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

Condensed Interim Consolidated Financial Statements for the nine and three-month periods ended September 30, 2014 and 2013 (unaudited).

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

Condensed Interim Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets

	Notes	September 30, 2014 (Unaudited)	December 31, 2013
Current assets			
Cash and cash equivalents		$ 58,414	$ 103,880
Short-term investments		60,004	207,027
Trade and other receivables – Net		87,073	64,035
Due from related parties	3	42,769	24,860
Current income tax receivable		17,392	15,931
Inventory of natural gas		6,581	3,836
Derivative financial instruments		6,361	9,188
Value added tax recoverable		47,697	43,914
Other assets		17,478	25,457
Total current assets		343,769	498,128
Non-current assets			
Due from related parties	3	93,135	331
Finance lease receivables		14,643	14,700
Deferred income tax assets		100,194	106,227
Investment in joint ventures	4	407,441	366,288
Goodwill		25,654	25,654
Property, plant and equipment – Net	5, 12	2,329,339	2,213,837
Carbon allowances	6	22,655	11,584
Other assets		2,635	5,159
Total non-current assets		2,995,696	2,743,780
Total assets		$ 3,339,465	$ 3,241,908

Liabilities and equity

	Notes	September 30, 2014 (Unaudited)	December 31, 2013
Current liabilities			
Trade and other payables		$ 63,947	$ 49,459
Due to related parties	3	23,867	3,655
Current income tax liabilities		16,068	90,130
Derivative financial instruments		7,031	10,705
Short-term debt – Net	7	143,973	-
Other financial liabilities		3,088	12,853
Provisions		1,701	1,945
Other payable taxes		11,691	7,815
Other liabilities		29,535	16,527
Total current liabilities		300,901	193,089
Non-current liabilities			
Long-term debt – Net	8	383,720	394,656
Due to related parties	3	39,572	38,893
Deferred income tax liabilities		204,591	205,385
Carbon allowances	6	24,585	11,151
Provisions		27,422	26,430
Derivative financial instruments		64,771	53,208
Post-employment and other long-term employee benefits		2,880	2,684
Total non-current liabilities		747,541	732,407
Total liabilities		1,048,442	925,496
Stockholders' equity			
Common stock		762,949	762,949
Additional paid-in capital		973,953	973,953
Accumulated other comprehensive income		(34,358)	(24,273)
Retained earnings		588,479	603,783
Total equity attributable to owners of the Company		2,291,023	2,316,412
Total liabilities and equity		$ 3,339,465	$ 3,241,908

See accompanying notes to condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Profit

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

		Nine-month period ended September 30, (Unaudited)		Three-month period ended September 30, (Unaudited)	
	Notes	**2014**	**2013**	**2014**	**2013**
Revenue	12	$ 622,099	$ 521,154	$ 234,898	$ 188,903
Cost of revenue		(343,245)	(255,951)	(130,785)	(91,142)
Administrative and other expenses		(72,741)	(68,813)	(25,401)	(21,695)
Depreciation and amortization expenses		(44,674)	(45,406)	(14,787)	(15,196)
Interest income		1,581	1,136	1,256	369
Finance income (costs)		4,204	(5,667)	1,200	(499)
Other gains (losses)		15,086	5,438	18,847	(285)
Profit before income tax and share of profits of joint ventures		182,310	151,891	85,228	60,455
Income tax expense	10	(53,154)	(44,646)	(26,419)	(15,246)
Share of profits of joint ventures, net of income tax	4	19,540	29,822	5,656	11,799
Profit for the period	12	$ 148,696	$ 137,067	$ 64,465	$ 57,008

All results are from continuing activities.

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

Earnings per share:

Basic and diluted earnings per share:	13	$ 0.13	$ 0.12	$ 0.06	$ 0.05

See accompanying notes to condensed interim consolidated financial statements.

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

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

(In thousands of U. S. Dollars)

	Nine-month period ended September 30, (Unaudited)		Three-month period ended September 30, (Unaudited)	
	2014	**2013**	**2014**	**2013**
Profit for period	$ 148,696	$ 137,067	$ 64,465	$ 57,008
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) in financial instruments valuation held for hedging purposes	460	(18,057)	(10,131)	(5,524)
Deferred income tax on gain (loss) in financial instruments valuation held for hedging purposes	(389)	5,417	2,788	1,657
(Loss) in financial instruments valuation held for hedging purposes of joint ventures	(6,008)	-	(676)	-
Deferred income tax on (loss) in financial instruments valuation held for hedging purposes of joint ventures	1,803	-	203	-
Gain in financial instruments valuation held for hedging purposes of liabilities related to assets held for sale	-	-	7,370	-
Deferred income tax on gain in financial instruments valuation held for hedging purposes of liabilities related to assets held for sale	-	-	(2,211)	-
Exchange differences on translating foreign operations	(5,951)	(496)	(6,862)	185
Total items that may be reclassified subsequently to profit and loss	(10,085)	(13,136)	(9,519)	(3,682)
Other comprehensive (loss) for the period	(10,085)	(13,136)	(9,519)	(3,682)
Total comprehensive income for the period	$ 138,611	$ 123,931	$ 54,946	$ 53,326

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

See accompanying notes to condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Common shares	Additional paid-in capital	Other comprehensive income	Retained earnings	Total
Balance as of January 1, 2013	$ 618,752	$ 536,577	$ (9,604)	$ 617,393	$ 1,763,118
Profit for the period	-	-	-	137,067	137,067
Loss in financial instruments valuation held for hedging purposes – Net	-	-	(12,640)	-	(12,640)
Exchange differences on translating foreign operations	-	-	(496)	-	(496)
Total comprehensive income for the period	-	-	(13,136)	137,067	123,931
Issuance of shares – Net	144,197	437,376	-	-	581,573
Payment of dividends	-	-	-	(39,000)	(39,000)
Balance as of September 30, 2013 (unaudited)	$ 762,949	$ 973,953	$ (22,740)	$ 715,460	$ 2,429,622
Balance as of January 1, 2014	$ 762,949	$ 973,953	$ (24,273)	$ 603,783	$ 2,316,412
Profit for the period	-	-	-	148,696	148,696
Gain in financial instruments valuation held for hedging purposes – Net	-	-	71	-	71
Loss in financial instruments valuation held for hedging purposes of joint ventures – Net	-	-	(4,205)	-	(4,205)
Exchange differences on translating foreign operations	-	-	(5,951)	-	(5,951)
Total comprehensive income for the period	-	-	(10,085)	148,696	138,611
Payment of dividends	-	-	-	(164,000)	(164,000)
Balance as of September 30, 2014 (unaudited)	$ 762,949	$ 973,953	$ (34,358)	$ 588,479	$ 2,291,023

See accompanying notes to condensed interim consolidated financial statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)
(Indirect method)

	Nine-month period ended September 30, (Unaudited)		Three-month period ended September 30, (Unaudited)	
	2014	2013	2014	2013
Cash flows from operating activities:				
Profit for period	$ 148,696	$ 137,067	$ 64,465	$ 57,008
Adjustments for:				
Income tax expense	53,154	44,646	26,419	15,246
Share of profits of joint venture, net of income tax	(19,540)	(29,822)	(5,656)	(11,799)
Finance costs (income)	(4,204)	5,667	(1,200)	499
Interest income	(1,581)	(1,136)	(1,256)	(369)
Loss on disposal of property, plant and equipment	1,009	2,140	349	1,117
Impairment loss recognized on trade receivables	17	11	13	17
Gain on sale of equity interest in subsidiary	(18,824)	-	(18,824)	-
Depreciation and amortization of non-current assets	44,674	45,406	14,787	15,196
Net foreign exchange loss	3,295	2,151	1,582	292
Loss (gain) on derivative financial instruments valuation	15	(14,690)	(4,578)	(1,172)
	206,711	191,440	76,101	76,035
Movements in working capital:				
(Increase) decrease in trade and other receivables	(40,907)	12,795	(19,588)	1,536
(Increase) decrease in inventories	(2,745)	6,254	(508)	3,357
(Increase) decrease in other assets	(8,426)	(49,856)	18,914	(13,905)
Increase (decrease) in trade and other payables	81,328	24,653	34,807	(3,396)
(Decrease) increase in provisions	(23,359)	(5,721)	4,475	12,967
Increase in other liabilities	20,094	18,001	8,784	5,851
Cash generated from operations	232,696	197,566	122,985	82,445
Income taxes paid	(131,037)	(62,912)	(15,377)	(15,463)
Net cash generated by operating activities	101,659	134,654	107,608	66,982

(Continue)

	Nine-month period ended September 30, (Unaudited)		Three-month period ended September 30, (Unaudited)	
	2014	2013	2014	2013
Cash flows from investing activities:				
Net cash inflow on sale of equity interest in subsidiary	24,411	-	24,411	-
Acquisitions for property, plant and equipment	(262,478)	(280,536)	(72,701)	(115,599)
Loans granted to related parties	(110,587)	(138)	(110,587)	-
Repayment of loans to related parties	18,821	-	18,466	-
Short-term investments	147,023	(481,583)	69,022	44,033
Net cash (used in) investing activities	(182,810)	(762,257)	(71,389)	(71,566)
Cash flows from financing activities:				
Interest paid	(14,963)	(9,795)	(7,313)	(7,228)
Proceeds from loans from related parties	124	12,907	124	807
Repayment of loans granted by related parties	(553)	(388,389)	(10)	-
Issuance of ordinary shares under initial public offering	-	598,812	-	-
Share issue costs	-	(24,627)	-	-
Proceeds from bank loans and project financing	227,432	-	145,000	-
Proceeds from debt issuance	-	408,279	-	-
Debt issue and financing costs	(11,184)	(3,087)	(1,500)	81
Dividends paid	(164,000)	(39,000)	(164,000)	-
Net cash provided by (used in) financing activities	36,856	555,100	(27,699)	(6,340)
(Decrease) increase in cash and cash equivalents	(44,295)	(72,503)	8,520	(10,924)
Cash and cash equivalents at the beginning of the period	103,880	85,073	51,117	25,425
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,171)	(2,518)	(1,223)	(4,449)
Cash and cash equivalents at the end of the period	$ 58,414	$ 10,052	$ 58,414	$ 10,052

(Conclude)

See accompanying notes to condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month and three-month periods ended September 30, 2014 and 2013 (unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

1.1. Business

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) ("IEnova") (collectively, the "Company") are companies domiciled and incorporated in México. Their parent and ultimate holding company is Sempra Energy, domiciled and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 19.

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist incurred primarily by IEnova as the parent company (Note 12).

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

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

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

1.2. Relevant events

1.2.1. *Los Ramones Norte project –*

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

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

TAG Norte concurrently entered into an integrated transportation service of natural gas agreement with PGPB for all the capacity of the Los Ramones Norte system, with a 25-year term from the date of commercial operation, estimated for the last quarter of 2015. This agreement is subject to obtaining the appropriate permits.

1.2.2. *Energía Sierra Juarez project -*

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

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

b. *Sale of 50% of the ESJ project.*

On April 18, 2014, the Company, through its subsidiary Controladora Sierra Juárez, S. de R. L. de C. V., entered into a purchase and sale agreement with InterGen International (UK) Ltd. ("Intergen") with respect to the 50% of the membership interests of Energía Sierra Juárez, S. de R. L. de C. V.'s ("ESJ") equity (entity responsible for the ESJ project). The transaction was completed on July 16, 2014; thus, beginning this date, the Company recognizes ESJ as an investment in joint venture and accounts for its ownership share by the equity method of accounting. See Note 4.2. for more details of the transaction.

c. *Project financing agreement of the ESJ project.*

On June 12, 2014, ESJ entered into a project financing agreement for $239.8 million with a term of 18 years after the date of commencement of commercial operation (second half of 2015). The financing includes the granting of certain guarantees in favor of lenders and providers of coverage. See Note 4.2. for more details of the project financing.

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

On June 12, 2014, ESJ entered into a current account credit contract with Banco Santander (México), S. A. ("Santander") for an amount of up to 455 million Pesos (approximately $35 million) for financing the value added tax ("IVA", for its acronym in Spanish) of the ESJ project. See Note 4.2. for more details.

1.2.3. Other financing -

a. On June 19, 2014, the Company entered into a current account credit contract with Santander for an amount of up to $200 million, for working capital and general corporate purposes. See Note 7a for more details.

b. On August 25, 2014, the Company entered into a current account credit contract with Sumitomo Mitsui Banking Corporation ("SMBC") for an amount of up to $100 million, for working capital and general corporate purposes. See Note 7b for more details.

2. Significant accounting policies

2.1. Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB").

Certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted pursuant to the interim-period-reporting provisions. Therefore, the condensed interim consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which are prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

2.2. Basis of preparation

The same accounting policies, presentation and methods of computation were followed in these condensed interim consolidated financial statements as were applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2013.

3. Related party transactions

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

3.1. Trading transactions

During the period, the Company entered into the following trading transactions with related parties:

	Revenues			
	(Unaudited) Nine-month period ended		(Unaudited) Three-month period ended	
	09/30/14	09/30/13	09/30/14	09/30/13
Sempra Generation ("SGEN")	$ 171,228	$ 134,976	$ 73,331	$ 58,939
Sempra LNG International, LLC ("SLNGI")	67,889	67,854	22,948	30,954
Sempra International, LLC ("Sempra International")	1,312	861	489	418
Southern California Gas Company ("SoCalGas")	9	72	(17)	18

	Cost of revenues and administrative and other expenses			
	(Unaudited) Nine-month period ended		(Unaudited) Three-month period ended	
	09/30/14	09/30/13	09/30/14	09/30/13
SLNGI	$ 259,086	$ 101,702	$ 76,202	$ 357
SGEN	23,354	11,806	8,827	2,439
Sempra International	6,385	3,479	2,425	1,916
Sempra U. S. Gas & Power ("Sempra U. S. G&P")	5,336	5,156	1,727	1,729
SoCalGas	830	-	211	-
Sempra Services Company, S. de R. L. de C. V. ("Sempra Servicios Company")	764	1,349	236	322
Sempra Servicios México, S. de R. L. de C. V. ("Sempra Servicios México")	521	480	167	134
Sempra Midstream, Inc. ("Sempra Midstream")	336	417	112	139
Sempra Global	-	71	-	-
Sempra LNG	-	585	-	-
San Diego Gas & Electric	-	3	-	3

	Finance costs			
	(Unaudited) Nine-month period ended		(Unaudited) Three-month period ended	
	09/30/14	09/30/13	09/30/14	09/30/13
Sempra Oil Suisse Sarl (formerly Sempra Oil Trading Suisse, "SOT Suisse")	$ 1,103	$ 1,108	$ 374	$ 617
SGEN	3	3	-	-
Inversiones Sempra Limitada (formerly Sempra Chile, S. A.)	-	903	-	-
Sempra Energy International Holdings, N. V.	-	350	-	-
Sempra Services Company	-	1	-	-
Sempra Global	-	7	-	-

	Interest income			
	(Unaudited) Nine-month period ended		(Unaudited) Three-month period ended	
	09/30/14	09/30/13	09/30/14	09/30/13
Ductos Energéticos del Norte, S. de R. L. de C. V. ("DEN")	$ 666	-	$ 666	-
ESJ	371	-	371	-
Sempra Services Company	3	-	1	-
Sempra Servicios México	1	3	-	-

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

	Amounts due from related parties Period / year ended	
	(Unaudited) 09/30/14	12/31/13
SGEN	$ 41,923	$ 24,741
ESJ	837	-
ESJ Transmission US LLC	9	-
Sempra International	-	119
	$ 42,769	$ 24,860

	Amounts due to related parties Period / year ended	
	(Unaudited) 09/30/14	12/31/13
SLNGI	$ 22,983	$ 3,031
Sempra International	673	-
Sempra Services Company	107	291
SoCalGas	75	106
ESJ	21	-
Sempra Servicios México	8	181
Sempra Midstream	-	46
	$ 23,867	$ 3,655

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

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

Included in the trading transactions are administrative services from affiliates of $7,511 and $6,764 for the nine-month periods ended September 30, 2014 and 2013 (unaudited), respectively, and $2,796 and $2,761 for the three-month periods ended September 30, 2014 and 2013 (unaudited), respectively; which were charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

3.2. Loans to related parties

	Period / year ended (Unaudited) 09/30/14	12/31/13
DEN	$ 71,706	$ -
ESJ	21,329	-
Sempra Servicios México	100	231
Sempra Services Company	-	100
	$ 93,135	$ 331

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

3.3. Loans from related parties

	Period / year ended (Unaudited) 09/30/14	12/31/13
SOT Suisse	$ 39,564	$ 38,460
SGEN	8	433
	$ 39,572	$ 38,893

3.4. Compensation of key management personnel

Intercompany charges from U.S. affiliates have been made to allocate the remuneration of directors and key executives. During 2013, the Company hired directly certain of its directors and key executives; the paid compensation to Company's key management personnel amounted to $6,198 and $3,164 for the nine-month periods ended September 30, 2014 and 2013 (unaudited), respectively, and $501 and $405 for the three-month periods ended September 30, 2014 and 2013 (unaudited), respectively. The Company has implemented a program of benefits which qualifies as Share Base Payments; as of September 30, 2014 such amounts of these benefits is not material.

4. Investment in joint ventures

4.1. GdC

The Company has a 50% equity ownership in the members' equity of GdC, an entity jointly controlled entity with PGPB. GdC operates two natural gas pipelines, a natural gas compression station, a system of propane in Northern Mexico, in the States of Chihuahua, Tamaulipas and Nuevo León, México; and a station for gas storage in the State of Jalisco, México. As of September 30, 2014 (unaudited), GdC has construction in process for Los Ramones I, Los Ramones Norte (refer to Note 1.2.1.) and Ethane Pipeline projects.

As of September 30, 2014, there has been no change in the Company's ownership or voting interests in this joint venture since its acquisition.

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

	Period / year ended	
	(Unaudited) 09/30/14	12/31/13
Cash and cash equivalents	$ 168,829	$ 98,869
Short-term investments	52,911	12,805
Account receivable from CFE	1,204	-
Account receivable from PGPB	16,835	-
Other current assets	75,339	47,713
Current assets	315,118	159,387
Property, plant and equipment	886,857	508,023
Due from TAG Norte Holding, S. de R. L. de C. V.	142,118	-
Other non-current assets	463	-
Deferred income tax asset	789	476
Non-current assets	1,030,227	508,499
Total assets	$ 1,345,345	$ 667,886
Current liabilities	$ 210,739	$ 16,344
Non-current liabilities	500,999	48,853
Total liabilities	711,738	65,197
Total members' equity	$ 633,607	$ 602,689
Share of members' equity	$ 316,804	$ 301,345
Goodwill and indefinite lived intangible assets	64,943	64,943
Carrying amount of investment in joint venture	$ 381,747	$ 366,288

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Revenue	$ 111,843	$ 113,087	$ 38,974	$ 37,229
Cost and expenses	(44,628)	(40,115)	(17,847)	(16,302)
Interest expense (income), net	(10,671)	774	(1,693)	1,636
Income tax (expense) benefit	(18,520)	(14,103)	(9,177)	1,035
Net and comprehensive income	$ 38,024	$ 59,643	$ 10,257	$ 23,598
Share of profits of joint venture	$ 19,012	$ 29,822	$ 5,128	$ 11,799

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

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

PGPB	$ 71,706
IEnova	71,706
	$ 143,412

Such ordinary investment contributions were paid during July and August, 2014.

Further, by means of the above mentioned documents, IEnova commits to additional ordinary and extraordinary contributions for the development of the Los Ramones Norte project with an option to increase such contributions under certain circumstances.

4.2. ESJ

On July 16, 2014, CSJ completed the sale of 50% of the social parts in its indirect subsidiary ESJ (see Note 1.2.2). The net sale proceeds were $42.7 million. The retained interest in ESJ was recorded at its fair value of $25.9 million as a non-cash transaction. The net gain for the sale of ESJ shares was $18.8 million after income tax, included within the Other gains (losses) line item in the statements of profit and loss.

As of September 30, 2014, the investment in ESJ is recorded using the equity method. A summary of ESJ's consolidated financial statements, determined on a provisional basis for the intangibles assets, is as follows:

		Period ended (Unaudited) 09/30/14
Cash and cash equivalents	$	9,514
Other current assets		24,030
Current assets		33,544
Property, plant and equipment		242,418
Other non-current assets		10,591
Deferred income tax		8,694
Non-current assets		261,703
Total assets	$	295,247
Current liabilities	$	23,739
Non-current liabilities		244,362
Total liabilities		268,101
Total members' equity	$	27,146
Share of members' equity	$	13,573
Goodwill and indefinite lived intangible assets		12,121
Carrying amount of investment in joint venture	$	25,694

		For the period from (Unaudited) 07/16/2014 to 09/30/14
Cost and expenses	$	(257)
Interest income, net		57
Income tax		1,255
Net and comprehensive income	$	1,055
Share of profits of joint venture	$	528

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

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

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

Years	**Base Rate applicable margin**	**LIBOR applicable margin**
0	1.375%	2.375%
1 – 4	1.375%	2.375%
5 – 8	1.625%	2.625%
9 – 12	1.875%	2.875%
13 – 16	2.125%	3.125%
17 – 18	2.375%	3.375%

On September12, 2014, the Company withdrew a total of $172.3 million, comprised as follows:

	Total credit facilities	**Withdrawals**	**Unexercised outstanding balances**
Mizuho Bank. Ltd.	$ 49,270	$ 35,406	$ 13,864
Nacional Financiera, S.N.C.	40,112	28,825	11,287
Norddeutsche Landesbank Girozentrale	55,154	39,634	15,520
North American Development Bank	40,112	28,825	11,287
Sumitomo Mitsui Banking Corporation	55,154	39,634	15,520
	$ 239,802	$ 172,324	$ 67,478

Minimum payments of long-term debt are as follows:

Year	**Amount**
2015	$ 6,680
2016	7,679
2017	7,703
2018	8,020
2019	8,069
2020 and thereafter	134,173
	$ 172,324

(b) ***Interest rate swaps.*** In order to mitigate the impact of benchmark interest rate changes, ESJ entered into three interest rate swaps with Mizuho, SMBC and NORD/LB; each one with a trade date of June 12, 2014, and an effective date of June 30, 2015; hedging 90% of the above mentioned credit facilities. The swap contracts provide for ESJ to pay a fixed interest rate of 3.50% and to receive variable interest rate (6 month LIBOR). The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges. The cumulative loss recognized in other comprehensive income of $5.1, net of taxes, was reclassified from equity to profit or loss upon deconsolidation of ESJ.

(c) ***Financing of project's value added tax with Santander.*** On June 12, 2014, ESJ entered into a current account credit contract with Santander for an amount of up to 455 million Pesos (approximately $35 million); for each withdrawal, interest will be accrued based on Mexican Interbank Interest Rate ("TIIE", by its acronym in Spanish) plus 145 bps payable on a semi-annual basis. The credit line under this contract will be used for financing the IVA of the ESJ project. As of September 30, 2014, the Company has withdrawn $330.1 million pesos (approximately $24.5 million) of this credit line.

(d) ***Other disclosures.*** The member's agreement provides for certain restrictions to the sale of the membership interest in ESJ together with rights of first refusal and tag-along rights granted to the members. Also, such agreement establishes capital calls that are to be contributed on a pro rata basis by the members. Finally, the Company and its joint venture partner have provided guarantees of payment of amounts due by ESJ and its subsidiaries under the wind turbine supply agreement with Vestas WTG México, S. A. de C. V., which is accounted for at its fair value (not material to the Company).

5. Property, plant and equipment - Net

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

	Period / year ended (Unaudited) 09/30/2014	Period / year ended 12/31/2013
Sonora pipeline project	$ 543,854	$ 331,119
ESJ project (a)	625	69,453
Other projects	7,694	23,417
	$ 552,173	$ 423,989

(a) Construction in progress for initial stage of ESJ project is recognized in ESJ investment in joint venture equity method; the remaining construction in progress is included in this balance.

(b) ***Borrowing cost.*** During the nine-month period and three-month period ended September 30, 2014 (unaudited), the Company capitalized interest attributable to the construction in projects for $18,630 and $6,350, respectively. The weighted average rate use to determine the amount of borrowing costs eligible for capitalization was 5.5436% for the nine-month and three-month period ended September 30, 2014 (unaudited).

6. Carbon allowances

The carbon allowances assets and liabilities balances in the condensed interim consolidated statements of financial position are comprised as follows:

	Period / year ended (Unaudited) 09/30/14	Period / year ended 12/31/13
Assets:		
Non-current	$ 22,655	$ 11,584
Current	4,826	4,778
	$ 27,481	$ 16,362

Liabilities (a):

	Period / year ended	
	(Unaudited) 09/30/14	12/31/13
Non-current	$ 24,585	$ 11,151
Current	4,826	4,778
	$ 29,411	$ 15,929

(a) The changes in this balance for the nine-month period and three-month period ended September 30, 2014 (unaudited) were charged to Cost of revenues for $13,482 and $5,034, respectively.

7. Short-term debt - Net

	Period / year ended	
	(Unaudited) 09/30/14	12/31/13
Santander (a)	$ 145,361	$ -
SMBC (b)	41	-
	145,402	-
Financing costs	(1,429)	-
	$ 143,973	$ -

(a) ***Current account credit contract with Santander.*** On June 19, 2014, the Company entered into a current account credit contract with Santander for an amount of up to $200 million, for each withdraw, interest will be accrued based on 3-month LIBOR plus 105 bps payable on a quarterly basis, with a term of 3 years. The credit line under this contract will be used for working capital and general corporate purposes. As of September 30, 2014, the Company has withdrawn $145 million of this credit line.

(b) ***Current account credit contract with SMBC.*** On August 25, 2014, the Company entered into a current account credit contract with SMBC for an amount of up to $100 million, for each withdraw, interest will be accrued based on 3-month LIBOR plus 105 bps payable on a quarterly basis, with a term of 3 years. The credit line under this contract will be used for working capital and general corporate purposes. As of September 30, 2014, the Company has not withdrawn any resources of this credit line.

8. Long-term debt - Net

	Period / year ended	
	(Unaudited) 09/30/14	12/31/13
CEBURES at fixed rate	$ 289,874	$ 298,245
CEBURES at variable rate	96,625	99,415
	386,499	397,660
Issuance debt costs	(2,779)	(3,004)
	$ 383,720	$ 394,656

9. Financial instruments

9.1. Foreign currency exchange rate

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

	Mexican Pesos		
	09/30/2014	**12/31/13**	**10/21/2014**
One U. S. Dollar	$ 13.4541	$ 13.0765	$ 13.5231

9.2. Fair value of financial instruments

9.2.1. Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	Period / year ended			
	(Unaudited) 09/30/14		**12/31/13**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Financial lease receivables	$ 14,643	$ 47,170	$ 14,700	$ 52,270
Financial liabilities				
Financial liabilities held at amortized cost:				
- Long-term debt (traded in stock exchange)	383,720	373,242	394,656	374,899
- Short- term debt (not traded in stock change)	143,973	144,247	-	-
- Loans from related parties (not traded in stock exchange)	39,572	38,186	38,893	36,573

9.2.2. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair value of finance lease receivables is determined by calculating the present value of the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.
- The Company determined the fair value is of its long-term debt using prices quoted on recognized markets.
- The Company determined the fair value of its other financial liabilities (other than Long-term debt) carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount to present value is adjusted to reflect the Company's own credit risk.

- The fair value of commodity and other derivative positions are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

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

Finance lease receivables. The fair value of finance lease receivables is estimated to be $47,170 and $52,270 as of September 30, 2014 (unaudited) and as of December 31, 2013, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

9.2.3. Fair value measurements recognized in the consolidated statement of financial position.

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

A fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit standing when measuring its liabilities at fair value.

The Company establishes a hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Period / year ended			
		(Unaudited) 09/30/14		**12/31/13**
Financial assets at fair value through profit or loss ("FVTPL")				
Short-term investments (Level 1)	$	60,004	$	207,027
Derivative financial assets (Level 2)	$	6,361	$	9,188
Financial liabilities at FVTPL				
Derivative financial liabilities (Level 2)	$	71,802	$	63,913

The Company does not have financial assets or liabilities classified as Level 3 and there were no transfers between Level 1 and 2 during the reporting periods.

10. Income taxes

The Company pays income taxes, on an individual basis for each of its subsidiaries.

Income tax expense for interim periods is recognized based on Company's management best estimate of the effective income tax rate expected for the full financial year applied to the profit before income tax of the interim period.

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

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Profit before income tax	$ 182,310	$ 151,891	$ 85,228	$ 60,455
Income tax expense calculated at 30%	(54,693)	(45,567)	(25,568)	(18,136)
Nondeductible expenses	(3,948)	-	(1,691)	-
Effects of foreign exchange rate	(1,176)	(6,685)	(1,024)	821
Effect of unused tax losses not recognized as deferred income tax asset	-	-	205	(2,500)
Effects of inflation adjustment	(1,043)	285	(494)	251
Effects of ownership sale in subsidiary	3,365	-	3,365	-
Effect of exchange rate and inflation on the tax basis of property, plant and equipment	4,341	7,321	(1,212)	4,318
Income tax expense recognized in profit or loss	$ (53,154)	$ (44,646)	$ (26,419)	$ (15,246)

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

- Foreign exchange gains or losses are calculated on Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.
- The effect of exchange rate changes in the taxes bases of property, plant and equipment, which are valued in Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax bases.
- The effect from the sale of equity interest in ESJ.
- The effect of non-deductible expenses.

11. Declared dividends

During the nine and three month period ended September 30, 2014 and 2013, pursuant to the resolution of extraordinary stockholders' meetings, payments of dividends in cash were approved, against income tax account balance ("CUFIN", by its initials in Spanish), for the following amounts:

Meeting date	Amount
July 22, 2014	$ 164,000
March 1, 2013	$ 39,000

11.1. Dividends per share

	(Unaudited) Cents per share Nine-month period ended		(Unaudited) Cents per share Three-month period ended	
	09/30/14	09/30/13	09/30/14	09/30/13
IEnova	$ 0.14	$ 0.03	$ 0.14	$ -

12. Segment information

12.1. 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 are described and presented in Note 1.

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

12.2. Segment revenues and results

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

	Segment revenue			
	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Gas:				
Sales to customers	$ 381,678	$ 316,958	$ 138,204	$ 98,573
Revenue with foreign related parties	67,898	67,926	22,957	30,972
Intersegment sales	227,707	184,594	77,370	121,360
Power:				
Sales to customers related parties	171,228	134,976	73,331	58,939
Intersegment sales	49,300	39,616	18,988	36,672
Corporate:				
Allocation of professional services with related parties	1,295	1,294	406	419
Intersegment professional services	20,601	22,686	6,783	16,628
	919,707	768,050	338,039	363,563
Intersegment adjustments and eliminations	(297,608)	(246,896)	(103,141)	(174,660)
Total segment revenue	$ 622,099	$ 521,154	$ 234,898	$ 188,903

	Segment profit			
	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Gas	$ 141,351	$ 143,094	$ 40,957	$ 49,531
Power	37,462	9,424	34,487	12,586
Corporate	(30,117)	(15,451)	(10,979)	(5,109)
Total segment profit	$ 148,696	$ 137,067	$ 64,465	$ 57,008

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 2. Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

12.3. Assets and liabilities by segment

	Period / year ended	
	09/30/14 (Unaudited)	12/31/13
Assets by segment:		
Gas	$ 2,711,899	$ 2,413,965
Power	443,152	433,894
Corporate	184,414	394,049
Consolidated total assets	$ 3,339,465	$ 3,241,908
Liabilities by segment:		
Gas	$ 348,727	$ 272,298
Power	82,301	64,794
Corporate	617,414	588,404
Consolidated total liabilities	$ 1,048,442	$ 925,496

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

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

12.4. Other segment information

	Property, plant and equipment Period / year ended		Accumulated depreciation Period / year ended	
	09/30/14 (Unaudited)	12/31/13	09/30/14 (Unaudited)	12/31/13
Gas	$ 2,367,231	$ 2,138,129	$ (319,018)	$ (287,407)
Power	433,872	504,595	(162,220)	(150,791)
Corporate	14,155	13,156	(4,681)	(3,845)
	$ 2,815,258	$ 2,655,880	$ (485,919)	$ (442,043)

	Share on profits of joint ventures Nine-month period ended (Unaudited)		Share on profits of joint ventures Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Gas	$ 19,012	$ 29,822	$ 5,128	$ 11,799
Power	528	-	528	-
	$ 19,540	$ 29,822	$ 5,656	$ 11,799

12.5. 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:

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Power generation	$ 171,228	$ 134,976	$ 73,331	$ 58,939
Sale of natural gas	186,735	132,569	76,159	47,506
Storage and regasification capacity	70,104	70,152	23,640	23,634
Natural gas distribution	83,009	73,789	23,807	21,997
Transportation of natural gas	33,255	33,189	11,106	7,017
Other operating revenues	77,768	76,479	26,855	29,810
	$ 622,099	$ 521,154	$ 234,898	$ 188,903

12.5.1. Other operating revenues

Due to a lack of LNG cargoes, IEnova LNG, S. de R. L. de C. V. (formerly Sempra LNG Marketing México, S. de R. L. de C. V.) received payments from SLNGI related to the losses and obligations incurred for $67,889 and $67,854 for the nine-month period ended September 30, 2014 and 2013 (unaudited), respectively, and $22,948 and $22,905 for the three-month period ended September 30, 2014 and 2013 (unaudited), respectively; which are presented within the revenues line item in the accompanying condensed interim consolidated statements of profit and loss.

13. Earnings per share

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Basic and diluted earnings per share	$ 0.13	$ 0.12	$ 0.06	$ 0.05

13.1. Basic and diluted earnings per share

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

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Earnings used in the calculation of basic and diluted earnings per share	$ 148,696	$ 137,067	$ 64,465	$ 57,008

	Nine-month period ended (Unaudited)		Three-month period ended (Unaudited)	
	09/30/14	09/30/13	09/30/14	09/30/13
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,154,023,812	1,154,023,812	1,113,729,470

The Company does not have potentially dilutive shares.

14. Commitments

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

a. Refer to Note 4.1., regarding the contributions committed to TAG Holding.

b. Refer to Note 4.2., regarding the project financing for ESJ project which assets are granted as collateral.

15. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2013, except for the following:

a. On April 15, 2014, in connection with the claim by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie"), dated February 2011, with the Dirección de Control Urbano from the Municipality of Ensenada, Baja California, México challenging the legality of the land use permits and the construction permits issued for the LNG Terminal in 2003 and 2004; on April 28, 2014, the Municipality of Ensenada was declared incompetent to attend, process or continue with the procedure initiated in 2011 by Sánchez Ritchie. Therefore, the administrative authority has resolved to void all administrative procedures, including the closing order, ordering to file the records as a matter fully and properly completed. Sánchez Ritchie still can appeal the authority's decision.

16. Application of new and revised IFRS

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

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

IFRS 9	*Financial instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Mandatory effective date of IFRS 9 and transition disclosures*[2]
Amendments to IAS 32, *Financial instruments: presentation*	*Offsetting financial assets and financial liabilities*[1]
IFRS 15	*Revenue from contracts with customers*[2]
IFRIC 21	*Levies*[1]

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

Amendments to IAS 19, *Employee benefits* - Amendments to IAS 19 (2011) "Employee Benefits", in regards to employee contributions on defined benefit plans, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. These amendments are effective for annual periods beginning on or after July 1, 2014.

Annual Improvements 2010-2012 Cycle - Annual Improvements 2010-2012 Cycle makes amendments to: IFRS 2 "Share-based payment", by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 "Business combinations", which require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 "Operating segments", requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly; IFRS 13 "Fair value measurement", clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" clarifying that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 "Related party Disclosures", clarifying how payments to entities providing management services are to be disclosed. These improvements are applicable to annual periods beginning on or after 1 July 2014.

Annual Improvements 2011-2013 Cycle - Annual Improvements 2011-2013 Cycle makes amendments to the following standards: IFRS 1 "First-time adoption of IFRS" clarifying which versions of IFRSs can be used on initial adoption (amends basis for conclusions only); IFRS 3 clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13, clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions; IAS 40 "Investment property", clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. These improvements are applicable to annual periods beginning on or after 1 July 2014.

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.

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 16 and IAS 38, *Property, Plant and Equipment and Intangible Assets* - Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”, clarify that “the use of revenue-based methods to calculate the depreciation or amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.” The amendments are effective prospectively for annual reporting periods beginning on or after 1 January 2016, earlier application is permitted.

Amendments to IAS 27, *Separate Financial Statements* - Amendments to IAS 27, "Separate Financial Statements", were issued in August 2014 and apply to annual reporting periods beginning on or after January 1, 2016, with earlier application being permitted. The standard reinstates the equity method (as described in IAS 28 "Investments in associates and Joint Ventures") as an accounting option for investments in subsidiaries, joint ventures and associates in an entity´s separate financial statements. The amendment continues the allowance to account such investments in separate financial statements at cost or in accordance with IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9). The chosen accounting option must be applied by category of investments. Finally, the amendments are to be applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Amendments to IFRS 11, *Joint Arrangements* - Amendments to IFRS 11 "Joint Arrangements", issued in May 2014, require the acquirer of an interest in a joint operation whose activity constitutes a business as defined in IFRS 3 *Business Combinations*, to apply all accounting principles on the basis of the business combinations guidance in IFRS 3 and other IFRSs, except for those who conflict with IFRS 11 guidance. Additionally, they require disclosing information applicable to business combinations and apply to initial acquisition as well as to the acquisition of an additional interest in a joint operation.

These amendments are effective prospectively for annual reporting periods beginning on or after 1 January 2016, earlier application is permitted. The amounts recognized in previous acquisitions of interests in joints operation should not be adjusted

As of the issuance date of these interim consolidated financial statements, the Company's management is in process of determining the effects of these new or modified standards and interpretations in its consolidated financial statements.

17. Events after the reporting period

a. ***Sonora Project commencement of operations*** - On September 30, 2014, the construction of the Sonora project for the segment known as "Sasabe – Puerto Libertad" was substantially completed, complying with the contractual requirements and obtaining the Federal Electricity Commission ("CFE", by its acronym in Spanish) certification, stating that Gasoducto de Aguaprieta, S. de R. L. de C. V., a Company's subsidiary, has completed the stages of construction and completion of the necessary work for beginning the testing with natural gas in the above mentioned segment, for approximately 220 km. The segment "Sasabe – Puerto Libertad" commenced operations on October 1, 2014.

18. Approval of financial statements

The interim condensed consolidated financial statements were approved by Arturo Infanzón Favela, Executive Operations and Finance Vice-President and authorized for issue on October 21, 2014.

19. Registered offices

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  Torre New York Life
  Col. Juárez, C.P. 06600
  México, D. F.

- Carretera Escénica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
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- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 212110
  Mexicali, B.C.

- Avenida Tecnológico No. 4505
  Col. Granjas, C. P. 31160
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- Boulevard Francisco Eusebio Kino No. 309
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