by PGPB for payment of transportation services per year, or (b) 10% of the annual average estimated amount exercised in all subsequent years during the term of the contract for the correct and timely compliance.

   The estimated construction costs of the pipeline are approximately $330 million.

31. Contingencies

31.1. Matters related with tax authorities

a. Additional income taxes payable could arise in transactions with nonresident related parties if the Mexican Tax Authority (Servicio de Administración Tributaria, “SAT” by its initials in Spanish), during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

b. In March 2008, GRO received a notification that SAT applied an estimated tax credit of $1,663, for fiscal year 2002. Such tax credit is related to a fine for tax losses applied in excess due to the rejection of certain expenses for interest and technical assistance. In May 2008, the Company filed a lawsuit against such tax credit and, in November 2011, the Mexican Federal Tax and Administrative Court (Tribunal Federal de Justicia Fiscal y Administrativa, “TFJFA” by its initials in Spanish), through a nullity trial, declared the annulment of the refuted resolution, considering the fine imposed by SAT to be illegal.

31.2. Judicial, administrative or arbitral proceedings

The Company may become involved in litigation and administrative proceedings relating to claims arising out of its operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, there are no material governmental, legal or arbitration proceedings against the Company which may have a material adverse effect on its business, financial position or results of operations:

GAP’s matters

In November 13, 2012, GAP received a lawsuit from Sasabe Pipeline, S. de R.L. de C.V. (“Sasabe Pipeline”) presented to the district court in administrative matters in Mexico City, regarding the international public tender LPI-001/12 recalled by the CFE, related to the first segment of Northwest gas pipeline (section Sasabe—Guaymas) which was awarded to GAP on October 15, 2012. Sasabe Pipeline did not request the suspension of the CFE's adjudication decision and, pursuant to the terms of the tender, CFE and GAP entered into firm transportation service agreement of natural gas on October 25, 2012. Sasabe Pipeline's proceeding was filed against 11 different governmental authorities and named the other participants in the tender including the Company, as affected parties to the amparo proceeding. Sasabe Pipeline, whose proposal to bid came in second place, demands in general terms that its rights were injured, specifically indicated that it was discriminated against in the tender, and also the illegal rejection of its comments made with respect to the same tender. The constitutional trial of amparo proceeding hearing has not been established yet. The Company's management considers that the claims of Sasabe Pipeline are unfounded. In February 2013, we were notified of an amparo filed by Guaymas Pipeline, which forms part of the same business group as Sásabe Pipeline, pursuant to which Guaymas Pipeline demanded nullification of the bidding process related to the award of the Guaymas – El Oro segment to us. Guaymas Pipeline did not present a proposal to the CFE in this bidding process and did not request a suspension of the award to us. We believe that Guaymas Pipeline's claims are without merit.

ECA's matters

a. ***Inmuebles Vista Golf, S. A. de C. V. ("IVG") appeal of the LNG Terminal's MIA.*** In May 2003, IVG filed an administrative appeal with SEMARNAT challenging the issuance of the MIA, for the LNG Terminal granted to ECA in April 2003. IVG claimed that SEMARNAT failed to give proper notices and follow applicable procedures in issuing the MIA; that ECA's activities are industrial and therefore do not comply with the Regional Program for Urban, Touristic and Economical Development for the Tijuana-Rosarito-Ensenada Coastal Corridor ("COCOTREN"); and that the conditions and mitigation measures imposed in the MIA were inadequate. SEMARNAT denied the appeal, and in October 2006, IVG submitted an annulment claim before the TFJFA in Mexico City seeking to annul SEMARNAT's resolution. In December 2010, the TFJFA confirmed the validity and lawfulness of SEMARNAT's action denying the administrative appeal. In April 2012, IVG obtained a ruling from the federal circuit court in Mexico City in an amparo (a specialized suit seeking redress for actions of governmental authorities alleged to have violated his constitutional rights) against the TFJFA's refusal to admit certain testimony in its proceedings, ordering the TFJFA to issue a new resolution taking into account the excluded testimony. On August 9, 2012, the TFJFA issued a new resolution again finding the issuance of the MIA to have been proper and the conditions and mitigations measures sufficient to prevent damage to the environment. IVG filed an appeal alleging that the resolution failed to comply with the amparo ruling, and on October 1, 2012 the Circuit Court ruled that the TFJFA's resolution did not comply. On October 15, 2012, IVG filed an amparo challenging the TFJFA's resolution. The Company's management believes that IVG's claims are without merit.

b. ***Castro, Valdez, and Palafox Appeals of the LNG Terminal's MIA.*** In May 2003, Hiram Castro Cruz and Roberto Valdez Castañeda ("Castro and Valdez") in one proceeding, and Mónica Fabiola Palafox ("Palafox") in another, filed administrative appeals with SEMARNAT challenging the issuance of the MIA for the LNG Terminal granted to ECA in April 2003, alleging claims similar to those alleged by IVG described above. SEMARNAT dismissed the appeals. The claimants appealed the dismissals, and in January 2006 and May 2010, the TFJFA in Mexico City issued judgments nullifying SEMARNAT's dismissals and ordering SEMARNAT to issue new resolutions in compliance with the judgments. In the Castro and Valdez case, SEMARNAT considered the appeal, and in January 2012 it issued a new resolution confirming the validity of the MIA. In March 2012, Valdez appealed SEMARNAT's resolution to the TFJFA in Mexico City and ECA filed an appeal in federal district court in Mexico City challenging the TFJFA's admittance of Valdez's appeal. In the Palafox case, SEMARNAT has not yet issued its new resolution concerning the MIA. The Company's management believes that the Castro, Valdez, and Palafox claims are without merit.

c. ***IVG Challenge to the ECA's Port Concession.*** In January 2005, IVG requested the Mexican Communications and Transport Ministry (Secretaría de Comunicaciones y Transportes, "SCT" by its initials in Spanish), to revoke ECA's Port Concession, which authorizes ECA's use of national port facilities for its maritime operations. IVG alleges that SCT should have applied certain environmental requirements in connection with its authorization of ECA's Port Concession; that the ECA terminal conducts activities beyond the scope of its authorization; that ECA failed to perform a risk study; and that SEMARNAT modified the MIA *without* notifying SCT. In March 2005, SCT dismissed the appeal, and IVG then filed an annulment claim with the TFJFA in Mexico City. In March 2010, the TFJFA overturned SCT's dismissal, and ordered SCT to consider the appeal. In May 2011, SCT issued a resolution again rejecting the appeal. In August 2011, IVG filed a second annulment claim with the TFJFA, repeating its prior assertions and also alleging that the SCT lacked the legal powers to issue the resolution. ECA appealed the TFJFA's acceptance of the second annulment claim, on the grounds that IVG's claims had been resolved in the earlier proceeding. In June 2012, the TFJFA agreed and dismissed IVG's second annulment claim. IVG filed an amparo in federal court challenging the TFJFA's dismissal. ECA's response was filed on August 24, 2012. The Company's management believes that IVG's claims are without merit.

d. ***Inmuebles Baja Pacífico, S.A. de C.V. ("IBP") Challenge to the LNG Terminal's MIA***. In May 2006, IBP filed a complaint against the Mexican Federal Attorney of Environmental Protection (Procuraduría Federal de Protección al *Ambiente*, "PROFEPA" by its initials in Spanish), alleging that the conditions and mitigation measures imposed in the MIA are inadequate and that ECA's operations cause damage to the environment, and seeking an order modifying or nullifying the MIA. PROFEPA inspected the LNG Terminal and by official communication dated May 18, 2010, PROFEPA notified IBP that ECA's operations comply with the mitigation measures imposed in the MIA and do not cause damage to the environment. IBP appealed this determination to the TFJFA in Mexico City, and IBP's appeal remains pending. The Company's management believes that IBP's allegations are without merit.

e. ***Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie") Amparo.*** In June 2010, Sánchez Ritchie filed an amparo in the federal district court in Baja California, Mexico. The suit challenges all of the permits and authorizations issued for the construction and operation of the LNG Terminal. Sánchez Ritchie's suit was filed against 17 different government agencies, including SEMARNAT, the CRE, and the Municipality of Ensenada, among others. Although the primary permits for the LNG Terminal had been issued more than six years *prior* to his filing, Sánchez Ritchie alleged that the operation of the LNG Terminal would endanger him as the alleged owner of property adjacent to the LNG Terminal (which is disputed by ECA) and that the ECA Permits therefore were granted in violation of his rights. He requested injunctive relief and demanded that the court order the applicable government agencies to revoke the ECA Permits. On June 17, 2010 the federal district court issued a provisional order calling for the various authorities to suspend the ECA Permits, but that provisional order was reversed by the federal circuit court on June 24, 2010 before any governmental authorities responded. Each of the governmental authorities named in the amparo denied the allegations and asserted the validity of its respective permits and authorizations. The hearing on the merits of Sánchez Ritchie's amparo has been delayed by numerous procedural motions and appeals. In May 2012 the case was transferred to the federal district court in Tijuana. No date is set for the resolution on the merits. The Company's management believes that Sánchez Ritchie's claims are without merit.

f. ***Sánchez Ritchie Municipal Complaint.*** In February 2011, Sánchez Ritchie filed an administrative complaint with the Direction of Urban Control (Dirección de Control Urbano, "DCU" by its initials in Spanish) from the Municipality of Ensenada in Baja California, Mexico challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004, respectively. Although the Municipality had confirmed the validity of those permits in its response to Sánchez Ritchie's amparo described above, shortly after receiving the complaint the DCU issued a temporary "closure order" calling for the terminal to cease operations. Actions by state and federal government authorities prevented interruption of the terminal's operations while ECA filed a response to the administrative complaint with the DCU and an amparo in federal district court in Ensenada. In March 2011, the federal district court issued injunctions precluding enforcement of the closure order pending resolution of ECA's amparo. Sánchez Ritchie and the Municipality appealed the injunctions, which appeals are pending before the federal circuit court in Mexicali. The resolution on the merits of ECA's amparo was stayed by the federal district court in Ensenada pending the resolution of procedural appeals filed by Sánchez Ritchie. The resolution of the administrative proceeding is stayed until ECA's amparo is decided. The Company's management believes that Sánchez Ritchie's claims are without merit.

g. ***State Court Civil Action.*** In November 2004, Raul Francisco Miranda Pelayo ("Miranda Pelayo"), filed an action in state civil court in Ensenada against ECA and other parties, some of them initially involved in the development of the LNG Terminal. Miranda Pelayo's complaint seeks a declaration of better title, repossession of property and damages with respect to land allegedly underlying the LNG Terminal. Although ECA owns recorded titles to the land upon which the LNG Terminal is located, Miranda Pelayo alleged that another property to which he holds title is located in approximately the same place, overlapping the ECA property. During the course of the proceedings Miranda Pelayo died; thereafter, his widow sought to have her rights as joint tenant recognized in the case. The widow's request was denied, and she appealed to the state superior court in Mexicali. The court denied her appeal. In January 2012, she filed an amparo in the federal circuit court in Mexicali challenging the state appellate court's ruling. The amparo cannot proceed without formal notice by the court to the other defendants in the underlying civil action, which has not occurred. The Company's management believes that Miranda Pelayo's widow's claims are without merit.

h. ***Agrarian Court Action.*** In February 2006, Saloman Arya Furst and Abraham Hanono Raffoul filed an annulment action in the federal agrarian court in Ensenada naming as defendants the Mexican Agrarian Reform Ministry (Secretaría de la Reforma Agraria), ECA, and twenty other parties. The suit seeks to annul property titles granted by the National Agrarian Registry for parcels on which the LNG Terminal is situated, as well as restitution of a different parcel that allegedly sits in the same place, on the grounds that the titles to the ECA parcels were improperly issued to ECA's predecessors and without regard to the allegedly existing title. In August 2011, a final hearing was held in the case; before a decision could be issued, the plaintiffs filed an amparo challenging the court's refusal in 2006 to admit certain evidence in the case. That amparo cannot proceed until the court formally notifies all of the defendants in the underlying action, which has not occurred. The Company's management believes that the annulment action is without merit.

i. ***Criminal Investigation.*** In May 2009, Sánchez Ritchie filed with the state District Attorney in Ensenada a complaint alleging that "Sempra affiliates," several ECA employees, and former members of the District Attorney's office committed the crime of procedural fraud in connection with a criminal prosecution ECA initiated against Sánchez Ritchie in 2006 relating to a dispute over the possession of property to which ECA holds title that is adjacent to the LNG Terminal. In particular, ECA complained to the District Attorney's office in September 2006 that Sánchez Ritchie had committed the crime of despojo, or dispossession, when he forcibly entered the property. In connection with that criminal proceeding, the District Attorney issued a provisional order removing Sánchez Ritchie from the property. Sánchez Ritchie alleged in his 2009 complaint that ECA and the other defendants gave false information to procure that order. The District Attorney, the official charged with investigating such complaints, determined there was insufficient evidence to indict any defendant and closed its investigation, and in March 2011, the criminal court in Tijuana confirmed the dismissal. In September 2011, Sánchez Ritchie filed an amparo in federal district court in Ensenada challenging the court's ruling. The hearing on the merits of the amparo was held in March 2012 and the court has not yet issued its ruling. The Company's management believes that Sánchez Ritchie's allegations are without merit.

j. ***Labor matters.*** ECA is jointly responsible in various labor proceedings brought by several employees of its contractors. Based on the opinions of outside counsel, it is not possible to determine the degree of risk in this stage of the proceedings since the presentation of evidence has not been completed.

TDM's matters

k. In October 2009, José Andrés Hernández Raygoza ("Hernández Raygoza") and a related party, or the plaintiffs, filed suit in state civil court in Mexicali against TDM, TDM's predecessor-in-title to certain property, and the Mexican Public Registry of Property and Commerce (Registro Público de la Propiedad y de Comercio), claiming superior rights to property owned by TDM and upon which TDM's generating plant is located. Plaintiffs' claim is based on the alleged failure by the predecessor-in-title, Camilo Wence Oseguera ("Wence Oseguera") to give plaintiffs notice of proceedings in 1987 by which Wence Oseguera acquired title, on the grounds that such proceedings were valid only to confer title to uncontested property but plaintiffs claimed rights resulting from their alleged possession of the property. They seek possession of the property and damages. This is the second such claim instigated by Hernández Raygoza. The first claim was against Wence Oseguera and the government officials only, and TDM was not named. The court in the first case issued a decree finding Hernández Raygoza had failed to establish that he was in possession of the property. The final hearing in the second case was held in March 2012, and in June 2012, the court issued its ruling in the matter finding that plaintiffs should have been, but were not, given notice of the 1987 proceedings, and therefore Wence Oseguera's title and, in turn, Wence Oseguera's sale to TDM, are null. The court, however, declined to award title to plaintiffs. TDM has appealed the ruling in the state superior court. The Company's management believes that the plaintiffs' allegations are without merit.

ESJ's matters

l. In November 2011, Terra Peninsular, A. C. ("TP"), a Mexican environmental organization, filed an administrative appeal with the TFJFA in Mexico City challenging SEMARNAT's issuance of an MIA to ESJ for the construction and operation of a wind electric generation project. TP alleges that it was not notified of the resolution granting the MIA and that the MIA was not evaluated in compliance with applicable law, and further alleges that had SEMARNAT done so, it would have denied the MIA. However, TP does not specify which laws or regulations were not properly applied. TP further alleges that separate authorizations should have been required for the different phases of the project, and that the project's conditional authorization permitting future development phases that are not yet fully defined is inadequate to protect the environment. TFJFA in Mexico City denied an injunction sought by TP, but admitted TP's complaint. ESJ and SEMARNAT filed their responses to TP's complaint in June 2012, contending that TP's challenge is not timely and that the MIA was validly issued. The court must determine whether to admit the experts appointed by TP and ESJ, as well as any appointed by SEMARNAT, before setting a date for trial. The Company's management believes that TP's challenges are without merit.

The operations at the LNG Terminal, TDM's generating plant and ESJ's eolic project have not been affected as a result of the various claims described above, with each facility continuing to operate normally during these proceedings. However, a resolution against the Company on any of these claims could have a material adverse effect on the operations of the LNG Terminal or the TDM generating plant, and in turn, on Company's business, financial position, results of operations or cash flows.

Except as it relates to the aforementioned matters, neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.

32. Application of new and revised IFRSs

32.1. 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, applicable to the Company's businesses:

IFRS 9	*Financial instruments*(3)
IFRS 10	*Consolidated financial statements*(1)
IFRS 11	*Joint arrangements*(1)
IFRS 12	*Disclosure of interest in other entities*(1)
Amendments to IFRS 7	*Disclosures—Offsetting financial assets and financial liabilities*(1)
Amendments to IFRS 9 and IFRS 7	*Mandatory effective date of IFRS 9 and transition disclosures*(3)
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated financial statements, joint arrangements and disclosure of interest in other entities: transition guidance*(1)
IAS 27 (as revised in 2011)	*Separate financial statements*(1)
IAS 28 (as revised in 2011)	*Investment in associates and joint ventures*(1)
Amendments to IAS 32	*Offsetting financial assets and financial liabilities*(2)
Amendments to IFRS	*Annual improvements to IFRSs 2009—2011 Cycle* except for amendments to IAS 1(1)

(1) Effective for annual periods beginning on or after January 1, 2013.
(2) Effective for annual periods beginning on or after January 1, 2014.
(3) Effective for annual periods beginning on or after January 1, 2015.

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.

The Company's management is in the process of determining the potential effects of this IFRS in its consolidated financial statements for the annual periods beginning January 1, 2013.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

IFRS 10, Consolidated financial statements—IFRS 10 replaces the parts of IAS 27, *Consolidated and separate financial statements* that deal with consolidated financial statements. SIC-12, *Consolidation- Special purpose entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11, Joint arrangements—IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13, *Jointly controlled entities—non-monetary contributions by venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12, Disclosure of interest in other entities—IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

The Company's management is in process of determining the potential effects of these IFRSs in its consolidated financial statements for the annual periods beginning January 1, 2013.

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."

Amendments to IFRS 7, Disclosures—Offsetting financial assets and financial liabilities—The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

Amendments to IFRS, Annual improvements to IFRSs 2009—2011 Cycle, except for amendments to IAS 1—The Annual Improvements to IFRSs 2009—2011 Cycle include a number of amendments to various

IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include:

- amendments to IAS 16, *Property, Plant and Equipment*; and
- amendments to IAS 32, *Financial Instruments: Presentation*.

Amendments to IAS 16. The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Company's management does not anticipate that the amendments to IAS 16 will have a significant effect on the Company's consolidated financial statements.

Amendments to IAS 32. The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12, *Income Taxes*. The Company's management anticipates that the amendments to IAS 32 will have no effect on the Company's consolidated financial statements.

32.2. New and revised IFRSs in issue, not yet effective but early adopted

The following changes to IFRSs have been applied in the current year and have affected the Company's consolidated financial statements:

IAS 1 Presentation of financial statements. The Company has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, in advance of the effective date (annual periods beginning on or after July 1, 2012).

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped in two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss, and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis; the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retroactively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on the profit or loss, other comprehensive income and total comprehensive income.

IAS 1 Presentation of financial statements—The Company has applied the amendments to IAS 1, as part of the Annual Improvements Cycle in advance of the effective date (annual periods beginning on or after January 1, 2013).

IAS 1 requires that changes in accounting policies be applied retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 specify that an entity is required to present a third statement of financial position only when the retroactively applied restatement or reclassification has a material effect on the information in the third statement of financial position and related notes are not required to accompany the third statement of financial position.

IFRS 13, Fair value measurement is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company's management early adopted this standard in these consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This IFRS defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in I FRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7, *Financial instruments: Disclosures* were extended by IFRS 13 to cover all assets and liabilities within its scope.

IAS 19 (as revised in 2011), Employee benefits is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company's management early adopted this standard in these consolidated financial statements.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statements of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

33. Events after the reporting period

a. On January 2013, PEMEX announced the first phase of the project known as "Los Ramones," which consists of a natural gas distribution system of approximately 1,000 km, which will pass through four Mexican states: Tamaulipas, Aguascalientes, Queretaro and Guanajuato, bordering the United States, and reaching Los Ramones in Nuevo Leon, México, and that will be developed by GdC. The pipeline network will incorporate pipes with diameters of 48, 42 and 24 inches and will feature five compression stations.

b. On January 1, 2013, Sempra LNG International LLC ("SLNGI") and Sempra LNG Marketing Mexico, S. de R. L. de C. V. entered into an LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 million MMBtus. Under the terms of the agreement, SLNGI will be responsible for the transportation to the receiving terminal of all quantities of LNG sold and delivered at the delivery point and, on the other hand, Sempra LNG Marketing Mexico will take LNG in order to meet its sale commitments.

c. On February 14, 2013, the Company entered into two public placements of debt securities (Certificados Bursatiles, "CEBURES" by its initials in Spanish). The transaction was split in two tranches: the first for $102 million ($1,300 million Mexican Pesos) bearing variable interest at a rate of TIIE plus 30 bps, with monthly payments of interest; maturing in 2018; the second, for $306 million ($3,900 million Mexican Pesos) bearing interest at a rate of 6.30%, with half-yearly payments of interest, maturing in 2023. The proceeds derived from the issuance of the CEBURES will be used for financing the Company's expansion plans (including the development of new pipeline projects), in accordance with its corporate strategy, for the payment of certain long-term liabilities with related parties and general corporate purposes.

d. On February 15, 2013, regarding the placement of CEBURES, the Company executed a cross currency swap agreement to fully hedge the its Mexican Pesos exposure by converting it into U.S. dollars. For the CEBURES maturing in 2018, the Company swapped the floating Mexican rate to a fixed U.S. Dollar rate, exchanging principal and all interest payments. For the CEBURES maturing in 2023, the Company swapped the fixed Mexican Peso rate to a fixed U.S. dollar rate, exchanging principal and all interest payments.

The swap notional value is $408,279. The weighted average rate, in U.S. Dollars, for the CEBURES maturing in 2018 is 2.6575% and, for the CEBURES maturing in 2023, is 4.1240%.

e. Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, members' equity was increased by $1.00 Mexican pesos, which was issued and paid by BV11, increasing the value of its social part; also, the Company's change from "Sociedad de Responsabilidad Limitada de Capital Variable" S. de R. L. de C. V., "Limited Liability Company") to "Sociedad Anónima de Capital Variable" (S.A. de C.V., "Corporation") was approved. As a result of such resolution, the change of social parts for shares was performed. The distribution of such shares is as follows:

	Shares		
Name of shareholder	**Class I**	**Class II**	**Total**
Sempra Energy Holdings XI, B.V.	4,990	935,908,312	935,913,302
Sempra Energy Holdings IX, B.V.	10	—	10
	5,000	935,908,312	935,913,312

Shareholder's equity consists of nominative shares with no-par value. The theoretical value per share is $10.00 Mexican Pesos. The Class I and II represent the fixed and the variable part of shareholders' equity, respectively. Variable capital may be increased without limitation.

34. Approval of financial statements

The consolidated financial statements were approved by Arturo Infanzón Favela, Executive Operations and Finance Vice-President and authorized for issue on February 24, 2013.

35. Registered offices

- Boulevard Manuel Ávila Camacho No. 40 Piso 20
  Torres Esmeralda I
  Col. Lomas de Chapultepec, C.P. 11000
  México, D.F.
- Misión de San Javier No. 10643 Int. 602
  Zona Urbana Rio Tijuana C.P. 22010
  Tijuana, B.C.
- Avenida Tecnológico No. 4505
  Col. Granjas, C.P. 31160
  Chihuahua, Chih.

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Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Financial Statements for
the Years Ended December 31, 2012
and 2011, and Independent Auditors'
Report Dated February 18, 2013

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2012 and 2011

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Independent Auditors' Report to the Board of Directors and Members of Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, the consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Mexican Financial Reporting Standards, and for such internal controls as management deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries as of December 31, 2012 and 2011, and their financial performance and their cash flows for the years then ended in accordance with Mexican Financial Reporting Standards.

As mentioned in Note 3, commencing January 1, 2013, the Entity adopted the New Mexican Financial Reporting Standard B-3, *Statement of Comprehensive Income*.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C. P. C. Juan Carlos Reynoso Degollado
February 18, 2013

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Balance Sheets
As of December 31, 2012 and 2011
(In Mexican pesos)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$2,944,089,658	$2,981,326,511
Due from Comisión Federal de Electricidad	14,583,681	15,049,168
Due from PEMEX-Gas y Petroquímica Básica (related party)	218,964,199	227,866,229
Due from TAG Pipelines (related party)	13,758,532	2,961,484
Recoverable taxes	135,932,327	35,830,373
Other accounts receivable	12,900,524	8,737,567
Total current assets	3,340,228,921	3,271,771,332
Pipeline, land right-of-way and equipment, net	4,662,201,249	4,523,449,378
Other assets, net	5,140,882	4,729,950
Total	$8,007,571,052	$7,799,950,660
Liabilities and members' equity		
Current liabilities:		
Current portion of long-term debt	$ 249,021,874	$ 289,919,999
Derivative financial instruments	5,165,166	—
Direct employee benefits	8,782,654	3,508,632
Taxes payable and other accounts payable	110,322,779	37,554,207
Total current liabilities	373,292,473	330,982,838
Long-term debt	—	267,561,516
Derivative financial instruments	—	16,809,859
Asset retirement obligations	28,284,336	28,401,969
Deferred income taxes	537,588,499	646,732,520
Labor obligations	7,140,838	4,079,800
Total liabilities	946,306,146	1,294,568,502
Members' equity:		
Social parts	1,123,312,887	1,123,312,887
Retained earnings	5,547,982,680	4,450,453,464
Derivative financial instruments	(2,581,314)	(8,513,816)
Translation effect	392,550,653	940,129,623
Total members' equity	7,061,264,906	6,505,382,158
Total	$8,007,571,052	$7,799,950,660

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2012 and 2011
(In Mexican pesos)

	2012	2011
Net sales		
Revenues from transportation services	$1,775,825,900	$1,564,331,284
Revenues from administrative services	69,975,882	26,647,093
Cost of transportation services	483,816,844	546,310,473
Other costs	26,918,865	2,760,642
Gross income	1,335,066,073	1,041,907,262
Administrative expenses	182,410,776	74,750,994
Operating income	1,152,655,297	967,156,268
Other income—Net	48,457,235	1,577,700
Comprehensive financing income (cost):		
Interest expense, net	(25,813,494)	(38,574,766)
Allowance for funds used during construction	109,015,748	—
Remeasurement gain (loss)—Net	6,737,539	(47,348,205)
	89,939,793	(85,922,971)
Income before income taxes	1,291,052,325	882,810,997
Income taxes	193,523,109	440,515,648
Net income	$1,097,529,216	$ 442,295,349
Other comprehensive income:		
Change in the fair value of hedging derivative financial instruments	$ 5,932,502	$ 8,324,405
Translation effect	(547,578,970)	883,033,486
Comprehensive income	$ 555,882,748	$1,333,653,240

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Changes in Members' Equity
For the years ended December 31, 2012 and 2011
(In Mexican pesos)

	Capital Stock		Retained earnings	Valuation of financial instruments	Translation effects	Members' equity
	Historical	Restatement				
Balance, January 1, 2011	$786,098,642	$337,214,245	$4,008,158,115	$(16,838,221)	$ 57,096,137	$5,171,728,918
Comprehensive income:						
Change in the fair value of hedging derivative financial instruments	—	—	—	8,324,405	—	8,324,405
Net income	—	—	442,295,349	—	—	442,295,349
Translation effect	—	—	—	—	883,033,486	883,033,486
Comprehensive income	—	—	442,295,349	8,324,405	883,033,486	1,333,653,240
Balance as of December 31, 2011	786,098,642	337,214,245	4,450,453,464	(8,513,816)	940,129,623	6,505,382,158
Comprehensive income:						
Change in the fair value of hedging derivative financial instruments	—	—	—	5,932,502	—	5,932,502
Net income	—	—	1,097,529,216	—	—	1,097,529,216
Translation effect	—	—	—	—	(547,578,970)	(547,578,970)
Comprehensive income	—	—	1,097,529,216	5,932,502	(547,578,970)	555,882,748
Balance as of December 31, 2012	$786,098,642	$337,214,245	$5,547,982,680	$ (2,581,314)	$ 392,550,653	$7,061,264,906

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(In Mexican pesos)

	2012	2011
Operating activities:		
Cash received from customers	$2,108,669,061	$1,748,701,927
Income taxes and business flat tax paid	(370,116,175)	(263,109,117)
Income taxes paid generated by dividends payment	(13,821,705)	(40,380,808)
Income tax recovered	43,612,889	—
Cash paid to suppliers	(647,660,437)	(740,372,867)
Net cash provided by operating activities	1,120,683,633	704,839,135
Investing activities:		
Interest received	1,210,203	1,194,652
Disposal of equipment	41,071,441	101,318,446
Additions to pipeline, land right-of-way and equipment	(683,118,241)	(274,899,135)
Net cash used in investing activities	(640,836,597)	(172,386,037)
Excess cash to be applied to financing activities	479,847,036	532,453,098
Financing activities:		
Repayments of long-term debt	(299,670,152)	(146,098,848)
Net cash used in financing activities	(299,670,152)	(146,098,848)
Increase in cash and cash equivalents	180,176,884	386,354,250
Adjustment to cash flows due to exchange rate fluctuations	(217,413,737)	338,515,138
Cash and cash equivalents at beginning of year	2,981,326,511	2,256,457,123
Cash and cash equivalents at end of year	$2,944,089,658	$2,981,326,511

See accompanying notes to consolidated financial statements.

Gasoductos de Chihuahua, S. de R. L. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended December 31, 2012 and 2011
(In Mexican pesos)

1. Activities and important vents

Gasoductos de Chihuahua, S. de R. L. de C. V. ("Gasoductos de Chihuahua") and Subsidiaries (collectively the "Entity") is a corporation established under the laws in Mexico and is a 50% investee of PEMEX-Gas y Petroquímica Básica ("PGPB"), a decentralized public agency which, in turn, is a subsidiary of Petróleos Mexicanos. The remaining 50% of the equity is owned by Sempra Gasoductos Holding, S. de R.L. de C.V., a wholly-owned subsidiary of Sempra Gasoductos México, S. de R.L. de C.V. (both incorporated in Mexico).

As of April 30, 2010, Sempra Pipelines & Storage acquired El Paso Corporation's former investment in Mexico, which included Grupo El Paso, S. de R. L. de C. V. (now Sempra Gasoductos Holding, S. de R.L. de C.V .). As a result, Sempra Gasoductos Holding, S. de R.L. de C.V .is a wholly-owned subsidiary of Sempra Energy Holdings (incorporated in the United States of America).

The Entity is a limited liability company, which combines the aspects of a partnership and a corporation. Members are liable only to the extent of their capital contributions, but participatory interests are represented by social parts that are not freely negotiable.

Gasoductos de Chihuahua and its subsidiary, Gasoductos de Tamaulipas, S. de R. L. de C.V. ("Gasoductos de Tamaulipas") are engaged in providing natural gas transportation services. The Entity is also engaged in the transportation of liquid petroleum gas through its subsidiary, TDF, S. de R.L. de C.V. ("TDF").

Transportadora del Norte SH, S. de R. L. de C. V. ("TDN") is the holding company of TDF and during 2012 its activities are focused on constructing a storage plant in Zapotlanejo, Guadalajara for the supply of liquid pretroleum gas. These activities are regulated by the Energy Regulatory Commission (the "CRE").

As of August 30, 2011, Transportadora el Encino, S. de R. L. de C. V. (Transportadora el Encino) and Gasoductos del Encino S. de R. L. de C. V. (Gasoductos del Encino) were constituted, being Gasoductos del Encino a 99.99% subsidiary of Transportadora el Encino. As of April 27, 2012, at a General Members' Meeting, a name change in the entities was approved, which was formalized on July 20, 2012 whereby the entities changed their names to Ductos y Energéticos del Sureste, S. de R. L. de C. V. (Ductos y Energéticos) and Gasoductos del Sureste, S. de R. L. de C. V. (Gasoductos del Sureste), respectively.

Gasoductos del Sureste is engaged in the construction of a transport system of ethane gas that will be integrated by the following segments: Segment I Nuevo Pemex—Cactus, Segment II Cactus—Complejo Etileno XXI and Segment III Complejo Etileno XXI—Anillo Etano Coatzacoalcos Area.

On July 15, 1997, the CRE issued ruling SE/1005/97 granting Gasoductos de Chihuahua permission to transport natural gas under permit number G/016/TRA/97 for a period of 30 years. The permit may be renewed for additional periods of 15 years; additionally, the ruling authorized Gasoductos de Chihuahua to construct the "Samalayuca Pipeline", which has been operating since 1997. On October 15, 2001, the CRE issued ruling RES/185/2001, authorizing the Entity to construct the compression station "Gloria a Dios", which was completed and commenced operations during 2001.

On September 12, 2002, the CRE issued ruling RES/177/2002, granting Gasoductos de Tamaulipas permission to transport natural gas under permit number G/128/TRA/2002, for a 30 years period. The permit may be renewed for additional periods of 15 years; also, the ruling authorized Gasoductos de Tamaulipas to construct the "San Fernando Pipeline", which commenced operations during 2003.

On October 6, 2006, the CRE issued ruling RES/280/2006, granting TDF, the operating subsidiary of TDN, permission to transport liquid petroleum gas under permit number G/173/LTP/2005, for a 30 years period. The permit may be renewed for additional periods of 15 years; also, the ruling authorized TDF to construct the "Burgos-Monterrey Pipeline", which commenced operations on December 24, 2007.

On February 13, 2012, the CRE issued ruling RES/068/2012, granting TDN permission to store liquid petroleum gas through a Liquid Petroleum Gas Supply Plant under permit number G/276/ALM/2012, for a 30 year period. The permit may be renewed for additional periods of 15 years.

The rulings authorized by the CRE also resulted in the approval of other matters such as the general service provision conditions, tariff lists, maximum revenues and the route followed by the gas pipeline proposed by the companies, which must be developed based on the work and investment program established in the aforementioned permits. In addition, the rulings require that a review of the maximum revenue be performed every 5 years to make any adjustments required regarding revenue and the related tariffs.

Important events

a. During 2011, the Comisión Federal de Electricidad ("CFE") carried out the international tender for the procurement of transportation services of natural gas through "Gasoducto Corredor Chihuahua." On December 9, 2011, the CFE issued its final decision against for Gasoductos de Chihuahua, S. de R.L. de C.V. related to the above; as of December 31, 2011, the Entity carried out the cancellation of all costs incurred from 2008 to 2011 related to the project amounting to $78,945,030.

b. On April 14, 2008, BE&K de México, S. A. de C. V., ARB Arendal, S. de R. L. de C. V. and ARB Inc. ("Contractor") filed an arbitration claim before the Court of the International Chamber of Commerce against TDF. In May 2008, the Entity responded to such claim explaining the reasons why the Contractor's claims were not valid and, in addition, counterclaimed all the pending claims held by TDF against Contractor.

   In November 2010, the International Court of Arbitration through the court designed for such arbitration, issued a partial resolution, which included the following: 1) an Award in favor of the Contractor in all its claims for additional compensation and for the unpaid contract balance of US$16,173,577 and 2) an Award in favor of TDF on all claims for penalizations against the Contractor, deductive exchange orders, "punchlist" jobs and guarantees for US$8,380,795, which means that TDF would have to pay the Contractor an amount of US$7,792,782. The resolution is partial, since it does not include interest, attorney fees or court costs.

   On March 30, 2011, the International Court of International Chamber of Commerce issued the Final Award of Arbitration. It was established that TDF would pay the Contractor in addition to the US$7,799,577 determined in the Partial Award, US$6,661,049 that was removed from the Letter of Credit by the Contractor and US$3,860,945 in interest. According to the Engineering and Procurement Agreement, each party must pay their own fees, costs and expenses, including costs of arbitration; it was assessed that half would be for the Contractor and the other half to TDF. Based on the previous paragraph, TDF paid US$18,321,551 plus value-added tax of US$2,728,080 on May 2, 2011.

c. As of September 21, 2012, TDF emitted a haphazard cause declaration or force majeure due to the explosion and fire occurred as of September 18, 2012 in the Gas and Condensed Reception Center of Pemex Exploración y Producción that caused damages in the LPG 12" duct Bomb Station in Burgos D. N. Burgos—Monterrey (property of TDF). Derived from such situation PEMEX—Gas y Petroquímica Básica was informed (PGPB) (user and operator of the system), about the suspension of the transportation service. Additionally as of September 28, 2012, the notification was sent to the CRE.

   As of November 15, 2012, TDF emitted a notification to PGPB informing that the repairs in the Pumping Station of 12" LPG pipeline in Burgos D. N. Burgos—Monterrey allowed to perform the packing process and system verification, therefore concluding the haphazard cause declaration or force majeure detailed in the previous paragraph for TDF, resuming the transportation services as of November 16, 2012, and notifying to the CRE on November 30, 2012.

TDF is in the process of claiming with the insurance companies acquired for these situations.

2. Basis of presentation

Explanation for translation into English—The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Mexican Financial Reporting Standards ("MFRS"), which are comprised of accounting standards that are individually referred to as *Normas de Información Financiera*, or "NIFs"). Certain accounting practices applied by the Entity that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

Monetary unit of the financial statements—The consolidated financial statements and notes as of December 31, 2012 and 2011 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

a. ***Consolidation of financial statements***—The consolidated financial statements include the financial statements of Gasoductos de Chihuahua and those of its subsidiaries where it holds control, as of December 31, 2012 and 2011 and for the years then ended. Gasoductos de Chihuahua's shareholding percentage in their capital stock is shown below:

Company	Ownership Percentage 2012	Ownership Percentage 2011	Activity
Gasoductos de Tamaulipas, S. de R. L. de C. V.	99.99%	99.99%	Transportation of natural gas.
Gasoductos Servicios, S. de R. L. de C. V.	99.99%	99.99%	Provides financial and administrative services to related parties.
Transportadora del Norte SH, S. de R. L. de C. V. and subsidiary	99.99%	99.99%	Liquid petroleum gas storage and holding company of TDF engaged in the transportation of liquid petroleum gas.
Ductos y Energéticos del Sureste , S. de R. L. de C. V. and subsidiary	99.99%	—	Holding company of Gasoductos del Sureste, preoperative stage for the transportation of ethane gas.

Significant intercompany balances and transactions have been eliminated.

b. ***Translation of financial statements of foreign subsidiaries***—Since the Entity determined the U.S. Dollar as its functional currency, the financial statements are modified and presented in Mexican pesos, the reporting currency, in accordance with MFRS. The financial statements are subsequently translated to Mexican pesos using the following methodologies**:**

Foreign operations with U.S. Dollar functional currency, translate their financial statements from the currency in which transactions are recorded to the functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities;

2) historical exchange rates for non-monetary assets and liabilities and members' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Translation effects are recorded under comprehensive financing (cost) income. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for members' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in members' equity. Until 2007, such conversion was not required for entities constituted and operating in Mexico.

c. ***Comprehensive income***—Comprehensive income represents changes in members' equity during the year, for concepts other than capital contributions, reductions and distributions, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in members' equity without affecting the statements of income. Other comprehensive income is represented by the effects of translation of foreign operations and the effect of the valuation of derivative financial instruments.

d. ***Classification of costs and expenses***—Costs and expenses presented in the consolidated statements of income and comprehensive income were classified according to their function, therefore cost of services is presented separately of the other costs and expenses.

e. ***Gross income***—Gross income is the result of subtracting costs from service revenues. While NIF B-3, *Statement of Income*, does not require inclusion of this line item in the consolidated statements of income and comprehensive income, it has been included for a better understanding of the Entity's economic and financial performance.

3. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Entity's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Entity are as follows:

a. ***Accounting changes—***

Beginning January 1, 2012, the Entity adopted the following new NIF:

NIF B-3—*Statement of Comprehensive Income*—Provides the options of presenting a) a single statement of comprehensive income (loss) containing the items that make up net income, as well as other comprehensive income (OCI) and equity in OCI of other entities, or b) two statements: the statement of income (loss), which should include only items that make up net income (loss), and the statement of other comprehensive income (loss), which should start from net income (loss) which, in turn, is adjusted by OCI items and equity in OCI of other entities.

b. ***Reclassifications***—Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentation of the 2012 consolidated financial statements.

c. ***Recognition of the effects of inflation***—Cumulative inflation rates over the three- year periods ended December 31, 2012 and 2011 were 12.26% and 15.19%, respectively. Accordingly, the economic environment is not-inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2012 and 2011 were 3.57% and 3.82%, respectively.

Beginning on January 1, 2008, the Entity discontinued recognition of the effects of inflation in its consolidated financial statements. However, non-monetary assets and liabilities and members' equity include the restatement effects recognized through December 31, 2007.

d. ***Cash and cash equivalents***—Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that are highly liquid and easily convertible into cash. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing (cost) income of the period. Cash equivalents are comprised mainly of investments funds.

e. ***Regulated operation***—As mentioned in Note 1, the operations of Gasoductos de Chihuahua, Gasoductos de Tamaulipas and TDF are regulated by the CRE. Consequently, the Entity applies Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 930, *Rate Regulation* (ASC Topic 930) (formerly, Statement of Financial Accounting Standard No. 71, *Accounting for the Effects* of *Certain Types of Regulation*). Under ASC Topic 930, the Entity records assets and liabilities that result from the regulated rate-making process. The determination of tariffs by the CRE considers the investment budget prepared by the Entity. The Entity periodically evaluates the applicability of ASC Topic 930 by considering factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, the Entity may have to reduce its asset balances to reflect a market basis less than cost, and write off the associated regulatory assets.

f. ***Allowance for funds used during construction ("AFUDC")***—In accordance with ASC Topic 930, AFUDC represents the estimated debt and equity cost of funds necessary to finance construction of the regulated gas pipeline. AFUDC is a non-cash item and is capitalized as part of the gas pipeline construction cost with offsetting credits to interest expense and AFUDC, both components of financing cost (income). After construction is completed, the Entity is permitted to recover these costs, including a fair return, by including them in the rate base and in the depreciation provision. As mentioned in Note 1, the legal basis of the rulings issued by the CRE evaluated the project's specific characteristics and an average weighted capital cost ("WACC") or internal rates of return ("TIR") for the respective approved tariffs. The WACC and TIR assume a certain financial structure and a cost of debt and equity. Consequently, the Entity believes that the ruling provides reasonable assurance as to existence of an asset based on the financial costs of funds utilized that have been capitalized during the construction.

During 2012, TDN and its subsidiary, AFUDC was capitalized for $109,015,948; during 2011, no AFUDC was capitalized

g. ***Construction in process***—Construction in process are initially recorded at acquisition or construction cost. The entity capitalizes until the initial operation day all direct construction costs, as well as indirect costs, authorized by the resolution and considered in determination of rates in accordance with Note 1, as well as engineering costs and AFUDC.

h. ***Pipeline, land right-of-way and equipment***—Pipeline, land right-of-way and equipment are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date. For fixed assets currency translation effect from such country currency to Mexican peso. Depreciation and amortization are calculated using the straight-line method, based on the estimated useful lives of the related assets, as follows:

	Percentage of depreciation and amortization
Pipeline and land right-of-way	3.3 to 5.0
Structures and compression station	3.3 to 5.0
Allowance for funds used during construction	3.3 to 5.0
Measurement and regulation equipment	6.7
Computer equipment	25.0 to 30.0
Office furniture and equipment	10.0
Transportation equipment	25.0
Leasehold improvements	11.0

Due to the adoption of NIF B-15, non-monetary assets reflect their value in pesos from historical US Dollars at the end of 2012 and 2011.

i. ***Impairment of long-lived assets in use***—The Entity reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than those of previous years, obsolescence, reduction in the demand for the services rendered, competition and other legal and economic factors. The impairment loss on the value of long-lived assets in use, as well as its reversal, are classified in the same cost and expense line items where the related depreciation or amortization associated with those assets are recognized.

j. ***Financial risk management policy***—The activities carried out by the Entity expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks—such as investment in share certificates and commodity prices futures), credit risk and liquidity risks. The Entity seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Entity uses derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in the balance sheet (recognized assets and liabilities) and off-balance sheet risks (firm commitments and highly probable forecasted transactions). Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Entity policies approved by the Board of Managers and are carried out by the Entity's treasury. The Entity identifies, assesses and hedges financial risks in collaboration with its subsidiaries. The Board of Managers has approved written policies of a general nature with respect to the management of financial risks, as well as policies and limits associated to other specific risks*;* guidelines for permissible losses, when certain derivative financial instruments used can be designated as hedges, when they do not qualify for hedge accounting, but rather for trading, which is the case of interest rates swap. Compliance by the Entity's management with established policies and exposure limits is reviewed by Management on an ongoing basis.

k. ***Derivative financial instruments***—The Entity recognizes all of the assets or liabilities arising from operations with derivative financial instruments in the balance sheet at fair value, regardless of the purpose for which they are held. Fair value is determined based on recognized market prices and when not traded on a market, it is determined based on valuation techniques accepted in the financial sector.

Trading in derivative instruments is carried out only with institutions of recognized financial strength and limits for each institution have been established. The Entity's policy is to not carry out transactions with derivative financial instruments for the purpose of speculation.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedges are recognized as follows: (1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; (2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income (loss) in members' equity and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings; (3) for hedges of an investment in a foreign subsidiary, the effective portion is recognized as a component of other comprehensive income (loss) as part of the cumulative translation adjustment. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings, if it is a derivative financial instrument. Otherwise, it is recognized as a component of other comprehensive income (loss) until the investment is sold or transferred.

The Entity discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised; when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the Entity decides to cancel its designation as a hedge.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in members' equity as a component of other comprehensive income (loss) remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses accumulated in other comprehensive income (loss) are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within other comprehensive income (loss) in members' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

The Entity has contracts that may have the characteristics of implicit derivatives; however, since it is not possible to separate such characteristics from the principal, they were not evaluated and recorded in accordance with NIF C-10, *Derivative Financial Instruments and Hedge Transactions*.

l. ***Provisions***—Provisions are recognized for current obligations that arise from a past event, that will probably result in the use of economic resources, and that can be reasonably estimated.

   The provision for Retirement of Assets Obligations amounts to $28,284,336 and $28,401,969 as of December 31, 2012 and 2011, respectively.

m. ***Direct employee benefits***—Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums, and incentives.

n. ***Labor obligations***—Liabilities from seniority premiums, pension plans and severance payments are recognized as they accrue and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

o. ***Statutory employee profit sharing***—PTU is recorded in the results of the year in which it is incurred and presented under other income and expenses in the accompanying consolidated statements of income. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

p. ***Income taxes***—Income tax (ISR) and the Business Flat Tax (IETU) are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Entity determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

q. ***Revenue recognition***—Revenues are recognized in the period in which they are rendered.

r. ***Cost of transportation service***—The cost of transportation service is recognized in the month transportation services are provided.

4. Cash, cash equivalents

	2012	2011
Cash	$ 969,602,761	$ 10,452,395
Cash equivalents—Investment funds	1,974,486,897	2,870,874,116
Total	$2,944,089,658	$2,981,326,511

5. Financial instruments

In January 2003, Gasoductos de Tamaulipas entered into a swap contract to convert its variable interest rate debt, which matures on October 15, 2013 at a fixed interest rate debt.

As of December 31, 2012, the notional value and interest rates paid and received for the commercial bank line of credit swap are shown below:

		Interest rate	
Contract date	Notional value (USD)	received	paid
January 22, 2003	13,461,500	LIBOR	4.42%

The notional value as of December 31, 2012 is 13,461,500 U.S. dollars, which covers the entire outstanding debt with the commercial bank, while the maturity date coincides with that of the debt. The difference was recorded in the gas pipeline construction cost during the construction period and as part of the net comprehensive financing cost as of the commercial startup date, November 12, 2003, offsetting the effect of the variable loan rate.

The fair value of financial instruments is based on the market values in place as of the date of the consolidated financial statements. As of December 31, 2012 and 2011, the fair value of the financial instruments amount to $(5,165,167) and $(16,809,859), respectively, which was recorded as a liability with a charge to other comprehensive income in members' equity. The effect during the period was $5,932,502 and 8,324,405, respectively.

6. Pipeline, land, right-of-way and equipment

	2012	2011
Structures and compression station	$ 2,841,747,949	$ 3,097,638,178
Pipeline and land right-of-way	1,527,775,280	1,583,886,967
Allowance for funds used during construction	597,529,473	532,581,494
Other assets	421,671,799	489,729,090
Measurement and regulation equipment	9,570,971	8,760,675
Transportation equipment	7,799,837	6,332,778
Office furniture and equipment	11,613,076	4,217,628
Computer equipment	5,026,513	5,550,946
Communication equipment	1,796,980	1,975,442
Leasehold improvements	6,399,564	3,896,193
	5,430,931,442	5,734,569,391
Accumulated depreciation and amortization	(1,587,683,655)	(1,474,680,255)
	3,843,247,787	4,259,889,136
Construction-in-progress	640,203,232	64,799,855
Land	35,954,062	30,313,247
Inventory of gas in pipeline	77,444,796	84,010,830
Material and parts	65,351,372	84,436,310
	$ 4,662,201,249	$ 4,523,449,378

7. Debt

As of December 31, 2011, Gasoductos de Tamaulipas has two lines of credit, which have the following principal characteristics:

a. ***Eximbank line of credit***—Line of credit with Eximbank, with Citibank, N.A. acting as the principal agent. The line of credit has a term of ten years beginning on October 15, 2003, allows for maximum borrowings of $70,828,414 and requires semiannual payments. As of December 31, 2012 and 2011, the outstanding amount was $98,517,639 and $223,135,320, equivalent to 7,572,397 and 15,962,523 U.S. Dollars, respectively.

   The interest rate of this line of credit is an annual fixed rate of 4.70%.

b. ***Commercial line of credit***—Line of credit with eleven commercial banks, in which Citibank, N.A. acts as the principal agent. The line of credit has a term of ten years starting on October 15, 2003, allows for maximum borrowings of $116,800,000 and requires semiannual payments. As of December 31, 2012 and 2011, the outstanding amount was $150,504,235 and $334,346,195, equivalent to 11,568,261 and 23,918,261 U.S. dollars, respectively.

   The commercial line of credit bears interest at the London Interbank Rate ("LIBOR") plus 1.875% per year during the construction period, LIBOR plus 2.125% from the date of commercial startup until the fourth anniversary, LIBOR plus 2.375% from the fourth anniversary to the eighth anniversary and LIBOR plus 2.625% from the eighth anniversary to maturity.

   Gasoductos de Tamaulipas provided a guarantee for the debt payment; the right of property in accordance with the following assets: contracts, inventories, equipment and general financial assets. Additionally, certain financial ratios must be maintained. The Entity is in compliance with all such financial ratios.

8. Labor obligations

Net period cost for obligations resulting from the pension plan and seniority premiums was $4,587,801 and $2,049,973 in 2012 and 2011, respectively. Other disclosures required under accounting provisions are not considered material

9. Asset retirement obligations

The obligations associated with the retirement of assets are recognized when a contractual or legal obligation exists and a reasonable estimate of the measurement can be realized. The activities to be performed for removal of the specialized machinery includes: disconnection from the power supply and purge of gas, clogged pipe, keep track of disconnected pipes, etc. At December 31, 2011, the Entity recorded the provisions for asset retirement obligations based on the Mexican Official Standard NOM-117, as shown below:

	2012	2011
Ducto Samalayuca	$ 3,315,511	$ 3,329,300
Estación de compresión Gloria a Dios ("GAD")	3,938,817	3,955,204
Sistema San Fernando	15,402,385	15,466,434
Gas LP Burgos Monterrey	5,627,623	5,651,031
Total	$28,284,336	$28,401,969

The estimated costs of these obligations have been recorded at present value of future cash flows based on the effective interest method using the appropriate discount rate, a risk-free rate of credit institution. This rate corresponds to 7% in Grupo Gasoductos. Likewise, we considered the remaining life of the Project as follows: Pipeline Samalayuca 16 years; compressor station GAD 11 years, San Fernando System 22 years and LP gas Burgos Monterrey 17 years.

10. Members' equity

a. The Entity's capital is represented by 2 social parts, which represents the number of members of the Entity. Such social parts are composed of Series "A" which must represent the fixed portion at all times and Series "B" which must represent the variable portion at all times.

As of December 31, 2012 and 2011, subscribed and paid fixed social parts were 59,771,617 ($41,824,856 at nominal value) and subscribed and paid variable social parts were $1,063,541,270 ($744,273,786 at nominal value).

	Fixed social parts	Variable social parts	Total
PGPB	$20,912,428	$372,136,893	$393,049,321
Sempra Gasoductos Holding, S. de R.L. de C.V.	20,912,428	372,136,893	393,049,321
	$41,824,856	$744,273,786	$786,098,642

b. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of social parts at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2012 and 2011, the legal reserve amounts $325,464,264 and 312,756,734 respectively.

c. Members' equity, except for restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

d. The balances of the members' equity tax accounts as of December 31, are:

	2012	2011
Contributed capital account	$1,371,765,892	$1,324,609,784
Net tax income account (CUFIN)	3,042,599,072	2,945,698,179
Total	$4,414,364,964	$4,270,307,963

11. Foreign currency balances and transactions

a. As of December 31, the foreign currency monetary position is as follows:

	2012	2011
U.S. dollars:		
Monetary assets	243,393,995	233,219,461
Monetary liabilities	(33,885,558)	(49,900,158)
Net monetary asset position	209,508,437	183,319,303
Equivalent in Mexican pesos	$2,725,725,722	$2,562,565,541

b. Transactions denominated in foreign currency were as follows:

	2012	2011
	(In U.S. dollars)	
Revenues from transportation services	124,461,738	119,953,246
Services received	16,294,159	16,843,826
Interest expense	2,051,901	3,205,496
AFUDC	8,299,608	—
Interest income	5,085	11,270
Other income	1,276,504	1,690,408

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of issuance of these consolidated financial statements were as follows:

	December 31, 2012	December 31, 2011	February 18, 2013
U.S. dollar	$13.0101	$13.9787	$12.6985

12. Transactions with related parties

a. Transactions with related parties for the years ended December 31:

	2012	2011
Revenues from transportation services (PGPB)	$1,635,037,955	$1,433,981,723
Revenue from administrative services (TAG Pipelines)	$ 57,435,049	$ 2,553,004
Maintenance and operations services received (PGPB)	$ 128,009,253	$ 151,861,616
Reimbursements (PGPB)	$ 3,884,983	$ 3,761,652

b. Balances with PEMEX-GAS y Petroquímica Básica (related parties) are as follows:

	2012	2011
Transportation services	$290,668,645	$310,817,761
Maintenance and operations	5,793,441	(10,041,247)
Specific services contracts funds provision (CSE)	(77,497,887)	(72,910,285)
	$218,964,199	$227,866,229

c. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 31, 2009 to provide natural gas transportation under the TF-1 firm transport service scheme to PGPB for a firm baser. The modification includes a regulated rate and is valid until December 31, 2013.

d. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 31, 2009 to provide natural gas transportation under the TI-1 firm transport service scheme to PGPB for a firm baser. The modification includes a regulated rate and is valid for one year.

e. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 31, 2009 to provide natural gas transportation under the TI-2 firm transport service scheme to PGPB for a firm baser. The modification includes a regulated rate and is valid for one year.

f. On November 27, 1998, Gasoductos de Chihuahua entered into an agreement with PGPB, in which it receives operation and maintenance ("O&M") services on the natural gas transportation system. This agreement expired in April 2009; subsequently, the agreement has been renewed annually.

g. On December 19, 2011, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it provides natural gas transportation services. This agreement expires in 20 years commencing on November 12, 2003 (commercial operational date).

h. On May 2, 2002, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 20 years from the commercial operational date.

i. On December 15, 2005, TDF entered into an agreement with PGPB, in which it provides liquid petroleum gas transportation services. This agreement expires 20 years from the commercial operational date.

j. On December 15, 2005, TDF entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 20 years from the commercial operational date.

k. On September 23, 2011, Gasoductos Servicios entered into a one year service agreement with MGI Supply Ltd (MGI) for services with a 5% mark up. MGI had a one year renewal option with a 60 day advance notification.

l. As of April 18, 2012. a modification was made where MGI gave all the rights and obligations of the service agreement to TAG Pipelines, S. de R. L. de C. V.

13. Revenues from administrative services

	2012	2011
Administrative services	$57,435,049	$ 2,553,004
Cash out	7,553,342	16,278,364
Reimbursement of PGPB expenses	3,884,983	3,761,652
Other income	1,102,509	2,024,129
B&K arbitration	—	2,029,944
	$69,975,882	$26,647,093

14. Other costs

	2012	2011
Cost of sales of fixed assets	$(18,203,972)	$(2,760,642)
Social work in Corralillos	(8,714,893)	—
	$(26,918,865)	$(2,760,642)

15. Other income

	2012	2011
Tax actualization	$43,596,314	$ —
Other income	4,860,921	1,577,700
	$48,457,235	$1,577,700

16. Income taxes

The Entity is subject to ISR and IETU.

The ISR rate during 2012 and 2011 was 30%. Pursuant to changes to the Federal Revenue Law for 2013, the ISR rate applicable to corporations during 2013 and 2014 has changed. Currently, rates will be 30% for 2013, 29% for 2014, and 28% for 2015 and thereafter.

IETU—Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17.5%. The Asset Tax (IMPAC) Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time, may be recovered, according to the terms of the law.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections, the Entity determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR. While the Entity incurred IETU during the year, this situation was circumstantial.

Reconciliation of ISR asset and liability balances before the 2010 tax reform became effective, and the ending balances, after recognition of the effects of such reform, are as follows:

	2012		2011	
	ISR Amount	Rate	ISR Amount	Rate
Income (loss) before income taxes	$1,291,052,325		$ 882,810,997	
Current tax	302,578,327		311,284,939	
Deferred tax	(109,055,218)		129,230,709	
Total income taxes	193,523,109	15%	440,515,648	50%
Effects of inflation	30,194,520	2%	24,833,069	3%
Effects of permanent differences, mainly non-deductible expenses	(5,027,862)	0%	(9,966,989)	(1%)
Remeasurement effect	164,695,402	13%	(188,115,605)	(22%)
	$ 383,385,169	30%	$ 267,266,123	30%

a. The main items that give rise to a deferred ISR liability are:

	2012	2011
Provisions	$ (1,402,614)	$ (3,111,238)
Statutory employee profit sharing	(817,083)	(153,283)
Derivative financial instruments	—	(5,042,958)
Pipelines, land right-of-way and	604,222,484	674,509,959
Prepaid insurance	8,020,197	2,436,830
Specific services funds provision (CSE)	(21,699,408)	(20,414,880)
Operation and maintenance	(1,549,552)	(1,491,910)
Effect of tax loss carryforwards	(49,185,525)	—
	$537,588,499	$646,732,520

b. The benefits of restated tax loss carryforwards for which the deferred ISR asset have been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2012, are:

Year of Expiration	Tax loss carryforwards
2022	$163,951,750

17. Commitments

As of December 31, 2012 the Entity has the following commitments:

a. On February 15, 2001, Gasoductos de Chihuahua signed with CFE a contract to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with right of renewal for five years. The maximum daily capacity covered by this contract is 60 million cubic feet (ft3) per day.

b. On December 31, 2012, Gasoductos de Chihuahua entered into a natural gas transportation services contract, under the TF-1 firm transport service scheme with CFE for a firm baser reserved capacity of 100 million cubic meters per day (mmcfd). The contract is for a one year and includes a regulated rate.

c. On December 31, 2012, Gasoductos de Chihuahua entered into a contract to provide natural gas transmission under the TF-1 firm transport service scheme to CFE for a firm baser reserved capacity of 72 mmcfd. The contract includes a regulated rate and is valid for one year.

d. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TF-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 40 mmcfd. The modification includes a regulated rate and is valid for one year, with annual automatic renewal.

e. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TI-1 firm transport service scheme to PGPB for a firm baser reserved capacity of 80 mmcfd. The modification includes a regulated rate and is valid for one year with annual automatic renewal.

f. On December 13, 2012, Gasoductos de Chihuahua made a modification to the contract celebrated on December 11, 2009 to provide natural gas transportation under the TI-2 firm transport service scheme to PGPB for a firm baser reserved capacity of 80 mmcfd. The modification includes a regulated rate and is valid for one year with annual automatic renewal.

g. Gasoductos de Tamaulipas executed a natural gas compression and transport service contract with PGPB. Such contract was signed on December 19, 2001 and stipulates a daily capacity of 1,000,000,000 $ft.^3$ of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (the starting date of commercial operations).

h. On December 15, 2005, TDF signed an LP gas gas transportation services contract with PGPB. This service is established under the firm transport service scheme, with a daily transportation capacity of 4,470 $mt.^3$, equivalent to 30,000 barrels daily. The contract duration is 20 years with a regulated rate

i. On November 27, 1998, Gasoductos de Chihuahua entered into an agreement with PGPB, in which it receives operation and maintenance ("O&M") services on the natural gas transportation system. This agreement expires in April 2009; subsequently, the agreement has been renewed annually.

j. On May 2, 2002, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 20 years from the commercial operational date.

k. On December 15, 2005, TDF entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 20 years from the commercial operational date.

l. On October 28, 2011, Transportadora del Norte SH signed a contract with Cobra Instalaciones México, S. A. C. V. ("Contractor") for the construction, engineering and procurement of the storage facility LPG supply at Zapotlanejo Guadalajara. As established in the amended agreement if the construction of this storage facility is not completed within 365 days after Notice to Proceed "NTP", the contractor is required to pay a penalty for Transportadora del Norte of US$10,000 for each day of delay in the first 60 days, US$30,000 for each day of delay of 61 to 120 days and US$50,000 from day 121 onwards.

m. On February 17, 2012, Gasoductos de Chihuahua signed storage agreement to provide liquid petroleum gas with PGPB under the firm storage service scheme with for a firm baser storage capacity of 2,403.88 tons equivalent to 30,000 barrels per day (BPD). The contract term is 15 years and includes a regulated rate by the CRE.

   On July 18, 2012 a modifying settlement to the storage contract was signed, where Gasoductos de Chihuahua agreed to give in all the rights and obligations of the storage agreement to Transportadora del Norte, SH.

   In case of delay of the plant commercial operational date, a daily payment of $361,643 Mexican pesos is established. Such amount will be adjusted annually based on the National Consumer Price Index, considering the adjusted amount from the prior year.

   The maximum amount of penalties may not exceed $108,000,000.00 Mexican pesos during the Contract life, and such amount may be actualized annually in accordance with the National Consumer Price Index factors published in the Diario Oficial de la Federación (Official Federation Diary), considering for actualization purposes the prior year actualized amount.

n. On February 21, 2012, Transportadora del Norte, SH entered into an agreement with PGPB, in which it receives O&M services. This agreement expires 15 years from the commercial operational date.

o. On December 31, 2012, Gasoductos del Sureste entered into an agreement with Techint, S. A. de C. V. (Contractor) for the construction, engineering and procurement of the ethane gas duct in the following segments: Segment I Nuevo Pemex—Cactus, Segment II Cactus—Complejo Etileno XXI and Segment III Complejo Etileno XXI—Anillo ethane Coatzacoalcos Area.

   The contract establishes that if the duct is not concluded as of June 30, 2014, the Contractor is forced to pay to Gasoductos del Sureste a daily penalty as follows: Segment I $37,250 for the first 30 days; $40,000 from day 31 to day 60, $45,000 from day 61 to day 90, $50,000 from day 91 to day 120, $55,000 from day 121 to day 150, $65,000 from day 151 to day 180 and $70,000 from day 181. Segment II $41,250 for the first 30 days, $42,500 from day 31 to day 120, $52,500 from day 121 to day 150, $72,500 from day 151 to day 180 and $107,500 from day 181. Segment III $31,250 for the first 30 days, $32, 500 from day 31 to day 120, $42,500 from day 121 to day 150, $62,500 from day 151 to day 180 and $99,500 from day 181 onwards.

p. On November 27, 2012, Gasoductos del Sureste entered into an ethane gas transportation services contract with PGPB. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme with for a firm baser reserved capacity of : Segment I Cangrejera—Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI—Cangrejera 29,500 BPD, Segment Cactus—km 3 38,000 BPD, Segment II km 3—Complejo Etileno XXI 95,500 BPD and Segment III Cd. Pemex—Nuevo Pemex 105,600 BPD.

   In case of delay of the commercial operational date Gasoductos del Sureste is forced to pay to PGPB a daily penalty as follows: Segment I $7,500 for the first 30 days; $10,000 from day 31 to day 60, $15,000 from day 61 to day 90, $20,000 from day 91 to day 120, $25,000 from day 121 to day 150, $35,000 from day 151 to day 180 and $40,000 from day 181.

   The maximum amount of penalties, from the signing of the contract to the commercial operational date may not exceed 30,000,000 US Dollar.

18. New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2012, the Mexican Board for Research and Development of Financial Reporting Standards (“CINIF”) issued the following MFRS and improvements to MFRS, which will become effective as of January 1, 2013:

NIF B-4, *Statement of Changes in Members’ Equity*
NIF B-6, *Statement of Financial Position*
NIF B-8, *Consolidated or Combined Financial Statements*

NIF C-7, *Investments in Associated Entities, Joint Ventures and Other Permanent Investments*
NIF C-21, *Joint Control Arrangements*

NIF B-4, *Statement of Changes in Members' Equity*—Establishes the general rules for the presentation and structure of the statement of changes in members' equity, such as showing retroactive adjustments due to accounting changes and corrections of errors that affect the beginning balances of members' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to NIF B-3.

NIF B-6, *Statement of Financial Position*—Establishes, in a single standard, the structure of the statement of financial position as well as the related rules for presentation and disclosures.

NIF B-8, *Consolidated or Combined Financial Statements*—Amends the definition of control. The existence of control over an entity is the basis for consolidation of the financial information. With this new definition and in accordance with the criteria of the revised standard, consolidation may be required of certain previously unconsolidated entities that are controlled by the Entity and, vice versa, the Entity may be required to deconsolidate previously consolidated entities over which the Entity has determined it does not exercise control. This NIF establishes that an entity exercises control when it has power to direct relevant activities and if it is exposed to or has rights to variable returns of another entity and has the ability to influence such returns. Additionally, the NIF introduces the concept of protective rights, which are defined as those rights that are designed to protect the non-controlling investor's participation, while not granting power to such investor. The standard also incorporates the concepts of principal and agent, wherein the principal is the investor entitled to make decisions on its own behalf, while the agent's role is limited to making decisions on behalf of the principal; consequently, the latter cannot be the party who exercises control. The NIF removes the term "special-purpose entity" and introduces the concept of a structured entity, which is an entity designed in such a way that voting or similar rights are not the determining factor for deciding who has control over it.

NIF C-7*, Investments in Associates, Joint ventures and Other Permanent Investments—*Stipulates that investments in joint ventures should be recognized through the equity method and that all gains and losses arising from permanent investments in associated entities, joint ventures and others should be recognized in results, in income or loss of other associated entities. The revised standard requires additional disclosures that are intended to provide further data on the financial information of associated entities and joint ventures, and eliminates the term "special-purpose entity."

NIF C-21*, Joint-Control Arrangements—*Defines a joint agreement as an agreement that regulates an activity over which two or more parties maintain joint control, and comprises: 1) joint operations, wherein the parties to the agreement have direct rights and obligations with respect to the contractual assets and liabilities, and 2) joint venture, wherein the parties have the right to participate only in the residual value of assets after deducting liabilities. This type of agreement establishes that participation in a joint venture must be recognized as a permanent investment, and valued according to the equity method.

Improvements to Mexican Financial Reporting Standards 2013—The main improvements that result in accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2013 are:

Bulletin C-9, *Accounting for Liabilities, Provisions, Contingent Assets and Liabilities and Commitments* and Bulletin C-12, *Accounting for Certain Financial Instruments With Characteristics of Liabilities, Equity or Both*—Stipulate that costs incurred in connection with the issuance of debt obligations should be presented as a reduction of the related liabilities and recognized in current earnings using to the effective interest method.

Bulletin C-15*, Accounting for Impairment and Disposal of Long-lived Assets—*The requirement of retroactively restating prior period comparative balance sheets for the deconsolidation of discontinued operations is eliminated.

Bulletin D-5, *Leases*—Stipulates that non-reimbursable lease payments should be deferred over the lease period and recognized in current earnings upon recognition of revenues and related expenses by the lessor and the leasee, respectively.

Also, other Improvements to MFRS 2013 were issued that do not result in accounting changes but further clarify the definitions of certain terms.

At the date of issuance of these consolidated financial statements, the Entity has not fully assessed the effects of adopting these new standards on its financial information.

19. Authorization to issue the financial statements

On February 18, 2013, the issuance of the accompanying consolidated financial statements were authorized by Ing. José Luis Vitagliano Novoa, General Director of the Entity, and Antonio Hernández Benítez, Finance and Administration Director; consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the approval of the Board of Directors and Members who may be modified, based on provisions set forth in Mexican General Corporate Law.

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March 21, 2013