IEnova
Energía para México 20 Años

SUSTAINABILITY REPORT + FINANCIAL REPORT 2015

ABOUT THIS REPORT
[G4-15, G4-17, G4-20, G4-28, G4-30, G4-32, G4-33]

This is the third Sustainability Report published by IEnova. In it we describe our performance and challenges concerning the economic, social, and environmental issues that are part of our sustainable business strategy. On this occasion, our Report also includes relevant financial information.

The data published within refers to the Gas and Power business segments in which IEnova participates through companies that offer transportation and storage of natural gas, LPG, and ethane; storage of liquefied natural gas (LNG); distribution of natural gas; and power generation.

This Report was drafted following the Global Reporting Initiative (GRI) methodology, in its G4 version, with the "Essential" conformity option. We have also included the Sector Supplement for Oil and Gas indicators.

We focused on the aspects that were identified as material for our company by the materiality assessment we carried out three years ago, which has been reviewed each year since then to confirm that the issues identified therein are in fact the most relevant for the company and for our stakeholders.

The information included in this Report covers the period between January 1st and December 31st 2015, and stems from the data bases and analysis carried out by our companies, allowing us to report on key performance indicators covering the whole of the IEnova operations.

Throughout the text and within the GRI Content Index we report on the information pertaining to the indicators related to our material aspects and boundaries, as well as on those that are more relevant for our stakeholders. Correspondingly, we obtained the "Materiality Disclosures Service" stamp for the second consecutive year. Our methodology is described in the chapter entitled "We are a Sustainable Company". Furthermore, throughout the Report we describe the formulas used to calculate the indicators and specify which operating units are reporting the information.

Within the Gas segment, unless otherwise specified, the consolidated performance data for IEnova does not include information on the assets belonging to Gasoductos de Chihuahua, a joint venture with Pemex Transformación Industrial (TRI), previously known as Pemex Gas y Petroquímica Básica (PGPB), in which IEnova holds a 50% stake. In the Power segment, unless otherwise specified, the Report does not include data on Energía Sierra Juárez, a cross-border wind farm that we built and operate as part of our 50/50 joint venture with InterGen, that began operating in 2015.

Since 2015, IEnova is a signatory of the United Nations Global Compact and this Report is our first Communication on Progress (COP) on the ten principles.

For the second time, an independent third-party verified 30 material indicators reported on this Sustainability Report.

We appreciate the interest of our readers and we are certain they will find important information on our performance as sustainable and socially responsible company within these pages. Our Sustainability Report 2015 is also available to view and download on our website.

The Report is a translation from the original version in Spanish. In case of discrepancy, the Spanish version prevails.

www.ienova.com.mx

What drives us

IENOVA DEVELOPS, BUILDS AND OPERATES ENERGY INFRASTRUCTURE PROJECTS IN MEXICO. OUR PRESENCE INCLUDES SEVERAL BUSINESS LINES WITHIN THE ENERGY SECTOR'S VALUE CHAIN OPEN TO PRIVATE INVESTMENT. AT YEAR-END 2015 WE REPORTED INVESTMENTS FOR AN APPROXIMATE USD$4 BILLION DOLLARS, INCLUDING PROJECTS IN OPERATION AND UNDER CONSTRUCTION. WE ARE ONE OF THE LARGEST PRIVATE ENERGY COMPANIES IN THE COUNTRY AND THE FIRST ENERGY INFRASTRUCTURE COMPANY TO BE LISTED ON THE MEXICAN STOCK EXCHANGE.

WE ARE IENOVA

MISSION

To develop, construct and operate energy infrastructure, contributing to Mexico's development and creating value for our shareholders, within a framework of ethics, safety, respect, and commitment to our employees, the environment, and the communities to which we belong.

VISION

To be a leading energy infrastructure company in Mexico that contributes to promoting the country's sustainable growth, competitiveness, and development.

CORPORATE VALUES

[G4-56]

ETHICAL

| DO THE RIGHT THING |

- Act with honesty and integrity
- Be open and fair
- Keep our commitments
- Earn people's trust

RESPECTFUL

| PEOPLE MATTER |

- Listen, communicate clearly, be candid
- Embrace diversity of people and perspective
- Contribute individually, succeed as a team
- Treat safety as a way of life

HIGH PERFORMING

| DELIVER OUTSTANDING RESULTS |

- Set tough goals and achieve them, act with urgency
- Reward superior performance, acknowledge success
- Learn and improve
- Be accountable

FORWARD LOOKING

| SHAPE THE FUTURE |

- Think strategically and critically
- Anticipate market needs
- Actively pursue and create opportunities
- Implement with discipline, manage risks

RESPONSIBLE PARTNER

| CREATE POSITIVE RELATIONSHIPS |

- Engage others, seek feedback, collaborate
- Support our communities
- Be a responsible environmental steward
- Do what we say we'll do

PILLARS FOR ACTION

economic

- Maximize value for our shareholders
- Offer operational integrity and reliability
- Use resources efficiently
- Manage risk in a comprehensive way
- Pursue the satisfaction of our customers' needs

social

- Ensure health and safety in all our projects and operations
- Promote the comprehensive professional and personal growth of our employees
- Respect diversity and inclusion
- Contribute to economic and community development

environmental

- Work with clean and efficient energy
- Develop an environmental culture
- Manage our waste and emissions in a comprehensive way
- Protect biodiversity

A CULTURE OF ETHICS AND BEST CORPORATE GOVERNANCE PRACTICES IS AT THE ROOT OF ALL OUR ACTIONS.

What drives us

THE ENERGY TO PROMOTE GROWTH

Our strategy is based on creating value for our shareholders, employees, customers, and for the communities to which we belong.

THE PRIDE OF HAVING THE BEST TALENT

Our extraordinary team of employees is the driver behind our success. We are committed to their personal and professional growth.

THE PASSION FOR GROWING WITH MEXICO

We are prepared to face the challenges and opportunities offered by the renewed energy sector and to promote the growth of our country.

CONTENT

Energía Sierra Juárez

LETTER FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

[G4-1, G4-2, G4-3, G4-7]

Sustainability is an essential component of IEnova. Since we were first established as a company, we have passionately worked not only to remain at the forefront in developing energy infrastructure projects, but also to contribute to protecting the environment, fostering quality of life in the communities we belong to, and constantly improving our labor, ethics, and corporate governance practices.

2015 was a year of mayor accomplishments for our company. We started operating two unique projects: Energía Sierra Juárez, the first cross-border wind farm between Mexico and the U.S., and our Ethane Pipeline, the first private ethane pipeline system in the country. We also began operations of the Puerto Libertad-Guaymas phase of the Sonora Pipeline. Finally, we signed a long-term contract with the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE) to provide transportation services through the San Isidro-Samalayuca Pipeline.

Throughout this year, IEnova invested USD$676 million in project development. Of this amount, 44% was allocated to our own projects, 53% was invested through our joint venture with *Pemex Transformación Industrial*, and 2% through our joint venture with InterGen.

Our operating and financial achievements are backed by a strategy aimed at generating value for our company, shareholders, employees, and customers, and for the communities to which we belong. The strategy consists of three basic pillars—economic, social, and environmental—founded on a strong ethical and corporate governance basis.

> WITH 20 YEARS OF HISTORY BEHIND US, TODAY WE ARE LEADERS IN DEVELOPING, BUILDING, AND OPERATING ENERGY INFRASTRUCTURE.

IEnova is the first energy infrastructure company in Mexico to be part of the IPC Index, and the only one listed on the Sustainable IPC Index of the Mexican Stock Exchange. Furthermore, for the second time we were granted the Socially Responsible Company award by the Mexican Philanthropy Center (*Centro Mexicano para la Filantropía,* Cemefi). Thanks to all our employees, we were certified by the Great Place to Work Institute for the second consecutive year.

Additionally, we began operating Fundación IEnova, through which we will be able to contribute to developing and transforming the communities we belong to.

We are very proud to have an extraordinary team of employees who are the driver behind our success. It is because of their effort, persistence, and experience that we have been able to go beyond the goals we set for ourselves.

20 years from our foundation, we have thrived from pioneers to leaders in developing, building, and operating energy infrastructure in Mexico. With our vision set on the future, we are committed to utilizing our extensive experience and strong sustainability strategy to continue contribuiting to the development of Mexico's energy sector.

Sincerely,

Carlos Ruiz Sacristán
Chairman of the Board and Chief Executive Officer
Infraestructura Energética Nova, S.A.B. de C.V.

20 YEARS OF LEADERSHIP

IEnova in Mexico [G4-15]

The history of IEnova's success began 20 years ago when Mexico set the foundations for transforming the energy sector. With the reform of the legal framework of the natural gas sector and the creation of the Energy Regulation Commission (*Comisión Reguladora de Energía*, CRE), we started participating as pioneers in the energy sector in Mexico.

We were the first private company to win a bidding process for natural gas distribution in Mexico, and we built the first natural gas pipeline in the state of Baja California. We are the only company to have developed an open-access natural gas pipeline system in that state, which in turn allowed the Federal Electricity Commission (Comisión Federal de Electricidad, CFE) to convert their fuel-oil-fired power plants to the current, lower-emitting natural-gas-fired plants. We also built the first LNG regasification plant in the West Coast of America.

We debuted in the Mexican Stock Exchange in 2013, and and we continue to be the only energy infrastructure company to be included in the IPC and in the Sustainable IPC indexes . Further, this year we began operations of Energía Sierra Juárez, the first cross-border wind farm that generates renewable energy, and the Ethane Pipeline, the first private system of its type in our country, that crosses the states of Veracruz, Chiapas, and Tabasco.

1995
- The natural gas sector's legal framework is reformed
- The Energy Regulation Commission (CRE) is created, and its law published

1996
- Enova de México, a predecessor of Sempra Mexico, now IEnova, was established
- ECOGAS Mexicali

1997
- ECOGAS Chihuahua

1999
- ECOGAS La Laguna-Durango

2000
- Transportadora de Gas Natural de Baja California (TGN)

2002
- Gasoducto Rosarito (GR)

2003
- Termoeléctrica de Mexicali (TDM)

2008
- LNG storage terminal, Energía Costa Azul (ECA)

2010
- Acquisition of the El Paso assets: Naco compression station and a 50% stake in Gasoductos de Chihuahua (joint venture*)

2012
- Signing of the Ethane Pipeline contract (joint venture*)
- Award and signing of the Sonora Pipeline contract

2013
- USD$408.3 million debt placement
- USD$598.8 million share issue
- Inclusion of the IEnova shares in the IPC Mexican Stock Index
- Beginning of operations of the LPG Storage Terminal in Guadalajara (joint venture*)

2014
- Inclusion of IEnova in the Sustainable Prices and Quotations Index
- 50/50 joint venture with InterGen in the Energía Sierra Juárez wind farm
- Signing of the Los Ramones Norte Pipeline contract (joint venture*)
- Beginning of operations of Los Ramones I Pipeline and the Sásabe-Puerto Libertad phase of the first segment of the Sonora Pipeline
- Award and signing of the Ojinaga-El Encino Pipeline contract
- Great Place to Work Certification
- Socially Responsible Company Award

2015
- Beginning of operations of the Energía Sierra Juárez wind farm
- Beginning of operations of the Ethane Pipeline (joint venture*)
- Beginning of operations of the Puerto Libertad-Guaymas phase of the first segment of the Sonora Pipeline
- Award and signing of the San Isidro-Samalayuca Pipeline contract
- Announcement of the agreement to acquire the Pemex stake in Gasoductos de Chihuahua
- Creation and beginning of operations of Fundación IEnova, A.C.

*Joint venture with Pemex TRI, formerly known as Pemex Gas y Petroquímica Básica (PGPB)

OUR ACTIVITIES

[G4-8, OG3]

In 2015, the Puerto Libertad-Guaymas segment of the Sonora Pipeline, the ESJ wind farm, and the Ethane Pipeline began operating. All these projects strengthen our position as a leader in the energy infrastructure sector.

ENERGÍA COSTA AZUL (ECA)

1. LNG transportation vessel
2. Wharf with the infrastructure needed to receive gas
3. ECA storage and regasification terminal

PIPELINES

4. Gas pipelines
5. Compression station

CUSTOMERS

6. Combined-cycle power generation plants and industries

ECOGAS

7. Natural gas distribution system (ECOGAS)

CUSTOMERS

8. Industrial
9. Commercial
10. Residential

LPG STORAGE TERMINAL[2]

11. LPG pipeline[2]
12. Refinery, owned by Pemex
13. LPG storage domes[2]

ETHANE PIPELINE[2]

14. Refinery, owned by Pemex
15. Ethane pipeline[2]
16. Ethylene XXI Plant, owned by Braskem

ENERGÍA SIERRA JUÁREZ[1]

17. Wind turbine
18. Power sub-station
19. Power transmission line

TERMOELÉCTRICA DE MEXICALI

20. Steam turbine and gas turbines
21. Power sub-station
22. Electricity transmission line

- More than 2,500 km* of natural gas, LPG, and ethane pipelines.
- Storage capacity for 320,000 m^3 of natural gas and 80,000 barrels of LPG.
- 3,658 km of natural gas distribution pipelines and more than 113,000 customers in seven cities within three geographical distribution regions: Mexicali, Chihuahua, and La Laguna-Durango.
- First private ethane pipeline system in Mexico, 224 km in length.
- 625 MW of installed capacity to produce electricity at the combined-cycle Termoeléctrica de Mexicali plant.
- First cross-border wind farm for generating electricity with renewable sources of energy, Energía Sierra Juárez, with a 155 MW capacity.

* Includes kilometers of pipelines in operation, under construction, and those that are part of the joint ventures

1 Asset belonging to the joint venture with InterGen, in which IEnova holds a 50% stake.
2 Assets belonging to the joint venture with Pemex TRI, formerly known as Pemex Gas y Petroquímica Básica (PGPB), in which IEnova holds a 50% stake.

BUSINESS SEGMENTS

[G4-4, G4-6, G4-13, OG3]

Backed by 20 years of a successful history, we develop, build, and operate energy infrastructure in the Gas and Power segments.

ASSETS IN OPERATION

GAS		Name	Characteristics	
PIPELINES	Gasoducto Aguaprieta	Gasoducto Sonora (Sásabe- Guaymas segment)	505	km
	Gasoducto Rosarito	Gasoducto Rosarito (GR)	302	km
	Transportadora de Gas Natural de BC	Transportadora de Gas Natural de Baja California (TGN)	45	km
	Gasoducto Aguaprieta	Gasoducto Aguaprieta (GAP)	13	km
	IEnova	Naco Compression Station	14,340	hp
	Gasoductos de Chihuahua	Ramones I Gas Pipeline*	116	km
		San Fernando Gas Pipeline*	114	km
		Samalayuca Gas Pipeline*	37	km
		TDF LPG Pipeline*	190	km
		Ethane Pipeline* Total combined capacity of 151.9 mmpcd	224	km
STORAGE	Gasoductos de Chihuahua	LPG Storage in Terminal de Gas L.P. de Guadalajara*	80,000	bl
	Energía Costa Azul	Natural gas storage and regasification terminal, Energía Costa Azul (ECA)	320,000	m³
DISTRIBUTION	ECOGAS	ECOGAS (natural gas distribution system, 113,445 customers)	3,658	km
POWER				
GENERATION	Termoeléctrica de Mexicali	Termoeléctrica de Mexicali (TDM)	625	MW
	Energía Sierra Juárez	Energía Sierra Juárez (ESJ)** 47 turbines	155	MW

PROJECTS UNDER CONSTRUCTION AND IN DEVELOPMENT [G4-13, OG3]

GAS				
PIPELINES	Sonora Pipeline (Guaymas-El Oro phase) Gasoducto Aguaprieta	330 km 30" diameter 770 mmpcd capacity	• Natural gas pipeline made up of two inter-connected segments, located in the Mexican states of Sonora and Sinaloa. • Currently 330 km of the Guaymas-El Oro phase are under construction. • It is estimated that the whole pipeline will be operational by the fourth quarter of 2016.
	Ojinaga-El Encino Pipeline Gasoducto Aguaprieta	220 km 42" diameter 1,356 mmpcd capacity	• Natural gas transportation pipeline that runs from Ojinaga to El Encino, in the State of Chihuahua. • The operation date is scheduled for the first quarter of 2017.
	San Isidro - Samalayuca Pipeline Gasoducto Aguaprieta	23 km 42" diameter 1,135 mmpcd capacity	• Natural gas pipeline that runs from San Isidro to Samalayuca, in the state of Chihuahua. • It is estimated that it will be operational in the first quarter of 2017.
	Ramones Norte Pipeline*** Gasoductos de Chihuahua	452 km 42" diameter 1,420 mmpcd capacity	• Natural gas pipeline, with two compression stations, between Los Ramones, in the state of Nuevo León, and the state of San Luis Potosí. • Start of operations in February 2016.

* Assets belonging to the joint venture with Pemex TRI, formerly known as Pemex Gas y Petroquímica Básica, in which IEnova holds a 50% stake.
** Asset belonging to the joint venture with InterGen, in which IEnova holds a 50% stake.
*** The Los Ramones Norte Pipeline is an asset in which IEnova holds a 25% indirect stake.

OUR ASSETS

IEnova Assets*
Symbols

- Natural Gas Distribution
- LNG Terminal
- LPG Terminal
- Power Plant
- Wind farm
- Compression Station
- * Joint Venture with Pemex TRI
- Pipeline (in operation)
- LPG Pipeline (in operation)
- Sonora Pipeline (under construction)
- Ojinaga-El Encino Pipeline (under development)
- San Isidro-Samalayuca Pipeline (under development)
- Ethane Pipeline (in operation)
- Third-party pipelines

*IEnova Assets as of December 31st, 2015.

WE ARE A SUSTAINABLE COMPANY

At IEnova we know that we must build and operate our businesses over a sustainable foundation in order to maintain our leadership position, continue growing, serve our customers, collaborate with the communities to which we belong, and be agents of change in environmental conservation.

Energía Sierra Juárez

PILLARS FOR ACTION

IEnova's sustainability policy is founded on three main pillars: economic, social, and environmental.

ECONOMIC

Maximizing shareholder value
Operational integrity and reliability
Using resources efficiently
Comprehensive risk management
Customer satisfaction

In the economic pillar, our actions are centered on working to offer our shareholders the highest possible value, use resources in the most efficient manner, and manage risk comprehensively. At the center of this pillar is our commitment to ensuring the integrity and reliability of our operations at all times and to satisfy the needs of our customers. We work every day to meet these goals.

SOCIAL

Health and safety
Comprehensive professional and personal growth
Diversity and inclusion
Economic and community development

In the social pillar, we seek to offer our employees the opportunities they need for their comprehensive professional and personal development, always under conditions that guarantee their health and safety in an environment of diversity and inclusion. Since we are also focused on the development and wellbeing of the communities neighboring our operations, in 2015 we created our foundation, Fundación IEnova.

ENVIRONMENTAL

Clean and efficient energy
Environmental culture
Comprehensive management of waste and emissions
Biodiversity

In the environmental pillar we work at all times to efficiently manage our impacts on natural resources. Part of this effort includes promoting clean and efficient sources of energy, managing our waste comprehensively, and reducing air emissions. We foster a culture of environmental stewardship in our employees and stakeholders by implementing programs to protect biodiversity in the locations where we build and operate our assets.

SUSTAINABILITY MANAGEMENT

[G4-25, G4-34, G4-35, G4-48, G4-49]

In order to manage IEnova's sustainable performance we have a Sustainability Committee that is chaired by our Chief Corporate Affairs and Human Resources Officer, which includes three commissions:

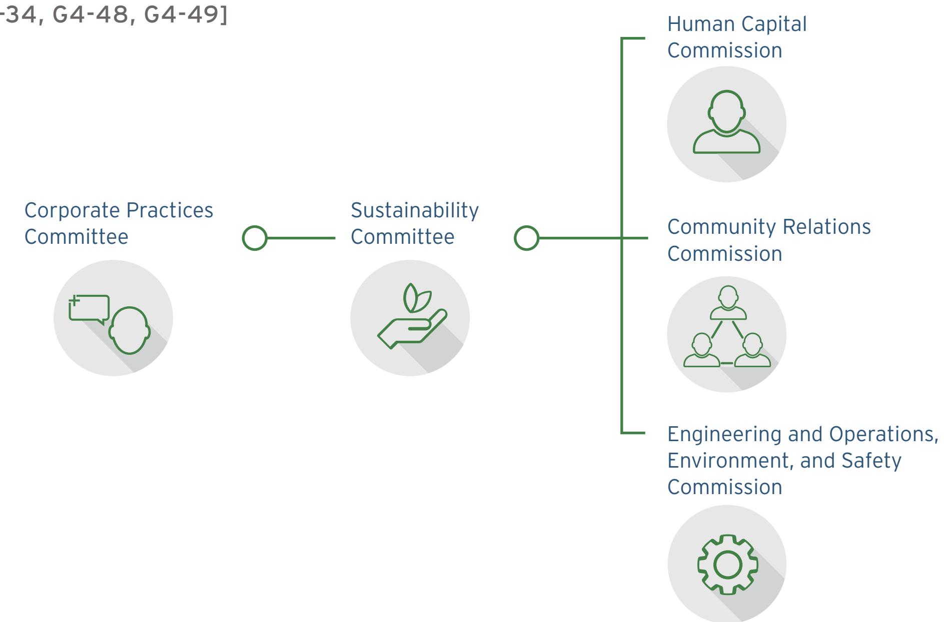
- *Human Capital*
- *Engineering and Operation, Environment, and Safety*
- *Community Relations*

The duties of the Sustainability Committee, include establishing the guidelines for IEnova's sustainability strategy and monitoring its correct implementation, reviewing the company's annual Sustainability Report, maintaining relationships with our most relevant stakeholders, and ensuring that all of IEnova's employees comply with and adopt the sustainability policy.

Starting in 2015, in compliance with the bylaws, the Chairman of the Sustainability Committee reported to the Corporate Practices Committee of the Board of Directors quarterly on its activities and results. The Corporate Practices Committee collaborates with the IEnova Board of Directors in supervising, implementing, and monitoring sustainability issues (human capital, community, and environment, among others).

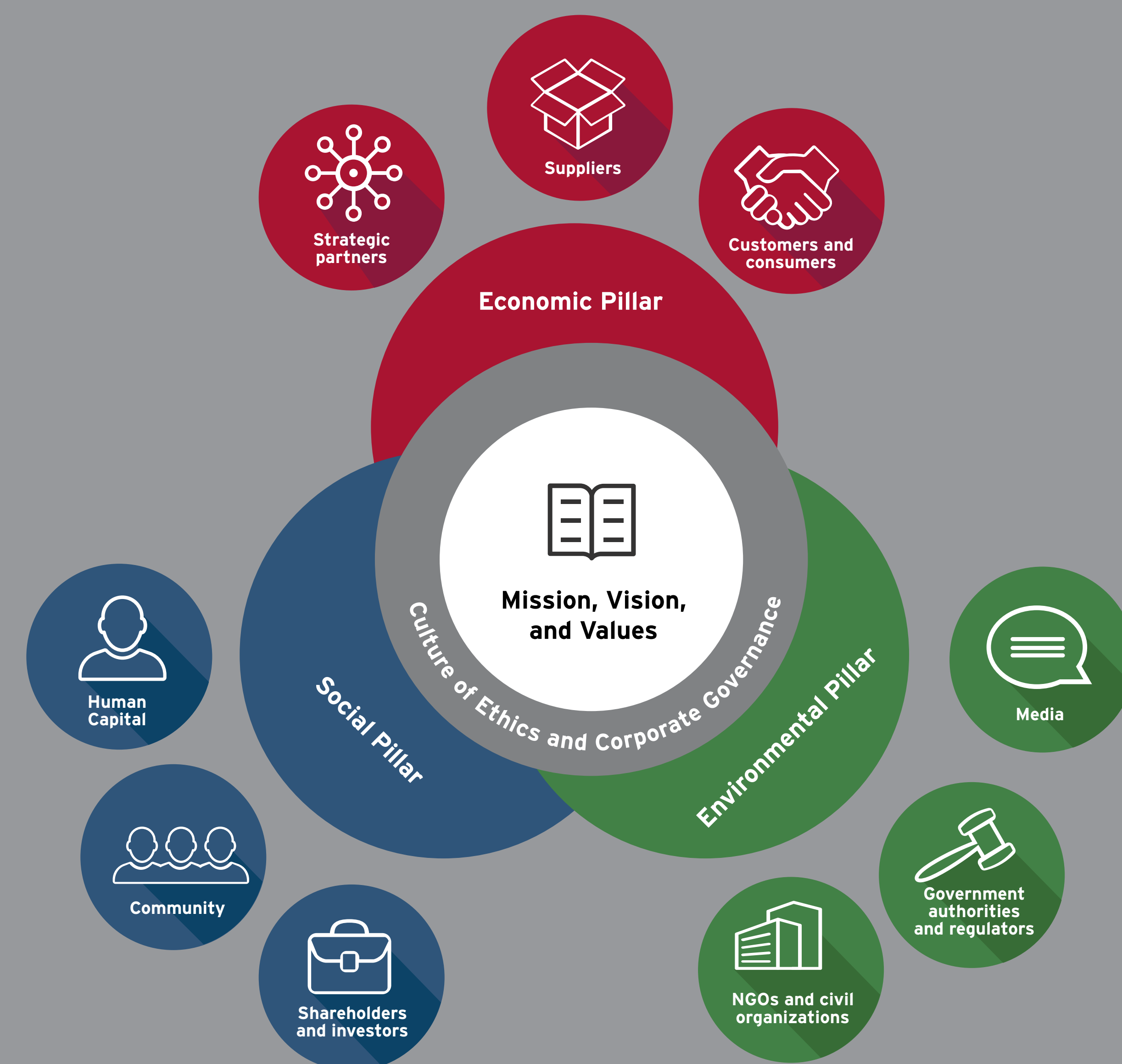
SUSTAINABILITY MANAGEMENT STRUCTURE

[G4-34, G4-48, G4-49]



Our sustainability policy is available at:
http://ienova.com.mx/sustentabilidad-informes-politicas.html

SUSTAINABILITY MODEL [G4-25]



STAKEHOLDERS [G4-24, G4-25, G4-26]

Our main stakeholders are:

- *Our employees*
- *Our shareholders and investors*
- *Our customers and consumers of our services*
- *Our suppliers*
- *Government authorities and regulators*
- *The communities we belong to*
- *The media*
- *Non-governmental organizations and civil organizations*
- *Our strategic partners*

As part of the way we manage sustainability, we strive to establish a mutually beneficial relationship with our stakeholders and we maintain all communication channels open, in order to understand which issues are most important to them and to try to find a way to satisfy their needs. The regularity of our contact with our stakeholders depends on the characteristics of each one and on the particular situations arising throughout the year.

We are currently carrying out certain measures to strengthen the relationship with our stakeholders.

STAKEHOLDERS AND COMMUNICATION CHANNELS

COMMUNICATION CHANNELS	1 Human Capital	2 Shareholders and Investors	3 Customers and Consumers	4 Suppliers	5 Government Authorities and Regulators	6 Community	7 Media	8 Non-Governmental Organizations and Civil Organizations	9 Strategic Partners
Live meetings	As required	As required	As required	As required	As required	As required	As required	As required	As required
Employee satisfaction surveys	As required								
Means of complaint/ telephone line	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
Shareholders' meeting		Annual							
Customer satisfaction surveys			Annual						
Internal and external consultations management	As required	As required	As required	As required	As required	As required	As required	As required	As required
Web page	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
Intranet	Permanent								
Informe de Sustentabilidad	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Anual Report BMV	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Quarterly Financial report	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Internal newsletters	As required								
Publication of relevant events	As required	As required	As required	As required	As required	As required	As required	As required	As required
Review of collective contract	Annual				Annual				
Surveys	As required		As required						
Guided industrial visite	As required	As required	As required	As required	As required	As required	As required	As required	As required
Fundación IEnova	As required	As required			As required	As required	As required	As required	As required
Community attention mechanism						Permanent		Permanent	

Permanent Annual Quarterly As required

EXPECTATIONS		CURRENT RESPONSE MEASURES [G4-27]
1	Training and development, education, remuneration, quality of life in the workplace.	• Participate in the Great Place to Work survey. • Continue training plans to obtain the "IEnova Leadership Standard Certification". • Continue annual reviews of the benefits package and ensure it continues to be at competitive industry levels. • Continue employee development programs.
2	Growth, profitability, development, sustainability	• Continue to be listed in the IPC and Sustainable IPC indexes of the Mexican Stock Exchange. • Constantly manage information through our Investor Relations division.
3	Quality of service, safety, and prices	• Apply customer satisfaction surveys for the Pipelines and Distribution operating units. • Obtain a score of more than 90 in these surveys.
4	Development, commercial conditions, long-term relationships	• Apply surveys on minimum sustainability criteria requirements with key IEnova suppliers. • Design a suppliers developing plan. • Communicate to "key" suppliers the sustainability requirements established in the Procurement Policy and communicate the contents of the Sustainability Report.
5	Compliance with the law and regulations, development, sustainability	• To certify or re-certify 100 of our assets under Profepa's "Environmental Quality" and "Clean Industry" standards. • Rigorously comply with the regulation applicable to our operating assets and our projects under construction. • Participate in business related associations.
6	Safety and social development	• Establish programs to help the communities where we belong to. • Strengthen the corporate volunteers program. • Guarantee safe operations. • Respect traditions of indigenous populations. • Operate Fundación IEnova.
7	Timely information	• Supply updated information through different channels.
8	Development, sustainability, regulatory compliance	• Respect traditions of indigenous populations. • Maintain efficient operations of the company's trusts. • Operate Fundación IEnova. • Ensure all of IEnova's operations comply with applicable regulations.
9	Growth, sustainability, operating efficiency	• Promote and comply with best corporate governance practices.

In order to identify and diagnose the needs, concerns, and priorities of the communities in which we either operate or have a project under construction, we carried out the following activities:

- We drafted the Baseline Social Analysis, Stakeholders Plan, and Social Investment Plan for Energía Sierra Juárez. Additionally, we implemented a mechanism to listen to the community: *Mecanismo de Atención a la Comunidad*, MAC that is available at: http://www.energiasj.com/comunicacion.html
- For Termoeléctrica de Mexicali and Energía Costa Azul, the MAC is being drafted and it will be implemented during 2016.

Additionally, during 2016 we will develop a Comprehensive Social Management System that will serve as a guideline for projects under construction and in operation.

MATERIALITY

[G4-18, G4-19, G4-20, G4-21, G4-22, G4-23, G4-29, G4-DMA]

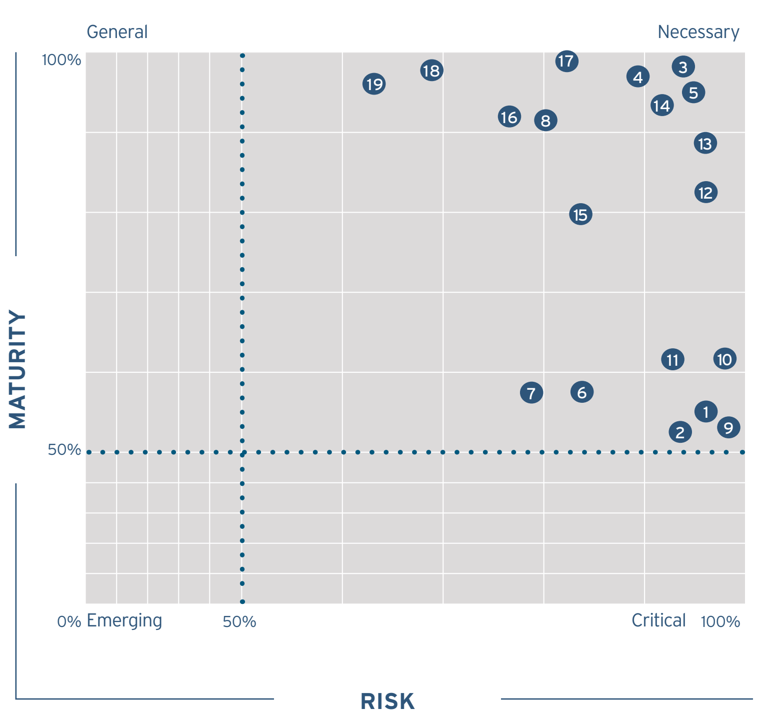
In 2015 we held twelve interviews with key IEnova management to confirm that the material issues identified as relevant through our first Materiality Assessment two years ago, continue to be valid. Further, through an independent third-party, we completed customer satisfaction surveys in our distribution and pipelines divisions, with positive results showing satisfaction levels to be above 90% in both cases, thus confirming that we are focusing on the most relevant issues.

For the second consecutive year, in order to measure satisfaction levels among employees, we applied the questionnaire designed by the Great Place to Work (GPTW) Institute in Mexico. Additionally, we received the results of our GPTW 2014 survey, showing satisfaction levels above the level required to obtain certification, which is an important accomplishment in any company's first year of certification. Based on these results, we worked to address the areas for improvement identified by strengthening our employee-centered programs. In 2015 we improved our score with respect to the prior year, in line with IEnova's commitment to continuous improvement with a focus on our most valuable asset: our employees.

This qualitative and quantitative analysis of all the business divisions—storage, pipelines, and distribution of natural gas and power generation, as well as corporate—assessed our internal processes within the context of sustainability (focusing on economic, environmental, and social issues).

We have focused the company's sustainability efforts on these most relevant issues and share our progress in this Report.

MATERIALITY MATRIX



MATERIAL ASPECTS

1. Strategy
2. Laws and regulations
3. Safety management at operations
4. Ethics and corporate governance
5. Developing human capital
6. Finances
7. Developing policies and crisis management
8. Operations and environment
9. Energy reform
10. Competition within the sector
11. Certifications
12. Labor standards
13. Training and development
14. Society and community
15. Biodiversity
16. Developing the value chain
17. Customer Service
18. Community attention mechanism
19. Communications and marketing

Energía Costa Azul

SUSTAINABILITY PROGRESS AND CHALLENGES

[G4-DMA]

Each year we establish goals related to the three pillars of our sustainability strategy. Following is a summary of our accomplishments and challenges for 2016.

Accomplished

First stage accomplished, in progress 2016

New 2016 Challenge

RISK MANAGEMENT AND CORPORATE GOVERNANCE

RISK MANAGEMENT

2015: Continue implementing the Comprehensive Risk System.
2016: Strengthen the risk culture in IEnova by complying with the guidelines established in our Risk Management policy.

CORPORATE ETHICS

2015: Review our Code of Ethics annually and update, as needed.
2016: Draft and publish the Code of Ethics for suppliers, in English and Spanish.

PRIVACY OF INFORMATION

2015: Monitor compliance with our privacy policy.

GOVERNMENT RELATIONS

2015: Sign on to the United Nations Global Compact.
2016: Submit our Communication on Progress (COP) to the United Nations Global Compact.

ECONOMIC PILLAR

CUSTOMER SATISFACTION

2015: Continue to complete an annual customer satisfaction survey with our Distribution and Pipelines customers.
2016: Obtain a satisfaction level of at least 90% in the annual Distribution and Pipelines customer satisfaction survey.

SUPPLY CHAIN

2015: Communicate with key suppliers on the sustainability requirements detailed in our Procurement Policy.
2016: Reinforce with our key suppliers our communication efforts on the sustainability requirements established in our Procurement Policy.

2015: Establish the essential sustainability criteria we desire in our key suppliers.
2016: Apply essential sustainability criteria requirements surveys with key IEnova suppliers.

2016: Design a plan for developing suppliers.

SOCIAL PILLAR

HEALTH AND SAFETY

2015: Continue implementing the Health and Safety Management System.
2016: Strengthen the implementation of the Health and Safety Management System, with new elements for Dangerous Fauna and for Safety in Handling Electricity.

2015: Continue with the Health and Safety Culture communication program.
2016: Review the Health and Safety Principles Manual. On April 28, carry out events to commemorate the World Day for Safety and Health at Work, promoted by the International Labour Organisation.

2015: Obtain or maintain the Safe Company certificate offered by the Ministry of Labor and Social Welfare (*Secretaría del Trabajo y Previsión Social*, STPS) at all our operating units during the first 12 months after they begin to operate.
2016: Obtain or maintain the Safe Company certificate offered by the Ministry of Labor and Social Welfare (STPS) at all our operating units during the first 12 months after they begin to operate.

2015: Reach the established performance goals in accident rates: Total Recordable Incident Rate (TRIR): 2.29; Lost Time Accident Rate (LTAR) 1.73
2016: Reach the established performance goals in accident rates: Total Recordable Incident Rate (TRIR): 2.29; Lost Time Accident Rate (LTAR): 1.73

2015: Obtain the OHSAS: 18001 certificate at Energía Costa Azul.
2016: Maintain the OHSAS: 18001 certificate at Energía Costa Azul.

EMPLOYEES

2015: Implement the "IEnova Leadership Standard Certification"
2016: Continue the "IEnova Leadership Standard Certification" program. Issues include: teamwork, feedback, managing change and emotional intelligence.

2015: Improve the score obtained on the Great Place to Work survey.
2016: Improve the score obtained on the Great Place to Work survey with respect to 2015.

DIVERSITY AND EQUAL OPPORTUNITY

2015: Establish and operate the IEnova Development, Equality and Diversity Committee.

COMMUNITY RELATIONS

2015: Identify and diagnose the needs, concerns, and priorities of the communities to which we belong.
2016: Develop a Social Management System that complies with the requirements of the Mexican legislation and international best practices.

2015: Implement the community attention mechanism at all the company's operating and administrative units.

2015: Create and initiate operations of Fundación IEnova.
2016: Execute the 2016 budget for Fundación IEnova with projects aligned with the pillars of the foundation.

2015: Continue social and volunteer programs that are consistent with IEnova's sustainability pillars.
2016: Increase social and volunteer programs that are consistent with IEnova's sustainability pillars through Fundación IEnova.

ENVIRONMENTAL PILLAR

ENVIRONMENT

2015: Reduce the generation of hazardous waste by 5.0%.
2016: Reduce the generation of hazardous waste by 5.0% from the 2015 baseline.

2015: Reduce the generation of non-hazardous waste by 7.5% (excluding sludge from TDM's wastewater treatment plant)
2016: Reduce the generation of non-hazardous waste by 5% (excluding sludge from TDM's wastewater treatment plant) from the 2015 baseline.

2015: Set up targets for the efficient use of water and power.
2016: Set up the % of efficiency for the consumption of water and energy for each Business Unit.

2015: Develop the "Sustainable Office" program at all the operating units (waste management).
2016: Continue the "Sustainable Office" program at all the operating units.

2015: Obtain or maintain the Clean Industry or Environmental Quality certificate offered by the Mexican Environmental Protection Agency (Profepa) at all our operating units during the first 12 months after they begin to operate.
2016: Obtain or maintain the Clean Industry or Environmental Quality certificate offered by the Mexican Environmental Protection Agency (Profepa) at all our operating units during the first 12 months after they begin to operate.

2015: Develop environmental performance reports for the corporate offices and per operating unit.

2015: Define IEnova's climate change strategy.
2016: Define IEnova's climate change strategy.

2015: Obtain comprehensive certification (ISO: 9001, ISO: 14001 and OHSAS: 18001) in Pipelines.

2016: Obtain comprehensive certification (ISO 9001, ISO 14001, and OHSAS:18001) in the Sonora Pipeline project, currently under construction.

2016: Define the strategy for the conservation of natural resources in our operating units.

WE CREATE VALUE

IEnova owns and operates several natural gas, LPG and ethane transportation, storage, compression, and distribution systems in the Mexican states of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Tabasco, and Veracruz.

+113,000 customers

USD$676 million invested in 2015

+2,500km of natural gas, LPG, and ethane pipelines

3,658km of natural gas distribution pipelines (ECOGAS)

639 employees

100% receive an annual performance evaluation

20,938 hours of training **+ 21%** compared to 2014

100% of the assets in operation have the Safe Company Program (health and safety at the workplace) backed by STPS

Created Fundación IEnova

10 charited benefited, with support given to

16 social projects

+1,000 people benefited

100% of the assets in operation certified or in the recertification process for Profepa's Environmental Quality or Clean Industry

USD$5.4 million invested in the community, environment, safety, health, and compliance

7th consecutive year in the greenhouse gas (direct emissions) reporting program, certified by The Climate Registry

49,767 plants being produced at the Energía Costa Azul nursery

25,000 specimens of flora re-introduced over the first 220 km of the Sonora Pipeline

11th year of the Marine Mammals Monitoring Program

RISK MANAGEMENT AND CORPORATE GOVERNANCE

We have a system to identify, evaluate, and analyze how to mitigate risks that could affect our performance.

Energía Costa Azul

COMPREHENSIVE RISK MANAGEMENT SYSTEM [G4-14]

At IEnova we have a comprehensive system for managing economic, social, and environmental risks using an inventory that classifies risks depending on their possible impact and probability of occurrence. For a company such as ours, risk management plays a key role in our business strategy and sustainability efforts. Our operations are subject to strict regulations that we rigorously comply with.

Risk Management [G4-14, G4-45, G4-47]

Risk Management is responsible for Comprehensive Risk Management System with the support of the Risk Committee that establishes the guidelines for managing the Risk Management System and determines the required functions, responsibilities, processes, policies, and guidelines, as well as their corresponding implementation.

The Risk Manager reports quarterly to the Risk Committee, which then reports to the Board of Directors during the first session of the year. The Risk Committee reviews the Risk Management Policy on an annual basis. The Board of Directors discusses the findings and counsels management on how to take the adequate measures. This structure is based on the principles of independence, risk culture, definition of the appetite for risk, transparency, and continuous improvement.

Risk Categories and Descriptions [G4-14]

We have defined four main risk categories to which we are exposed to, and we take the necessary measures to mitigate these risks.

CATEGORY	DESCRIPTION
Strategic risks	• Risks derived from decisions and strategy • Risks related with the locations in which we operate and our mergers and acquisitions • Potential capital risks • Integration risks • Ability to offer adequate products and services to our customers
Financial and reporting risks	• Risks associated with the financial situation • Treasury • Financial flow • Internal and external financial reports
Operating risks	• Risks of losses due to operating errors • Risks caused by human error • Inefficient or badly designed processes • System failure • Incorrect behavior (including criminal activities)
Compliance risks	• Risks derived from violations or non-compliance with the laws, norms, regulations, and internal practices that affect the reputation or value of the company • Fines • Civil fines • Damages • Nullification of contracts • Environmental and social risks

We have insurance policies that protect the totality of our assets and offer coverage on goods, civil responsibility, interruptions in operations, terrorist acts and sabotage, environmental responsibility, among others, in accordance to what the corresponding authorities have established.

CORPORATE ETHICS [G4-41, G4-56, G4-57, G4-58, G4-SO3, G4-SO4]

Our ethics and values structure establishes guidelines and expectations for our employees.

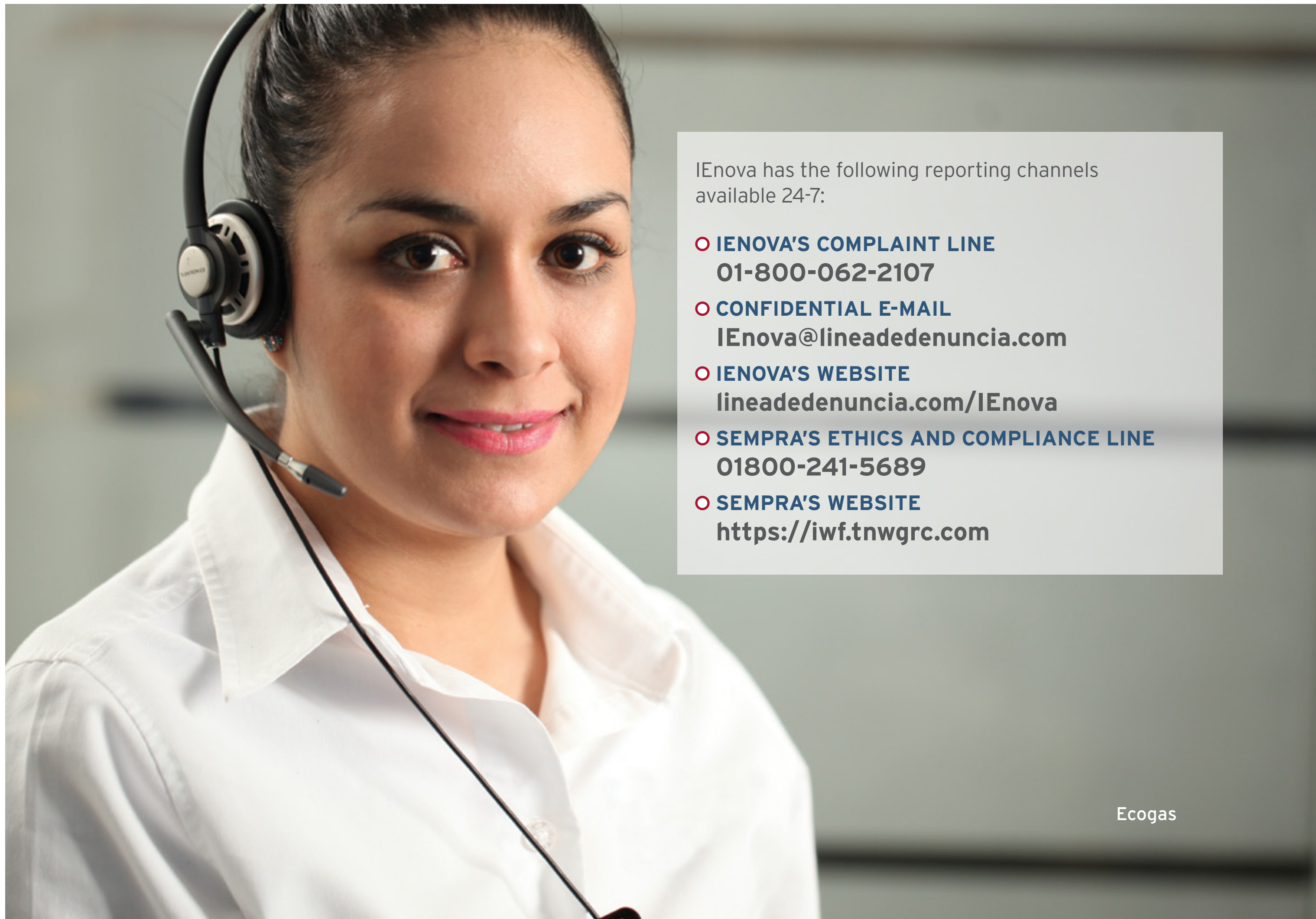
In 2015, the Corporate Ethics area started operations, with the following goals:

- *Have an independent division that communicates issues dealing with anti-corruption practices and corporate ethics and offers employees a place to file complaints and know they will be analyzed, with no fear of retaliation.*
- *Offer comprehensive training on these issues.*
- *Transform IEnova into a leading company on corporate ethics issues.*

Throughout the year we carried out an intense and innovative training effort at all of IEnova's operating units that required the direct participation of our employees. We covered topics such as the definition of ethics, corruption, harassment, and bullying, among others.

Employees of IEnova must comply with all pertinent anti-corruption and anti-bribery national and international laws, including the following: the Mexican Federal Anti-Corruption Law in Public Hiring (*Ley Federal Anticorrupción en Contrataciones Públicas*), the Foreign Corrupt Practices Act (FCPA), and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

At IEnova we have zero tolerance for ethics breaches. During 2015, there were 19 cases reported on our complaint line, *IEnova Contigo*, that were analyzed and resolved in a timely manner. In order to ensure confidentiality and impartiality, the complaint line is managed by a third-party.



IEnova has the following reporting channels available 24-7:

- **IENOVA'S COMPLAINT LINE**
  01-800-062-2107
- **CONFIDENTIAL E-MAIL**
  IEnova@lineadedenuncia.com
- **IENOVA'S WEBSITE**
  lineadedenuncia.com/IEnova
- **SEMPRA'S ETHICS AND COMPLIANCE LINE**
  01800-241-5689
- **SEMPRA'S WEBSITE**
  https://iwf.tnwgrc.com

Ecogas

CORPORATE GOVERNANCE

[G4-57, G4-58]

Our Corporate Governance practices comply with applicable laws for public companies in Mexico, with the regulations of the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, CNBV) and of the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV), as well as with the recommendations of the Code for Best Corporate Practices established by the Entrepreneurial Coordinating Council (*Consejo Coordinador Empresarial*, CCE) in Mexico.

Board of Directors

[G4-34, G4-38, G4-39, G4-40, G4-41, G4-44, G4-48, G4-LA12]

The IEnova Board of Directors includes nine permanent members, of whom three are independent, in accordance to the terms of the Mexican Securities Law (*Ley del Mercado de Valores*). Carlos Ruiz Sacristán serves as Chairman of the Board of Directors and CEO of IEnova.

Every one of the Directors has proven experience and an excellent reputation in different fields of expertise including the energy sector, finances, foreign relations, public policy, and transportation. With their bird's eye view of the industry and the business environment, the members of the Board review the business' plans and performance, assess comprehensive risk management, approve succession plans, establish corporate governance guidelines, and measure and analyze achievements in sustainability.

In 2015 we made two changes to the Board of Directors. Mr. George Sam Liparidis—who retired from the company—was substituted by Mr. Mile Cacic, Chief Executive Officer of Luz del Sur, S.A.A. in Perú. Further, as a result of internal changes within our parent company, Sempra Energy, Angélica Espinosa, Counsel for the Sempra International division, took over the role of Secretary of the Board, previously held by Randall Lee Clark, who took on other responsibilities.

Carlos Ruiz Sacristán	**Chairman**
Andrés Conesa Labastida	**Independent Director**
Jeffrey S. Davidow	**Independent Director**
Aarón Dychter Poltolarek	**Independent Director**
Joseph A. Householder	**Director**
Arturo Infanzón Favela	**Director**
Mile Cacic Enríquez	**Director**
Luis Eduardo Pawluszek	**Director**
Mark Alan Snell	**Director**
James H. Lambright	**Substitute Director**
María Angélica Espinosa Sánchez	**Secretary, not a member of the Board**
René Buentello Carbonell	**Pro-Secretary, not a member of the Board**
Rodrigo Cortina Cortina	**Pro-Secretary, not a member of the Board**

IEnova Headquarters

Corporate Practices Committee [G4-39, G4-40, G4-44]

The Corporate Practices Committee submits opinions and recommendations; assists the Board in preparing the reports on the financial and accounting guidelines and the reports for the annual shareholders' meeting; advises the Board of Directors on the appointment of the Chief Executive Officer and other senior management and in defining their responsibilities and remuneration; requests the opinion and recommendations of independent experts; provides its opinion on operations with related parties, and calls the shareholders' meetings.

75% of the members of the Corporate Practices Committee are Independent Directors.

Andrés Conesa Labastida	**Chairman***
Aarón Dychter Poltolarek	**Director***
Jeffrey S. Davidow	**Director***
Arturo Infanzón Favela	**Director**

This year we made several adjustments to the bylaws of the Corporate Practices Committee, including establishing the need to perform an annual review of the performance of the Board, the first of which took place in late 2015. Additionally, we established that the Sustainability Committee should report quarterly on its activities and results to the Corporate Practices Committee, which in turn will report to the Board on sustainability issues.

Audit Committee [G4-34, G4-38, G4-40, G4-LA12]

The Audit Committee submits reports on internal controls and recommendations; reports on irregularities; supervises the work of the external auditors and analyzes their reports and the companies' financial statements; assists the Board in preparing the reports on operations and activities; receives and analyzes the proposals and comments made by shareholders, Board members, key executives, external auditors, or third parties; calls to shareholders' meetings; and supervises transactions with related parties to ensure they comply with the law.

The Committee includes all the independent members of the Board.

Aarón Dychter Poltolarek	**Chairman***
Andrés Conesa Labastida	**Director***
Jeffrey S. Davidow	**Director***

* Independent Director in accordance to the terms of the Mexican Securities Law.

Ethics Committee [G4-56, G4-57, G4-58]

We also have an Ethics Committee, composed of company executives, that reports to the Audit Committee of the Board of Directors. The Ethics Committee reviews potential breaches to the Code of Ethics, carries out the necessary investigations, and determines a plan of action based on the results, all within a 30-day period.

At IEnova we have the goal of being known as a leading company in the national and international discussion on issues dealing with the fight against corruption and with corporate ethics. To this end, we participated in several seminars on corporate ethics and anti-corruption issues throughout the year, and we put together the Forum on the Rule of Law and the Seminar on Money Laundering, both of which included lectures from the main authorities in the Judiciary Branch, Legislators, and representatives of business organisms.

We also collaborated in the creation of the Corporate Ethics and Anti-Corruption Commission of the American Chamber of Commerce, Mexico Chapter (AmCham) and the National Anti-Corruption Commission of Coparmex, the Mexican employers' confederation, both of which are currently chaired by IEnova.

IEnova Headquarters

BOARD OF DIRECTORS

Carlos Ruiz Sacristán
Chief Executive Officer and Chairman of the Board of Directors

Dr. Andrés Conesa Labastida
Independent Director

Jeffrey S. Davidow
Independent Director

Dr. Aarón Dychter Poltolarek
Independent Director

Joseph A. Householder
Director

Arturo Infanzón Favela
Director and Chief Financial Officer

Mile Cacic Enriquez
Director

Eduardo Pawluszek
Director

Mark A. Snell
Director

James H. Lambright
Substitute Director

To read the biographies of the Members of the IEnova Board of Directors, please visit our 2015 Annual Report: https://www.bmv.com.mx/es/emisoras/perfil/IENOVA-30085

SENIOR MANAGEMENT

Tania Ortiz Mena López Negrete
Chief Development Officer

Arturo Infanzón Favela
Chief Financial Officer

Juan Rodríguez Castañeda
Chief Corporate Affairs & HR Officer

Gerardo De Santiago Tona
Senior Vice President Strategic Planning

Manuela Molina Peralta
Vice President Financial

Carlos Barajas Sandoval
Chief Operating Officer

Jesús Córdoba Domínguez
Chief Engineering & Construction Officer

René Buentello Carbonell
Chief Legal Counsel

Roberto Rubio Macías
Vice President Controller

Jorge Molina Casellas
Vice President Commercial

To read the biographies of IEnova Senior Management, please visit our 2015 Annual Report: https://www.bmv.com.mx/es/emisoras/perfil/IENOVA-30085
Structure approved on April 2016.

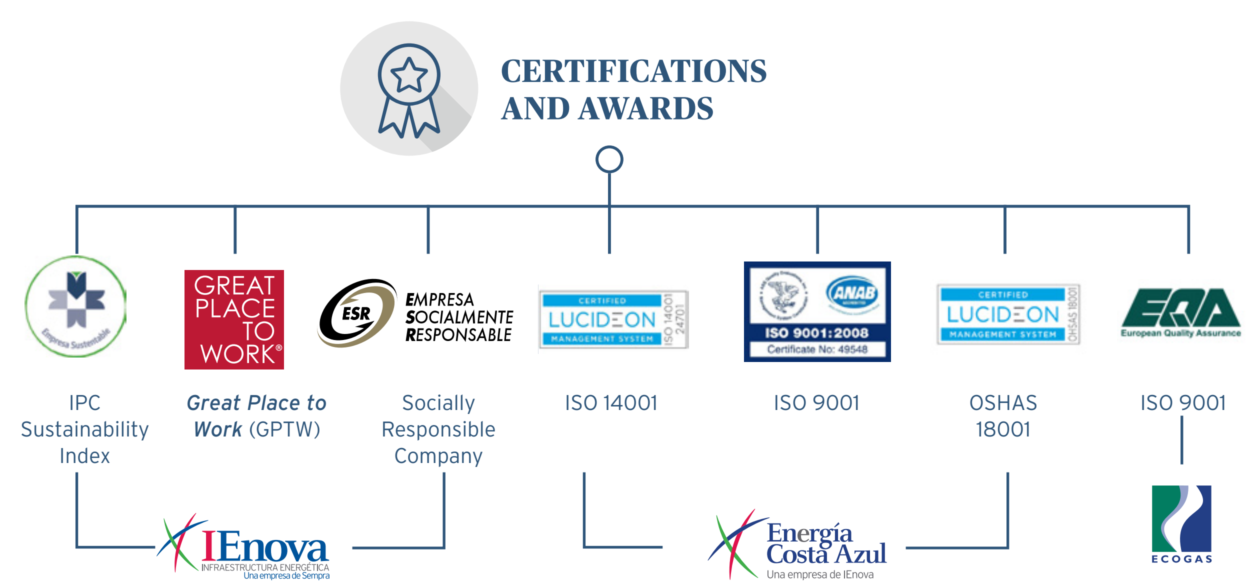
GOVERNMENT RELATIONS [G4-16]

IEnova is regulated and supervised by government institutions such as the Mexican Ministry of Energy (SE), the Ministry of Environment and Natural Resources (Semarnat), the Ministry of Labor (STPS), as well as the Energy Regulation Commission (CRE) and the recently created National Safety and Environmental Protection Agency for the Hydrocarbon Sector (*Agencia Nacional de Seguridad Industrial y Protección al Medio Ambiente del Sector Hidrocarburos*). Our policy is to strictly comply with all standards, laws and regulations applicable to our operations and to maintain good relations with government authorities.

As members of the energy sector, we participate in the following Associations and Chambers:

- American Chamber of Commerce, Mexico Chapter (AMCHAM)
- Asociación Chihuahuense de Administración de Personal (ACAP)
- Asociación Mexicana de Energía (AME)
- Asociación Mexicana de Energía Eólica (AMDEE)
- Asociación Mexicana de Energía Solar Fotovoltaica (ASOLMEX)
- Asociación Mexicana de Gas Natural (AMGN)
- Asociación Mexicana en Dirección de Recursos Humanos (AMEDIRH)
- Barra Mexicana Colegio de Abogados (BMA)
- Cámara Nacional de la Industria de la Transformación (Canacintra) of Chihuahua, Gómez Palacio, Torreón, Ensenada, and Mexicali
- Colegio de Contadores Públicos de México
- Colegio de Ingenieros Civiles de Chihuahua (CICCH)
- Comisión de Promoción Económica de Ensenada (COPREEN)
- Comisión de Promoción Económica de Tecate (COPRETEC)
- Confederación Patronal de la República Mexicana (Coparmex) of Ensenada, Hermosillo, Mexicali, and Mexico City
- Consejo de Desarrollo Económico, Mexicali
- Instituto Mexicano de Auditores Internos (IMAI)
- Instituto Mexicano de Competencia (IMCO)
- Instituto Mexicano de Ejecutivos de Finanzas (IMEF)
- United Nations Global Compact
- World Energy Council, Mexico Chapter (WECMEX)

Throughout the year we either obtained or maintained important certifications and awards:



ECONOMIC PILLAR

IEnova is committed to seizing business opportunities that create value for our investors, always in accordance with our business and sustainability model.

CORPORATE STRUCTURE

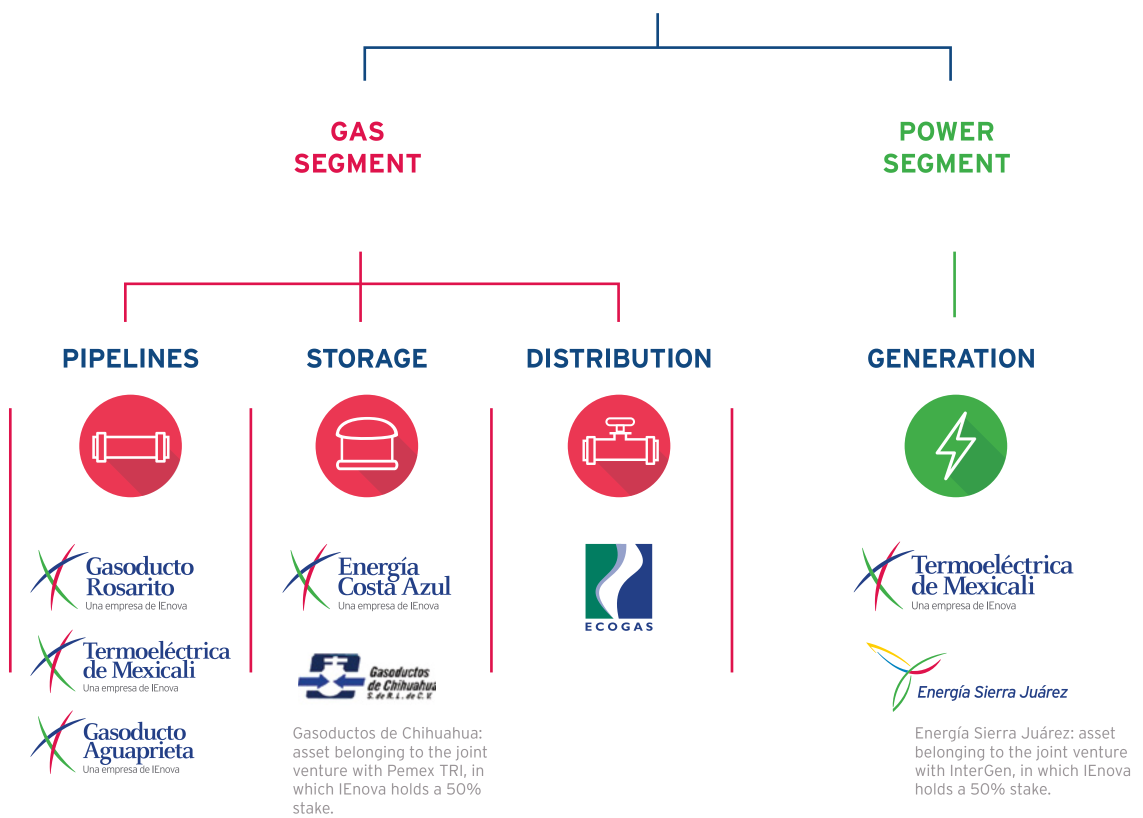
[G4-9, G4-17]

We operate in two business segments in the energy sector: Gas and Power.

- *Gas: includes transporting and storing natural gas and LPG, storing LNG, ethane transportation pipelines and distributing natural gas.*

- *Power: includes generating power through a natural-gas-fired, combined-cycle plant and with a wind farm that started operating in mid-2015.*

INFRAESTRUCTURA ENERGÉTICA NOVA, S.A.B. de C.V. "IEnova"



ECONOMIC BENEFITS [G4-12, G4-EC8, G4-EC9]

We strive to take advantage of the opportunities offered by the renewed energy sector to grow our business both in segments where we currently operate and in others that offer us new opportunities.

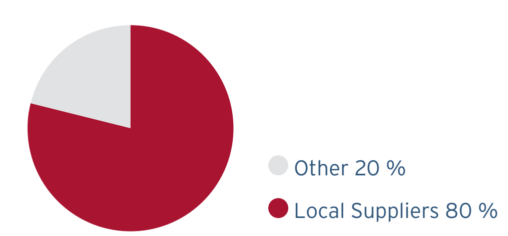
In 2015 we made investments of more than USD$676 million, contributing to the development of the industry and benefiting different sectors in the economy, including the construction and steel industries and engineering services, by creating jobs, offering training to our employees, demanding goods and services, and by making investments and paying our taxes.

2015 INVESTMENT
USD $676 MILLION

During this same period, we increased our workforce by more than 9%, from 581 employees in 2014 to 639 in 2015. In addition, we saw a 65% increase in the number of indirect jobs. We created a total of 8,630 indirect jobs in 2015, as compared to the 5,200 of the prior year.

Distribution of the IEnova Suppliers [G4-EC9]

Since we aim to work with local suppliers, at IEnova we acquire 80% of our products from companies based in the region where our operating units are located.



Ecogas

WE VALUE AND SERVE OUR CUSTOMERS [G4-8]

We offer our customers excellent service and assess their satisfaction levels through annual surveys and one-on-one meetings.

Our main customers for our Gas and Power segments are:

LINES OF BUSINESS

GAS

PIPELINES – CUSTOMERS:
- PEMEX, CFE
- Gas distributors
- Private - sector thermoelectrical plants and industries
- Exports to the California market in the U.S.

Gasoducto Rosarito – Una empresa de IEnova
Gasoducto Aguaprieta – Una empresa de IEnova
Transportadora de Gas Natural de BC – Una empresa de IEnova
Gasoductos de Chihuahua S. de R.L. de C.V.

STORAGE – CUSTOMERS:
- Industries and power generation plants in Baja California
- PEMEX

Energía Costa Azul – Una empresa de IEnova
Gasoductos de Chihuahua S. de R.L. de C.V.

DISTRIBUTION – CUSTOMERS:
- **110,686** Total residential consumers
- **2,544** Total small businesses
- **215** Total large and industrial businesses

ECOGAS

POWER

GENERATION – CUSTOMERS:
- Exports to the California market in the U.S.

Termoeléctrica de Mexicali – Una empresa de IEnova
Energía Sierra Juárez

In 2015 we carried out our customer satisfaction plan including, among other activities, holding in-person meetings with each of our customers in order to identify those areas where there is room for improvement in our goal to serve them better. Throughout the year, we applied customer satisfaction surveys in Pipelines and Distribution in the Gas segment, and we exceeded our satisfaction level goals in both of them.

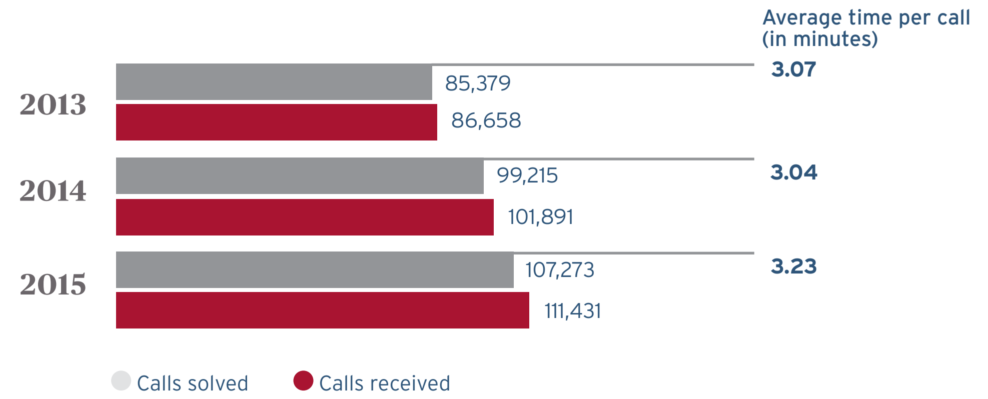
Quality Management System [G4-PR2]

Our customer service team monitors the needs of the homes, commercial establishments, and industries we serve.

To ensure the quality of our service, for seven years our IEnova Quality System, that we apply at all our ECOGAS distribution services, complies with the standards established by ISO 9001: 2008, which guarantees the quality of the service we offer our customers. We constantly monitor our quality standards to make sure our service is excellent.

Call Center

We operate a call center that is available to all our distribution customers. In 2015, we received an average of 8,939 calls a month. The majority were made to request the reconnection of a suspended service or an extension on a payment, to verify an appointment, or to inquire about a payment made.



The Customer Service division is focused on responding immediately to emergency calls in order to guarantee public safety. We respond to routine calls in a maximum of ten days and we follow-up on all requests made by our customers.

Customer Service Control System

To offer a personalized service to our customers, we have service counters at the Mexicali, La Laguna-Durango, and Chihuahua branches, where we served 48,083 users. Additionally, in order to improve our service, we worked with the supermarket chains so that our customers can make their payments at their tellers, and we now offer our customers the option of making their payments at ATMs using either a credit or a debit card.

In 2015, there were
48,083
Customers served

Through our customer service system, we are able to monitor different aspects of the service we offer, including waiting times, response times per type of service, and number of customers served per day. We analyze statistical data produced by the system to measure the quality of service we offer our customers and to improve in those areas that require attention.

Ecogas

Customer Satisfaction [G4-PR5]

Our customers grade our services at levels of satisfaction which are above 90%.

In order to better understand what our customers are expecting of the service we offer them, and to improve the way in which we serve them, for the fourth consecutive year we surveyed our ECOGAS residential customers in the cities of Mexicali, Torreón, Gómez Palacio, and Chihuahua. Our customers evaluated their levels of satisfaction in different aspects including the quality of the service they receive, the quality of the information we share with them, and how we train our personnel, among many others. We obtained a score of 9.26 out of 10 points, a number which exceeded our goal and was above the 9.0 score we had obtained the prior year.

Further, in December 2015 we completed a second satisfaction survey among our Pipelines customers, and results were also above our established goal: 94% of customers were satisfied with the service we offer.

Both surveys were done by a specialized external consulting agency. The positive evaluation given by our customers to our service motivates us to continue to strengthen the measures implemented as part of our sustainability strategy.

Promotions and Loyalty Programs

To motivate and reward the loyalty of our customers in the ECOGAS gas distribution business, we offer them promotions and programs aimed at not only preserving our current customers, but also to encourage new customers to sign on for our services. With the *¡Paga a tiempo y gana!* (Pay on time and win) program, for example, we reward prompt payments.

We also have seasonal campaigns, such as *Verano Gratis* (free summer), that offers a month of service free-of-charge to customers who recommend us to new housing developments, and the *Programa recomienda y gana* (Recommend us and win program) that rewards our customers who recommend us to two other customers with a month of free service. Besides these programs that respond to customer seasonal needs, we offer our support to customers that require a line of credit in order to make payments in two installments.

Termoeléctrica de Mexicali

OPERATIONAL INTEGRITY AND RELIABILITY [OG13]

The safety and integrity of our assets and daily operations play a key role in IEnova's work culture.

For IEnova, managing integrity begins at the design stage of a project and continues throughout the whole operating cycle, which includes construction, maintenance, operations, work methodology, and offering the service to the final customer.

Managing integrity allows us to identify risks, apply the necessary measures to mitigate them, and efficiently program maintenance of our assests, with the resulting increase in safety and reductions in costs.

Integrity Management Program

Our Integrity Management Program (IMP) allows us to optimize our working methods, detect areas where we can improve, and to have strict control over all aspects that ensure normal operations. In the Gas Segment we took the following measures to ensure that our infrastructure and operations are functioning adequately and safely:

- *Inspecting the natural gas pipelines systems*
- *Assessing the indicators obtained from the inspections*
- *Cataloging the indicators*
- *Evaluating the results of the cataloging*
- *Classifying by defect and severity*
- *Determining the integrity of the pipeline*
- *Monitoring operating parameters in real time and permanently*
- *Monitoring alarms constantly*
- *Solving a detected problem in a timely manner*

The Integrity Management Program complies with the norms and regulations in force in Mexico and the U.S. in order to assess, evaluate, repair, and validate the integrity of the pipeline segments, which allows us to identify failures or leaks that could potentially affect populated areas or areas that are unusually sensitive to environmental damage. It is composed of five plans that apply to different aspects of the operation:

INTEGRITY MANAGEMENT PROGRAM

- **Integrity Management Plan**
- **Performance Plan**
- **Communications Plan**
- **Managing Change Plan**
- **Quality Control Plan**

Energía Costa Azul

SCADA System

The Supervisory Control and Data Acquisition (SCADA) system allows us to supervise, control, and collect data to monitor field devices, in real time and remotely. This system strengthens the process for receiving feedback and for managing our operating units, and allows us to draft quality and regulatory reports.

We use SCADA or similar systems in different aspects of our operations in both of the segments in which we operate:

- *Natural Gas Pipelines:* Uses equipment and devices that allow us to remotely operate section and emergency valves through our control center that operates all year long, 24 hours a day.
- *Discharge of Liquefied Natural Gas (LNG):* Remotely monitors discharging, receiving, and sending steam to the vessel operations by coordinating the operations between control rooms and ensuring safety.
- *Storage of Liquefied Natural Gas (LNG):* Monitors the density of the products stored in the tanks and develops profiles at different levels that display several variables such as density, temperature, product level, and pressure.
- *Regasification of Natural Gas:* Monitors and carries out operations remotely and stores process variables in order to monitor the performance of the equipment, and generates reports on performance and environmental compliance indicators.
- *Distribution of Natural Gas:* Monitors and intervenes, when needed, in the processes to maintain operation at optimal levels.
- *Power Generation:* Controls and oversees, in real time, the operation of our power plant, Termoeléctrica de Mexicali, and of the cross-border wind farm, Energía Sierra Juárez.

ECONOMIC VALUE GENERATED AND DISTRIBUTED [G4-EC1, G4-EN31]

At IEnova we create sustainable value and we contribute to the development of different sectors.

	2013	2014	2015
	FIGURES EXPRESSED IN THOUSANDS OF US$		
Economic value generated			
a) Revenues	677,836	822,796	671,703
b) Interest income	1,372	3,299	6,743
c) Income from the sale of assets	0	25,900	0
d) Direct economic value generated (a+b+c)	**679,208**	**851,995**	**678,446**
Economic value distributed			
e) Operating costs[2]	427,278	541,682	390,810
f) Shereholders[3]	156,000	164,000	170,000
g) Payments of taxes and duties	80,935	137,886	62,557
h) Investments in the community, enviroment, safety, health and compliance[4]	1,399	4,606	5,434
i) Economic value distributed (e+f+g+h)	**665,612**	**848,174**	**628,801**
Economic value retained (d-i)	13,596	3,821	49,645

1 This table was drafted based on the Global Reporting Initiative guidelines.
2 Operating Costs excluding depreciation, includes employee salaries and benefits.
3 Includes only share payments.
4 Investments in the Community includes corporate budget, the Ensenada and Sonora trusts, and the projects under construction as part of the joint venture with Pemex TRI, Ramones I, and the Ethane Pipeline.

SOCIAL PILLAR

We are committed to the wellbeing of our employees and of the communities we belong to. For the second consecutive year, we obtained the Great Place to Work certification and we also started operations of Fundación IEnova.

HUMAN CAPITAL [G4-10, G4-LA1, G4-LA12]

IEnova's Human Capital is the key to our success. We strive to offer our employees a pleasant work environment, the tools they need to succeed in their positions, competitive compensation for their efforts, and the training they require for their personal and professional growth.

We are particularly proud of the fact that we create more jobs every year. Resulting from the growth of our businesses, the increase in the number of jobs is particularly noticeable in areas related to the construction and operation of new business units. During 2015 we increased our workforce by more than 9%, from 581 employees in 2014, to 639 in 2015. Furthermore, our Total Turnover Rate for 2015 was 12%, with a Voluntary Turnover Rate of 5% and an Involuntary Rate of 7%.

98% of our employees are Mexican, and we favor hiring personnel born in the same geographic region as the market corresponding to the operating unit.

Energía Costa Azul

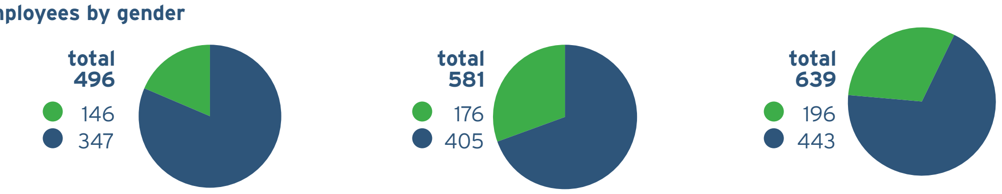
	2013	2014	2015
DISTRIBUTION OF EMPLOYEES BY CATEGORY			
Vice-Presidents	7	8	8
Directors	13	13	16
Managers	58	66	66
Staff and Administrative	418	494	549
Total	**496**	**581**	**639**

DISTRIBUTION OF EXECUTIVES	2013		2014		2015	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Vice-Presidents	5	2	6	2	6	2
Directors	9	4	9	4	12	4
Managers	46	12	52	14	51	15
Total	**60**	**18**	**67**	**20**	**69**	**21**

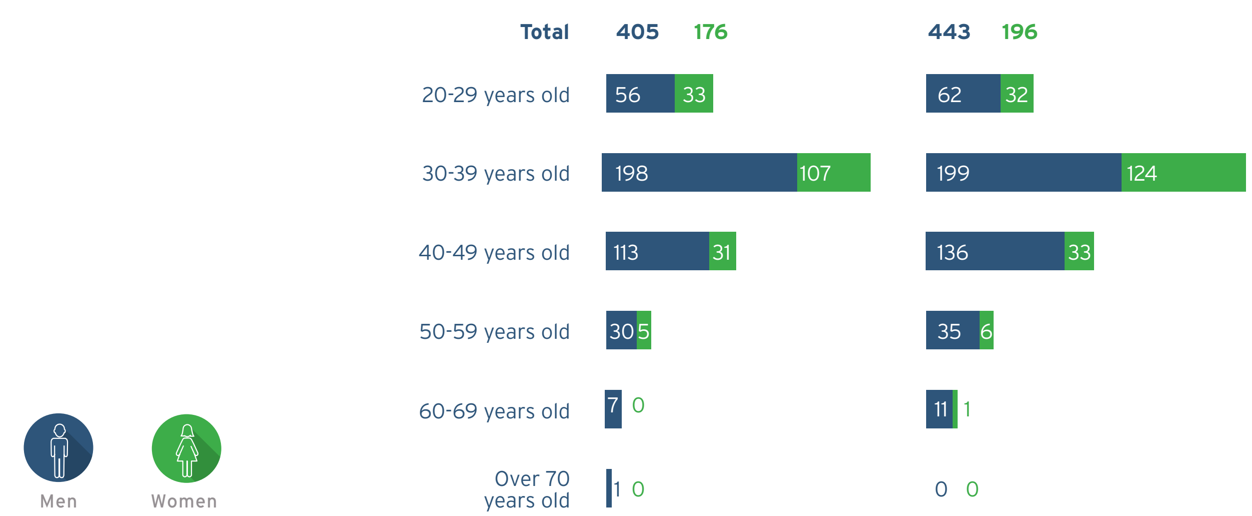
LOCAL JOBS CREATED	2014		2015	
	LOCAL	TOTAL	LOCAL	TOTAL
Vice-Presidents	8	8	8	8
Directors	11	13	14	16
Managers	61	66	62	66
Staff and administrative	491	494	546	549
Total	**571**	**581**	**630**	**639**

2013 2014 2015

Distribution of employees by gender



Distribution of employees by age



Comprehensive Training and Development [G4-10, G4-LA9, G4-LA10, G4-LA11]

Developing the personal and professional capabilities of employees to the fullest is a priority within IEnova, since we view talent as a strategic asset that generates competitive advantages.

Correspondingly, we offer training options for the comprehensive development of our employees, including career planning, specific training for different jobs, and initiatives geared at improving quality of life.

At the specialized technician level, we offer a training program for IEnova operators called *Programa de Formación de Operadores IEnova*, a paid-in-full three-month-long training program for young adults who have recently graduated from technical schools in the state of Baja California. The program focuses on key subjects in the energy sector such as transporting natural gas, safety and the environment, cathodic protection, energy, technical English, and other competencies such as communication and leadership, among others.

The program, which we began in 2014, serves the double purpose of training the technicians we need for our operations—since we hire the most outstanding students—and of making a sustainable contribution to the community, since we offer specialized training to young people who have the opportunity to improve their own life and that of their families.

Based on the results of the survey carried out through the Great Place to Work Institute and our own Employee Engagement Survey, we determined the main competencies we are trying to develop within IEnova. We created a Model for Development that involves every member of the organization in order to focus on the leadership styles and capabilities that will allow us to generate trust, improve communication, promote respect for diversity, and strengthen the workplace.

Within this Model for Development we created the "Certification in the IEnova Leadership Standard", a specialized training for employees who head teams, that includes six modules:

- *Setting goals under the SMART methodology*
- *Relationship with employees*
- *Communication*
- *Teamwork*
- *Feedback*
- *Managing change and emotional intelligence*

The first three modules were taught during 2015 at all operating units and at IEnova's Corporate Headquarters.

Another way of preparing the future leaders of the organization is through the program for high-potential employees, which includes 16 employees that were selected after a rigorous evaluation process. The two-year program includes executive training, developing a specific project, having the support of a mentoring company Vice-President, and participating in a specific incentives plan.

On the other hand, we have an executive capabilities training plan, geared at our Vice-Presidents and Directors, that includes seminars offered by prestigious institutions such as the *Instituto Mexicano de Ejecutivos de Finanzas*, the Great Place to Work Institute, and the *Instituto Tecnológico Autónomo de México* (ITAM), as well as specialists within IEnova.

We also employ mechanisms to measure our employees' performance and behavior. We carry out an annual individual performance evaluation and a 360° evaluation with which we analyze each employee's capabilities and competencies from the point of view of their bosses, peers, other employees, and their own.

On average, our employees got 32 hours of either in-person or online training, which translates into a 14% increase with respect to the prior year.

TRAINING HOURS [G4-LA9]

	2013		2014		2015	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Executives and Managers	490	135	986	341	1,181	484
Specialists	5,326	1,477	9,991	2,194	13,407	3,869
Other Employees	719	362	1,822	1,057	1,302	696
Total	**6,536**	**1,974**	**12,859**	**3,592**	**15,890**	**5,048**

20, 938
training hours

USD $845,919
invested in training

21%
more than in 2014

43.7%
more than in 2014


IEnova Headquarters

Professional Growth

Since we began operations, IEnova has been known for being a company in constant evolution and growth, which allows us to establish new challenges that help our employees be successful in every project they take on. Recent changes in the legislation concerning energy open a wide range of possibilities in different projects, which will continue to be a constant challenge for all company divisions, but also foster a workplace environment in which employees are able to grow professionally.

Leaders take on the commitment to motivate and monitor the career path of their employees, in collaboration with the Human Capital division. Consequently, we establish growth paths and stimulate crossed-training to help prepare employees for future promotions.

Currently, at IEnova we have succession plans in place for the group of Vice-Presidents and Directors. This succession framework emerged from a methodology that recognizes the main competencies and leadership styles we are looking for in our top management in order to ensure a commitment to IEnova'svalues.

The Professionals in Development Plan strives to create opportunities for young people who, by participating in a project specifically assigned to them, can gain knowledge from both our industry and the experience of our own people. Professionals in Development are University students enrolled in their last semesters, with different fields of interest, who participate in a recruiting and selection process similar to what the rest of the IEnova employees go through. Of the ten professionals who made up the 2014-2015 generation, five were offered a job in the company.

This year we also developed a corporate communications plan called *IEnova Somos Todos* (we are all IEnova), with the goal of reinforcing our corporate identity and values and of creating a sense of unity among all company affiliates by sharing in the successes and challenges the organization faces.

Energía Costa Azul

Benefits [G4-EC3, G4-LA2]

For the third consecutive year, we hired an independent consulting firm that evaluates the labor market in Mexico, to assess IEnova's competitive position in terms of employee compensation. We also carried out a more specific comparison with companies in the energy and petrochemical sector.

In 2015, the compensation study showed that IEnova offers a benefits package above the industry average. Internally we use salary-range tabulators to ensure we offer fair retribution at all company levels.

At the beginning of each year, the company performs a salary planning process that includes a review of employee wages and takes into consideration the results of the annual performance evaluation. Based on this information and on the financial and operational results for the year, the company determines the percentage of annual raises for all divisions and every employee.

We also provide the following benefits to our employees:

- *Major health insurance for employees and their family members*
- *Minor health insurance*
- *Life insurance*
- *Additional life insurance*
- *Sefore retirement plan for pension, death, and total and permanent disability*
- *Dental Insurance*
- *Savings fund*
- *Performance bonus*
- *Short-term incentives plan*
- *Long-term incentives plan*
- *Vacation pay*
- *Electronic food coupons*
- *Company car, for Vice-Presidents and Directors*
- *Medical check-ups, for Vice-Presidents and Directors*
- *School and professional growth scholarships*
- *Retention and attraction bonus*
- *High-potential recognition program*
- *Additional vacation days to those established by law*
- *25-day Christmas bonus*
- *Flexible medical benefits insurance*
- *Complementary disability compensation, additional to Social Security*
- *Plan covering doctor's appointments*

All IEnova employees are eligible to receive variable compensation, based on their performance and on the company's financial results, including complying with workplace safety goals.

Staff hired for specific projects have the same benefits as permanent employees, except for the retirement plan, since this is a long-term benefit.


Sonora Pipeline

Diversity and Inclusion [G4-HR2]

Among main objectives of IEnova it is particularly important to implement a culture of respect, which is one of our core values, and to offer a fair environment in which we promote diversity. We strictly comply with the regulations in Mexico related to the respect of human rights, and through our Code of Ethics, we promote equal opportunities for all, with no distinctions made for gender, race, age, religious beliefs, political doctrine, social or physical conditions, or sexual orientation.

We have a Committee for Development, Equality and Diversity whose main responsibilities are to:

- *Promote measures that encourage a culture of equality and diversity among all members of the organization.*
- *Verify that we carry out programs to strengthen competencies for personal growth, favoring the comprehensive development of our employees.*
- *Ensure that there are policies and procedures in the company that take into consideration the issues of diversity, equality, and inclusion.*
- *Validate that internal promotions are carried out in a framework of equality and transparency.*
- *Promote causes related to diversity, equality, and inclusion in the community.*
- *Validate that we have the annual budget required to carry out the projects determined by the committee.*
- *Generate the guidelines and approve the general strategy for equality, diversity, and development at IEnova, aligned with the strategy and IEnova's sustainability action pillars.*

HEALTH AND SAFETY [G4-LA5]

The Health and Safety division works every day with the goal of zero accidents.

The safety of our people, our most valuable asset, is critical at our operations and projects. Consequently, our management system is focused on ensuring safe working conditions under which our employees are able to perform their jobs.

At IEnova we apply the most stringent safety regulations and comply with the Official Mexican Standards, the Federal Labor Law, the Social Security Law, and all laws and regulations applicable to our company. Further, we operate based on our Internal Labor Regulation, our Code of Ethics, and several policies and procedures developed to ensure adequate performance of all our employees in their specific jobs.

Additionally, depending on their characteristics, our companies are either already certified or in the process of being certified under Occupational Health and Safety Assessment Series (OHSAS: 18001).

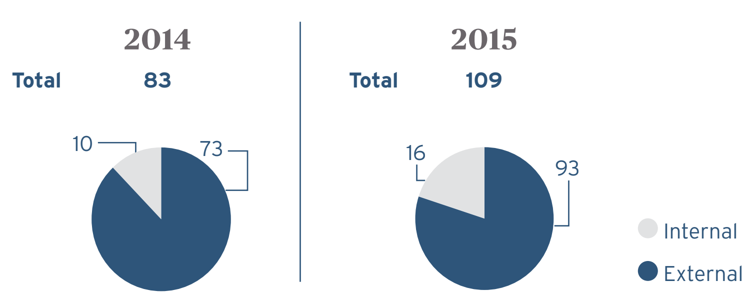
In order to maintain or even improve our health and safety standards, we implement a series of controls and preventive measures. In 2015 we set precedent in the area by designing a proactive indicator in which we established guidelines for 24 elements that make up our Health and Safety Management System under which each operating unit carries out a self-evaluation on a scale of 0 to 5 points based on a series of 600 progressive questions. This indicator analyzes the work in the Health and Safety area, as opposed to the number of accidents, and it implies carrying out a crossed verification process done by two specialist from a different operating unit. During 2015 we developed the 25th element in the system, "Wellbeing", as a good business practice. We permanently work on communicating and implementing the system in each of the company's operating units and projects under construction.

At each business unit we create work groups known as "Champions of the Management System", whose mission it is to constantly communicate the message that safety at IEnova is everyone's job.

Additionally, we strictly comply with our Manual on Health and Safety Principles to Save Your Life that addresses ten areas that are key to preventing incidents, such as using personal protection gear, the procedure to inform on an incident, and the correct way to work with electricity, machinery, vehicles, and at heights, among others. We have several Health and Safety committees and work groups that represent our workforce. In 2015, there were 311 IEnova employees involved in these issues.

During 2015, to ensure that our Health and Safety Management System worked adequately, we applied a Verification Program between different IEnova assets.

VERIFICATIONS



We constantly strive to communicate a culture of prevention among our employees through training and awareness initiatives. Consequently, throughout 2015 we offered 4,965 hours of training in health and safety matters through 187 courses on different subjects including the following:

Pipelines

- Transportation
- Fire prevention and fire-fighting
- Incident investigation
- Safety in electricity
- Defensive driving

Storage

- Danger communicating
- Storing and handling hazardous materials
- Storing and handling compressed and cryogenic gas
- Emergency Response Plan

Distribution

- Safety in our back: *Levántate bien, Vive bien* (get up right, live right)
- Compressed gases
- Safe driving
- Contractor safety: Everyone's job
- Safety with electricity

Power

- Fire prevention and fire-fighting
- Personal protection equipment
- Fork lift maneuvers
- First aid

Projects under Construction

- Communication on risks
- Response to emergencies
- First aid
- Assessment of safety in the workplace
- Safety in digs
- Safety with heavy machinery
- Protection against falls

Each of our operating units has:

- *A Health and Safety Commission*
- *A Champions team to monitor the activities of the Health and Safety Management System*
- *Preventive and emergency brigades*
- *Specialist (s) in health and safety*

We also have an IEnova Operations Committee that includes Health and Safety issues in its activities schedule. Additionally, we continue to develop initiatives to promote a culture of Health and Safety in which we involve the families of our employees:

The Family Day is an event focused on applying the company's best safety practices within the home. In 2015 we held events in Ensenada, Mexicali, Hermosillo, Chihuahua, and Torreón, with the participation of more than one-thousand people, including:

- *Employees and their families*
- *Local authorities*
- *Suppliers*
- *Community emergency services*
- *Civil Protection*
- *Firemen*
- *Mexican Red Cross*

Drawing Contest: Safety and My Family. Contest in which our employees' children participate and for which we hold an awards ceremony.

Further, to promote good performance, we continue to offer recognition for the "Employee of the Month: Health and Safety", for which we receive nominations from the staff to designate the most outstanding employees in terms of their contribution to promoting safety in the organization.

In reference to our occupational health culture, because the health of our employees is key to IEnova, at all our business units we have a "medical agreement" service through which a doctor not only handles emergencies, but also offers preventive medical exams and training sessions.

Throughout the year we carry out tetanus and seasonal flu vaccine campaigns, among others, and we perform a series of medical reviews based on the risks of each job. Additionally, the company's medical service offers lectures on issues such as prevention and health care including nutrition, preventing diabetes, control of cholesterol, stress management, and ergonomics, among others.

We also continued our morning exercise routines, Pause for Health, and sports activities at several operating units.

On the recommendation of the Mexican Health Ministry, in order to fight the *Aedes aegyptis* mosquito that spreads the chinkungunya, dengue fever, and zika diseases, in affected areas, we supply to our workers with repellent and preventive information on these ailments. We also ensure that we have the antidotes against snake, spider, and scorpion bites in the field in order to be able to respond to an emergency resulting from harmful bites.


Energía Sierra Juárez

Sonora Pipeline

Safety Performance [G4-LA6, G4-LA7]

All our operating units have been assessed and comply with the requirements set forth by the Mexican Ministry of Labor and Social Welfare (STPS) in order to be certified as a Safe Company, which is part of the Occupational Health and Safety Self-Management Program that applies a framework of comprehensive evaluations to validate compliance with the norms.

Our internal rule is that all our assets must be subscribed to this program before they complete their first full year of operations. For units that have been operating for a longer time, the goal is to maintain or surpass their current level, with 3 being the highest possible level. During 2015 seven of our facilities were visited by the authority. Currently two of our facilities hold a level 1 certification, five have a level 2, and ECOGAS Mexicali obtained, late in the year, the level 3 certification.

We will continue to comply with our self-imposed goal of maintaining all the IEnova operating assets in the program and to continue undergoing comprehensive assessments based on their guidelines.

Regarding to our accident rates, we obtained a Total Recordable Incidents Rate (TRIR) of 1.27 and a Lost Time Accidents Rate (LTAR) of 0.59, meaning we exceeded the goals we had set for 2015 of 2.29 for TRIR and 1.73 LTAR.

ACCIDENT RATE[1]	2012	2013	2014	2015
Work-Related Fatalities	0	0	0	0
Total Recordable Incident Rate (TRIR)[2]	ND	ND	1.40	1.27
Lost Time Accident Rate (LTAR)[3]	0.9	0.50	0.87	0.59

1 The accident rate does not consider first aid or events with no injuries, and include IEnova employees as well as personnel from contractor companies: Accident Rate = (Number of accidents x 200,000) / hours worked
2 TRIR = Total Recordable Incident Rate. It includes recordable accidents with or without lost time based on the definition of the U.S. Occupational Safety and Health Administration.
3 LTAR = Lost Time Accident Rate. It includes recordable accidents that resulted in lost working days.
NA: Not Available

OUR 2016 GOAL

Total Recordable Incident Rate (TRIR):
2.29

Lost Time Accident Rate (LTAR):
1.73

At all our projects under construction we apply rigorous selection criteria to our partnering contractors including compliance with our health and safety requirements, such as training in safety, procedures and permits for high-risk tasks, periodic field inspections, shade and hydration stations, random breathalyzer and anti-doping tests, among others.

We operate in compliance with the General Civil Protection Law (*Ley General de Protección Civil)* and promote a culture of prevention, during 2015 we held 19 emergency drills at our operating centers.

SOCIAL COMMITMENT [G4-SO1]

At IEnova we are driven by that strong commitment to contribute to the wellbeing of communities, a characteristic that has distinguished us since we first began operating 20 years ago. Correspondingly, in April 2015 we created Fundación IEnova.

Fundación IEnova [G4-36, G4-SO1]

Fundación IEnova, A.C. is a second-tier foundation, with a permit to make donations that is authorized by the Mexican Internal Revenue Service (*Servicio de Administración Tributaria, SAT*). It has the double goal of fostering the positive effects that our activities have on the communities, and of contributing to mitigating the negative impacts that our operation, because of its own nature, could potentially have.

To this end, we focus on supporting those projects that require our collaboration the most, that bring greater benefits to the community in the middle and long-term, and that are consistent with the four pillars on which the actions of the Foundation are based: education, environment, vulnerable groups, and community services.

In order to systematize the way in which we assess the projects and the organizations we benefit, and to centralize and maximize the impacts of our social investment, we designed a methodology and a series of very precise rules based on which we make donations and collaborate in social projects.

Corporate Volunteers

Fundación IEnova is supervised by an Advisory Committee—in which IEnova's Chairman and CEO as well as company Vice-Presidents participate—and by a Managing Board, made up of employees and chaired by the Chief Corporate Affairs and Human Resources Officer.

Furthermore, in order to grant a donation, organisms are subjected to a process to obtain an anti-corruption practices authorization in accordance to the Foreign Corrupt Practices Act (FCPA), the Corporate Ethics Policy, and the Anti-Corruption Procedure for Donations, Memberships, and Improvements at IEnova, implemented by the Corporate Ethics Department.

In order to promote participation in the work that Fundación IEnova does in the communities neighboring our operations, and to consolidate the corporate volunteers program, we have invited all our employees to submit proposals to support projects.

Corporate Volunteers

We continued our partnership with the *Fundación para la Protección de la Niñez, I.A.P.,* an organization that helps vulnerable groups all over Mexico. In 2015, as part of our partnership, we adopted six vulnerable foster homes in locations where IEnova has operations such as Hermosillo, Mexicali, Ensenada, Torreón, Chihuahua, and Mexico City, establishing a commitment to adopt them for a three-year period. By developing infrastructure projects, we seek to contribute to changing the conditions in which these children live and increase their opportunities for a better life.

We continue to work on strengthening our corporate volunteers program, in order to involve our employees in IEnova's social commitment activities.

Our volunteer program supported the following projects:

- *School Supplies Drive: "Escuela + Sonrisas" (school + smiles)*
- *Toys, Clothes, and Shoes Drive: "Árbol de la Sonrisa" (smiling tree)*

This year we allocated a USD$200,000 budget to Fundación IEnova and, more importantly, we established the commitment of multiplying that budget by two and a half times for 2016, thus ensuring the continuity of the projects for the middle and long-term.

In 2015, through Fundación IEnova we have supported 16 projects in six states in Mexico, with the following associations:

Corporate Volunteers

DURING 2015, OUR CORPORATE VOLUNTEERS PROGRAM BENEFITED MORE THAN 1,000 PEOPLE LIVING IN VULNERABLE CONDITIONS.

PILLARS AND DONEE

EDUCATION

Scholarship Program:

- Centro de Enseñanza Técnica y Superior (CETYS)
- Fundación UABC: "Alas Oportunidades para Volar"
- Asociación Mexicana Pro Colegios del Mundo Unido, A.C.

ENVIRONMENT

Adopting the maintenance works of a public area:

- Fundación Hélice, A.C.

VULNERABLE GROUPS

Community infrastructure:

- Fundación para la Protección de la Niñez, I.A.P.
- Fundación para los Niños de las Californias/ Hospital Infantil las Californias, I.B.P.
- Casa Hogar del Anciano de Ensenada, A.C.
- Fundación del Empresario Chihuahuense, A.C. (FECHAC)

COMMUNITY SERVICES

Winter Plan 2015:

- Cruz Roja Mexicana, I.A.P.

Corporate Volunteers

MANAGEMENT STRUCTURE FOR FUNDACIÓN IEnova

Advisor Committee
Chair: IEnova's Chairman of the Board and Chief Executive Officer

Managing Board
Chair: Chief of Corporate Affairs and Human Resources Officer

Management
Fundación IEnova Manager

The economic and human resources we allocate to our social commitment are managed through Fundación IEnova, a series of Trusts linked to our main projects already in operation and under construction, as well as the social projects done by the projects under construction in collaboration with our joint ventures:

Fundación IEnova

\+ **Trusts**

Projects under construction

SOCIAL COMMITMENT

IN 2015, THE SOCIAL PROJECTS IN WHICH IENOVA PARTICIPATED AMOUNTED TO USD$2.3 MILLION.

*Investments in the Community includes corporate budget, the Ensenada and Sonora trusts, and the projects under construction as part of the joint venture with Pemex TRI, Ramones I, and the Ethane Pipeline.

Corporate Volunteers

Corporate Volunteers

Trusts [G4-EC7]

Ensenada

In 2004 we constituted the Ensenada Trust during the construction process of Energía Costa Azul. This trust includes a Technical Committee and a Consulting Council with the collaboration of distinguished citizens of the health, private, academic, economic development, and conservation sectors in the city of Ensenada, Baja California. The city's Major and IEnova representatives also participate.

In order to constitute the trust, IEnova contributed USD$7 million to be allocated to academic, equipment, infrastructure, public safety, and environmental projects in Ensenada, Baja California.

In 2015, we granted USD$110,481 to buy 41 new fire-protection equipment for the Ensenada firemen. From the date it was constituted and as of December 31st 2015, we have supported 26 projects and invested USD$3.2 million in medical equipment, infrastructure works, and in education and municipal services, sports equipment, and public safety, benefiting the approximately 460,000 people who live in Ensenada.

Sonora

We constituted the Sonora Trust in 2012. Representatives from the Federal Electricity Commission (CFE), the state government of Sonora, and IEnova participate in it.

A Technical Committee evaluates applications for social projects submitted to the trust, determines if they comply with the established requirements, and analyzes the costs and benefits. Additionally, the Committee establishes whether the project is consistent with the general goals of IEnova's community support program and with the general goals of IEnova's community support program and with its particular goals for the year.

From the date the trust was constituted and as of December 31st 2015, it has granted support to 34 projects and invested USD$1.04 million in projects that included building and rehabilitating schools, shelters, and sports and medical facilities, benefiting an estimated 235,940 people.

Ojinaga-El Encino

In March 2015 we constituted the Ojinaga-El Encino Trust that includes representatives from the CFE, the state government of Chihuahua, and from IEnova.

During 2016, the Technical Committee of the Ojinaga-El Encino Trust and the CFE and state government representatives will evaluate and determine the social projects that will receive support.

Projects under Construction of Assets Belonging to Joint Ventures

As part of our social commitment, we make investments in the communities neighboring our operations during the construction process of the projects that we carry out through the joint ventures in which IEnova holds a 50% stake.

Los Ramones I*

The Los Ramones I pipeline crosses five municipalities in the states of Tamaulipas and Nuevo León.

In 2015 we carried out five social projects agreed upon by the company and the municipalities of Los Ramones and the San Isidro Ejido. At Los Ramones we built a school, widened the boulevard, the welcoming arch, and the asphalt road, and we remodeled the main plaza.

At San Isidro we rehabilitated a family and children's entertainment area. With these works, we benefited 1,735 people and we invested USD$200 thousand in the community.

In summary, from the date on which we began construction and as of December 31st, we have invested USD$1.2 million in social projects, benefiting more than 4,000 people.

Ethane Pipeline System*

For our Ethane Pipeline System project, we made two types of investments in social projects. On the one hand we collaborated with the municipalities through which the project crosses and, on the other, we helped the communities directly.

This year, in collaboration with the municipality of Macuspana, we worked on rehabilitating the asphalt pavement benefiting La Curva Ranchería Limón neighborhood. On the other hand, with the work we do directly with the communities, we contributed to a great variety of public infrastructure rehabilitation works in several communities in the states of Tabasco and Veracruz.

From 2013 to 2015, we made 116 donations, including works and financial support. During this year we invested more than USD$3.3 million. From the date of beginning of construction and as of December 31st 2015 we had allocated USD$7.1 million in social projects. With this investment we benefited 89,848 people from several municipalities in the states of Veracruz, Chiapas, and Tabasco.

*Assets belonging to the joint venture with Pemex TRI, formerly known as Pemex Gas y Petroquímica Básica (PGPB), in which IEnova holds a 50% stake.

ENVIRONMENTAL PILLAR

At IEnova we are driven by a strong commitment to protect, preserve, and conserve the environment and avoid water, air, and land pollution.

MANAGING SUSTAINABLE RESOURCES AND ENVIRONMENTAL IMPACT [G4-EN27, G4-EN30]

We are aware that respect and protection of the environment are essential to operate in a responsible and successful way, and this is reflected by our strict compliance with environmental regulations in all aspects of the business.

At our business segments we maintain a common denominator: a vision of continuous improvement focused on efficiency and quality, ruled by our Corporate Environmental Management System. Our system includes the guidelines to comply with the requirements of the environmental management norm included in ISO 14001: 2004 that describes the organizational structure and refers to the procedures we need to follow to prevent pollution during the development, construction and operation of the IEnova assets

Our Environmental Policy

In compliance with all applicable environmental laws, regulations, and norms, and with industry best practices, our environmental policy is based on the global corporate guidelines of our company and on the specific requirements of the permits granted to our subsidiaries.

At IEnova we operate with the firm conviction that the only way to develop our energy infrastructure successfully is to act in a socially responsible way. Therefore, we work on the lines of the environmental pillar defined as part of our sustainability strategy:

- *Clean and efficient energy*
- *Environmental culture*
- *Comprehensive waste and emissions management*
- *Biodiversity*

Correspondingly, in order to ensure the protection and preservation of the environment for all our projects, we focus on minimizing and controlling the potential environmental impacts that our operations and the services we provide could have, and we continuously improve and monitor our operating processes and environmental management to make sure we manage resources in a sustainable manner. We also work continually to efficiently use the water, fuels, and energy consumption in our operating and administrative processes. We are working on defining efficiency goals that are annually verifiable.

This policy is part of the IEnova Corporate Environmental System that is based on international standards such as ISO: 14001, considers mitigation conditions and measures imposed by the Mexican Ministry of the Environment and Natural Resources (Semarnat), and includes specific management manuals for:

- *Water*
- *Air pollution*
- *Environmental emergencies*
- *Hazardous waste*
- *Special waste management*
- *Perimeter noise*

Because of the work we do through the Corporate Environmental System, we are proud to say that all our assets currently in operation have the environmental certification either as a Clean Industry or in Environmental Quality, granted by Profepa, or are ISO 14001: 2004 certified for environmental management. Energía Sierra Juárez, an asset that has been operating for less than 12 months, has already submitted its request to Profepa for the Clean Industry certification and is implementing ISO 9001, ISO: 14001 and OSHAS 18001. It is expected to request certification under these standards in 2016.

Energía Costa Azul

Part of our responsibility with the communities in which we operate and develop projects is to keep them informed. Correspondingly, we strive to establish a relationship with the community with a three-thronged communication strategy:

1. Community awareness
2. Social support
3. Communication on project results

In our two business segments, we have operations that by their own nature are environmentally responsible.

Gas Segment

At IEnova we store, transport, and distribute natural gas, our main product in this segment. Natural gas is an environmentally-friendly hydrocarbon that is 40% lighter than air, does not accumulate, and disperses naturally into the air. This product is cleaner, since its combustion generates low emissions of NOx, SOx, and CO and, additionally, it is neither toxic nor corrosive.

Power Segment [OG3]

We generate electric power through Termoeléctrica de Mexicali (TDM) and our Energía Sierra Juárez (ESJ) wind farm, which started operating in 2015. Both businesses contribute to the production of clean energies.

TDM is a modern and efficient combined-cycle natural-gas-fired plant, whose cutting-edge environmental technologies comply with and exceed the standards applicable in both Mexico and the state of California, in the U.S., to which we supply energy and which is renowned for its progress in terms of environmental stewardship.

Located on La Rumorosa mountain range, in the municipality of Tecate, in the state of Baja California, one of the areas with the largest wind resources in Mexico and the U.S., Energía Sierra Juárez is the first cross-border wind farm between Mexico and the U.S., with a potential for growing up to 1,200 MW.

ESJ is part of the joint venture between IEnova and the global energy generation company InterGen. With a USD$318 million investment and 650 jobs created during construction, the first phase of ESJ has a 155 MW capacity and is contributing to reducing greenhouse gas emissions.

IEnova's ENVIRONMENTAL ADVANTAGE

Benefits more than 113,000 customers

Wind Power:
Lower environmental impact, avoid emissions of pollutant gases into the atmosphere as a result of the combustion of coal or oil

Natural Gas Users:
Reduce up to 20% their carbon dioxide (CO_2) emissions, as compared to using fossil fuels

Our business benefits the communities in which we operate and provide services. Energy infrastructure is vital for the development and functioning of society. We need natural resources in order to be able to offer our services. Correspondingly, we do our job with a commitment with and respect for the environment, and in strict compliance with the established norms, and, on many occasions, even exceeding them.

CERTIFICATIONS AND PROGRAMS

Storage

- Environmental Quality Certification granted by Profepa
- ISO 14001: 2004 Certification
- Environmental Management System
- Environmental Programs: Monitoring marine mammals; reforestation compensation program; monitoring benthonic fauna and air emissions; monitoring water quality; and managing non-hazardous waste.

Pipelines and Distribution

- Clean Industry or Environmental Quality Certification granted by Profepa
- Environmental Management System
- Pipelines: Active reforestation and environmental compensation programs developed by specialists, as well as validation by state academic institutions
- Distribution: Initiatives to reduce greenhouse gas emissions in our vehicle fleet

Generation

- Clean Industry Certification granted by Profepa
- Environmental Management System
- Reforestation and water use programs
- Seventh consecutive year in the greenhouse gases (direct emissions) reporting program, certified by The Climate Registry. TDM is founding member of the program

Termoeléctrica de Mexicali

EMISSIONS [G4-EN15, G4-EN16, G4-EN19, G4-EN21]

We apply cutting-edge technologies to measure and manage our emissions.

While at IEnova we continually monitor pollutant emissions at all our operating units, because of the nature of its operations, Energía Costa Azul (ECA) and Termoeléctrica de Mexicali (TDM) have more stringent monitoring.

At both operating units we use natural gas turbines to generate electric power and we strictly control and monitor air emissions 24 hours a day, allowing us to ensure that they are always at levels below what is established by the applicable norm. Constant oversight is carried out by means of a system to control and monitor emissions, a catalytic reduction module to decrease the discharge of carbon monoxide (CO), and a Selective Catalytic Reduction System (SCR) to control nitrogen oxides (NOx).

At ECA, our gas emissions from burning natural gas register 30 ppm (parts per million), which is below the requirements established by the Official Mexican Standard NOM-085-SEMARNAT-2011.

At TDM, for the seventh consecutive year we participated in the program for reporting greenhouse gas direct emissions, certified by The Climate Registry, of which TDM is one of the founding companies.

One of our main customers is the Federal Electricity Commission (CFE). Because of the service we offer, CFE can now use natural gas instead of fuel oil at is power plants, thus allowing them to produce electricity at lower costs, more efficiently, and in an environmentally-friendly manner.

Energía Sierra Juárez

Because of the nature of their processes, our distribution and pipelines business do not generate significant air emissions. At ECOGAS, the majority of emissions are generated by customers using our product. In a lesser degree, there are mobile emissions: emissions from the cars used by our salesforce and by our installation and maintenance staff, all of which participate in a vehicle verification program.

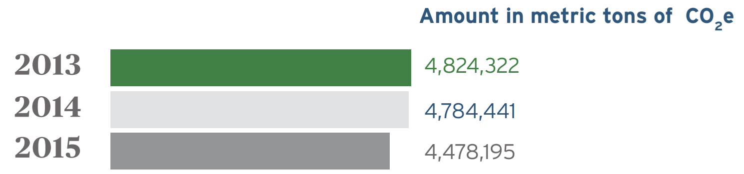
Report on IEnova's Air Emissions* [G4-EN15, G4-EN16]

	AMOUNT IN METRIC TONS OF CO_2e		
TYPE OF EMISSIONS	2013	2014	2015
Direct Emissions	1,410,438	1,588,486	1,523,042
Indirect Emissions	2,210	2,434	4,175

*Most emissions are generated by ECA and TDM. 2013 data were modified resulting from the verification of TDM emissions. Emissions data include CO_2, CH_4 and N_2O.

ECA uses the emission and calculation factors of the US Federal Environmental Protection Agency available at http://www.epa.gov/cleanenergy/energy-resources/refs.html. For TDM we apply the factors published by The Climate Registry, as well as its methodology (Direct Emissions from Stationary Combustion; General Reporting Protocol Version 1.1; May 2008; The Climate Registry).

Emissions of Distribution Customers from the Use of Our Product [G4-EN17]



Because climate change is very relevant and a cause for concern for IEnova, in 2016 we will carry out an internal diagnosis to define a strategy aligned to the guidelines for a low-carbon business established by our parent company Sempra Energy.

WASTE GENERATION AND MANAGEMENT [G4-EN2, G4-EN23, G4-EN24]

We focus on using the resources and managing waste in a responsible and efficient manner. We work closely with companies specializing in recycling and we have developed an awareness campaign on waste management at all our operating units.

Our continuous improvement practices include the disposal of hazardous waste, in terms of recovering energy and recycling these types of waste. When the physical and chemical nature of the waste allows it, we collaborate with suppliers or facilities specializing in recycling and reusing waste, instead of disposing of them.

In terms of waste management, because of the nature of their processes, we have the most ambitious programs at ECA and TDM.

Energía Costa Azul (ECA)

We have a preventive maintenance and correction program in place to minimize risks such as explosion and fire. With these measures we guarantee the safety and reliability of our operation. In 2015 we had no reports of accidental leaks or accidental waste generation.

For five years, we have been implementing a plan for reducing hazardous waste at ECA. We measure and register our progress in the reduction of waste and appropriate disposal.

Furthermore, we are registered at state level as generator of special waste management, thus assuming an even greater environmental commitment.

In terms of hazardous waste, when the physical and chemical nature of the waste allows it, we work with facilities or suppliers that recycle and reuse it, instead of disposing of it. In 2015, through ECA we recycled 5.25 tons of hazardous waste, and in terms of non- hazardous waste, we recycled 34.46 tons of wood, cardboard, and metal.

Termoeléctrica de Mexicali (TDM)

In 2015 we continued implementing our preventive and predictive maintenance procedures—with which we reduced operating faults considerably—and improved our process for separating waste.

The processes we carry out at TDM produce solid residues impregnated with oils, which are deemed hazardous waste. The applicable regulation establishes that a specialized company is required to handle and dispose of these wastes.

In 2015 we registered a 5% reduction in the generation of hazardous waste, as compared to the prior year. Further, we recycled 36% of the total waste generated.

In terms of non-hazardous waste, also recycled by an external company, TDM recycled 0.92 tons of cardboard and paper.

Report on IEnova's Total Waste Generation and Management* [G4-EN23]

TYPE OF WASTE	DISPOSAL	AMOUNT (METRIC TONS)		
		2013	2014	2015
Hazardous waste	Waste confined in controlled deposits	11	11	9
	Incinerated waste	3	2	3
	Waste recycled by another company (recovery of waste oil and transformed energy)	6	8	7
	Total hazardous waste	20	22**	19***
Non-hazardous waste	Total non-hazardous waste	10,416	10,982	7,956
	Waste confined in controlled deposits	10,353	10,943	7,921
	Waste recycled by another company	3	39	35

* The majority of waste is generated by ECA and TDM.
** 21.70, rounded up to 22.
*** 19.36 rounded down to 19.

WATER [G4-EN8, G4-EN9, G4-EN10, G4-EN22]

To make sure we make better use of water, and care for it adequately, at IEnova we focused our efforts on using, saving, and recycling water in the most water-intensive processes, particularly at our ECA and TDM operating units.

Energía Costa Azul (ECA)

While ECA is the IEnova operating unit with the highest water consumption levels, we extract 99% of the water we use at this unit from the ocean, and we do not contaminate it during the process. We only use water for the heating process required to change phases in natural gas, which means the liquid does not come in contact with any materials.

Correspondingly, we return 99% of the water to its original source, always in compliance with the specifications of the environmental and water-quality permits based on which we operate. The remaining 1% is discharge water that is processed in a treatment plant before being discharged into the ocean.

As part of this process, the quality of the ocean water in the ECA surroundings is analyzed quarterly by an accredited laboratory that ensures control of its physical and chemical attributes and makes sure that we comply with the conditions established in the discharge permits. In order to do this, the lab collects samples at three points located in front of the terminal to monitor discharges from the wastewater treatment plant, the regasification system, and the inverse osmosis plant.

Termoeléctrica de Mexicali (TDM)

In its electric power generation process, TDM only uses discharge water from the Zaragoza lagoon, located in the city of Mexicali. In order to produce ultra-pure water, it undergoes a biological and physical and chemical process that uses technologies such as inverse osmosis and demineralization. Once treated, the wastewater is used in the cooling system and to generate steam.

Approximately 30% of the water used in the electric power generating process is returned to a branch of the Río Nuevo, with a quality that complies with the NOM-001-SEMARNAT-1996 norm.

The increase in the number of water cycles in the cooling towers, the process that consumes most water, contributed to us being able to make the process increasingly more efficient. In 2015 we were able to reuse water up to 7 times before discharging it, a number that is above the 6.5 times of the prior year.

Termoeléctrica de Mexicali uses cutting-edge environmental technologies that comply with or exceed the norms applicable both in Mexico and in the state of California. Furthermore, it is one of the cleanest natural-gas-fired plants and with the lowest marginal costs that is subject to the supervision of the Western Electricity Coordinating Council, WECC.

Termoeléctrica de Mexicali

Sonora Pipeline

Report on IEnova's Total Water Discharge* [G4-EN22]

TYPE OF DISCHARGE	AMOUNT (M³) 2013	2014	2015
Water discharged into municipal treatment plants	7,068	6,722	4,803
Water discharged to other sources	1,431,954	1,320,301	1,622,572
Water discharged into the sea	2,080	2,081	2,088
Total water discharged	1,441,102	1,324,942	1,629,463 **
Water returned to its original extraction source in the same or better conditions	97,939,874	101,977,222	93,746,404

* The majority of water is used by ECA and TDM.
** Total water discharged 93,748,492 m³ and water is returned to the source from which it was extracted in the same or better conditions 93,746,404 m³ (water discharged minus the amount of water treated by the wastewater treatment plant).

Report on IEnova's Total Water by Type of Extraction Source*[G4-EN8]

WATER WITHDRAWAL BY SOURCE	AMOUNT (M³) 2013	2014	2015
Ground water	3,198	4,016	2,320
Municipal wastewater	5,339,170	5,660,211	5,846,377
Municipal water	7,093	4,696	4,669
Water obtained from other sources (ocean water)	97,941,954	101,979,303	93,804,173
Total water extracted	103,291,415	107,648,226	99,657,539

CONSERVATION OF BIODIVERSITY
[G4-EN11, G4-EN12, G4-EN13, OG4]

Although our operations are not located in protected areas, at IEnova we developed different projects to preserve biodiversity focused mainly on protecting, compensating, and reforesting the flora, and on protecting and rescuing wild fauna. The specific characteristics of each program depend on the applicable environmental standards, on the type of operation or project to be developed, and of the characteristics of the ecosystem on which we have an impact.

Flora Restoration and Compensation

As part of the work we do to protect and compensate flora, at IEnova we are known for the nurseries we install close to our work sites during the construction process. The goal of these nurseries is to protect and produce, in a controlled environment, specimens from different species of native plants in the region found there when we first arrive at a specific site. Once the project is concluded, as part of our reforestation effort, we replant the species in the project's row.

Besides complying with the regulations in force when performing this task, as proof of our commitment, we go beyond the requirements of the authority and leave the nurseries installed and functioning, even after the asset begins operations. We make a considerable investment in these projects and, in collaboration with our suppliers, we have become experts in handling flora that is at-risk or in danger of extinction.

The following tables describe in detail our restoration, reforestation and compensation programs begun during the construction processes of the Rosarito Pipeline, Energía Costa Azul, and Termoeléctrica de Mexicali, and that at year-end 2015 were still operating.

RESCUE AND RESTORATION		
INITIAL DATE	PROJECT	MEASURES TAKEN AS OF DECEMBER 31ST, 2015
January 2008	Restoration of the ecosystems affected by the construction of the Expansion of the Rosarito Pipeline project	• Produced, in the controlled environment of a nursery, 6,392 specimens of different species of endemic plants, which once the project was concluded, were replanted in the project's row. • Reforested the 73 kilometers of the length of the pipeline, by directly sowing seeds for different species • Identified 135,561 organisms of different bushes and herbaceous species derived from the production. • Monitored the area on a quarterly basis to follow-up on the restoration of the habitat.
September 2006	Rescue, replanting and protection of endemic and threatened plants Expansion of the Rosarito Pipeline	• Rescued 5,061 specimens of nine species endemic to Baja California located on the project's row of the project, of which 1,192 were *Ferocactus viridescens*, an endemic species that is deemed as threatened by the NOM-059-ECOL-2010 norm. • Used a nursery to protect the rescued species under controlled conditions to increase their chances of survival. • Planted a total of 1,192 specimens of the *Ferocactus viridescens* species, with a survival index at year-end 2015 of 95%, complying with the requirements established by Semarnat for this project. • Reincorporated 6,253 plants belonging to nine species along the first 19 kilometers of the pipeline. • Performed periodic monitoring to contribute to increase the chances of survival of the replanted species.
2003	Protection of Desert Ironwood during the construction process of Termoeléctrica de Mexicali	• Registered 35 ironwood specimens at the beginning of construction, as part of the reforestation program. • Registered 243 ironwood specimens at year-end 2015, considering specimens at any stage of reproduction; this number includes both the species that grew naturally as those that were replanted.

Energía Sierra Juárez

COMPENSATION AND CONSERVATION FOR REFORESTATION		
INITIAL DATE	PROJECT	MEASURES TAKEN AS OF DECEMBER 31ST 2015
March 2011	Program to Reforest the *Pinus jeffreyi* at Sierra Juárez, Baja California. Rosarito Pipeline	• Acquired the *Pinus jeffreyi* seeds through collectors certified by the National Forest Commission (*Comisión Nacional Forestal*, Conafor). • Built a nursery in order to germinate the seed and produce, under controlled conditions, pine seedlings. • Reforested a 60-hectare area with pines, with a density of 900 pines per hectare. • Built a periodic irrigation system to increase the chances for survival of the pines. • At year-end 2015, the survival rate of the *Pinus jeffreyi* was 85%, thus complying with and exceeding the requirements established by Semarnat for this project. • Performed periodic monitoring of the replanted species to follow-up on the state of the planted pines and take the necessary corrective actions, as required
April 2009	Program to reforest the mesquite tree *Prosopis juliflora* shrub in the areas impacted by the construction of the Compression Station of the Rosarito Pipeline	• Planted 236 mesquite trees of the *Prosopis juliflora* species to reforest the area adjacent to the land where the Compression Station was built. • Built an automatic irrigation system. • Monitored and maintained periodically the reforested area to ensure the survival of the planted trees. • At year-end 2015, survival rate for the mesquite *Prosopis juliflora* was 90%. • Monitored the replanted species periodically.
April 2009	Performed reforestation programs for mesquite trees *Prosopis juliflora* and *Prosopis chilensis* in the areas impacted by the construction of the Rosarito Pipeline	• Implemented a reforestation program in an area adjacent to the beginning of the Rosarito pipeline. • Planted 50 mesquite trees of the *Prosopis juliflora* species and 50 tree shrubs of the *Prosopis chilensis* species. • Built automatic irrigation systems for both species. • Chose a local high school as an area of interest. • At year-end 2015, survival rate for the *Prosopis juliflora* and *Prosopis chilensis* shrub was 90%. • Monitored and maintained periodically the reforested area to ensure the survival of the planted trees.
2006	Plan to rescue and preserve flora at Energía Costa Azul (ECA)	• Identified organisms with a high ecological value and considered as protected under the applicable Mexican regulations, before the beginning of the construction of the ECA terminal. • Implemented a program to rescue and transplant more than 4,500 *Ferocactus viridescens* specimens and species associated to the coastal bush and maintained in a nursery reproducing the natural conditions of the area. • Relocated the rescued *Ferocactus viridescens* in areas allocated to environmental conservation adjacent to ECA, once the construction phase is over. • Continued repopulating with seedlings from the terminal's nursery, once construction was finished. • Performed a collection and preservation of a seed bank of endemic plants from areas allocated to the conservation of natural ecosystems in the surroundings of the ECA terminal. • Produced close to 49,000 specimens of 21 species of coastal bush in the ECA nursery, a community of dominating plants in Costa Azul, particularly the presence of 17,932 examples of *Ferocactus viridescens*. • At year-end 2015, it registered a survival of 71% of the replanted specimens in some areas and in others of up to 89%. Because of these survival values and the seasonal processes observed, referring to the consolidation of the habitat, we were able to conclude that the Plan to Rescue, Protect and Preserve Flora in Costa Azul have been met and exceeded.

Protection and Rescue of Wildlife

At IEnova when we develop a project, we always perform assessments to measure the effect the construction, operation, and maintenance of a certain project can have the components of the impacted ecosystems. Correspondingly, before beginning construction, we determine what measures we need to implement in order to protect the wildlife species in the area and their habitats, guided not only by the regulations in force but also by our own guidelines, that frequently exceed the regulation, and because of our own conviction that we are committed with environmental stewardship.

Gasoducto Rosarito and Transportadora de Gas Natural de Baja California (TGN)

At our Pipelines division we implement fauna rescue and relocation programs to identify the species living along the right of way of the projects. Based on the results, we have established procedures to protect these species and relocate them to a safe place. We offer training to staff that will be in charge of caring for the fauna.

Energía Costa Azul (ECA)

The work we are doing at the Energía Costa Azul liquefied natural gas terminal is particularly important because the facility is located in an area adjacent to the migratory route of the gray whale and where there is an important presence of other species such as the purple sea urchin, the red sea urchin, and the sea cucumber, that have a high commercial value.

At this facility, we have been operating the successful Marine Mammals Monitoring Program (MMMP) in collaboration with the *Centro de Investigación Científica y de Educación Superior de Ensenada* (CICESE), the Autonomous University of Baja California (UABC), and other experts specializing in these mammals and in the environment.

Originally this project was implemented during the construction process of ECA. However, at IEnova we decided to continue implementing it as part of our commitment with the protection of wildlife. We have established a crew there to submit the data required to protect different species of marine mammals in the region, particularly the grey whale, to study their migration patterns and ensure their free path.

Ever since the beginning of the project, we have been measuring several environmental indicators to assess possible changes and impacts on the populations of these marine mammals, concluding that the ECA operations have had no impact on them. The statistical information collected is used to measure behavioral indicators of the populations of different species of marine mammals inhabiting the area in front of the Energía Costa Azul maritime terminal, among which the most relevant are the grey whale, the California sea lion, several species of dolphins and blue whales, hunchback whales, fin whales, and the Minke whale, among others. It is worth mentioning that in 2015 we registered 20 false killer whales, which hadn't happened in the area since 2008.

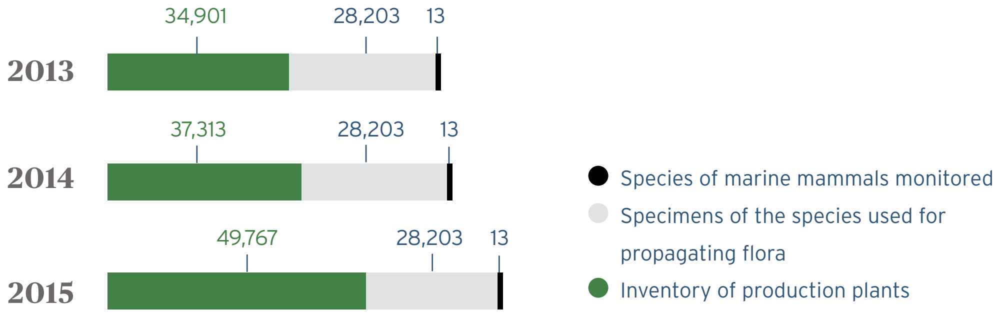
Program to Rescue, Protect and Preserve Benthonic Fauna

Before construction began on Energía Costa Azul 11 years ago, we implemented a plan to rescue, transplant, sow, and monitor organisms of high commercial and ecological value, in collaboration with local fishermen and scientists of the Autonomous University of Baja California (UABC). Ever since then and to this date, we have been able to make these organisms follow a sequence of increments and changes in the structure of the population equal to what they would have had if we had not built our operating unit there. Further, we incorporated new young specimens, with a positive dynamic that has allowed populations to be preserved and to offset the natural mortality of these species.

When construction for this project began in 2003, we rescued 904,017 relevant marine organisms, among which the most important were sea urchins, cucumbers, and snails. From that date and as of today, we have monitored the area twice a year to follow up on the protected organisms. The transplantation of red sea urchin populations (*S. franciscanus*) and of purple sea urchins (*S. Purpuratus*) has been particularly successful, with a survival rate of over 99%. One of the measures we take to contribute to protect the species was to train local fishermen on sustainable harvesting techniques.

Energía Costa Azul Marine Mammals Monitoring

Plan to Rescue, Protect and Preserve Flora and Fauna



On the other hand, in 2015 ECA carried out a new assessment for a quantitative evaluation and a qualitative description of the marine benthonic flora and fauna. Carried out in collaboration with specialists in marine biology, the study is particularly important because it is expected that another company's combined-cycle power plant will soon begin operating in ECA's area of influence. Given this situation, it was very important to measure whether as a result of this work the marine fauna that inhabited the area had been modified or could be modified by this work.

In general, we observed diversity levels of the species that were very similar or even slightly better than the measurement we carried out in 2005, which is proof that the work we have done over the last 11 years has rendered good results. Today there is a better balance in the number of species living in the area, which contributes to better stability in the ecosystems.

Sonora Pipeline

Projects under Construction

At IEnova we are driven by a strong commitment with protecting and preserving the environment and the species that inhabit the areas neighboring our operations, that begins in the planning process of a project and is maintained during the construction and operation processes.

Sonora Pipeline

As part of our program to rescue and relocate fauna, before beginning grass removal works, we humanely capture all the specimens detected in the area, to relocate them in nearby areas where they can live under conditions that are similar to their original habitat, but under safe conditions. We keep this process up throughout the construction phase.

We do the same with the flora, meaning that, before beginning construction, we survey the area to identify and rescue endemic species. Once collected, we shield and protect them in a nursery located on the project's row, where they receive the treatment they require to increase their chances for survival during the period that they will continue under protection.

Once the construction and soil works are done, the rescued specimens are reincorporated to their original site. Furthermore, we perform a reinforced re-vegetation process that consists of sowing seed of the species of flora in the area along the whole affected strip of land.

We also carry out maintenance tasks, that include periodic risks, applying fertilizers, and we monitor the area to determine the survival percentage.

As of December 31st 2015, we had reincorporated 25,000 specimens of flora from different species along the first 220 kilometers of the Sonora Pipeline, with an 82% survival rate, a number that is above the requirement established by Semarnat for this project. Currently the Sonora Pipeline has two nurseries where 21,125 specimens of different species of flora are safeguarded, with a survival rate of 100%.

Assets Belonging to Joint Ventures

We extend our commitment with environmental stewardship and the implementation of our environmental policy at those assets that we develop in collaboration with other companies, among which this year the most important are Energía Sierra Juárez, the Los Ramones I pipeline, and the Ethane Pipeline.

Energía Sierra Juárez (ESJ) [G4-EN11, G4-EN12, G4-EN13, OG2, OG3]

Energía Sierra Juárez is a wind farm located on the Sierra de Juárez mountain range, in the county of Tecate, in the state of Baja California, that possesses major resources in terms of the strength of the wind and constitutes the first cross-border wind energy project between Mexico and the U.S. Operated by a team of highly-trained IEnova employees, all of them Mexican, this is the most recent asset in our power segment, and it began operating in June 2015. ESJ is part of IEnova's effort favoring renewable energies, which will play an increasingly more relevant role within the new setting of the energy reform.

With a USD$318 million investment, Energía Sierra Juárez is a project developed by IEnova and its partner InterGen with a 155 MW wind energy capacity, that uses 47 wind turbines of 3.3 MW each, and has the land and necessary permits to expand in the future to a capacity of up to 1,200 MW.

The wind farm is connected to the San Diego Gas and Electric's (SDG&E) system, in the state of California, to which we currently export electricity, and it could eventually also connect directly with Mexico's transmission network.

The magnitude of this work—that spans more than 83 hectares of land and implied building almost 40 kilometers of roads and excavating more than 700,000 m^3 of rock—made it particularly important to rigorously apply several environmental protection programs, and programs to protect the local flora and fauna.

Correspondingly, even before we started to build the facility, we performed an assessment of the local flora and fauna based on which we drafted a list of species under certain degrees of protection, in accordance to the NOM-059 SEMARNAT-2010 norm.

During the construction phase of the project we took important mitigation measures, that complied with the specifications imposed by Semarnat. On the one hand, we reduced the impacted area to less than half of what had been authorized, after applying our responsible engineering processes.

Based on the results of this study, and similar to what we have done in prior projects, we built a nursery to preserve 100% of the protected flora, which in this case resulted in 6,619 specimens of 17 rescued species. Besides collecting the rescued organisms, at the nursery we also have a seed bank through which we have started working to propagate organisms through germination.

With our fauna rescue and relocation program to protect the species, during 2015 we relocated 50 rattlesnakes to a nearby and safe location.

Besides the flora and fauna rescue programs that we implement at this and all our projects, since 2009 at ESJ, prior to beginning of construction, we implemented an important program to monitor birds and bats in collaboration with the San Diego Zoo to study the flight patterns and territories of the California Condor and the Golden Eagle that inhabit the border between Mexico and the U.S.

As part of this program, in 2015 we expanded on the study of birds and bats, carried out in collaboration with the Ecological Institute of Jalapa (INECOL) in the state of Veracruz, in order to monitor them during the operation phase, when the central framework consists of identifying the diversity of birds and bats, resident and migratory, for the length of the study, such as flight behaviors, estimates of possible collisions with the wind turbines and transmission lines, and defining the steps and measures we can implement to minimize them. The study began in October 2015 and we estimate it will be finished by October 2016.

As part of the protection and conservation plan for land, we recognized the presence of a community of endemic vegetation, known as shrub land, some species of bush and agave, and some cacti. Of the identified species, three are particularly important for conservation: *Juniperus californica, Pinus monophylla,* and *P. quadrifolia*. The re-vegetation program began in October 2015 and we have set March 2016 as the date for finishing it. Re-vegetation will be done with rescued plants and with plants produced at the ESJ nursery, for which we have a total of 9,500 plants available for re-vegetation. At year-end 2015 we had a 70% progress, with a survival rate of 95%.

Finally, we implemented our Comprehensive Waste Management Program. Resulting from its operation, several types of waste are produced at ESJ, including solid wastes impregnated with oils that require special treatment for disposal. Because the authority characterizes them as hazardous waste, they are managed and disposed of by a specialized company, in accordance with the applicable regulation.

For the months during which it has been operating, at ESJ we recycled 30.21% of total hazardous waste that were to be disposed of, and recycled 62.96% of non-hazardous waste. Both processes were carried out by an external institution.

We also implement a Plan for Environmental Management and Monitoring for all the mitigations measures implemented in the project. Prior to and during construction, we complied with the conditions established by the Environmental Impact Authorization granted to us for this project. Now that we are in the operating phase, this program has migrated to an Environmental Management System aligned with ISO: 14001, that is currently in the process of implementation.

Los Ramones I

Prior to beginning construction of the Los Ramones I Pipeline and the Ethane Pipeline—that we built as part of our joint venture with Pemex TRI—we determined that the path of neither project impacts natural protected areas or areas considered to have a high biodiversity.

The flora and fauna samplings that we carry out as part of our rescue and relocation programs showed that there were 23 species of flora and 43 species of fauna in the area of the Los Ramones I Pipeline, of which four of flora and five of fauna are under some degree of protection, in accordance to the NOM-059 SEMARNAT-2010 norm. In 2015, we rescued 360 specimens of fauna species, and 5,610 specimens of flora species.

Los Ramones Norte

At the Ramones Norte Phase II project, we applied the program to rescue flora and fauna in the states of Nuevo León, Tamaulipas, and San Luis Potosí.

In the flora program we rescued 180,709 specimens from 43 species, of which 17 are under some degree of protection in accordance to the NOM-059-SEMARNAT-2010 norm. Those specimens were distributed in 7 collection centers, of which 3 are located in the state of Nuevo León, 2 in Tamaulipas, and 2 in San Luis Potosí.

With regards to fauna, we rescued a total of 2,602 specimens from 41 species, of which 9 are under some degree of protection in accordance to the NOM-059-SEMARNAT-2010 norm.

The natural gas pipelines system crosses a Natural Protected Area named Guadalcázar, managed by the state, but this does not interfere with the development of the project.

The Los Ramones Norte Pipeline is an asset in which IEnova holds an indirect 25% stake. Correspondingly, the scope of the indicators reported by IEnova do not include this protected area.

Etanoducto

Ethane Pipeline

In terms of the Ethane Pipeline—which includes 3 segments that cross the states of Veracruz, Chiapas, and Tabasco—we identified 71 species of fauna that inhabit the region, and between the beginning of works and December 2015, we rescued 499 specimens. Of the whole universe of species, 22 are under some degree of protection, in accordance to the NOM-059-SEMARNAT-2010 norm; two of them are reported as being in danger of extinction. Further, we identified 12 species of flora that inhabit the region, of which nine are under some degree of protection and two are in danger of extinction. Between the beginning of the work and December 2015, we rescued 375 specimens of the species of flora found in the region.

By implementing the programs for the Protection and Dispersion of Wildlife and Rescue and Relocation of Vegetation, when we performed the works to remove grasses and trees and prepare the land we rescued all the specimens we found at the site before construction began.

At the Los Ramones I Pipeline, the Los Ramones Norte Pipeline, and at the Ethane Pipeline, we carried out mitigation measures such as the rescue of specimens of wild flora and fauna belonging to protected species, thus complying with our commitment to preserve biodiversity at the locations our projects pass through.

Deloitte.

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Independent Assurance Report to Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) on the Sustainability Report 2015

Responsibilities of IEnova and independent reviewer

The elaboration of the Sustainability Report 2015 (SR 2015), as well as its content is responsibility of IEnova, who is also responsible for defining, adapting and maintaining the management and internal control systems from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively for the management of IEnova in accordance with the terms of our agreement letter dated January 12th, 2016 and is not intended to be nor should it be used by someone other than this.

We have performed our work in accordance with the standards of independence required by The Code of Ethics of the International Federation of Accountants (IFAC).

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work. Therefore, the security provided is also lower. This report in no case can be understood as an audit report.

We conducted our review of the SR 2015 under the following conditions and / or criteria:

a) The adaptation of the contents of the SR 2015 to the Global Reporting Initiative (GRI) Guidelines version 4 (G4) and according to the materiality study provided by IEnova.
b) The review of the sustainability performance indicators reported according to the option Core and specified in the GRI Index of the SR 2015.
c) The consistency of information contained in the SR 2015 with supporting evidence provided by the management.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as various areas of IEnova that have participated in the elaboration of the SR 2015 and the application of certain analytical and sample screening tests that are described below:

a) Meetings with staff of IEnova to learn the principles, systems and applied management approaches.
b) Analysis of the process to collect, validate and consolidate the data presented in the SR 2015.
c) Analysis of scope, relevance and integrity of the information included in the SR 2015 in terms of the understanding of IEnova and of the requirements that stakeholders have identified as material aspects.
d) Selected sample review from the evidence that supports the information included in the SR 2015.

Deloitte.

The following table details the performance indicators on sustainability reviewed according to the GRI Guidelines version 4:

G4-10	G4-24	G4-58	G4-EN11	G4-EN29	G4-SO4
G4-11	G4-25	G4-DMA	G4-EN12	G4-LA2	G4-PR5
G4-18	G4-26	G4-EC7	G4-EN15	G4-LA6	G4-OG13
G4-19	G4-27	G4-EN3	G4-EN16	G4-LA9	G4-HR3
G4-20	G4-56	G4-EN8	G4-EN23	G4-SO1	G4-HR12

Conclusion

Based on the work performed and described in this report, nothing comes to our attention that could make us believe that the SR 2015 contains significant errors or has not been prepared in accordance with the Core Option.

Recommendations

Additionally we present our recommendations for strengthening future Sustainability Reports, which do not modify the conclusions expressed in this report:

- Strengthening the internal management system for compiling, analyzing and evaluating the environmental information of the sustainability report through the communication and development of internal tools with the holders of information that enables defining the operation and management information procedures and methodologies for the material indicators.
- Evaluate the environmental and social initiatives generated by IEnova business units with the purpose of define key indicators to measure progress and to allow identifying strategic programs to IEnova and with benefit to the communities and the environment.

We have submitted a detailed report of recommendations to the External Affairs and Sustainability Director of IEnova concerning areas of improvement in the sustainability strategy (specifically for the verified indicators) and the reporting process.

Galaz, Yamazaki, Ruíz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

Rocío Canal Garrido
Sustainability Partner
May 31th, 2015

GRI G4 CONTENT INDEX [G4-32]

Materiality Disclosures
IENOVA
May 2016
Service

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
	STRATEGY AND ANALYSIS		
G4-1	Provide a statement from the most senior decisionmaker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	10 and Letter from the Chairman of the Board and Chief Executive Officer	
G4-2	Provide a description of key impacts, risks, and opportunities.	10	
	ORGANIZATIONAL PROFILE		
G4-3	Report the name of the organization.	Infraestructura Energética Nova, S.A.B. de C.V. (IEnova)	
G4-4	Report the primary brands, products, and services.	16	
G4-5	Report the location of the organization's headquarters.	Mexico City	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	16	
G4-7	Report the nature of ownership and legal form.	IEnova is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	14,55	
G4-9	Report the scale of the organization.	52	
G4-10	Report the total number of employees by employment contract and gender.	64, 66	Yes, p.
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	5.8% of our employees are unionized.	Yes, p.
G4-12	Describe the organization's supply chain.	53	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	16	
	COMMITMENTS TO EXTERNAL INITIATIVES		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	38	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	12, cover	

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	49	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	52, cover The data published refers to the Gas and Power business segments in which IEnova participates through companies that offer transportation and storage of natural gas, LPG and ethane, storage of liquefied natural gas (LNG), distribution of natural gas and generating electricity. Within the Gas segment, unless otherwise specified, the consolidated performance data for IEnova does not include information on the assets belonging to Gasoductos de Chihuahua, a joint venture with Pemex Transformación Industrial (TRI), previously known as Pemex Gas y Petroquímica Básica (PGPB), in which IEnova owns a 50% share. In the Power segment, unless otherwise specified, the Report does not include data on Energía Sierra Juárez, our cross-border wind farm that we built and operate as part of our joint venture with the global energy generation company InterGen, in which we hold a 50% stake and that began operating in 2015.	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	28	Yes, p.
G4-19	List all the material Aspects identified in the process for defining report content.	28	Yes, p.
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	28, forros	Yes, p.
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	28	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	28	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	28	
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	26	Yes, p.
G4-25	Basis for identification and selection of stakeholders with whom to engage.	24, 25, 26 The selection of stakeholders is based on the impacts identified and managed, resulting from the materiality assessment and the analysis of our operation.	Yes, p.

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	26	Yes, p.
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	27	Yes, p.
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Cover	
G4-29	Date of most recent previous report (if any).	The last report was published in April 2015, and addressed the period between January 1st and December 31st 2014.	
G4-30	Reporting cycle (such as annual, biennial).	The Report has been published annually, for three years	
G4-31	Contact point for questions regarding the report or its contents.	Corporate Headquarters Paseo de la Reforma 342, Piso 24 Col. Juárez, Delegación Cuauhtémoc México City, 06600 Tel. (52 55) 91380100	
GRI CONTENT INDEX			
G4-32	a. 'In accordance' option the organization has chosen. b. GRI Content Index for the chosen option (see tables below). c. Reference to the External Assurance Report, if the reporthas been externally assured. GRI recommends the useof external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	106, cover	
ASSURANCE			
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Cover	
GOVERNANCE			
GOVERNANCE STRUCTURE AND COMPOSITION			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	24, 40, 42 http://www.bmv. com.mx/infoanua/infoanua_66685_2015_1.pdf page 190-196	
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	24	

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	76 The Chief Corporate Affairs and Human Resources Officer chairs the Sustainability Committee, which in turn reports to the top governing body, in accordance to the bylaws.	
G4-38	Report the composition of the highest governance body and its committees.	40, 42 http://www.bmv. com.mx/infoanua/infoanua_66685_2015_1.pdf page 190-196	
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	40, 42 Carlos Ruiz Sacristán is Chairman of the Board of Directors and CEO of IEnova.	
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	40, 42 https://www.bmv.com.mx/docs-pub/infoanua/infoanua_666885_2015_1.pdf page 190-196	
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	39, 40 http://www.bmv. com.mx/infoanua/infoanua_66685_2015_1.pdf page 190-196	
HIGHEST GOVERNANCE BODY'S ROLE IN THE DEVELOPMENT OF THE ORGANIZATION'S PURPOSE, VALUES OR STRATEGIES			
HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES, AND STRATEGY			
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf	
HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION			
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	40, 42	
HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT			
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	38 https://www.bmv.com.mx/docs-pub/infoanua/infoanua_666885_2015_1.pdf	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf	

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	38	
HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING			
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	24, 40	
HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE			
G4-49	Report the process for communicating critical concerns to the highest governance body.	24	
REMUNERATION AND INCENTIVES			
G4-51	a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	https://www.bmv.com.mx/docs-pub/infoanua/infoanua_666885_2015_1.pdf page 199	
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	https://www.bmv.com.mx/docs-pub/infoanua/infoanua_666885_2015_1.pdf page 199	
ETHICS AND INTEGRITY			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	39, 43,cover	Yes, p.
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	39, 40, 43	
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	39, 40, 43	Yes, p.
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.	28, 30	Yes, p.
ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed	61	
G4-EC3	Coverage of the organization's defined benefit plan obligations	69	
G4-EC4	Financial assistance received from government	The company did not receive any financial assistance from governments	
ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-EC7	Development and impact of infrastructure investments and services supported.	82	Yes, p.

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	53	
	ASPECT: PROCUREMENT PRACTICES		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	53	
	ENVIRONMENTAL		
	ASPECT: MATERIALS		
G4-EN2	Percentage of materials used that are recycled input materials.	91	
G4-EN3	Energy consumption within the organization.	28,539,272.61 MMBTU (99.97% natural gas, 0.01% oil and diesel and 0.02% energy from the mains).	Yes, p.
	ASPECT: WATER		
G4-EN8	Total water withdrawal by source.	92, 95	Yes, p.
G4-EN9	Water sources significantly affected by withdrawal of water.	92	
G4-EN10	Percentage and total volume of water recycled and reused.	92	
	ASPECT: BIODIVERSITY		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	95, 101 None of our operations are within protected areas.	Yes, p.
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	95, 101 Although our operations are not located in protected areas, at IEnova we developed different projects to preserve biodiversity focused mainly on protecting, compensating, and reforesting the flora, and on protecting and rescuing wild fauna.	Yes, p.
GA-EN13	Habitats protected or restored.	95, 101	
	ASPECT: EMISSIONS		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	90, 91	Yes, p.
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	90, 91	Yes, p.
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	91	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	90	
G4-EN21	NO_x, SO_x and other significant air emissions.	90	
	ASPECT: EFFLUENTS AND WASTE		
G4-EN22	Total water discharge by quality and destination.	92, 95	

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
G4-EN23	Total weight of waste by type and disposal method.	91, 92	Yes, p.
G4-EN24	Total number and volume of significant spills.	91 We had no significant spills. Based on the Profepa criteria (Criteria for classifying environmental emergencies in companies in the National Environmental Audit Program), an event can be deemed minor if the spilled volume is less than 1 m^3.	
	ASPECT: PRODUCTS AND SERVICES		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	86	
	ASPECT: COMPLIANCE		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	We had no significant fines or sanctions.	Yes, p.
	ASPECT: TRANSPORT		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	86 Reason for omission: There were no environmental impacts caused by transporting personnel, since it is not a material aspect.	
	ASPECT: OVERALL		
G4-EN31	Total environmental protection expenditures and investments by type.	61 USD$5.4 million invested in the community, environment, safety, health, and compliance	
	SOCIAL		
	LABOR PRACTICES AND DECENT WORK		
	ASPECT: EMPLOYMENT		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	64 Reason for omission: Data is consolidated for IEnova, not by operating unit.	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	69	Yes, p.
	ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	71	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender.	75	Yes, p.
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	75	

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
ASPECT: TRAINING AND EDUCATION			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	66, 67	Yes, p.
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	66	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	66	
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	40, 42, 64	
HUMAN RIGHTS			
ASPECT: INVESTMENT			
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	70	
ASPECT: NON-DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	We received one call for discrimination and harassment in the IEnova's complaint line.	Yes, p.
ASPECT: CHILD LABOR			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	The company's operation has no potential risk for incidents of child labor.	
ASPECT: FORCED OR COMPULSORY LABOR			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	The company's operation has no potential risk for incidents of forced labor.	
ASPECT: SECURITY PRACTICES			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	All corporate security agents that provide their services to the IEnova companies are trained in human rights issues.	
ASPECT: INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	There were no incidents of violations involving rights of indigenous people.	
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	There were no grievances related to human rights filed.	Yes, p.
SOCIETY			
ASPECT: LOCAL COMMUNITIES			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	76	Yes, p.

INDICATOR AND DESCRIPTION	DIRECT ANSWER	PAGE	EXTERNAL ASSURANCE
ASPECT: ANTI-CORRUPTION			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	39	
G4-SO4	Communication and training on anti-corruption policies and procedures.	39	Yes, p.
G4-SO5	Confirmed incidents of corruption and actions taken.	There were no incidences of corruption during the year.	
ASPECT: PUBLIC POLICY			
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	We made no financial or in-kind contributions to political parties.	
ASPECT: ANTI-COMPETITIVE BEHAVIOR			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	There were no anti-competitive incidents.	
ASPECT: COMPLIANCE			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	We did not receive significant fines or sanctions.	
PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	56	
ASPECT: PRODUCT AND SERVICE LABELING			
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	There were none during 2015.	
G4-PR5	Results of surveys measuring customer satisfaction.	57	Yes, p.
SECTOR DISCLOSURES			
OG2	Total amount invested in renewable energy.	101 Energía Sierra Juárez (ESJ), negocio conjunto con InterGen. La fase inicial requirió de una inversión total de aproximadamente USD$318 millones. https://www.bmv.com.mx/docs-pub/infoanua/infoanua_666885_2015_1.pdf page 130	
OG3	Total amount of renewable energy generated by source.	14, 16, 87, 101	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	95	
OG13	Number of process safety events, by business activity.	59	Yes, p.

CONTENT INDEX ON THE UNITED NATIONS GLOBAL COMPACT PRINCIPLES

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

TOPIC	GLOBAL COMPACT PRINCIPLES	GRI G4 INDICATORS
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	G4-HR2, G4-HR7, G4-HR8, G4-HR12, G4-SO1
	2. Businesses should make sure that they are not complicit in human rights abuses.	G4-HR2, G4-HR3, G4-HR5, G4-HR6, G4-HR7, G4-HR8, G4-HR12
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	G4-11
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour;	G4-HR6
	5. Businesses should uphold the effective abolition of child labour; and	G4-HR5
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10, G4-LA1, G4-LA2, G4-LA9, G4-LA11, G4-HR3
Environment	7. Businesses should support a precautionary approach to environmental challenges;	G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN21, G4-EN27, G4-EN31
	8. Businesses should undertake initiatives to promote greater environmental responsibility; and	G4-EN2, G4-EN3, G4-EN8 to G4-EN13, G4-EN15 to G4-EN19, G4-EN21 to G4-EN24, G4-EN27, G4-EN29, G4-EN30, G4-EN31
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	G4-EN19, G4-EN27, G4-EN31
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	G4-56 to G4-58, G4-SO3 to G4-SO6

ACRONYMS, FORMULAS AND GLOSSARY

ACRONYMS	
BMV	Bolsa Mexicana de Valores (Mexican Stock Exchange)
Cemefi	Mexican Philanthropy Center
CFE	Federal Electricity Commission
CICESE	Centro de Investigación Científica y de Educación Superior de Ensenada
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ECA	Energía Costa Azul S. de R.L. de C.V., LNG storage and regasification terminal
ECOGAS	ECOGAS México, S. de R.L. de C.V., the natural gas distribution business
Energía Sierra Juárez (ESJ)	The 155 MW wind farm located at La Rumorosa, in the Mexican state of Baja California
ERM	Enterprise Risk Management
FCPA	Foreign Corrupt Practices Act
GAP	Gasoducto Aguaprieta
GPTW	Great Place to Work
GR	Gasoducto Rosarito
GW	Giga-watts
GWh	*Giga-watts hour*
HP	Horse Power
IEnova	Infraestructura Energética Nova S.A.B. de C.V.
INECOL	Jalapa Ecological Institute, in the state of Veracruz
IPC	IPC Index of the Mexican Stock Exchange
ISO	International Organization for Standardization
ISR	Income Tax
JV	Joint Venture
Km	Kilometer
kW	Kilowatts
kWh	Kilowatts-hour
LNG	Liquefied Natural Gas
LP Gas	Liquefied Petroleum Gas
LTAR	Lost Time Accident Rate
MCFD	Millions of cubic feet daily
MMMP	Marine Mammals Monitoring Program
MW	Megawatts
NOM	Official Mexican Standard
OECD	Organization for Economic Cooperation and Development
OHSAS	Occupational Health and Safety Assessment Series
Pemex	Petróleos Mexicanos
Pemex TRI	Pemex Transformación Industrial, formerly known as Pemex Gas y Petroquímica Básica, is the State production company, subsidiary of Pemex
PGPB	Pemex Gas y Petroquímica Básica
Profeco	Federal Consumer Protection Agency
Profepa	Federal Environmental Protection Agency

SCADA	Supervisory Control and Data Acquisition
SCR	Selective Catalytic Reduction
Semarnat	Mexican Ministry of the Environment and Natural Resources
Sempra Energy	The indirect controlling shareholder of IEnova; a company incorporated in accordance with the laws of the state of California, USA
STPS	Mexican Ministry of Labor and Social Welfare
TDM	Termoeléctrica de Mexicali, S. de R.L. de C.V., IEnova's power plant
TGN	Transportadora de Gas Natural de Baja California, S. de R.L., IEnova's natural gas transportation pipeline
TRIR	Total Recordable Incident Rate
UABC	Autonomous University of Baja California
USD$	US dollars
VAT	Value Added Tax
USD$	La moneda de curso legal en los Estados Unidos

CHEMICAL FORMULAS	
CH_4	Methane
CO	Carbon monoxide
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
N_2O	Nitrogen oxide
NO_x	Nitrogen oxides (applies to various compounds formed by oxygen and nitrogen)
SO_x	Sulfur oxides (applies to various compounds formed by oxygen and sulfur)

GLOSSARY	
Carbon dioxide equivalent	A metric measure used to compare the emissions from various greenhouse gases based upon their global warming potential
Benthonic fauna	A group of organisms that live on sea beds
Involuntary Turnover Rate	(Number of hirings in a year - number of involuntary redundancies in a year) /Total number of employees
Total Turnover Rate	(Number of hirings in a year - number of voluntary and involuntary redundancies in a year) /Total number of employees
Voluntary Turnover Rate	(Number of hirings in a year - number of voluntary redundancies in a year) /Total number of employees
The Climate Registry	A US-non-governmental organization that measures and verifies international carbon standards
Operating unit	Refers to IEnova's companies operating in its gas and power business segments

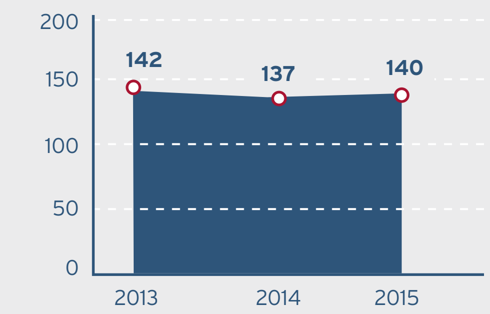
The definitions were taken from internal IEnova documents, the Royal Spanish Language Academy (RAE), glossary of climate change terms of United States Environmental Protection Agency and the United Nations' Rio Declaration on the Environment and Sustainable Development.

FINANCIAL HIGHLIGHTS

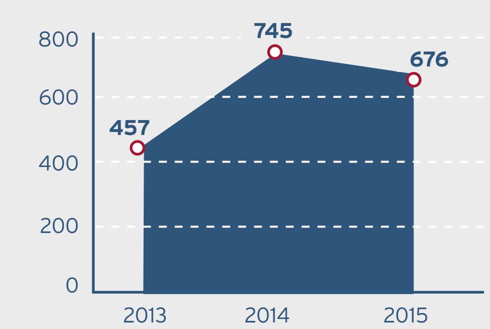
FINANCIAL SUMMARY

Millions of dollars, except percentages

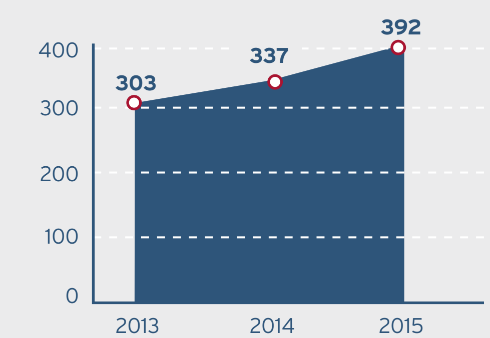
Net income



Capital Investment**

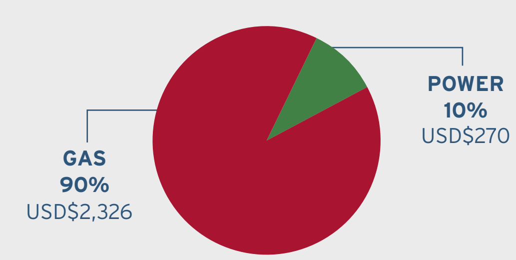


Adjusted EBITDA*



Property, Plant and Equipment

- net by segment



*Adjusted EBITDA = EBITDA + EBITDA Adjustment

Our definition of EBITDA is consolidated profit after adding back or subtracting, as the case may be: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit, (4) other (losses)/gains (which include net foreign exchange gains/(losses), net (losses)/gains 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) and (5) share of profits of joint ventures, net of income tax.

We define the JV EBITDA adjustment as our 50 percent share of the profit of joint ventures with Pemex and InterGen, after adding back or subtracting, as the case may be, our 50 percent share of: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit of our investments in joint ventures, (4) other (losses) gains and (5) the share of profit on joint ventures net of income tax. Our investments in the joint ventures are accounted for under the equity method.

**Includes 50 percent of the capital investments in the joint ventures with Pemex TRI and InterGen.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR 2015 RESULTS

Amounts are presented in U.S. dollars, the functional currency of the company, unless otherwise noted, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Executive Summary, Full Year 2015 compared to Full Year 2014

- In 2015, profit was $140.2 million, compared to $136.9 million in 2014.
- In 2015, revenues were $671.7 million, compared to $822.8 million in 2014. The decrease was mainly due to lower natural gas prices in the Gas segment, and lower electricity prices and volume in the Power segment.
- In 2015, cost of revenues was $286.6 million compared to $443.3 million in 2014. The decrease of $156.7 million was mainly due to lower natural gas prices at both the Gas and the Power segments and lower volume at the Power segment.
- In December 2015, the revolving facility was increased from $400 million to $600 million.
- In December 2015, we entered into a twelve month, $219.6 million revolving credit facility with a Sempra affiliate.
- In December 2015, Mexico's Comisión Federal de Competencia Económica (COFECE) objected to the transaction to purchase Pemex's interest in Gasoductos de Chihuahua as proposed. The parties are in the process of restructuring the transaction so that Pemex can proceed in accordance with the COFECE ruling.
- In February 2016, the Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali, a 625-Megawatt natural gas-fired power plant.

The following tables set forth our results for the years ended December 31, 2015 and 2014.

i) Results of Operations

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

(thousands of US$)	YEAR ENDED DECEMBER 31, 2015	2014
Revenues	$ 671,703	$ 822,796
Cost of revenues	(286,597)	(443,298)
Operating, administrative and other expenses	(104,213)	(98,384)
Depreciation and amortization expenses	(67,682)	(61,943)
Net financing (cost) income	(3,360)	4,442
Other gains (losses)	(11,575)	1,258
Profit before income tax and share of profits of joint ventures	**198,276**	**224,871**
Income tax expense	(100,406)	(111,283)
Share of profits of joint ventures, net of income tax	42,319	23,346
Profit (loss) for the period	**$ 140,189**	**$ 136,934**

Segment Information

Segment information is presented after eliminating inter-company transactions.

PROFIT (LOSS) BEFORE INCOME TAX AND SHARE OF PROFITS OF JOINT VENTURES

(thousands of US$)	YEAR ENDED DECEMBER 31, 2015	2014
Gas Segment	$ 237,552	$ 223,932
Power Segment	(1,029)	38,966
Corporate	(38,247)	(38,027)
	$ 198,276	**$ 224,871**

Gas Segment
In 2015, profit before income tax and share of profits of the joint venture was $237.6 million, compared to $223.9 million in 2014. The increase of $13.7 million is mainly due to a full year of operations of the first segment of the Sonora pipeline, in 2015, compared to one quarter in 2014.

Power Segment
In 2015, loss before income tax and share of profits of joint venture for the Power segment was $1.0 million, compared to a profit of $39.0 million in 2014. The variance of $40.0 million is due to:

- $21.0 million lower operational results at the power plant, and
- $19.1 million one-time gain, recorded in 2014, on the sale of our 50 percent equity interest in Energía Sierra Juárez wind generation facility.

Corporate
In 2015, the loss before income tax was $38.2 million, compared to $38.0 million in 2014.

REVENUES

(thousands of US$)	YEAR ENDED DECEMBER 31, 2015	2014
Gas Segment	$ 526,439	$ 598,183
Power Segment	143,498	222,471
Corporate	1,766	2,142
	$ 671,703	**$ 822,796**

Gas Segment
In 2015, Gas segment revenues were $526.4 million compared to $598.2 million in 2014. The decrease of $71.8 million is mainly due to:

- $111.7 million lower revenues due to lower natural gas prices ($2.88 per MMBtu in 2015 compared to $4.55 per MMBtu in 2014), partially offset by
- $40.0 million higher revenues, mainly due to a full year of operations of the first segment of the Sonora pipeline, in 2015, compared to one quarter in 2014.

Power Segment
In 2015, Power segment revenues were $143.5 million compared to $222.5 million in 2014. The variance of $79.0 million is mainly due to lower electricity prices ($33.26 per MWh in 2015 compared to $47.53 per MWh in 2014), lower volume sold and lower capacity revenue.

COST OF REVENUES

(thousands of US$)		YEAR ENDED DECEMBER 31, 2015		2014
Gas Segment	$	178,654	$	277,341
Power Segment		107,943		165,957
	$	**286,597**	**$**	**443,298**

Gas Segment

In 2015, Gas segment cost of revenues was $178.7 million, compared to $277.3 million for 2014. The decrease of $98.6 million is mainly due to lower natural gas prices ($2.33 per MMBtu in 2015 compared to $3.81 per MMBtu in 2014).

Power Segment

In 2015, Power segment cost of revenues was $107.9 million, compared to $166.0 million for 2014. The decrease of $58.1 million is mainly due to lower natural gas prices ($2.67 per MMBtu in 2015 compared to $4.41 per MMBtu in 2014) and lower volume.

Operating, Administrative and Other Expenses

In 2015, operating, administrative and other expenses were $104.2 million compared to $98.4 million in 2014; the increase was mainly due to expenses related to the development of new projects.

Net Financing (Costs) Income

In 2015, net financing cost was $3.4 million compared to net financing income of $4.4 million in 2014. The variance of $7.8 million is mainly due to capitalization of interest, in 2014, related to the Sonora pipeline.

Other Gains (Losses)

In 2015, other losses were $11.6 million compared to other gains of $1.3 million in 2014. The variance of $12.9 million is mainly due to:

- $19.1 million gain in 2014 on the sale of our 50 percent equity interest in Energía Sierra Juárez wind generation facility, partially offset by
- $6.7 million of lower mark-to-market losses on the valuation of an interest rate swap.

Income Tax Expense

In 2015, income tax expense was $100.4 million compared to $111.2 million in 2014. The variance of $10.8 million was primarily due to the effect of exchange rate on monetary assets and liabilities, partially offset by changes in the deferred income tax balance resulting from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate.

Share of Profits of Joint Ventures, Net of Income Tax

In 2015, our share of profits of joint ventures, net of income tax was $42.3 million compared to $23.3 million in 2014. The increase of $19.0 million is due to:

- $16.7 million higher share of profits of the Pemex joint venture, related to the full year of operations of the Los Ramones I pipeline and the start of operations of the Ethane pipeline during 2015, and
- $2.3 million in higher share of profits of Energía Sierra Juárez due to the start of operations in June 2015.

EBITDA and Adjusted EBITDA

We present "EBITDA" and "Adjusted EBITDA" in this earnings report 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.

Our definition of EBITDA is consolidated profit after adding back or subtracting, as the case may be: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit, (4) other (losses)/gains (which include net foreign exchange gains/(losses), net (losses)/gains 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) and (5) share of profits of joint ventures, net of income tax.

We define the JV EBITDA adjustment as our 50 percent share of the profit of joint ventures with Pemex and InterGen, after adding back or subtracting, as the case may be, our 50 percent share of: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit of our investments in joint ventures, (4) other (losses) gains and (5) the share of profit on joint ventures net of income tax. Our investments in the joint ventures are accounted for under the equity method.

(thousands of US$)		YEAR ENDED DECEMBER 31, 2015		2014
Gas Segment	$	268,026	$	244,550
Power Segment		13,252		36,241
Corporate		(385)		323
EBITDA		**280,893**		**281,114**
JV EBITDA adjustment (50 percent)		110,921		55,776
Adjusted EBITDA	**$**	**391,814**	**$**	**336,890**

ii) Financial Position, Liquidity and Capital Resources

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US$)	DECEMBER 31, 2015	DECEMBER 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 40,377	$ 83,637
Short-term investments	20,068	30,020
Trade and other receivables, net	53,728	66,401
Other current assets(1)	111,156	145,561
Total current assets	**225,329**	**325,619**
Non-current assets		
Due from unconsolidated affiliates	111,766	146,775
Deferred income tax assets	78,965	85,758
Investments in joint ventures	440,105	401,538
Property, plant and equipment - net	2,595,840	2,377,739
Other non-current assets(2)	55,077	42,789
Total non-current assets	**3,281,753**	**3,054,599**
Total assets	**$ 3,507,082**	$ **3,380,218**
Liabilities and Equity		
Short-term debt	$ 88,507	$ 195,089
Due to related parties	352,650	14,405
Other current liabilities(3)	102,184	158,056
Total current liabilities	**543,341**	**367,550**
Non-current liabilities		
Long-term debt	299,925	350,638
Due to unconsolidated affiliates	38,460	38,460
Deferred income tax liabilities	261,294	232,538
Other non-current liabilities(4)	184,198	141,744
Total non-current liabilities	**783,877**	**763,380**
Total liabilities	**1,327,218**	**1,130,930**
Common stock	762,949	762,949
Additional paid-in capital	973,953	973,953
Retained earnings	546,906	576,717
Accumulated other comprehensive income	(103,944)	(64,331)
Total equity	**2,179,864**	**2,249,288**
Total liabilities and equity	**$ 3,507,082**	**$ 3,380,218**

(1) Other current assets include value added tax receivable, amounts due from unconsolidated affiliates, income taxes receivable, carbon allowances, natural gas inventories, derivative financial instruments, and other current assets.
(2) Other non-current assets include goodwill, finance lease receivables, carbon allowances and other non-current assets.
(3) Other current liabilities include trade and other payables, wages and benefits payable, income tax liabilities, carbon allowances, provisions, derivative financial instruments, other financial liabilities and other taxes payable
(4) Other non-current liabilities include derivative financial instruments, provisions, carbon allowances and employee benefits.

Liquidity and Capital Resources

We are a holding company. As a result, our ability to meet our obligations and 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.

SOURCES AND USES OF CASH

(thousands of US$)	YEAR ENDED DECEMBER 31, 2015	2014
Cash and cash equivalents at period beginning	**$ 83,637**	**$ 103,880**
Net cash provided by operating activities	168,179	163, 217
Net cash used in investing activities	(248,796)	(267,964)
Net cash provided by financing activities	41,892	83,939
Effects of exchange rate changes on cash and cash equivalents	(4,535)	565
Cash and cash equivalents at period end	**$ 40,377**	**$ 83,637**

Operating Activities
In 2015, net cash provided by operating activities increased to $168.2 million, compared to $163.2 million in 2014. The increase was primarily due to changes in working capital, partially offset by income taxes paid.

Investing Activities
In 2015, net cash used in investing activities was $248.8 million, due to capital expenditures of $300.1 million for our Sonora, Ojinaga and San Isidro pipeline projects, partially funded by proceeds from repayment of loans from unconsolidated affiliates of $41.6 million and a $10.0 million decrease in short-term investments.
In 2014, net cash used in investing activities was $268.0 million, due to capital expenditures of $325.5 million mainly for our Sonora pipeline project and $162.8 million of loans to unconsolidated affiliates, partially offset by $177.0 million of short-term investment proceeds and net cash of $24.4 million from the sale of our 50 percent equity interest in Energía Sierra Juárez wind generation facility in 2014.

Financing Activities
In 2015, net cash provided by financing activities was $41.9 million, due to loans from banks and unconsolidated affiliates of $834.7 million, partially offset by a $600.1 million repayment of bank loans, a dividend payment of $170.0 million and interest paid of $20.2 million.
In 2014, net cash provided by financing activities was $83.9 million, due to bank loans and project financing of $278.4 million, partially offset by a dividend payment of $164.0 million and interest paid of $18.9 million.

iii) Internal Controls

Our management is responsible for maintaining a system of internal control over financial reporting. This system gives our shareholders 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.

FINANCIAL RESULTS

Infraestructura Energética Nova,
S. A. B. de C. V. and Subsidiaries
(formerly Sempra México, S. A. de C. V.
and Subsidiaries)

Consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 and Independent Auditor´s Report Dated February 22, 2016

Deloitte.

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Independent Auditors' Report to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of profit, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated 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 Company'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 Company'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.

Deloitte.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) as of December 31, 2015, 2014 and 2013, and its financial performance 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. Omar Esquivel Romero
February 22, 2016

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	December 31, 2015	December 31, 2014	December 31, 2013
Current assets:				
Cash and cash equivalents	4, 22	$ 40,377	$ 83,637	$ 103,880
Short-term investments	22	20,068	30,020	207,027
Trade and other receivables, net	5, 22	53,728	66,401	64,035
Due from unconsolidated affiliates	6, 22	27,608	26,601	24,860
Income taxes receivable	23	16,226	34,297	15,931
Natural gas inventories	8	4,628	9,375	3,836
Derivative financial instruments	22	1,926	4,709	9,188
Value added tax receivable		46,807	30,797	43,914
Carbon allowances	18	5,385	29,864	4,778
Other assets	10	8,576	9,918	20,679
Total current assets		225,329	325,619	498,128
Non-current assets:				
Due from unconsolidated affiliates	6, 22	111,766	146,775	331
Finance lease receivables	9, 22	14,510	14,621	14,700
Deferred income tax asset	23	78,965	85,758	106,227
Investments in joint ventures	11	440,105	401,538	366,288
Goodwill	12	25,654	25,654	25,654
Property, plant and equipment, net	13, 26	2,595,840	2,377,739	2,213,837
Carbon allowances	18	12,975	229	11,584
Other assets	10	1,938	2,285	5,159
Total non-current assets		3,281,753	3,054,599	2,743,780
Total assets		$ 3,507,082	$ 3,380,218	$ 3,241,908

See accompanying notes to the consolidated financial statements.

Liabilities and Equity	Notes	December 31, 2015	December 31, 2014	December 31, 2013
Current liabilities:				
Short-term debt	19, 22	$ 88,507	$ 195,089	$ -
Trade and other payables	14, 22	43,849	59,575	49,459
Due to unconsolidated affiliates	6, 22	352,650	14,405	3,655
Income tax liabilities	23	14,095	18,022	90,130
Derivative financial instruments	22	-	6,808	10,705
Other financial liabilities	16, 22	6,444	7,223	12,853
Provisions	20	1,293	1,619	1,945
Other taxes payable		13,881	11,247	7,815
Carbon allowances	18	5,385	29,864	4,778
Other liabilities	17	17,237	23,698	11,749
Total current liabilities		543,341	367,550	193,089
Non-current liabilities:				
Long-term debt	21, 22	299,925	350,638	394,656
Due to unconsolidated affiliates	6, 22	38,460	38,460	38,893
Deferred income tax liabilities	23	261,294	232,538	205,385
Carbon allowances	18	12,611	-	11,151
Provisions	20	34,236	38,250	26,430
Derivative financial instruments	22	133,056	100,449	53,208
Employee benefits	15	4,295	3,045	2,684
Total non-current liabilities		783,877	763,380	732,407
Total liabilities		1,327,218	1,130,930	925,496
Stockholders' equity:				
Common stock	24	762,949	762,949	762,949
Additional paid-in capital	24	973,953	973,953	973,953
Accumulated other comprehensive income		(103,944)	(64,331)	(24,273)
Retained earnings		546,906	576,717	603,783
Total equity attributable to owners of the Company		2,179,864	2,249,288	2,316,412
Total Stockholder's equity and liabilities		$ 3,507,082	$ 3,380,218	$ 3,241,908

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Profit

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

		Year ended December 31,		
	Notes	**2015**	**2014**	**2013**
Revenues	22, 26	$ 671,703	$ 822,796	$ 677,836
Cost of revenues		(286,597)	(443,298)	(328,817)
Operating, administrative and other expenses	28	(104,213)	(98,384)	(99,685)
Depreciation and amortization	13, 26, 31	(67,682)	(61,943)	(61,164)
Interest income	26, 27	6,743	3,299	1,372
Finance (costs) income	26, 30	(10,103)	1,143	(5,035)
Other (losses) and gains	29	(11,575)	1,258	6,986
Profit before income tax and share of profits of joint ventures		198,276	224,871	191,493
Income tax expense	23, 26	(100,406)	(111,283)	(83,792)
Share of profits of joint ventures, net of income tax	11, 26	42,319	23,346	34,689
		(58,087)	(87,937)	(49,103)
Profit for the year	26, 32	$ 140,189	$ 136,934	$ 142,390
Earnings per share:				
Basic and diluted earnings per share:	32	$ 0.12	$ 0.12	$ 0.13

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Years ended December 31, 2015	2014	2013
Profit for the year	32	$ 140,189	$ 136,934	$ 142,390
Other comprehensive income (loss):				
Items that will not be reclassified to profit or (loss):				
Actuarial (losses) gains on defined benefits plans	15	(1,793)	357	179
Deferred income tax relating to components of other comprehensive income		538	(107)	(54)
Total items that will not be reclassified to profit and loss		(1,255)	250	125
Items that may be subsequently reclassified to profit or (loss):				
Loss on valuation of derivative financial instruments held for hedging purposes		(6,604)	(1,822)	(18,381)
Deferred income tax on loss on valuation of derivative financial instruments held for hedging purposes		1,981	547	5,514
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		(5,362)	(19,936)	-
Deferred income tax on loss valuation of derivative financial instruments held for hedging purposes at joint ventures		1,608	5,981	-
Exchange differences on translating foreign operations		(29,981)	(25,078)	(1,927)
Total items that may be reclassified subsequently to profit and loss		(38,358)	(40,308)	(14,794)
Other comprehensive loss for the year		(39,613)	(40,058)	(14,669)
Total comprehensive income for the year		$ 100,576	$ 96,876	$ 127,721

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common shares	Additional paid-in capital	Other comprehensive (loss) income	Retained earnings	Total
Balance as of December 31, 2013		$ 762,949	$ 973,953	$ (24,273)	$ 603,783	$ 2,316,412
Profit for the year		-	-	-	136,934	136,934
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(15,230)	-	(15,230)
Actuarial gains on defined benefits plans, net of income tax		-	-	250	-	250
Exchange differences on translating foreign operations		-	-	(25,078)	-	(25,078)
Total comprehensive income for the year		-	-	(40,058)	136,934	96,876
Payment of dividends	25	-	-	-	(164,000)	(164,000)
Balance as of December 31, 2014		762,949	973,953	(64,331)	576,717	2,249,288
Profit for the year		-	-	-	140,189	140,189
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(8,377)	-	(8,377)
Actuarial losses on defined benefits plans, net of income tax		-	-	(1,255)	-	(1,255)
Exchange differences on translating foreign operations		-	-	(29,981)	-	(29,981)
Total comprehensive income for the year		-	-	(39,613)	140,189	100,576
Payment of dividends	25	-	-	-	(170,000)	(170,000)
Balance as of December 31, 2015		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864

See accompanying notes to the consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries
(Formerly Sempra México, S. A. de C. V. and Subsidiaries)

Consolidated Statements of Cash Flows

(In thousands of U.S. Dollars)

	Notes	Years ended December 31, 2015	2014	2013
Cash flows from operating activities:				
Profit for the year	26, 32	$ 140,189	$ 136,934	$ 142,390
Adjustments for:				
Income tax expense	23, 26	100,406	111,283	83,792
Equity earnings of joint ventures, net of income tax	11	(42,319)	(23,346)	(34,689)
Finance costs (income)	26, 30	10,103	(1,143)	5,035
Interest income	26, 27	(6,743)	(3,299)	(1,372)
Loss on disposal of property, plant and equipment		3,601	624	5,391
Impairment loss (gain) recognized on trade receivables		30	(8)	9
Gain on sale of equity interest in subsidiary	29	-	(18,824)	-
Depreciation and amortization	13, 31	67,682	61,943	61,164
Net foreign exchange (gain) loss		(8,548)	9,057	2,303
Loss (gain) on valuation of derivative financial instruments		690	4,045	(19,000)
		265,091	277,266	245,023
Movements in working capital:				
Decrease (increase) in trade and other receivables		11,776	(4,020)	19,066
Decrease (increase) in inventories		4,747	(5,539)	5,437
Decrease (increase) in other assets		3,615	14,308	(54,057)
(Decrease) increase in trade and other payables		(17,081)	49,393	18,241
Decrease in provisions		(3,791)	(19,873)	(28,512)
(Decrease) increase in other liabilities		(33,638)	17,895	32,219
Cash generated from operations		230,719	329,430	237,417
Income taxes paid		(62,540)	(166,213)	(74,657)
Net cash provided by operating activities		168,179	163,217	162,760
Cash flows from investing activities:				
Proceeds from sale of equity interest, net of cash sold		-	24,411	-
Interest received		1,047	4	-
Acquisitions for property, plant and equipment	13	(300,090)	(325,484)	(369,672)
Loans to unconsolidated affiliates		(1,301)	(162,823)	(100)
Receipts of loans to unconsolidated affiliates		41,596	18,921	-
Short-term investments		9,952	177,007	(207,027)
Net cash used in investing activities		(248,796)	(267,964)	(576,799)

(Continued)

	Notes	Years ended December 31, 2015	2014	2013
Cash flows from financing activities:				
Interest paid		(20,172)	(18,872)	(11,557)
Loans from unconsolidated affiliates		339,600	146	12,383
Loans payments from unconsolidated affiliates		-	(583)	(388,042)
Issuance of shares from initial public offering		-	-	598,812
Share issuance costs		-	-	(24,627)
Loans payment on bank lines of credit		(600,094)		
Proceeds from bank loans and bank financing		495,094	278,432	-
Proceeds from debt issuance		-	-	408,278
Debt issuance costs		(2,536)	(11,184)	(3,003)
Dividends paid	25	(170,000)	(164,000)	(156,000)
Net cash provided by financing activities		41,892	83,939	436,244
Net (decrease) increase in cash and cash equivalents		(38,725)	(20,808)	22,205
Cash and cash equivalents at the beginning of the year		83,637	103,880	85,073
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,535)	565	(3,398)
Cash and cash equivalents at the end of the year	4	$ 40,377	$ 83,637	$ 103,880

See accompanying notes to the consolidated financial statements.

1. General information, relevant events and activities

1.1. General information

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (formerly Sempra México, S. A. de C. V. and Subsidiaries) (collectively, the "Company" or "IEnova") are located and incorporated in México. Their parent and ultimate holding company is Sempra Energy ("Parent") located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 38.

1.2. Significant events

1.2.1. Change of legal name –

Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, the Company's change in legal form 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. Subsequently, through a resolution approved at the Extraordinary General Shareholders' meeting held on March 1, 2013, the legal name was changed from Sempra México, S. A. de C. V. to "Infraestructura Energética Nova, S. A. de C. V."

Additionally, as described in Note 1.2.3., through unanimous resolutions adopted in extraordinary shareholders' meeting, on March 6, 2013, the Company again changed its legal form from S. A. de C. V. to "Sociedad Anónima Bursátil de Capital Variable" ("S. A. B. de C. V.", securities corporation) in order to comply with provisions of the Mexican Securities Market Law.

1.2.2. Debt securities offering –

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

On February 14, 2013, the Company entered into two public placements of CEBURES in accordance with the program mentioned above. The first placement was for $102.0 million ($1.3 billion Pesos) and the second placement was for $306.0 million ($3.9 billion Pesos). See Note 21 for more detail.

The net proceeds from the issuances of CEBURES were used for repayment of its balances due to unconsolidated affiliates and for general corporate purposes, including capital expenditures (development of new pipeline projects) and working capital.

1.2.3. Initial public offering of shares –

On March 21, 2013, the Company carried out an initial public offering of shares ("IPO") in México and a private offering of shares in international markets (collectively the "Global Offering"). Through the Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Pesos per share; such offering included an over-allotment option up to 28,449,196 shares. The amount of this Global Offering was $520,707.0 ($6,448.4 million Pesos). On March 27, 2013, the underwriters in México and abroad, exercised the over-allotment option. The amount of over-allotment was $78,106.0 ($967 million Pesos), related to 28,449,196 shares at the placement price of $34.00 Pesos per share (Please refer to Note 24).

As a result of the Global Offering, the Company raised $574,185.0 ($7,118.4 million Pesos), net of issuance costs for $24,267.0 ($297.3 million Pesos). Subsequent to the Company's Global Offering, subscribed and paid common stock of Infraestructura Energética Nova, S. A. B. de C. V. is represented by a total of 1,154,023,812 shares (Please refer to Note 24).

The net proceeds from the IPO are invested in short-term investments and are being used for general corporate purposes and for the financing of the Company's current investment and expansion plans.

1.2.4. Projects under development –

a. *Los Ramones Project*

i. Los Ramones I project

In January 2013, Petroleos Mexicanos ("PEMEX") announced that the first phase of the Los Ramones pipeline project was assigned to and would be developed by IEnova's joint venture with PEMEX (see Note 11). The project is a 114 Kilometers (Km) natural gas pipeline (Los Ramones I) with two compression stations, from the northern portion of the state of Tamaulipas bordering the United States to Los Ramones in the Mexican state of Nuevo León. The capacity is fully contracted under a 25-year transportation services agreement with PEMEX denominated in Mexican pesos, with a contract rate based on the U.S. dollar investment, adjusted annually for inflation and fluctuation of the exchange rate. The pipeline portion of the project began operations at the end of 2014. The compressor stations started operation at the end of 2015. The pipeline capacity is 2.1 billion of cubic feet per day ("CFPD").

ii. 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") 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, which consists of a 440 Km 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 to $1.5 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 first half of 2016. The pipeline capacity is 1.4 billion of CFPD.

b. *Energía Sierra Juarez project*

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

On April 18, 2014, the Company, through its subsidiary Controladora Sierra Juárez, S. de R. L. de C. V. ("CSJ"), entered into a purchase and sale agreement with InterGen International N. V. ("InterGen") with respect to the 50% of the membership interests of Energía Sierra Juárez, S. de R. L. de C. V.'s ("ESJ") equity (Company responsible for the ESJ project). This transaction was completed on July 16, 2014. The Company recognizes ESJ as an investment in joint venture and accounts for its ownership share by the equity method of accounting. See Note 11.2 for more details of this transaction.

ii. *Project Financing Agreement for 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 in June 2015. The financing includes the granting of certain guarantees in favor of lenders and providers of coverage. See Note 11.2a for more details of the project financing.

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

On June 12, 2014, ESJ entered into a current account simple loan contract with Banco Santander (México), S. A. ("Santander") for an amount of up to $455.0 million Pesos (approximately $35.0 million U.S. Dollars historical) to financing the value added tax ("IVA", for its acronym in Spanish) of the ESJ project. See Note 11.2c for more details.

c. *Sonora pipeline*

In October 2012, Gasoductos de Aguaprieta, S. de R. L. de C. V. ("GAP") was awarded two contracts by the Comisión Federal de Electricidad ("CFE") with two contracts to build and operate an approximately 835 Km 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 Sonora pipeline is comprised of two segments; the first one (Sasabe – Guaymas), is for an approximate length of 505 Km, 36-inch diameter pipeline with 770 million cubic feet per day ("Mmcfd") of transportation capacity; and the second one (Guaymas – El Oro), is for an approximate length of 330 Km, 30-inch pipeline with 510 Mmcfd of transportation capacity.

On August 18, 2014, CFE granted a compliance certification for the Sasabe – Puerto Libertad segment construction. The first 220 Km, of the first segment were put into operation in the fourth quarter of 2014. The Company estimates the total cost of the Sonora pipeline will be approximately $1.0 billion. The capacity of the Sonora pipeline is contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

d. *Ojinaga - El Encino project*

In December 2014, GAP, entered into the Ojinaga pipeline natural gas transportation services agreement with the CFE which has a term of 25 years. The CFE contracted 100% of the transportation capacity of the Ojinaga pipeline, equal to 1.4 billion CFPD. GAP will be responsible for the development, construction and operation of the 42-inch pipeline, with a length of approximately 205 Km and estimated cost of $300.0 million, which is expected to begin operations in the first half of 2017.

e. San Isidro to Samalayuca project

During 2015, the Company through its subsidary GAP, was declared winner of the CFE tender for a Natural Gas Transportation Contract through a pipeline from San Isidro to Samalayuca in the State of Chihuahua. Such project consists of a header facility with a capacity of 3 billion CFPD and a 23 km pipeline with a capacity of 1,135 Mmcfd of natural gas. The system will supply natural gas to the Norte III Combined Cycle Power Plant and will interconnect with the following systems: Gasoductos de Chihuahua, Tarahumara Pipeline and the Samalayuca-Sásabe pipeline. The estimated investment is USD $108.0 million and the project is expected to start in first quarter of 2017. The contract maturity with CFE will be for 25 years.

f. Other financing

i. In June 2014, IEnova entered into an agreement for a $200.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México. As of December 31, 2014, IEnova had $145.0 million of outstanding borrowings supported by the facility, and available unused credit on the line was $55.0 million.

ii. In August 2014, IEnova entered into an agreement for a $100.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Sumitomo Mitsui Banking Corporation. As of December 31, 2014, IEnova had $51.0 million of outstanding borrowings supported by the facility, and available unused credit on the line was $49.0 million.

1.2.5. New relevant events for 2015

i. Financing with unconsolidated affiliates

a) In March 2015, IEnova entered into two related party revolving credit facilities for $90.0 million with Inversiones Sempra Latin America Limitada ("ISLA") and $30.0 million with Inversiones Sempra Limitada ("ISL"). The revolving credit facilities have the following characteristics:

- U.S. dollar-denominated
- Nine month term, with the option to be extended up to four years. At the year-end the term was renegotiated until December 2016.
- Financing to cover working capital needs and general corporate purposes.

b) On December 22 2015, IEnova entered into a related party revolving credit facility in the amount of $219.6 million with Sempra Energy Holding XI B.V. ("SEH"). The revolving credit facility has the following characteristics:

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

ii. Credit agreements

On August 21, 2015, IEnova as a debtor, entered into a revolving credit line of up to $400.0 million dollars with a syndicate group of four banks including, Santander, Bank of Tokyo Mitsubishi, The Bank of Nova Scotia and Sumitomo Mitsui Banking Corporation. The revolving credit has the following characteristics:

- U.S. dollar-denominated.
- Twelve month term, with an option to extend up to five years.
- Financing to repay and cancel the previous loans contracted in 2014 with Banco Santander (México), S.A., Institución de Banca Múltiple and Sumitomo Mitsui Banking Corporation, as well as to finance working capital and for general corporate purposes.

Restructuring of credit agreement and new credit agreement

On December 22, 2015 the Company entered into an amendment agreement, in connection with the existing unsecured revolving credit agreement with Banco Nacional de México, Sumitomo Mitsui Banking Corporation, as Administrative Agent, and the financial institutions party thereto, as Lenders, (the “Credit Agreement”) whereby it agreed to increase the amount of the line of credit under the Credit Agreement to a maximum aggregate in the amount of $600.0 million dollars from the previously authorized maximum in the amount of $400.0 million dollar (refer to Note 19).

iii. Others matters

a) Incorporation of new Partners in TAG Norte Holding, S. de R. L. de C. V. (Joint Venture)

On March 26, 2015, Petróleos Mexicanos (PEMEX), through its affiliate P.M.I. Holdings, B. V. (“PMI”), announced the execution of an agreement with BlackRock and First Reserve in which BlackRock and First Reserve acquired a combined interest of 45% of TAG Norte Holding, S. de R. L. de C. V. (“TAG Norte Holding”). Gasoductos de Chihuahua, S. de R. L. de C. V. (“GdC”), an equity method investment of IEnova, holds a 50% interest in TAG Norte Holding which is currently constructing the project known as Los Ramones Norte.

b) Liquefaction project

During March 2015, the Company, together with its affiliate Sempra LNG, announced the execution of a “Memorandum of Understanding” (“Memorandum”) with a subsidiary of PEMEX, for collaboration in the development of a natural gas liquefaction project at Energía Costa Azul, S. de R. L. de C. V. (“ECA”). ECA is a subsidiary of IEnova and is an LNG receipt, storage and regasification facility, located in Ensenada, Baja California, Mexico. The Memorandum defines partner participation in the liquefaction project, including the development, structuring and the terms under which PEMEX may become a client and/or investor.

c) Beginning of commercial operation of the Energía Sierra Juarez wind generation project

In April 2015, Phase I of the Energía Sierra Juárez wind project, operated by "ESJ", began commercial operations in Tecate, Baja California, México. Phase I of the project is the Company 50% joint venture with InterGen N. V. and has a 155-megawatts ("MW") capacity.

d) Purchase agreement of remaining interest in GdC from PEMEX

On July 31, 2015, the Company announced an agreement with PEMEX to purchase PEMEX's 50-percent equity interest in GdC in the amount of $1.325 billion. The assets involved in the acquisition include three natural gas pipelines; one ethane pipeline; one liquid petroleum gas (LPG) pipeline; and one LPG storage terminal. Under the terms of the agreement, PEMEX and IEnova will maintain their existing partnership in the Los Ramones II Norte pipeline project through the project holding company, Ductos Energéticos del Norte, S. de R. L. de C. V. ("DEN"). The partnership will provide a platform for PEMEX and IEnova to continue developing new projects in the future. The Company will execute a bridge loan to fund the closing and IEnova expects to repay the full amount of this loan through issuances of equity or debt as quickly as practicable.

On September 14, 2015 the Ordinary and Extraordinary Shareholders' Meeting approved the purchase of PEMEX's 50-percent equity interest hold in GdC.

Resolution from COFECE in connection with Purchase agreement of remaining interest in GdC from PEMEX

In December 2015, Mexico's Comisión Federal de Competencia Económica (COFECE) objected to the transaction to purchase Pemex's interest in Gasoductos de Chihuahua as proposed. The parties are in the process of restructuring the transaction so that Pemex can proceed in accordance with the COFECE ruling.

e) Payment of financial derivatives held for hedging purposes

In September 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings. In 2007, the original hedged items became probable of not occurring due to a change in the Company's external borrowing needs. As of December 31, 2014, there was one remaining interest rate swap agreement under which IEnova received a variable interest rate (three-month London Interbank Offered Rate "LIBOR") and paid a fixed interest rate of 5.0%. The original terms of the swap expire on December 15, 2027. On September 16, 2015, the Company, through an early termination clause, made a payment in the amount of $29.8 million and as a result, such derivative was cancelled.

f) Fundación IEnova, A. C.

During 2015, Fundación IEnova, A. C. (Fundación IEnova) was established as a non-profit organization. Fundación IEnova started operations in December 2015. At the year-end Fundación IEnova does not have material operations.

1.2.6. Tax and Energy Reforms

a. *Tax reform*. On September 8, 2013, the México's president announced the tax reform initiative. On December 11, 2013, legislation was published in the Official Gazette whereby several tax regulations were amended, supplemented, and repealed, becoming effective on January 1, 2014. Upon enactment of the legislation, the income tax and the business flat tax ("ISR" and "IETU" (Flat Tax), respectively, by their initials in Spanish) laws inforce as of December 31, 2013, were repealed and superseded by a new income tax law.

The main impacts of this reform for IEnova in its consolidated financial statements are:

- *Income tax rate*. The former income tax law indicated a reduction in the tax rate to 28% for 2014 and future years. The rate under the new income tax law is 30% for 2014 and future years.

  This change in tax rates impacts annual profits as follows:

  - For 2013, the change in rates resulted in an increase in deferred income tax expense of approximately $15.0 million.
  - Regarding 2014 to 2018, the Company estimates that the change in rates will result in an increase in income tax expense during this five year period of approximately $27.0 million.

- *Income tax consolidation regime*. The income tax consolidation regime in effect as of December 31, 2013 was replaced by a new regime in which the realized from tax consolidation are subject to recapture over three years instead of five years. In connection with the elimination of the income tax consolidation regime, there was an obligation to make an advance payment for approximately $81.0 million in 2014, this amount was included within income taxes liabilities line in the consolidated financial statements.

  In addition, within the assumption of non-consolidation, the effects of taxes recoverable and payable in subsidiaries are presented separately as of December 31, 2013, in the consolidated statements of financial position, considering that the Company no longer maintains the right to offset such amounts to the tax authorities for not consolidating for tax purposes.

- *Income tax on dividends*. Also, a new income tax on dividends was created equivalent to 10% on dividends received by foreign residents.

b. *Energy reform*. On December 20, 2013, México's president enacted constitutional reform with respect to laws governing the energy sector which was approved by the national congress and the majority of state congresses. The reform modifies Articles 25, 27 and 28 of the Mexican constitution, allowing for private investment in the following areas: exploration and production of hydrocarbons, petrochemicals, refining, transportation, storage and distribution of petroleum products and power transmission and distribution. On August 11, 2014, the secondary legislation derived from the reform was enacted and on October 31, 2014, its most relevant regulations were published in the official Federal Official Gazette. At the end of 2015, the Mexican Energy Regulatory Commission had issued particular regulation (General Administrative Procedures) for the natural gas industry, including that regarding storage and transportation open access rules.

The Company's plans for participation in the segments that have been newly opened to private investment in the energy sector will depend on the evaluation of the potential of each project to add value and growth to the portfolio, mainly through obtaining synergies, and adherence to the Company's project selection policy.

1.3. Activities

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Note 26).

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

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and a renewable energy project in a joint venture, in Baja California, México, using wind resources to serve clients in the U. S.

1.3.1. Gas segment.

The Company's subsidiaries included in this reportable 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, or "CRE", 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 to ECO for the local distribution zones 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 an adjustment to authorized tariffs to be applied in the five-year plan for 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, 2015, 2014 and 2013, ECO had over 113,000, 106,000 and 99,000 customers, respectively.

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 Rosarito, S. de R. L. de C. V. ("GRO") transportation of natural gas, serving the energy requirements of Baja California, México. GRO operates the Gasoducto system 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, México. The total length of GRO system is approximately 302 Km. The system begins at the interconnection with the El Paso Natural Gas Co. pipeline near Ehrenberg, Arizona, U. S. ("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 subsidiary company) 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 Km and a designed transportation capacity of 534 Mmcfd.

LNG Spur: This system was completed in May 2008 and transports natural gas to the Rosarito Mainline for delivery to power plants to the Baja California market. This system is a 42-inch diameter pipeline with a length of approximately 72 Km and a designed transportation capacity of 2,600 MMcfd.

Yuma Lateral: This system was the latest addition to the GRO 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 5 Km and a designed transportation capacity of 190 MMcfd.

e. TGN is engaged in the transportation of natural gas in accordance with a permit issued by the CRE, through a 45 Km, 30-inch pipeline with a design transportation capacity of 940 MMcfd as permitted by the CRE. TGN interconnects with the GRO pipeline system in the Tijuana, Baja California, México, area and extends north to interconnect with the San Diego Gas & Electric Company ("SDG&E", an unconsolidated affiliates in the U. S.) system at the Otay Mesa International border and southwest to the CFE's 600 MW Presidente Juárez Power Plant in Rosarito, Baja California, México. The TGN pipeline system was placed in service in June 2000. A 19 Km expansion to the TGN system began operations in May 2008.

f. IEnova Gasoductos México, S. de R. L. de C. V. ("IEnova Gasoductos México") (formerly Sempra Gasoductos México, S. de R. L. de C. V.) is engaged in the acquisition and subscription of any kind of participation in the capital stock of a variety 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. IEnova Gasoductos México was acquired by Sempra Energy on April 30, 2010.

Sempra Compresión México, S. de R. L. de C. V. ("SCM") 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 (also referred to as the Naco Compression Station).

In 2001, SCM entered into an agreement with PGPB to provide 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.

In 2014, SCM was merged into IEnova Gasoductos México subsisting this last company.

g. GAP (formerly El Paso Gas Transmission de México, S. de R. L. de C. V.), owned subsidiary of IEnova 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 for 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 pipeline starts at the border of Arizona, United States, and extends to the power plant called "Naco-Nogales", which is owned by Power and Energy Naco Nogales, S. A. de C.V., located in Agua Prieta, Sonora, México.

Currently, GAP is also in charge of the constructions and operation of the Sonora Pipeline (see Note 1.2.4 subsection c).

h. IEnova Gasoductos Holding, S. de R. L. de C. V. ("IGH") ("IEnova Gasoductos Holding") (formerly Sempra Gasoductos Holding, S. de R. L. de C. V.) is engaged in the acquisition and subscription of any participation in the share capital of various companies.

   On April 30, 2010, IGH acquired a 50% equity interest in GdC, a jointly controlled Company with PGPB.

i. IEnova, S. de R. L. de C. V. (formerly Sempra Management, S. de R. L. de C. V.) is engaged in providing administrative and operating services to others subsidiaries in the group.

   During 2015, this company has been liquidated.

j. Energía Costa Azul, S. de R. L. de C. V. and Subsidiary (collectively "ECA"), own and operate an LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, México.

   During 2007, ECA obtained all necessary operating permits from Mexican regulatory agencies and operations commenced in May 2008.

   In December 2009, ECA completed the 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 México and the U. S.

   ECA entered into a 20-year firm storage service agreement with Sempra LNG International, LLC ("SLNGI", a related party in the U.S.) through IEnova LNG, S. de R. L. de C. V., (formerly Sempra LNG Marketing México, S. de R. L. de C. V.) ("IEnova LNG", or "LNG Marketing") for which SLNGI is 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 the remaining contracted storage capacity to other independent third parties.

k. IEnova LNG provides LNG services related to the purchase and sale of LNG and natural gas. In May 2008, IEnova LNG began operating jointly with ECA. Up to that date, the activities of IEnova LNG were primarily focused on obtaining necessary permits.

   On November 2009, IEnova LNG entered into an agreement with SLNGI, whereby SLNGI agreed to deliver and sell LNG cargoes to IEnova LNG from startup date of the LNG Terminal. Accordingly, IEnova LNG entered into transportation and storage capacity service agreements to commercialize the LNG.

   Thereafter, on January 1, 2013, SLNGI and IEnova LNG entered into a LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 million British Thermal Units ("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 from the delivery point to the receiving terminal and, in the other hand; IEnova LNG will take LNG in order to meet its purchase commitments.

   As of September 30, 2014, the agreement between IEnova LNG and JP Morgan Ventures Energy Corp ("JPM") concluded and a new agreement for gas rendered. Please refer to Note 22.11.4.

1.3.2. Power segment.

The Company’s subsidiaries included in this reportable segment are:

a. Termoeléctrica de Mexicali, S. de R. L. de C. V. and 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 and export electricity for exportation through an independent power production project.

   On January 1, 2013 (with an effective date of January 1, 2012), Sempra Generation (“SGEN”) and TDM entered into a new commercial agreement, for which TDM delivers all of its power output directly to the California’s Independent System Operator power grid (“CAISO”) in the U. S. at the México border, and SGEN provides marketing, scheduling and dispatch services for TDM.

b. In October 2013, ESJ began construction on the 155-MW first phase of the wind generation project, which is fully contracted by SDG&E and started operational in June 2015. The ESJ project is designed to provide up to 1,200 MW of capacity if fully developed. In June 2014, the Energía Sierra Juárez wind project entered into an 18-year, $240.0 million loan to finance the construction project and withdraw $82.0 million under the loan agreement. The loan agreement also provides for a $31.7 million letter of credit facility. ESJ also entered into a separate Peso-denominated credit facility for up to $35.0 million U.S. dollar equivalent to fund the value added tax of the project. (See Note 11.2).

1.3.3. Corporate segment.

Holds interests in our pipeline, distribution, regasification, natural gas sale, and power generation operations in México.

a. IEnova 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”) is a holding company that invests in affiliated companies in the electricity and natural gas industries.

c. Fundación IEnova was established as a non-profit organization.

2. Significant accounting policies

2.1. 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”).

2.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

a. Historical cost

   Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b. Fair value

Fair value is the amount 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.3. Reclassifications

The consolidated financial statements for the year ended December 31, 2014 present a liability for current carbon allowances as a separate line item. Accordingly, current carbon allowances for an amount liabilities of $4,778, for the year ended December 31, 2013, is presented as a separate line item (previously included within the "other" caption) to conform to the presentation as of December 31, 2014.

2.4. Consolidation of financial statements

2.4.1. Consolidation basis

The consolidated financial statements of IEnova incorporate the financial statements of all entities where it maintains control (its subsidiaries). An investor controls an investee if and only if the investor has all of the following elements:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not controls an entity if the facts and circumstances indicate that there are changes to one or more of the three control elements that were listed above.

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 intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

IEnova's equity ownership in subsidiaries for the years ended December 31, 2015 are as follows.

Company	**Ownership percentage 2015**
Gas Segment:	
Ecogas México, S. de R. L. de C. V.	100.00
PE International Canadá, S. de R. L. de C. V.	98.99
Servicios DGN de Chihuahua, S. A. de C. V.	100.00
Gasoducto Rosarito, S. de R. L. de C. V.	100.00
Transportadora de Gas Natural de Baja California, S. de R. L. de C. V.	100.00
IEnova Gasoductos México, S. de R. L. de C. V. ("IEnova Gasoductos México") (formerly Sempra Gasoductos México, S. de R. L. de C. V.)	100.00
Sempra Compresión México, S. de R. L. de C. V. (Merged in	100.00

2014 with IEnova Gasoductos México, S. de R. L. de C. V.)	
Gasoducto de Aguaprieta, S. de R. L. de C. V.	100.00
IEnova Gasoductos Holding, S. de R. L. de C. V.	100.00
IEnova, S. de R. L. de C. V.	100.00
Energía Costa Azul, S. de R. L. de C. V. and Subsidiary	100.00
IEnova LNG, S. de R. L. de C. V. (formerly Sempra LNG Marketing México)	100.00
Power segment:	
Termoeléctrica de Mexicali, S. de R. L. de C. V. and Subsidiary	100.00
Controladora Sierra Juárez, S. de R. L. de C. V.	99.99
Corporate segment:	
Sempra Servicios Energéticos, S. de R. L. de C. V.	99.87
Fundación IEnova, A. C.	100.00

As further described in Note 11.2, on July 16, 2014 CSJ sold 50% of the social parts in its indirect subsidiary ESJ; accordingly, the assets and liabilities of ESJ were derecognized and beginning on that date the investment is recorded using the equity method.

2.5. Classification of costs and expenses

The costs and expenses are presented according to their function because this is the practice of the industry in which the Company operates.

2.6. 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, mature within three months as of their acquisition date, and which are subject to low risk of material changes in value. 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.

2.7. Short-term investments

Short-term investments consist mainly in money market funds, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks and are maintained for purposes other than operation.

2.8. Natural gas inventories

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.

2.9. Leasing

2.9.1. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the benefits. All other leases are classified as operating leases.

2.9.2. The Company as lessor

Amounts payable by lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is distributed in the accounting periods to reflect a constant periodic rate of return on the net investment of the Company with respect to leases.

The rental income under operating leases is recognized using the straight-line method over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and is recognized using the straight-line method over the lease term.

2.9.3. Company as lessee

The assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's accounting policy for borrowing costs (refer to Note 2.16). Contingent rents are recognized as expenses in the periods in which they are incurred.

Rent payments under operating leases are expensed using the straight-line method during the period corresponding to lease more representative unless another systematic basis of assessment to reflect the pattern of the benefits of leasing for the user more accurately. Contingent rents are recognized as expenses in the periods in which they are incurred.

In the event that income incentives received for holding 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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed online.

2.10. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company reports its interests in joint venture using the equity method.

The results, assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income (“OCI”) of the joint venture. When the Company’s share of losses of a joint venture exceeds the Company’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company’s net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39, Financial instruments: recognition and measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company’s investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in OCI regarding that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Company realizes transactions with joint ventures, non- realized profit and losses are eliminated at the Company’s ownership percentage in the joint venture.

2.11. Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share based payments at the acquisition date (as of December 31, 2015, 2014 and 2013 the Company does not have share-based payments); and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Company’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.12. Goodwill

Goodwill arising from the acquisition of IEnova Gasoductos México by Sempra Energy, and subsequent to Company's contribution (See Note 2.4.1.), has been included in the consolidated financial statements as it forms part of Company'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.

2.13. Carbon allowances

The Company has elected to account for carbon allowances, or emission allowances, ("CAs") under the inventory model, whereby CAs are measured at a weighted-average cost. CAs allocated by a regulatory body will have a zero cost basis, CAs purchased at auction or from other market participants are recorded at their purchase price, and CAs acquired when the Company elects to physically settle carbon futures are recorded based on the settlement price. The weighted-average cost of CAs consumed (i.e., carbon emitted while power is generated) is charged to cost of revenue of each reporting period. The CAs' carrying value is evaluated under the "lower of cost or net realizable value" approach. The CAs inventory is classified as other current assets or other non-current assets if it is expected to surrender the inventory within the term greater than one year beginning at the consolidated statements of financial position date. The CAs' cash inflows and outflows are classified as an operating activity in the consolidated statements of cash flows.

2.14. *Property, plant and equipment*

Property, plant and equipment are presented in the consolidated statements of financial position and 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 decommissioning liabilities 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.

2.15. *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 should 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.

2.16. 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.

To the extent that the Company generally borrows funds and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. For a relationship designated as cash flow hedging, none of the effects of the derivative are included in capitalized interest.

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.

2.17. 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, which include 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. The remeasurements, which include the actuarial gains and losses and the effect of the changes on the floor of the asset (if applicable), are immediately recognized in the statement of financial position charged to the credit that is recognized in the consolidated statements of profit and loss and OCI in the period in which they are incurred. The remeasurements recognized in OCI items are not reclassified to profit and loss. The Company presents service costs within administrative and other expenses in the consolidated statements of profit. The Company presents net interest cost within finance costs in the consolidated statements of profit. 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.

Short term and other long term employee benefits include benefits accruing to employees in respect of wages and salaries, annual leave and sick leave during the period of service provided and is recognized by the undiscounted amount of the benefits expected to be paid for that service.

The liabilities for short term employee benefits are valued at the undiscounted amount of the benefits expected to be paid for that service.

Liabilities recognized for other long-term benefits are valued at the present value of estimated future cash outflows that the Company expects to make related to the services provided by employees at the reporting date.

Employee Statutory Profit Sharing ("PTU", by its initials in Spanish). PTU is recorded in the profit or loss of the year when is caused and is included in administrative and other expenses balance in the consolidated statements of profit.

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 justified 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.

2.18. 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 of the amount of the obligation can be made.

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.

2.19. 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) 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.

2.19.1. 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.

2.19.2. Fair value

Fair value is defined in subparagraph b of Note 2.2.

2.20. Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' “FVTPL”, investments preserved at maturity financial assets 'available for sale' (“AFS”) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at initial recognition. All purchases or sales of financial assets made routinely identified and removed based on the trade date. Purchases or sales regularly are those purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or custom in that market.

2.20.1. Method of effective interest rate

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income or interest cost during the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition.

2.20.2. Financial assets at FVTPL

Financial assets are classified 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 revenues and in other gains and losses line items in the consolidated statements of profit. Fair value is determined in the manner described in Note 2.2b.

2.20.3. 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.

2.20.4.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 unconsolidated affiliates) 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.

2.20.5.Impairment of financial assets

Financial assets are subject to impairment tests at the end of each reporting period. It is considered that financial assets are 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 financial asset have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Non-payment of interest or principal;
- It is probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable where the carrying amount is reduced through an account of allowance for doubtful accounts. When a receivable is uncollectible, it is removed from the estimate. Subsequent recoveries of amounts previously written off become claims against the estimate. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of profit.

2.20.6.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.

If a financial asset is derecognized, the difference between the book value of the asset and the compensation received is recognized in the consolidated statements of profit.

2.21. Financial liabilities and equity instruments

2.21.1. 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.

2.21.2. 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.

2.21.3. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2.21.3.1 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 mainly for the purpose of repurchasing it in the near term; or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of making profits in the short term; 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 as described in Note 22.

2.21.3.2 Other financial liabilities

Other financial liabilities (including borrowings, due to unconsolidated affiliates, trade payables and customers deposits) are subsequently measured at amortized cost using the effective interest method.

2.21.3.3.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.

2.22. Derivative financial instruments

The Company enters into derivative financial instruments to reduce its exposure to risks. 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 its exposure to such risks through risk management. Further details of derivative financial instruments are disclosed in Note 22.

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.

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 in the same line as the hedged item affects profit or loss for derivatives that are economic hedges.

2.22.1.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.

2.22.2. 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.

2.23. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivative with respect to foreign currency risk, either as fair value hedges, cash flow hedges, or hedges of a net investment in a transaction foreign. The hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

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.

2.23.1. 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 OCI and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit.

Amounts previously recognized in OCI 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 OCI 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 OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit.

2.23.2. 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 profit or loss consolidated statements of related 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.

2.24. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.24.1. 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 when they are incurred. Taxable profit differs from profit as reported in the consolidated statements of profit 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.

Asset tax (“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.

2.24.2. Deferred taxes

Deferred taxes are presented as long-term and calculated by applying the 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 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 the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.24.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity, respectively. Under the tax legislation in effect during 2013, the entities had to pay the greater of ISR or IETU. If IETU was payable, the payment was considered final; not subject to recovery in subsequent years.

Under the framework discussed in the paragraph above and due to Company’s management estimated that the tax payable in future years would be IETU for certain subsidiaries, as of December 31, 2012, the deferred tax effects were determined under the IETU basis.

As of December 31, 2013, given that the IETU Law was repealed, (refer to Note 1.2.6, subparagraph a) the Company wrote off its deferred IETU tax asset, recognizing the effect in its consolidated statements of profit in 2013.

2.25. 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).

2.25.1. Sale of goods

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 rights 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 reliably measured.

The following revenue streams related to the sale of goods 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; and
- Power generation revenues are recognized when generated power is delivered.

2.25.2. Rendering of services

Revenues from service contracts are recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Service fees included in the price of the products sold are recognized by reference to the proportion of the total cost of the service provided for the product sold; and

- Revenue from contracts is recognized based on the rates provided to the extent incurred in working hours and direct costs.

The following revenue streams related to the rendering of services are recognized in accordance with the previous accounting policy as disclosed in more detail below:

- 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; and
- Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.25.3. 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.

2.25.4. Rental income

The Company’s policy for recognition of revenue from finance leases is described in Note 2.9.2.

2.26. Foreign currencies

The Company’s functional currency is the U.S. Dollar, except for ECO, PEI and SDGN in its Gas segment, and Fundación IEnova in the corporate 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 OCI 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.
Profit amounts are translated at the rate of the transaction date, unless there are significant currency fluctuations during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other items of 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 related to the disposed operation that are attributable to the owners of the Company are reclassified to profit or loss.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the accounting policies of the Company, which are described below, management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the financial statements. The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the change is made and future periods if the change affects both the current period and to subsequent periods.

3.1. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3.2 below), that 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.

3.1.1. 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.

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.

3.1.2. 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.

As of December 31, 2015, 2014 and 2013 there is no explicit guidance under IFRS regarding whether entities operating in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation. U. S. Generally Accepted Accounting Principles ("U.S. GAAP") provide specific guidance on this matter.

The IFRS Interpretations Committee ("IFRIC") has previously commented that the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with IFRSs. The IASB, issued IFRS 14, *Regulatory deferral accounts* on January 30, 2014, as a part of its project on this matter, however, such standard is not applicable to the Company as it is not a first-time adopter of IFRS. As a result, the Company does not recognize rate-regulated assets or liabilities in its consolidated financial statements. Management will continue to monitor the status of future deliberations by the IASB and IFRIC as it relates to this matter and its potential impact on the Company's consolidated financial statements.

3.1.3. 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. The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

3.1.4. Own use exemption

IAS 39 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. Management applies 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. Management analyzes each of its physical delivery contracts of nonfinancial items for determining if they are within the own use exemption from derivative accounting treatment.

3.1.5. Determining whether an arrangement contains a lease

The Company evaluates if an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a series of payments should be accounted for as a lease. The Company's management uses its judgment to determine, whether, based on facts and circumstances existing at the inception of the contract, it is remote that parties other than the purchaser will take more than an insignificant amount of the output of the related asset.

3.1.6. Classification of the joint arrangement

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profits or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3.2. 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.

3.2.1. Estimated useful lives of property, plant and equipment

As described in Note 2.14, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. See Note 13.1 for useful lives of property, plant and equipment.

3.2.2. Impairment of long-lived assets (goodwill)

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 directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment testing is performed on an annual basis.

3.2.3. Asset decommissioning obligation

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 decommissioning liabilities, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by Bloomberg.

3.2.4. Valuation of financial instruments (fair value measurement)

As described in Note 22, 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 22 provide 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.

3.2.5. Allowance for doubtful accounts

The methodology for determining the allowance for doubtful accounts on trade and other receivables is set out in Note 5. 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.

3.2.6. Recoverability of deferred tax assets

As mentioned in Note 23, the Company has accumulated tax loss carryforward benefits, for which an evaluation of recoverability is performed on an annual basis.

The use of estimates and assumptions are particularly important in the recognition of deferred income tax assets.

3.2.7. Calculation basis of deferred income tax

Until 2012, based on financial projections, the Company concluded that it essentially would pay ISR. Therefore, the Company recognized deferred income tax based on ISR. Beginning 2013, deferred income tax is calculated only based on ISR due to the repeal of IETU Law.

3.2.8. Measurement of defined benefit obligations: key actuarial assumptions

As described in Note 15, the Company uses actuarial valuations that include inputs that are based on published statistic and mortality tables. The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the benefit obligations.

4. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and banks and investments in instruments in the money market funds, net of bank overdrafts. Cash and cash equivalents at end of period as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	12/31/15	12/31/14	12/31/13
Cash and bank balances	$ 32,177	$ 42,844	$ 92,333
Short term investments classified as cash equivalents	8,200	40,793	11,547
	$ 40,377	$ 83,637	$ 103,880

5. Trade and other receivables, net

	12/31/15	12/31/14	12/31/13
Trade receivables	$ 32,895	$ 47,340	$ 49,216
Allowance for doubtful accounts (a)	(147)	(194)	(202)
	32,748	47,146	49,014
Other receivables	20,980	19,255	15,021
	$ 53,728	$ 66,401	$ 64,035

(a) 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 aging 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.

5.1. Age of receivables that are past due but not impaired

	12/31/15	12/31/14	12/31/13
31-120 days	$ 12	$ 12	$ 18
121-180 days	5	7	7
181-270 days	2	4	4
Total	$ 19	$ 23	$ 29
Average age (days)	29	36	56

5.2. Movement in the allowance for doubtful accounts

	12/31/15	12/31/14	12/31/13
Balance as of beginning of the year	$ (194)	$ (202)	$ (193)
Impairment losses recognized on receivables	(30)	(78)	(57)
Amounts written off during the year as uncollectible	48	63	47
Foreign exchange translation gains (losses)	29	23	1
Balance as of end of the year	$ (147)	$ (194)	$ (202)

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. See Note 22.9 for more details of the Company's credit risk management and concentration of credit risk assessment.

5.3. Age of impaired trade receivables

	12/31/15	12/31/14	12/31/13
181-270 days	$ (9)	$ (15)	$ (16)
Over 270 days	(138)	(179)	(186)
Total	$ (147)	$ (194)	$ (202)

6. Transaction and balances with unconsolidated affiliates

Balances and transactions between IEnova and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Company and unconsolidated affiliates are disclosed below.

6.1. Trading transactions

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

	Revenues Year ended		
	12/31/15	12/31/14	12/31/13
Sempra Generation, LLC ("SGEN")	$ 143,073	$ 222,471	$ 168,340
Sempra LNG International Holdings, LLC ("SLNGIH")	51,683	-	-
Sempra LNG International, LLC ("SLNGI")	49,138	90,871	90,842
Sempra International, LLC ("Sempra International")	1,711	1,739	1,248
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	1,676	-	-
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	526	-	-
Southern California Gas Company ("SoCalGas")	-	9	143
Sempra Global	-	-	434

	Cost of revenue, administrative and other expenses		
	Year ended		
	12/31/15	12/31/14	12/31/13
SLNGI	$ 190,519	$ 335,025	$ 224,195
SGEN	32,014	31,702	31,953
Sempra International	5,822	7,311	6,759
Sempra U.S. Gas & Power, LLC	6,709	7,106	7,144
SoCal Gas	1,031	1,074	1,402
Sempra Midstream, Inc.	746	448	556
Sempra Services Company, S. de R. L. de C. V. ("Sempra Services Company")*	128	985	1,745
Sempra Servicios México, S. de R. L. de C. V. ("Sempra Servicios México") *	-	517	694
Sempra Global	-	-	65
San Diego Gas & Electric	-	-	28

(*) On December 15, 2015 these companies have been liquidated.

	Finance costs		
	Year ended		
	12/31/15	12/31/14	12/31/13
ISLA	$ 1,455	$ -	$ -
Sempra Oil Trading Suisse ("SOT Suisse")	1,448	1,480	1,494
ISL	485	-	-
Sempra Energy Holdings XI, B. V. ("SEH" or "BVXI")	47	-	-
Sempra Chile, S. A. ("Sempra Chile")	-	-	903
Sempra Energy International Holdings, N. V. ("SEIH")	-	-	350
SGEN	-	4	7
Sempra Global	-	-	7
Sempra Services Company	-	-	1

	Interest income		
	Year ended		
	12/31/15	12/31/14	12/31/13
DEN	$ 4,638	$ 1,828	$ -
ESJ	1,450	826	-
SGEN	11	-	
Sempra Servicios México	2	-	3
Sempra Services Company	-	3	-

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

	Amounts due from unconsolidated affiliates Year ended		
	12/31/15	12/31/14	12/31/13
SGEN	$ 17,066	$ 23,949	$ 24,741
SLNGIH	9,685	-	-
SLNGEL	668	-	-
Sempra International	-	1,336	119
SESJ	138	626	-
ESJ	51	690	-
	$ 27,608	$ 26,601	$ 24,860

	Amounts due to unconsolidated affiliates Year ended		
	12/31/15	12/31/14	12/31/13
SEH (b)	$ 219,600	$ -	$ -
ISLA (a)	90,000	-	-
ISL (a)	30,000	-	-
SLNGI	12,220	14,228	3,031
Sempra International	470	-	-
SGEN	360	9	-
Sempra Services Company	-	85	291
SoCalGas	-	77	106
Sempra Servicios México	-	6	181
Sempra Midstream, Inc	-	-	46
	$ 352,650	$ 14,405	$ 3,655

(a) On March 2, 2015, IEnova entered into a $90.0 million and a $30.0 million of U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements are for nine month terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis at 1.98% of outstanding balances. On December 15, 2015, the Company signed an addendum modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2016. The interest rate applicable shall be computed each calendar quarter at the rate of 1.75% per annum.

(b) On December 22, 2015, IEnova entered into a $219.6 million of U.S. Dollar-denominated credit facility with SEH, to finance working capital and for general corporate purposes. The term of the agreement is for twelve months. Interest is payable on a quarterly basis at three-month Libor plus 0.17% of outstanding balances.

During 2012, the Company received short-term loans from SEIH for $86.1 million, which were fully paid during 2013 (refer to Note 1.2.2.). During 2013, the Company paid capital and interest for $85.8 million and $350.0 million, respectively. The loan bore variable interest at the six-month LIBOR plus 250 bps (average annual rate of 3.12% during 2013 and 2012).

Transactions with unconsolidated affiliates as of 2014 and 2013, have been carried out in accordance with applicable transfer pricing requirements, as of December 31, 2015, and as of the date of this report, the nature and amount of transactions are consistent with previous years. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognized in the current or prior periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

Included in the operational transactions are administrative services from affiliates of $5.9 million, $8.0 million and $8.8 million for the year ended December 31, 2015, 2014 and 2013, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

6.2. Loans to unconsolidated affiliates

	12/31/15	12/31/14	12/31/13
DEN	$ 85,963	$ 123,867	$ -
ESJ	25,142	22,693	-
SGEN	661	115	-
Sempra Servicios México	-	100	231
Sempra Services Company	-	-	100
	$ 111,766	$ 146,775	$ 331

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

6.3. Loans from unconsolidated affiliates

	12/31/15	12/31/14	12/31/13
SOT Suisse(a)	$ 38,460	$ 38,460	$ 38,460
SGEN (b)	-	-	433
	$ 38,460	$ 38,460	$ 38,893

(a) During 2013 the Company paid capital and interest in the amount of $53.2 million and $1.9 million respectively. The loans mature in March 2017 and bear variable interest based on the previous month midterm annual Applicable Federal Rate in U.S. ("AFR") plus 200 bps (an average annual rate of 3.66%, 3.27% and 3.04% in 2015, 2014 and 2013, respectively).

(b) During 2013 and 2012, the Company received long-term loans from SGEN of $737 and $21, respectively. During 2013 and 2012, the Company made payments of principal in the amount of $454 and $587, respectively. The loans mature on December 31, 2027 and bore variable interest based on the previous month midterm annual AFR plus 200 bps (an average annual rate of 2.7% during 2013 and 2012). During 2014, such principal and interest were fully paid.

During 2012, the Company received a long-term loan from Sempra Chile for $215.0 million which bore interest of $0.9 million; during 2013, such and interest were fully paid (refer to Note 1.2.2.). The loan bore variable interest based on 6-month LIBOR plus 250 bps (an average annual rate of 3.0% during 2013). The Company received loans from Sempra Global during 2012 of $122.0 million. During 2013, such loan and interests were fully paid by the Company (refer to Note 1.2.2.). During 2012, the Company made payments of capital and interest for $125.0 million and $0.4 million, respectively. The loans had maturities until December 15, 2027 and bore variable interest based on the previous month midterm annual AFR (an average annual rate of 0.98% during 2013).

7. Compensation of key management personnel

Total compensation paid to key management personal was $8.8 million, $6.5 million and $3.8 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

8. Natural gas inventories

	12/31/15	12/31/14	12/31/13
Liquefied natural gas	$ 4,628	$ 9,375	$ 3,836

The cost of inventories recognized within cost of revenues was $190,172, $327,110 and $230,966 for the years ended December 31, 2015, 2014 and 2013, respectively.

The cost of revenues recognized as expense was $-, $1.0 million and $- for years ended December 31, 2015, 2014, and 2013 respectively, due to write-downs of inventory to net realizable value. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

9. Finance lease receivables

	12/31/15	12/31/14	12/31/13
Current finance lease receivables	$ 156	$ 111	$ 81
Non-current finance lease receivables	14,354	14,510	14,619
	$ 14,510	$ 14,621	$ 14,700

Due to materiality considerations, the Company's management decided to present the current receivable amount within the non-current portion.

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 is 25 years.

9.1. Amounts receivable under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Not later than one year	$ 5,137	$ 5,136	$ 5,136	$ 156	$ 111	$ 81
Later than one year and not later than five years	22,458	22,458	22,458	2,422	1,116	1,264
More than five years	29,531	34,667	39,376	11,932	13,394	13,355
	57,126	62,261	66,970	14,510	14,621	14,700
Less: unearned finance income	(42,616)	(47,640)	(52,270)	n/a	n/a	n/a
Present value of minimum lease payments receivable	14,510	14,621	14,700	14,510	14,621	14,700
	$ 14,510	$ 14,621	$ 14,700	$ 14,510	$ 14,621	$ 14,700

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 2015, 2014 and 2013.

The receivable under finance lease balance as of December 31, 2015, 2014 and 2013 is neither past due nor impaired.

10. Other assets

	12/31/15	12/31/14	12/31/13 (Note 2.3.)
Prepayments	$ 5,782	$ 5,629	$ 7,694
Accrued interest receivable	-	-	7,286
IMPAC recoverable	2,450	3,429	5,120
Pipeline interconnection rights	1,938	2,285	4,973
Land leases	101	54	371
Natural gas imbalance	243	806	207
Guarantee deposits	-	-	187
	$ 10,514	$ 12,203	$ 25,838
Current	$ 8,576	$ 9,918	$ 20,679
Non – current	1,938	2,285	5,159
	$ 10,514	$ 12,203	$ 25,838

11. Investment in joint ventures

11.1. GdC

The Company owns a 50% interest in GdC, a joint venture with PEMEX Gas Petroquímica Básica (“PGPB”). GdC operates two natural gas pipelines, one natural gas compression station, one propane system in Northern México, in the States of Chihuahua, Tamaulipas and Nuevo Leon, México; and one gas storage facility in the State of Jalisco, México. Construction is currently in process for phase two of the Los Ramones I pipeline, as well as the Los Ramones Norte project held at GdC’s equity method investment in DENs. The ethane pipeline project has been concluded. As of December 31, 2015, there has been no change in the Company’s ownership or voting rights in this joint venture.

GdC’s consolidated financial statements and the Company’s equity method investments are summarized as follows:

	12/31/15	12/31/14	12/31/13
Cash and cash equivalents	$ 22,080	$ 74,931	$ 98,869
Short-term investments	10,780	58,233	12,805
Other current assets	55,383	94,086	47,713
Current assets	88,243	227,250	159,387
Finance lease receivables	952,201	346,314	-
Property, plant and equipment, net	320,079	673,714	508,023
Investments in joint venture	131,338	140,160	-
Other non-current assets	1,727	413	476
Deferred income tax asset	12,314	359	-
Non-current assets	1,417,659	1,160,960	508,499
Total assets	$ 1,505,902	$ 1,388,210	$ 667,886
Current liabilities	$ 133,730	$ 31,201	$ 16,345
Non-current liabilities	662,307	724,810	48,853
Total liabilities	796,037	756,011	65,198
Total members’ equity	$ 709,865	$ 632,199	$ 602,688
Share of members’ equity	$ 354,933	$ 316,100	$ 301,345
Goodwill and indefinite lived intangible assets	64,943	64,943	64,943
Carrying amount investment in GdC	$ 419,876	$ 381,043	$ 366,288

	Year ended 12/31/15	12/31/14	12/31/13
Revenues	$ 249,424	$ 496,789	$ 147,478
Expenses	(66,539)	(368,802)	(51,445)
Interest expenses, net	(28,673)	(26,973)	(396)
Share of loss of joint venture, net of income tax	(6,936)	(9,019)	-
Income tax	(64,307)	(42,456)	(26,260)
Net income	$ 82,969	$ 49,539	$ 69,377
Share of profits of GdC	$ 41,485	$ 24,770	$ 34,689

(a) ***Credit agreement***. On December 5, 2013 GdC entered into a credit agreement for $490.0 million with BBVA Bancomer, Institucion de Banca Múltiple, Grupo Financiero BBVA Bancomer, Bank of Tokyo Mitsubishi UFJ, Ltd., Mitzuho Bank and Norddeutsche Landesbank, for the purpose of funding the Los Ramones I pipelines project. The funding is contracted for a term of 13 years, with quarterly of principal payments, bearing interest at the 90 day LIBOR plus 200 to 275 base points ("basis points") from the anniversary date of the credit agreement. This funding is guaranteed by collection rights of certain GdC projects. Borrowings under the facility began in 2014 and, as of December 31, 2015, GdC has $406.0 million of outstanding borrowings.

(b) On March 7, 2013, GdC made an advance repayment of its long-term debt to Export-Import Bank of the United States of approximately $19.0 million.

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

(d) Regular investment contribution to TAG Holding: TAG Holding is owned by GdC through its subsidiary, DEN, and partners, TETL JV Mexico Norte, S. de R. L. de C. V. and TAG Pipelines, S. de R. L. de C. V. As of December 31, 2015, the contributions are as follows:

PGPB *	$ 85,963
IEnova *	85,963
	$ 171,926

* Includes interests.

Under the terms of the contract, the contributions made in July, August and November 2014, are presented as loans to DEN. As of December 31, 2015, and 2014 the amounts outstanding have generated interest of $4.6 million and $1.8 million respectively (Please refer to Note 6.2).

(e) On December 19, 2014, TAG Norte Holding, S. de R. L. de C. V. (TAG) (subsidiary company of the GdC Joint Venture), entered into a credit as a debtor, signed a promissory note in favor to Santander, the amount of such credit is in the amount of $1.3 million. In additions TAG contracted a derivative instrument in order to cover the risk of interest rate.

In December 2015, TAG Pipelines Norte S. de R. L. de C. V. (subsidiary company of the GdC Joint Venture) contracted derivative instruments in order to cover the risk of exchange rate. The company entered into Par Forwards with five banks to exchange pesos for dollars of a portion of the revenues of 2016.

11.2 ESJ

On July 16, 2014, Controladora Sierra Juarez, S. de R. L. de C. V. ("CSJ"), a subsidiary of IEnova, completed the sale of a 50% interest in the first phase of ESJ to a wholly owned subsidiary of InterGen N. V. ("InterGen"). The net cash received by this transaction were $25.9 million. The retained interest in ESJ was recorded at its fair value of $25.9 million as a non-cash transaction. The net gain for the sale of ESJ shares was $18.8 million after income tax, included within the other gains (losses) line item in the statements of profit.

The company started operations in June 2015.

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

	Year ended 12/31/15	Year ended 12/31/14
Cash and cash equivalents	$ 12,930	$ 4,784
Other current assets	21,937	6,339
Current assets	34,867	11,123
Property, plant and equipment, net	276,352	258,885
Other non-current assets	12,347	10,189
Deferred income tax	6,534	7,914
Non-current assets	295,233	276,988
Total assets	$ 330,100	$ 288,111
Current liabilities	$ 7,248	$ 11,815
Non-current liabilities	306,635	259,548
Total liabilities	313,883	271,363
Total members' equity	$ 16,217	$ 16,748
Share of members' equity	$ 8,108	$ 8,374
Goodwill and indefinite lived intangible assets	12,121	12,121
Carrying amount of investment in ESJ	$ 20,229	$ 20,495

ESJ condensed consolidated statement of profit is as follows:

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

a) ***Project financing for the ESJ project***. On June 12, 2014, ESJ entered into a $239.8 million project finance loan for the construction of the wind project with five banks: Mizuho Bank, Ltd. ("Mizuho") as coordinating lead arranger, the North American Development Bank ("NADB") as technical and modeling bank, and Nacional Financiera, S. N. C. Institución de Banca de Desarrollo ("NAFINSA"), Norddeutsche Landesbank Girozentrale ("NORD/LB") and Sumitomo Mitsui Banking Corporation ("SMBC") as lenders.

On June 30, 2015, ESJ converted the construction loans into 18-year term loans. The credit facilities mature on June 30, 2033, with payments due on a semi-annual basis (each June 30 and December 30 until the final maturity date), starting on December 30, 2015. The credit facilities bear interest at LIBOR plus the applicable margin.

Years	LIBOR applicable margin
0 – 1	2.375%
1 – 4	2.375%
5 – 8	2.625%
9 – 12	2.875%
13 – 16	3.125%
17 – 18	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion date (June 30, 2015). ESJ made total accumulated withdrawals from the credit facility in an amount of $236.6 million. The breakdown of the debt is as follows:

	Debt balance
Mizuho	$ 53,120
NAFINSA	38,633
NORD/LB	53,120
NADB	38,633
SMBC	53,120
	$ 236,626

b) ***Interest rate swaps*.** To partially mitigate its exposure to interest rate changes associated with the term loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014 and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

The cumulative loss recognized in other comprehensive income of $5.1 million of taxes was reclassified from equity to profit and loss upon deconsolidation of ESJ.

c) ***Financing of the project's value added tax ("VAT") with Santander*.** On June 12, 2014, ESJ entered into a line of credit with Santander and on February 23, 2015 there was an amendment to increase the line for up to $501.0 million Pesos (approximately $35.0 million historical U.S. dollar equivalent). Interest on each withdrawal will be accrued at the Mexican Interbank Interest Rate ("TIIE") plus 145 basis points payable on a semi-annual basis. The credit line under this contract will be used to finance the VAT on the ESJ project. As of December 23, 2015, ESJ has withdrawn $472.6 million pesos of this line of credit. On such date the Company decided to repay and accordingly canceled the total credit facility.

***Other disclosures*.** The member's agreement provides certain restrictions and benefits to the sale of the membership interest in ESJ. The Partnership agreement establishes that capital calls that are to be contributed on a pro rata basis by the members. CSJ and its joint venture partner have provided guarantees of payment of amounts due by ESJ and its subsidiaries under the wind turbine supply agreement with Vestas WTG México, S. A. de C. V. The guarantees are immaterial as of December 31, 2015.

12. Goodwill

	12/31/15	12/31/14	12/31/13
Cost	$ 25,654	$ 25,654	$ 25,654

There are no accumulated impairment losses.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to IEnova 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 IEnova Gasoductos México's projected results. The DCF for 2015, 2014 and 2013, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 9.0%, which was the same rate used at the acquisition date.

There are no significant changes in IEnova Gasoductos México's operations that would indicate potential impairment since acquisition, including the following: a) its financial results have been consistent with management's initial projections, b) the changes on the macroeconomic indicators have not had adverse effect on the Company's operations (i.e. risk free rates are unchanged or lower than acquisition date and the change of Sovereign average rating from BBB to BBB+ for México), c) changes in the regulatory environment have not had adverse effect on the Company's operations and, d) 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 current discount rate may be lower as market rates have declined since the acquisition, the discount rate used as of the acquisition date was deemed to be a reasonable rate for goodwill impairment testing purposes.

13. Property, plant and equipment, net

	12/31/15	12/31/14	12/31/13
Carrying amounts of:			
Buildings and plants	$ 2,586,775	$ 2,287,706	$ 2,077,478
Equipment	86,965	64,572	52,960
Other assets	38,843	32,948	27,032
	2,712,583	2,385,226	2,157,470
Accumulated depreciation and amortization	(557,563)	(497,686)	(442,043)
Land	76,524	74,988	74,421
Properties under construction	364,296	415,211	423,989
	$ 2,595,840	$ 2,377,739	$ 2,213,837

Cost	Land		Buildings and plants		Equipment		Properties under construction		Other assets		Total
Balance as of January 1, 2013	$	74,421	$	2,072,258	$	43,729	$	48,298	$	27,923	$	2,266,629
Additions		-		16,335		11,097		375,848		2,856		406,136
Disposals		-		(613)		(1,855)		-		(3,684)		(6,152)
Effect of foreign currency translation		-		(931)		(11)		(157)		(63)		(1,162)
Revisions and additions to decommissioning liability		-		(9,571)		-		-		-		(9,571)
Balance as of December 31, 2013		74,421		2,077,478		52,960		423,989		27,032		2,655,880
Additions		571		221,938		11,841		120,269		8,424		363,043
Disposals		-		(7,908)		-		(128,848)		(1,241)		(137,997)
Effect of foreign currency translation		(4)		(14,292)		(229)		(199)		(1,267)		(15,991)
Revisions and additions to decommissioning liability		-		10,490		-		-		-		10,490
Balance as of December 31, 2014		74,988		2,287,706		64,572		415,211		32,948		2,875,425
Additions		1,542		332,691		22,697		(50,048)		8,764		315,646
Disposals		-		(2,738)		-		-		(1,317)		(4,055)
Effect of foreign currency translation		(6)		(25,275)		(304)		(867)		(1,552)		(28,004)
Revisions and additions to decommissioning liability		-		(5,609)		-		-		-		(5,609)
Balance as of December 31, 2015	$	76,524	$	2,586,775	$	86,965	$	364,296	$	38,843	$	3,153,403
Accumulated depreciation												
Balance as of January 1, 2013	$	-	$	(361,080)	$	(6,022)	$	-	$	(14,788)	$	(381,890)
Eliminated on disposals of assets		-		41		18		-		702		761
Depreciation expense		-		(56,044)		(1,136)		-		(3,833)		(61,013)
Effect of foreign currency translation		-		277		1		-		50		328
Other		-		(758)		62		-		467		(229)
Balance as of December 31, 2013		-		(417,564)		(7,077)		-		(17,402)		(442,043)
Eliminated on disposals of assets		-		244		-		-		817		1,061
Depreciation expense		-		(56,571)		(1,043)		-		(4,178)		(61,792)
Effect of foreign currency translation		-		5,113		27		-		882		6,022
Other		-		-		(452)		-		(482)		(934)
Balance as of December 31, 2014		-		(468,778)		(8,545)		-		(20,363)		(497,686)
Eliminated on disposals of assets		-		870		(599)		-		183		454
Depreciation expense		-		(62,203)		(1,635)		-		(3,844)		(67,682)
Effect of foreign currency translation		-		6,269		173		-		909		7,351
Other		-		-		-		-		-		-
Balance as of December 31, 2015	$	-	$	(523,842)	$	(10,606)	$	-	$	(23,115)	$	(557,563)

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 with the authorization issued by the Mexican Natural Resources and Environmental Ministry (Secretaría de Medio Ambiente y Recursos Naturales, "SEMARNAT" by its initials in Spanish).

The additions to property, plant and equipment during 2015 and 2014 is comprised mainly of additions to construction in process, the Sásabe-Puerto Libertad section of the Sonora pipeline began operations in October 2014. The first segment was completed in stages, with (Puerto Libertad) section completed in the fourth quarter of 2014 and the final section completed in August 2015. The capacity is fully contracted by the CFE under two 25-year contracts denominated in U.S. dollars, in addition to related to Sonora Pipeline and ESJ Wind projects, (see subparagraph c of Note 1.2.4.).

The Company capitalized borrowing costs on qualifying assets of $15,099, $21,016 and $12,811 for the years ended December 31, 2015, 2014 and 2013, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.47%, 5.5%, respectively, for the periods ended December 31, 2015 and 2014 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

	12/31/15	12/31/14	12/31/13
Trade payables	$ 43,830	$ 41,436	$ 48,573
Other miscellaneous payables	19	38	886
Trading financial instrument payable (a)	-	18,101	-
	$ 43,849	$ 59,575	$ 49,459

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.

a. ***Trading financial instruments***

In 2014 the Company entered into derivative financial instrument agreements to hedge the volatility of the fluctuation of the Peso relative to the Dollar. Certain monetary assets and liabilities of the Company were denominated in Dollars (functional currency); however, they were remeasured in Pesos throughout the year for Mexican tax purposes. The remeasurement of these assets and liabilities gives rise to foreign currency gains and losses for Mexican tax purposes. Such derivative financial instrument has been terminated in 2014.

15. Employee benefits

15.1. Defined contribution component

The Company provides a defined contribution plan for all permanent full-time employees in México. Employees that leave the Company obtain the capital accumulated with the 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.

15.2. Defined benefit component

The Company also provides defined benefit plans for all permanent full-time employees of its subsidiaries in México. 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.

15.3. 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.

15.3.1 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		
	12/31/15	12/31/14	12/31/13
Discount rates	8.00%	8.25%	8.00%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$ 17.20	$ 14.72	$ 12.78

Amounts recognized within current earnings and OCI as well as benefits paid with respect to the Company's post-employment and other long-term employee benefits were as follows.

	12/31/15	12/31/14	12/31/13
Current service cost recognized in administrative and other expenses	$ 531	$ 381	$ 341
Interest on obligation recognized in finance costs	321	209	167
Actuarial (losses) gain recognized in OCI	(1,793)	357	179

The amount included in the consolidated statements of financial position arising from the Company's obligation related to its defined benefit plans, and changes in the present value of the defined benefit obligation in the current year, were as follows:

	Year ended		
	12/31/15	12/31/14	12/31/13
Opening defined benefit obligation	$ 3,045	$ 2,684	$ 2,153
Current service cost	531	381	330
Interest cost (benefit)	321	(50)	(2)
Actuarial (gains) loss	(655)	357	178
Exchange differences on plans maintained by Mexican peso functional currency entities	1,102	(294)	52
Benefits paid	(49)	(33)	(27)
Ending defined benefit obligation	$ 4,295	$ 3,045	$ 2,684

16. Other financial liabilities

	12/31/15	12/31/14	12/31/13
Accrued interest payable (a)	$ 5,661	$ 6,561	$ 12,218
Customer deposits	783	662	635
Borrowing (b)	-	-	-
	$ 6,444	$ 7,223	$ 12,853

(a) Balance represents accrued interest payable on long-term debt (see Note 21).

(b) 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 basis points (average annual rate of 5.24% for 2012). As of December 31, 2012, the accrued interest was $51.0 million and the Company paid interest in the amount of $26.0. During 2013, the Company fully paid this loan.

17. Other liabilities

	12/31/15	12/31/14	12/31/13
Wages and benefits payable	$ 12,482	$ 11,964	$ 8,869
Other current liabilities	4,755	11,734	2,880
	$ 17,237	$ 23,698	$ 11,749

18. Carbon allowances

The Company is required by California Assembly Bill 32 to acquire carbon allowance for every metric ton of carbon dioxide equivalent emitted into the atmosphere during natural gas transportation. Under the bill, TDM, IEnova's subsidiary, is subject to this extraterritorial regulation, despite being located in Baja California, Mexico since their end users are located in California, United States.

The Company records carbon allowances at the lower of weighted average cost or market value, and includes them as current or non-current on the Statements of Financial Position based on the dates that they are required to be surrendered. The Company measures the compliance of the obligation, which is based on emissions, at the carrying value of allowances held plus the fair value of additional allowances necessary to satisfy the obligation. The Company removes the assets and liabilities from the Statement of Financial Position as the allowances are surrendered.

Carbon allowances are shown in the Statements of Financial Position as follows:

		Year ended	
	12/31/15	12/31/14	12/31/13
Assets:			
Current	$ 5,385	$ 29,864	$ 4,778
Non-current	12,975	229	11,584
	$ 18,360	$ 30,093	$ 16,362
Liabilities (a)			
Current	$ 5,385	$ 29,864	$ 4,778
Non-current	12,611	-	11,151
	$ 17,996	$ 29,864	$ 15,929

(a) Changes in the consolidated statements of financial position were recorded in cost of revenues in the amounts of $18.0 million, $13.9 million and $17.2 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

19. Short-term debt

As of December 31, 2015 and 2014, within other financial liabilities short-term debt includes the following:

	Year ended	
	12/31/15	12/31/14
Santander (a)	$ -	$ 145,346
SMBC (b) and, (c) for 2015	91,374	51,020
	91,374	196,366
Borrowing costs	(2,867)	(1,277)
	$ 88,507	$ 195,089

a) *Credit facility with Santander.* On June 19, 2014, the Company entered into an agreement for a $200.0 million, U.S. Dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender was Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexico. Interest accrued based on the 3-month LIBOR plus 105 basis points. During July and August, 2015 the Company has withdrew $76.0 million and $25.0 million respectively. On August 26, 2015 the Company decided to repay the total credit facility. As a result, transaction costs were recorded in the Consolidated Statements of Profit.

b) *Credit facility with SMBC.* On August 25, 2014, the Company entered into an agreement for a $100.0 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Sumitomo Mitsui Banking Corporation. Interest accrues based on the 3-month LIBOR plus 105 basis points. During July, 2015 the Company withdrew $34.0 million. On August 24, 2015 the Company decided to repay the total credit facility and cancelled this credit facility.

c) *Credit Agreement*. On August 21, 2015, the Company entered into an agreement for a $400.0 million, U.S. dollar-denominated, five-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lenders are Sumitomo Mitsui Banking Corporation, Banco Santander (México), S. A., Institución De Banca Múltiple, The Bank of Tokyo-Mitsubishi UFJ, LTD., and The Bank of Nova Scotia. Interest accrues based on the 3-month LIBOR plus 90 basis points. As of December 23, 2015, IEnova had $310.0 million of outstanding borrowings supported by the facility. On December 23, 2015 the Company decided to repay $219.0 million (principal) of such credit facility. On December 22, 2015, the Company renegotiated the credit line of such credit agreement for an amount up to $600.0 million, U.S. dollar-denominated. As of December 31, 2015 the available unused credit portion is $509 million.

20. Provisions

		Year ended	
	12/31/15	12/31/14	12/31/13
Decommissioning liabilities (a)	$ 34,236	$ 38,250	$ 26,430
Other (b)	1,293	1,619	1,945
	$ 35,529	$ 39,869	$ 28,375
Current	$ 1,293	$ 1,619	$ 1,945
Non-current	34,236	38,250	26,430
Total provisions	$ 35,529	$ 39,869	$ 28,375

	Asset retirement obligations	Others	Total
Balance as of January 1, 2013	$ 34,820	$ 2,788	$ 37,608
Additional provisions recognized	1,432	1,945	3,377
Payments and other decreases in provisions recognized	-	(2,788)	(2,788)
Unwinding of discount and effect of changes in the discount rate	(9,822)	-	(9,822)
Balance as of December 31, 2013	26,430	1,945	28,375
Additional provisions recognized	1,330	-	1,330
Payments and other decreases in provisions recognized	-	(326)	(326)
Unwinding of discount and effect of changes in the discount rate	10,490	-	10,490
Balance as of December 31, 2014	38,250	1,619	39,869
Additional provisions recognized			
Increase financial cost	1,596	-	1,596
Payments and other decreases in provisions recognized	-	(326)	(326)
Unwinding of discount and effect of changes in the discount rate	(5,610)	-	(5,610)
Balance as of December 31, 2015	$ 34,236	$ 1,293	$ 35,529

(a) For long-lived assets, the Company recognized decommissioning liabilities for the present value of future costs expected to be incurred when assets are withdrawn from service, if the Company has a legal or constructive obligation and if the Company can make a reasonable estimate of that obligation. The discount rates used by the Company were 4.66%, 4.14% and 4.98% at December 2015, 2014 and 2013, respectively.

(b) The balance of other provisions include a liability arising from an onerous contract representing the present value of future losses that the Company expects to incur under one of their service contracts. Because the related asset is operating below full capacity, management of the Company utilized a present value model to determine the provision utilizing a discount rate of 10%.

21. Long-term debt

		Year ended	
	12/31/15	12/31/14	12/31/13
CEBURES fixed rate (a)	$ 226,659	$ 264,981	$ 298,245
CEBURES variable rate (b)	75,553	88,327	99,415
	302,212	353,308	397,660
Cost of debt	(2,287)	(2,670)	(3,004)
	$ 299,925	$ 350,638	$ 394,656

On February 14, 2013, the Company entered into two public placements of Notes or Certificados Bursatiles ("CEBURES") as follows:

(a) The first placement was for $306.2 million ($3.9 billion Pesos) bearing interest at a rate of 6.30%, with half-yearly interest payment; maturing in 2023.

(b) The second placement was for $102.1 million ($1.3 billion Pesos) bearing interest at variable rate based on TIIE plus 30basis ponts, with monthly interest payments of interest; maturing in 2018. The average annual rate as of December 31, 2015, 2014 and 2013 was 3.62%, 3.85% and 4.52%, respectively

Cross-currency and interest rate swaps. On February 15, 2013, regarding the placements of CEBURES, the Company executed cross-currency and interest rate swap contracts for hedging its exposure to the payment of its liabilities in Pesos:

(a) For the debt maturing in 2023, the Company swapped variable rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average rate, in U.S. Dollars through this swap was 4.16%.

(b) For the debt maturing in 2018, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average rate, in U.S. Dollars through this swap was 2.65%.

The swaps' total notional value is $408.3 million ($5.2 billion Pesos). These contracts have been designated as cash flow hedges.

22. Financial instruments

22.1. Capital management

Decisions on capital management for IEnova are made by directors of the parent and IEnova's key executives. The Parent's risk management committee reviews the capital structure of the Company at its regular sessions. As of December 31, 2014, projects were funded through the resources obtained from the CEBURES and IPO (refer to Notes 1.2.2. and 1.2.3., respectively). 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 regulated subsidiaries in the gas segment. 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, 2015, 2014 and 2013 the Company had complied with the above requirements.

22.2. Categories of financial instruments

	12/31/15	12/31/14	12/31/13
Financial assets			
Cash and cash equivalents	$ 40,377	$ 83,637	$ 103,880
FVTPL			
Held for trading	21,994	34,729	216,215
Amortized cost			
Loans and receivables	193,102	239,777	89,226
Financial leasing	14,510	14,621	14,700
Financial liabilities			
FVTPL			
Held for trading	$ 133,056	$ 107,257	$ 63,913
Amortized cost	829,835	665,390	499,516

22.3. 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, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can 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.

22.4. 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, interest rate and foreign currency exchange rate risks, including:

- Interest rate swaps to mitigate the risk of rising interest rates or foreign currencies under which certain liabilities are denominated (and its related tax impacts); 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.

22.5. 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.

VaR History (95%, one day) by risk type		**12/31/15**		**Year ended 12/31/14**		**12/31/13**
Interest rate swap	$	3,761	$	4,606	$	4,061
Natural gas purchase and sale		-		-		31
Total VaR exposure	$	3,573	$	4,376	$	3,887

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 22.7 below.

22.6. 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 market 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.

22.7. Foreign currency risk management

The Company has investments in entities whose functional currency is not the U. S. Dollar; also, it also has balances in Mexican Pesos held by its U.S. Dollar functional currency subsidiaries, exposing the Company to currency fluctuations.

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		
	12/31/15	**12/31/14**	**12/31/13**
U. S. Dollar functional currency subsidiaries	$ 159,824	$ 174,435	$ 194,573
Mexican Peso functional currency subsidiaries	30,110	26,011	34,920

	Financial liabilities		
	12/31/15	**12/31/14**	**12/31/13**
U. S. Dollar functional currency subsidiaries	$ 585,062	$ 593,099	$ 695,450
Mexican Peso functional currency subsidiaries	31,713	37,531	38,188

For the Company’s U.S. Dollar functional currency subsidiaries their Mexican Peso balances include: bank accounts and short-term investments, IVA, ISR and IETU receivables or payables, prepaid expenses, guarantee deposits, long-term debt, 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.

	12/31/15	**12/31/14**	**12/31/13**	**02/22/2016**
One U.S. Dollar	$ 17.2065	$ 14.7180	$ 13.0765	$ 18.1439

22.7.1. Foreign currency sensitivity analysis

The Company’s account balances disclosed in Note 22.7 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		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
Profit or loss (i)	$ 27,061	$ 17,623	$ 31,874	$ 94	$ -	$ -
OCI	-	-	-	(5,692)	(4,731)	(208)

(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, 2015, 2014 and 2013 mainly due to income tax payments.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has decreased during the years ended December 31, 2015, 2014 and 2013 mainly due to lower intercompany loans with unconsolidated affiliates.

22.8. Interest rate risk management

In September 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of $450.0 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 $30.0 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. As of December 31, 2014 and 2013, there was one remaining interest rate swap agreement with a notional amount of $151,232 and $159,287 in U.S. Dollars under which IEnova received a variable interest rate (three-month LIBOR) and payed a fixed interest rate of 5.0%.

The original terms of the swap expire on December 15, 2027. On September 16, 2015, the Company, through an early termination clause, made a prepayment in the amount of $29.8 million and as a result, such derivative was cancelled. The one-year VaR information related to the interest rate swap is included in Note 22.5.

22.8.1. Interest rate swaps contracts entered into by the Company's joint ventures

The joint venture with PGPB entered into a swap contract to convert its variable interest rate debt, which matured on October 15, 2013, to a fixed interest rate. The notional value as of October 15, 2013 amounted to $13.5 million, hedging 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.

Additionally, as described in Note 11.2 (b) the joint venture with InterGen entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings.

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 joint venture with a debit to current earnings.

The Company's management considers the results of the sensitivity analysis for these derivatives to be immaterial.

22.9. 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.

22.9.1. 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.

IEnova LNG's sells natural gas and provides transportation services to three customers. IEnova LNG's management believes that although a potential concentration of credit risk is present, this 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 IEnova LNG and two other third parties. ECA's management believes that although a concentration of credit risk may exist, this risk is mitigated based on the creditworthiness of its customers and the related party nature of one of its contractual arrangements.

GAP provides transportation services mainly to one sole customer. GAP believes that its credit risk is mitigated since the customers is a governmental entity with high credit rating and pays on a monthly basis.

Following is a table that shows the Company's revenue concentration by customer:

	Segment	12/31/15	12/31/14	12/31/13
Customer 1	Gas	$ 197,559	$ 242,581	$ 168,963
Customer 2	Power	142,329	222,471	168,340
Customer 3	Gas	89,037	91,625	95,571
Customer 4	Gas	51,683	-	-
Customer 5	Gas	49,138	90,871	90,842
Others *		141,957	175,248	154,120
		$ 671,703	$ 822,796	$ 677,836

* 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, the Company's management does not estimate the Company is exposed to significant credit risks.

The Company's maximum credit risk exposure as of December 31, 2015, 2014 and 2013, was $172.2 million $234.6 million and $157.9 million, respectively.

22.9.2. Other credit enhancements

The Company held letters of credit to cover its credit risks associated with its derivative financial assets with industrial customers, amounting $27.0 as of December 31, 2013.

22.10. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Parent's directors and IEnova's key executives, who have established an appropriate liquidity risk management framework for management of the Company's funding and liquidity management requirements. As of December 31, 2013, projects were funded through the resources obtained from the CEBURES and IPO (refer to Notes 1.2.2. and 1.2.3., respectively). The Company´s current liabilities exceed its current assets mainly due to loan from unconsolidated affiliates. As explained in Note 19, the Company has $509 million of unused lines of credits with banks and $400 million available under the current authorized CEBURES program at the Mexican Stock Exchange.

22.10.1. 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	1-3 years	3-5 years	5+ years	Total
December 31, 2015						
Non-interest bearing		$ 19,494	$ -	$ -	$ -	$ 19,494
Variable interest rate loans from unconsolidated affiliates	1.75	122,129	-	-	-	122,129
Variable interest rate loan from unconsolidated affiliates	1.54	223,029	-	-	-	223,029
Variable interest rate short term debt (Note 19)	1.28	92,523	-	-	-	92,523
Variable interest rate of long-term debt (Note 21)	4.52	3,439	6,879	6,879	85,610	102,807
Fixed interest rate of long-term debt (Note 21)	6.3	14,368	28,736	226,480	-	269,584
Variable interest rate loan from SOT Suisse	3.28	1,285	2,570	33,599	-	37,454
		$ 476,267	$ 38,185	$ 266,958	$ 85,610	$ 867,020
December 31, 2014						
Non-interest bearing	-	$ 76,717	$ -	$ -	$ -	$ 76,717
Variable interest rate short term debt (Note 19)	1.28	198,944	-	-	-	198,944
Variable interest rate of long-term debt (Note 21)	4.52	4,021	8,042	8,042	104,107	124,212
Fixed interest rate of long-term debt (Note 21)	6.30	16,798	33,596	33,596	247,976	331,966
Variable interest rate loan from SOT Suisse	3.28	1,279	2,558	34,721	-	38,558
		$ 297,759	$ 44,196	$ 76,359	$ 352,083	$ 770,397
December 31, 2013						
Non-interest bearing	-	$ 65,967	$ -	$ -	$ -	$ 65,967
Variable interest rate of long-term debt (Note 21)	4.52	4,526	9,051	9,051	117,176	139,804
Variable interest rate loan from SGEN	2.70	12	24	24	540	600
Fixed interest rate of long-term debt (Note 21)	6.30	18,906	37,813	37,813	279,106	373,638
Variable interest rate loan from SOT Suisse's	3.28	1,279	2,558	38,730	-	42,567
		$ 90,690	$ 49,446	$ 85,618	$ 396,822	$ 622,576

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.

December 31, 2015	Less than 1 year	1-2 years	3-5 years	5+ years	Total
Net settled:					
- Interest rate swaps, exchange rate	$ 2,062	$ (27,032)	$ (1,661)	$ (106,759)	$ (133,390)
	$ 2,062	$ (27,032)	$ (1,661)	$ (106,759)	$ (133,390)

December 31, 2014	Less than 1 year	1-2 years	3-5 years	5+ years	Total
Net settled:					
- Interest rate swaps, exchange rate	$ (6,415)	$ 7,258	$ (3,748)	$ 76,795	$ 73,890
- Interest rate swaps	6,808	8,827	5,455	8,271	29,361
	$ 393	$ 16,085	$ 1,707	$ 85,066	$ 103,251

December 31, 2013	Less than 1 year	1-2 years	3-5 years	5+ years	Total
Net settled:					
- Interest rate swaps, exchange rate	$ -	$ (19,226)	$ 2,943	$ 52,428	$ 36,145
- Interest rate swaps	7,326	13,896	2,817	350	24,389
- Natural gas purchase/sale	3,379	-	-	-	3,379
	$ 10,705	$ (5,330)	$ 5,760	$ 52,778	$ 63,913

22.11. Fair value of financial instruments

22.11.1. 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.

	12/31/15		12/31/14		12/31/13	
	Carrying amount	Fair value	Carrying amount	Fair Value	Caarying amount	Fair value
Financial assets						
Financial lease receivables	$ 14,510	$ 57,125	$ 14,621	$ 47,640	$ 14,700	$ 52,270
Financial liabilities						
Financial liabilities held at amortized cost:						
-Long-term debt (traded in stock exchange)	299,925	289,955	350,638	343,584	394,656	374,899
-Short- term debt (not traded in stock change)	88,507	90,035	195,089	193,119	-	-
- Loans from unconsolidated affiliates (not traded in stock exchange)	38,460	37,704	38,460	37,207	38,893	36,573
- Loans from unconsolidated affiliates (not traded in stock exchange)	339,600	334,431	-	-	-	-

22.11.2. 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 long-term debt using prices quoted on recognized markets.

- For financial liabilities other than long-term debt, the Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount 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.

22.11.3. 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 in subparagraph b of Note 2.2b.

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, 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 as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

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

- 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 (no observable indicators).

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 1 and 2 within the fair value hierarchy:

	Year ended		
	12/31/15	12/31/14	12/31/13
Financial assets at FVTPL			
Short-term investments (Level 1)	$ 20,068	$ 30,020	$ 207,027
Derivative financial assets (Level 2)	$ 1,926	$ 4,709	$ 9,188
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	$ 133,056	$ 107,257	$ 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.

22.11.4. Commodities and other derivative positions

The Company enters into derivative financial instrument agreements to hedge the volatility of its income tax impact attributable to the fluctuation of the Peso relative to the U.S. Dollar. Certain monetary assets and liabilities of the Company are denominated in U.S. Dollars (functional currency); however, they are remeasured in Pesos throughout the year for Mexican tax purposes. The remeasurement of these assets and liabilities gives rise to foreign currency gains and losses for Mexican tax purposes and impacts the Mexican income tax liability.

On May 26, 2006, Sempra LNG 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 and TDM. The agreement includes the nomination and scheduling service of monthly natural gas quantities to be delivered to TDM by Sempra LNG 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, settlement is based on the SOCAL Index price minus a discount. These agreements were 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, 2013, the notional amounts of the outstanding positions with industrial customers were 6,000 MMBtus which were realized through 2014. 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. This contract expired in 2014, therefore there is no notional for 2015.

The Company recognized the change in fair value and the settlements in the “cost of revenue” line item within the consolidated statements of profit.

23. Income taxes

The Company was subject to ISR and IETU, the last one until 2013. The income tax expense was the greater of ISR and IETU up to 2013.

ISR - The rate was 30% for 2014, 2013 and 2012 under the new Income Tax Law 2014 continues at 30% for 2014 and beyond. ISR caused by the Company on a consolidated basis with its subsidiaries until 2012, due to changes in the Fiscal Miscellaneous Resolution I.3.2.14, the Company lost its right to consolidate for tax purposes retroactively, from January 1, 2013, therefore, the tax effects shown at December 31, 2013 in this note, considers the effects of the deconsolidation.

IETU - IETU was eliminated in 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The IETU rate was 17.5%.

23.1. Income taxes recognized in the consolidated statements of profit:

		Year ended	
	12/31/15	12/31/14	12/31/13
Current income tax:			
ISR	$ (75,085)	$ (72,848)	$ (50,210)
ISR for deconsolidation *	-	-	(21,436)
IETU-IMPAC	(226)	-	-
	(75,311)	(72,848)	(71,646)
Deferred Income tax:			
Deferred income tax	(25,095)	(38,435)	(14,789)
IETU write-off		-	2,643
	(25,095)	(38,435)	(12,146)
Total taxes in the consolidated statements of profit and loss	$ (100,406)	$ (111,283)	$ (83,792)

* Please refer to 1.2.6 a.

Income tax expense is reconciled with the profit before tax as follows:

	Year ended 12/31/15	12/31/14	12/31/13
Profit before income taxes	$ 198,276	$ 224,871	$ 191,493
Income tax expense calculated at 30%	(59,483)	(67,461)	(57,448)
Effects of foreign exchange rate	25,023	(3,813)	(6,706)
Non-deductible expenses	(1,451)	(1,017)	-
Effect of unused tax losses not recognized as deferred income tax asset	(22)	(58)	5,979
Effects of inflation adjustment	(2,938)	(2,845)	(38)
Effect of exchange rate and inflation on the tax bases of property, plant and equipment	(62,116)	(39,252)	11,696
Adjustment to deferred tax attributable to the change in laws	-	-	(21,436)
Non-taxable revenues	1,279	479	-
Effects of sale of subsidiary	-	3,365	-
Effect of deferred income tax balances due to changes in the income tax rate from 28% to 30% (effective beginning January 1, 2014)	-	-	(15,463)
Other	(698)	(681)	(376)
Expense for income taxes recognized in the statement of profit	$ (100,406)	$ (111,283)	$ (83,792)

23.2. Income tax recognized directly in common stock and OCI

	Year ended 12/31/15	12/31/14	12/31/13
Recognized directly in common stock:			
Issuance or ordinary shares under IPO	$ 7,388	$ 7,388	$ 7,388
Recognized directly in OCI:			
Tax on financial instruments valuation held for hedging purposes	4,127	6,528	5,514
Total of income tax recognized directly in common stock and OCI	$ 11,515	$ 13,916	$ 12,902

23.3. Deferred income tax assets and liabilities balances

The following is the analysis of deferred income tax assets (liabilities) presented in the consolidated statements of financial position:

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	$ 132,973	$ 83,931	$ 54,697
Financial instruments	-	-	267
Accrued expenses and provisions	17,182	24,838	24,034
Effect of combining IEnova Gasoductos México	1,648	1,746	1,844
Employee benefits	4,245	4,106	2,392
Asset from dividends not distributed from net income tax account (“CUFIN”, by its initials in Spanish)	1,277	14,592	43,024
Inventories	1,839	3,733	2,086
Allowance for doubtful accounts	171	214	236
Deferred income tax assets for issuance or ordinary shares under IPO	7,388	7,388	7,388
Deferred income tax asset regarding financial instruments valuation held for hedging purposes	8,042	6,061	5,514
Others	(631)	638	20
Total deferred income tax assets	174,134	147,247	141,502
Deconsolidation effect (a)	(95,169)	(61,489)	(35,275)
Deferred income tax asset	$ 78,965	$ 85,758	$ 106,227

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Deferred income tax liabilities:			
Property, plant and equipment	$ (340,549)	$ (277,756)	$ (227,121)
Finance leases	(4,353)	(4,386)	(4,410)
Prepaid expenses	(4,629)	(5,896)	(5,896)
Other	(6,932)	(5,989)	(3,233)
Total deferred income tax liabilities	(356,463)	(294,027)	(240,660)
Deconsolidation effect (a)	95,169	61,489	35,275
Deferred income tax liabilities	$ (261,294)	$ (232,538)	$ (205,385)

(a) The effects of tax deconsolidation in deferred income tax are presented to reflect that the Company no longer has the right to offset income taxes of its subsidiaries and, therefore, they are presented separately in the statement of financial position as of December 31, 2015, 2014 and 2013.

23.4. Deferred income tax in the consolidated statements of financial position

The following is an analysis of the deferred tax assets (liabilities) included in the consolidated statements of financial position:

	Year ended 12/31/15	12/31/14	12/31/13
Assets	$ 78,965	$ 85,758	$ 106,227
Liabilities	(261,294)	(232,538)	(205,385)
	$ (182,329)	$ (146,780)	$ (99,158)

Given changes in circumstances considered for assessing the recoverability of tax-loss carryforward, a deferred income tax asset of $1.8 million was recognized with a benefit in the consolidated statement of profit.

Deferred tax assets have been recognized for tax-loss carryforwards and the IMPAC paid which provide for future tax benefits in the form of future deductible amounts and tax credits, respectively, and can be realized subject to compliance with certain requirements. Expiration dates and restated amounts as of December 31, 2015, are as follows:

Years	Tax-Loss Carryforwards	IMPAC recoverable
2016	$ -	$ 91
2017	399	91
2018	11,332	245
2019	1,657	245
2020	1,612	245
2021	52,664	245
2022	4,235	245
2023	39,145	245
2024	131,399	245
2025	200,800	245
Thereafter	-	308
	$ 443,243	$ 2,450

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $132,972 and $2,450, respectively.

23.5. Current tax receivable and payable

	Year ended 12/31/15	12/31/14	12/31/13
Current tax assets:			
ISR receivable	$ 16,226	$ 34,297	$ 15,931
Current tax liabilities:			
ISR payable	$ (14,095)	$ (18,022)	$ (90,130)

24. Stockholders' equity

	Year ended 12/31/15	12/31/14	12/31/13
Common stock	$ 762,949	$ 762,949	$ 762,949
Additional paid-in equity	973,953	973,953	973,953
	$ 1,736,902	$ 1,736,902	$ 1,736,902

24.1 Issued member's equity is comprised as follows:

Company stockholder's	Number of social parts	For the year ended at December 31, 2015, 2014 and 2013 (Mexican Pesos) Fixed social parts	Variable social parts	Total	Total Social parts (Thousands of U.S. Dollar)
Semco Holdco, S. de R.L. de C. V.	935,913,312	50,000	9,359,083,120	9,359,133,120	$ 618,752
Private investors	218,110,500	-	2,181,105,008	2,181,105,008	144,197
	1,154,023,812	50,000	11,540,188,128	11,540,238,128	$ 762,949

Pursuant to a resolution of the general ordinary members' meeting on February 15, 2013, member's equity increased was approved at $1.00 Peso per share, which was subscribed and paid by BV11 an unconsolidated affiliate, increasing the value of its social part; also, Company's change of name from Sempra México, S. de R. L. de C. V. to "Sociedad Anónima de Capital Variable" ("S. A. de C. V.", Public limited Company) was approved (see Note 1.2.1). As a result of such resolution, the change of social parts for shares was performed; as of February 15, 2013 the distribution of such shares was as follows:

Shareholders name	Shares 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

Shareholders' equity consists of nominative shares with no-par value. The theoretical value per share is $10.00 Pesos. The Class I and II represent the fixed and the variable part of shareholders' equity, respectively. Variable capital may be increased without limitation.

On March 6, 2013, BV11 subscribed for a capital increase in Semco Holdco, S. de R. L. de C. V. ("Semco", a subsidiary of Sempra Energy), agreeing to pay for such capital increase through a contribution of IEnova's shares in an amount to be determined based on the price per share in the Global Offering, and subject to the shares being duly registered with the Mexican National Securities Registry ("RNV", by its initials in Spanish). On March 21, 2013, the effective date of the Global Offering and registration of IEnova's shares with the RNV, Semco acquired 100% of the Shares of BV11 pursuant to the above described terms; therefore, beginning on this date, Semco was the new Parent Company of IEnova.

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

In connection with the Global Offering, on March 27, 2013, the underwriters in México and abroad exercised the over-allotment option. The amount of over-allotment was $78,106 ($967 million Pesos), related to 28,449,196 shares at the placement price of $34.00 Pesos per share.

On September 14, 2015, the Ordinary and Extraordinary Shareholders' Meeting approved the proposal of an equity offering through a combined global offering which consists of a public offering in Mexico to the general public and a concurrent international offering as defined by Rule 144A and in Regulation S, under the United States Securities Act of 1933.

In addition an equity increase was approved for up to $3.3 billion Mexican Pesos Ordinary and Extraordinary Shareholders' Meetings; of which 330 million ordinary shares were issued. As of December 31, 2015, such shares have not been subscribed nor paid, and therefore no impacts have been reflected in the consolidated financial statements.

25. Declared dividends

During 2015, 2014 and 2013, pursuant to the resolution of Extraordinary Stockholders' Meetings, payments of dividends in cash were approved, to be paid from retained CUFIN balances. Under Mexican tax regulation, dividends paid from CUFIN balances are not taxed, dividends were declared and paid, for the following amounts:

Meeting date	
July 28, 2015 (*)	$ 170,000
July 22, 2014	$ 164,000
March 1, 2013	$ 39,000
October 7, 2013	117,000
	$ 156,000

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

25.1. Dividends per share

	Cents per share for year ended		
	12/31/15	12/31/14	12/31/13
IEnova	$ 0.15	$ 0.14	$ 0.14

26. Segment information

26.1. Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments under IFRS 8, Operating Segments, are described and presented in Note 1.3.

The following tables show selected information by segment from the consolidated statements of profit and loss and consolidated statements of financial position:

26.2. Segment revenues and results

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

	Segment revenue		
	12/31/15	12/31/14	12/31/13
Gas:			
Revenues from customers	$ 425,618	$ 507,312	$ 416,829
Revenues from unconsolidated affiliates	100,821	90,871	90,985
Intersegment sales	255,012	301,870	252,117
Power:			
Revenues from unconsolidated affiliates	143,498	222,471	168,340
Intersegment sales	46,237	66,085	52,950
Corporate:			
Allocation of professional services with unconsolidated affiliates	1,766	2,142	1,682
Intersegment professional services	35,527	27,468	35,854
	1,008,479	1,218,219	1,018,757
Intersegment adjustment and eliminations	(336,776)	(395,423)	(340,921)
Total segment revenues	$ 671,703	$ 822,796	$ 677,836

	Segment profit		
	12/31/15	12/31/14	12/31/13
Gas	$ 179,049	$ 161,120	$ 180,296
Power	(4,362)	28,611	8,567
Corporate	(34,498)	(52,797)	(46,473)
Total segment profit	$ 140,189	$ 136,934	$ 142,390

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.

26.3. Assets and liabilities by segment

	12/31/15	12/31/14	12/31/13
Assets by segment:			
Gas	$ 2,916,917	$ 2,684,488	$ 2,413,965
Power	382,763	417,601	433,894
Corporate	207,402	278,129	394,049
Consolidated total assets	$ 3,507,082	$ 3,380,218	$ 3,241,908
Liabilities by segment:			
Gas	$ 346,106	$ 334,572	$ 272,298
Power	66,493	76,076	64,794
Corporate	914,619	720,282	588,404
Consolidated total liabilities	$ 1,327,218	$ 1,130,930	$ 925,496

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., and
- All liabilities are allocated to reportable segments.

26.4. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 2,687,691	$ 2,414,223	$ 2,138,129	$ (370,690)	$ (326,875)	$ (287,407)
Power	450,665	447,038	504,595	(180,461)	(165,795)	(150,791)
Corporate	15,048	14,164	13,156	(6,413)	(5,016)	(3,845)
	$ 3,153,404	$ 2,875,425	$ 2,655,880	$ (557,564)	$ (497,686)	$ (442,043)

	Depreciation and amortization			Additions to property, plant and equipment		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 50,909	$ 45,403	$ 44,605	$ 308,137	$ 291,424	$ 337,545
Power	15,257	15,234	15,420	6,436	70,611	63,345
Corporate	1,516	1,306	1,139	1,071	1,008	5,246
	$ 67,682	$ 61,943	$ 61,164	$ 315,644	$ 363,043	$ 406,136

	Interest income			Finance (cost) income		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 562	$ 529	$ 1,140	$ 22,856	$ 30,322	$ 12,046
Power	1,493	817	5	(25)	1,182	683
Corporate	4,688	1,953	227	(32,934)	(30,361)	(17,764)
	$ 6,743	$ 3,299	$ 1,372	$ (10,103)	$ 1,143	$ (5,035)

	Share of profits of joint ventures			Income tax expense		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
Gas	$ 41,485	$ 24,770	$ 34,689	$ (99,988)	$ (87,581)	$ (57,165)
Power	834	(1,424)	-	(4,167)	(8,932)	9,158
Corporate	-	-	-	3,749	(14,770)	(35,785)
	$ 42,319	$ 23,346	$ 34,689	$ (100,406)	$ (111,283)	$ (83,792)

26.5. 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:

	Year ended 12/31/15	12/31/14	12/31/13
Power generation	$ 143,073	$ 222,471	$ 168,340
Sale of natural gas	139,732	230,003	169,832
Storage and regasification capacity	93,652	93,744	93,785
Natural gas distribution	81,411	109,330	99,235
Transportation of natural gas	95,520	56,915	44,335
Other operating revenues (a)	118,315	110,333	102,309
	$ 671,703	$ 822,796	$ 677,836

(a) Due to a lack of LNG cargoes, IEnova LNG, S. de R. L. de C. V. (formerly Sempra LNG Marketing México, S. de R. L. de C. V.) received payments from SLNGI and SLNGIH related to the losses and obligations incurred in the amount of $101.0 million, $90.8 million and $90.9 million for the year ended December 31, 2015, 2014 and 2013, respectively; such balances are presented within the revenues line item in the consolidated statements of profit.

27. Interest income

	Year ended 12/31/15	12/31/14	12/31/13
Interest income:			
Bank investments	$ 642	$ 759	$ 1,369
Unconsolidated affiliates	6,101	2,540	3
	$ 6,743	$ 3,299	$ 1,372

The following is an analysis of interest income by category of asset.

	Year ended 12/31/15	12/31/14	12/31/13
Held-to-maturity investments	$ 642	$ 759	$ 1,369
Loans and receivables (including cash and bank balances)	6,101	2,540	3
	$ 6,743	$ 3,299	$ 1,372

28. Operating, administrative and other expenses

	Year ended 12/31/15	12/31/14	12/31/13
Employee benefits expenses	$ 38,208	$ 34,141	$ 23,221
Purchased materials	12,038	11,316	12,274
Purchased services	36,804	34,976	47,409
Outside services and others	17,163	17,951	16,781
	$ 104,213	$ 98,384	$ 99,685

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.

29. Other (losses) and gains

	Year ended 12/31/15	12/31/14	12/31/13
Net foreign exchange losses	$ (8,548)	$ (9,057)	$ (2,303)
Gain on sale of equity interest in subsidiary	-	18,824	-
Net (loss) gain arising on financial liabilities classified as held for trading (a)	(5,663)	(12,424)	8,272
Other gains	2,636	3,915	1,017
	$ (11,575)	$ 1,258	$ 6,986

(a) The amount represents a change in fair value arising from the interest rate swap (see Note 22.8) and the related settlements.

30. Finance (costs) income

	Year ended 12/31/15	12/31/14	12/31/13
Interest on loans from unconsolidated affiliates	$ (5,438)	$ (1,596)	$ (2,761)
Decommissioning liabilities accretion expense	(1,597)	(1,330)	(1,432)
Interest of long-term loan	(16,363)	(16,363)	(13,636)
Capitalized interest (a)	15,099	21,016	12,811
Other finance costs	(1,804)	(584)	(17)
	$ (10,103)	$ 1,143	$ (5,035)

(a) Refer to Note 13, for the capitalized interest on qualified assets.

31. Depreciation and amortization

	Year ended 12/31/15	12/31/14	12/31/13
Depreciation of property, plant and equipment	$ 67,531	$ 61,792	$ 61,013
Amortization of other assets	151	151	151
Total depreciation and amortization expense	$ 67,682	$ 61,943	$ 61,164

32. Basic and diluted earnings per share

	Year ended 12/31/15	12/31/14	12/31/13
Basic and diluted earnings per share in U.S. Dollar	$ 0.12	$ 0.12	$ 0.13

32.1. Earnings used in the calculation of basic and diluted earnings per share

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

	Year ended		
	12/31/15	**12/31/14**	**12/31/13**
Earnings used in the calculation of basic and diluted earnings per share	$ 140,189	$ 136,934	$ 142,390

	Year ended		
	31/12/15	**31/12/14**	**31/12/13**
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,154,023,812	1,123,885,851

Due to Company exchanged its social parts for shares (see Note 24.1.) during the year ended December 31, 2013, the basic and diluted earnings per share were calculated retrospectively to December 31, 2013, considering the same number of exchanged shares.

The Company does not have potentially dilutive shares.

33. Commitments

33.1. 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 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.

e. GAP entered into a 25 year capacity contract with CFE corresponding to segment Sásabe Guaymas, which started operations in December 2014 and has a capacity of 793,100 Dth/d.

f. The Company entered into sale of natural gas contract with British Petroleum from February 1, 2015 to January 31, 2017 for 14,000 MMBtus daily.

33.2. Purchase commitments

a. TDM signed a five year contract for the sale of natural gas with RBS Sempra Energy Trading México, S. de R. L de C. V., an unconsolidated affiliate, starting from September 1, 2009. As of May 1, 2011, the contract was assigned to JPM Energy Ventures México, S. de R. L de C. V. ("JPM"). TDM is obligated to buy and JPM is required to supply a load equal volume daily basis, but not less than the minimum amount (70,000 MMBtus per day) or more than the maximum amount (105,000 MMBtus / d). Please refer to note 1.3.2 a.

During 2014 and 2013, payments under the contract were $119,575 and $92,620, respectively; such contract was replaced with SLNGM in 2015.

b. 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, and 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 was obligated to make quarterly payments of $30.0 during the first five years or until the start of commercial operations. In addition, $1,500.0 was due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 250 MW, and $300.0 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. 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 2015, 2014 and 2013, payments under the agreement were $1,158.0, $144.0 and $144.0 respectively. Future contractual cash payments are as follows:

Year	**Amounts**
2016	$ 120
2017	120
2018	120
Thereafter	2,280
	$ 2,640

c. 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 $296.0 and is obligated to make quarterly payments of $74.0 during the first 10 years or until the start of commercial operations. In addition, $294.0 is due at the beginning of excavation for turbine foundations for the first block with a capacity not greater than 100 MW, and $71.0 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 $75.0 or 3.5 % of gross revenues from the sale of electricity for the remainder of the term.

During 2015, 2014 and 2013, payments under the agreements were $283.0, $294.0 and $294.0 respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$ 310
2017	294
2018	294
	$ 898

d. 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 México, and is issued by SEMARNAT. 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.

e. The Company leases the building space of its administrative offices in the cities of (Tijuana only in 2013), Mexicali, Chihuahua, Durango, and México City. During 2015, 2014 and 2013, the rent expense amounted to $2,254.0 $2,477.0 and $1,976.0, respectively.

The leases expire in 2015 through 2021 and establish the following future contractual payments:

Years	Amounts
2016	$ 2,121
2017	2,048
2018	1,566
Thereafter	1,087
	$ 6,822

f. During 2003, TDM entered into a long term services agreement (“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 $24.0 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 2015, 2014 and 2013 fixed payments, under the LTSA, were $299.0, $397.0 and $645.0, respectively; variable payments under such LTSA were $3,838.0, $5,168.0 and $6,484.0, respectively.

Future contractual cash payments under the LTSA are as follows:

Years	Amounts
2016	$ 496
2017	397
2018	397
Thereafter	1,190
	$ 2,480

g. 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 2013, the company renegotiated the agreement-terms until 2018.

During 2015, 2014 and 2013, payments under the agreement were $1,826.0, $1,560.0 and $1,511.0, respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$ 4,144
2017	4,254
2018	441
	$ 8,839

h. ECA entered into various technical service and maintenance agreements with third parties. During 2015, 2014 and 2013, payments under such agreements were $10,016.8, $5,237.0 and $10,747.0, respectively. Future contractual cash payments of such commitments are as follows.

Years	Amounts
2016	$ 9,594
2017	1,941
2018	1,200
Thereafter	20,400
	$ 33,135

i. On January 1, 2013 (with effective date on January 1, 2012), SGEN and TDM entered into an schedule coordination, energy management and related services agreement, with term of 5 years (with possibility to extend 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 2015, 2014 and 2013, payments under the agreement were $4,707.0 and $5,004.0 and $1,800.0 respectively. Future contractual cash payments are as follows:

Years	Amounts
2016	$ 2,098
2017	1,981
Thereafter	2,021
	$ 6,100

j. 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 by the CFE with two contracts 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 is 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 (already in service); 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 Sonora Pipeline pipeline will be approximately $1.0 billion. The capacity of the Sonora 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 Sonora Pipeline, GAP issued 2 irrevocable standby credit letters, for $90.0 million and $65.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until November 30, 2039 and until October 31, 2041, respectively.

k. In order to carry out the construction of the Sonora pipeline project, 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 took place in several stages and was completed in August, 2015. The contract value was $155,335; in this transaction Sempra Energy was 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 took place in several stages and was completed in July 2014. The supply contract value was $123.3, and as a guarantee of compliance, GAP issued an irrevocable standby credit letter for $28.6 regarding the 20% in advance of the contract plus VAT, with due date on January 4, 2013.

- On February 1, 2013, GAP held a contract with Tuberías Procarsa, S. A. de C. V.; the work took place in several stages and it was completed in August 2015. The supply contract value was $53.9 million, and as a guarantee of compliance, GAP issued an irrevocable standby letter of credit for $28.5 million regarding the 47% in advance of the contract plus VAT, with a maturity date of May 14, 2013.

l. 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 $87.8 million, for such trust agreement, and for which the Company paid it. 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.

m. 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 Km, 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 reporting 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 $30.0 million, up to the date of commercial operation and, after that date, up to an amount equals to the largest among between: (a) 10% of the estimated amount to deliver by PGPB for payment of transportation services per year, or (b) the 10% of the annual average estimated amount to exercise 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 $330.0 million.

n. In 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 with the U. S., and reaching Los Ramones in Nuevo Leon, México, and that will be developed by GdC. The pipeline network will incorporate tubes with diameters of 48, 42 and 24 inches and will feature five compression stations. The 17% demand for gas in the Centre - West of México will be satisfied with this infrastructure.

o. On January 1, 2013, the Company entered into an Information Technology Services Agreement with Sempra U.S. Gas & Power (a related party in U.S.). Pursuant to this agreement, Sempra U.S. Gas & Power will provide certain software and information technology services, including software, support and security services. The Company paid $6.7 million, $7.1 million, $7.1 million for 2015, 2014 and 2013, respectively. This agreement has an initial term of five years.

p. On February 28, 2013, the Company entered into a Management, Technical and Advisory Services Agreement with Sempra International (a related party in U.S.); pursuant to which Sempra International (directly or through affiliates) will provide with certain support services. The Company paid $5.8 million, $7.3 million, $6.7 million for 2015, 2014 and 2013, respectively. The contract has indefinite term.

q. *Pipeline Gasoducto Sonora*. According to the turnkey contract with GDI SICIM Pipeline (GSP) for the construction of the Sonora project, GSP is committed to complete the construction works according to the technical specifications indicated in the tender and the natural gas transportation service contracts between GAP and CFE, complying with GAP's schedule and construction plan; with proven and fully operating facilities. The project construction materials will be supplied by GAP; also, GAP will be responsible for obtaining the rights of ways required for the construction and operation of the gas pipeline network.

The construction of the project will include two segments; the first will have a length of approximately 505 Km, diameter of 36 inches a transportation capacity of 770 Mmcfd; and the second, will have a length of approximately 330 Km, diameter of 30 inches and a transportation capacity of 510 Mmcfd. The construction of the first segment started on the execution of the contract and was concluded in the 4th quarter of 2014. The second segment commenced in September 2013 and was concluded on February 15, 2015.

The contract price for the construction of the first segment will be $117.0 million until termination, with the option to extend to the second segment.

r. *Ojinaga - El Encino.* In December 2014, GAP entered into the Ojinaga pipeline natural gas transportation services agreement with the CFE which has a term of 25 years. The CFE contracted 100% of the transportation capacity of the Ojinaga pipeline, equal to 1.4 billion CFPD.

- In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Ojinaga – El Encino pipeline, GAP issued an irrevocable standby credit letter, for $90.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until March 29, 2042.

- During March, 2015, the Company entered into trust agreements with the Governments of the Mexican States of Chihuahua, for a total of $7.9 million, for such trust agreement, and for which the Company paid advances in April and October 2015 for $0.8 and $3.8 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 gas pipeline.

- On February 9, 2015, GAP held a contract with Tuberías Procarsa, S. A. de C. V. The supply contract value is $62.0 million.

- According to the turnkey contract with Bonatti S.A.P. for the construction of the Ojinaga – El Encino project, Bonatti S.A.P. is committed to complete the construction works according to the technical specifications indicated in the tender and the natural gas transportation service contracts between GAP and CFE, complying with GAP's schedule and construction plan; with proven and fully operating facilities. The project construction materials will be supplied by GAP; also, GAP will be responsible for obtaining the rights of ways required for the construction and operation of the gas pipeline network. The contract price for the construction will be $101.0 million until termination.

s. *San Isidro to Samalayuca.* During 2015, the GAP, was declared winner of the CFE tender for a Natural Gas Transportation Contract through a pipeline from San Isidro to Samalayuca in the State of Chihuahua. Such project consists of a header facility with a capacity of 3 billion CFPD and a 23 Km pipeline.

- In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the San Isidro - Samalayuca pipeline, GAP issued an irrevocable standby credit letter, for $20.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until January 30, 2042.

- During August 2015, the Company entered into trust agreements with the Governments of the Mexican States of Chihuahua, for a total of $2.7 million, for such trust agreement, and for which the Company paid advances in September 2015 for $0.2 million. These contracts were entered into in order to comply with the bidding rules of the CFE's tender for the construction and operation of gas pipeline.

- During August 2015 the Company entered into according to the turnkey contract for the solar turbines for the project, the value is $32.0 million until termination estimated on June 2016.

t. *Energía Sierra Juárez.* According to Wind Turbine Supply and Warranty Agreement, for developing the first phase of the Energía Sierra Juárez project, the contracting parties agreed: (i) ESJ, ESJ Turbinas and ESJ Turbinas II will acquire from Vestas, jointly, 47 wind turbines, as well as the option to acquire 5 more turbines, (ii) IEnova will act as the guarantor of the obligations of ESJ Turbinas and ESJ Turbines II under the supply contract, and (iii) Vestas will provide maintenance services to wind turbines to ESJ.

   The supply contract price is $159.0 million.

u. On July 10, 2013, regarding the development of first phase of the Energía Sierra Juárez project, ESJ, ESJ Turbinas, ESJ Turbinas II and Anemo Energy, S. de R. L. de C. V. ("Anemo Energy") entering into an Engineering, Procurement and Construction Agreement. Under the terms of the agreement, Anemo Energy will provide technical assistance, engineering services, construction management for the completion of a wind-powered electric generating facility with a maximum capacity from approximately 156 to 174 MW.

   The contract price is $73.7 million.

33.3. Natural gas commitments

a. On July 19, 2013, GdC entered into a contract with PGPB for providing natural gas transportation service, for 25 years regarding all of the transport capacity of the pipeline network known as "Los Ramones I".

b. On August 27, 2015 IEnova LNG entered into a contract with SGEN, for providing natural gas with maximum contract quantity for 8,100 MMBtu with price of $0.035/MMBtu until August 31, 2018.

c. On August 20, 2015 IEnova LNG entered into a contract with Igasamex Bajío S. de R.L. de C.V., for providing natural gas with maximum contract quantity for 8,100 MMBtu with price of $0.07/MMBtu until August 31, 2018.

d. On July 1, 2015 IEnova LNG entered into a contract with Sempra LNG International Holdings, LLC, to transfer profits and losses under the deed of indemnity until August 30, 2029.

Other commitments-

e. As mentioned in Note 11.1, the Company has made capital increase contributions to TAG Holding.

f. As mentioned in Note 11.2, the Company has signed a bank loan, which is guaranteed by the ESJ project.

34. Contingencies

34.1 Matters related with tax authorities

Additional income taxes payable could arise in transactions with nonresident unconsolidated affiliates 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.

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:

<u>*Matters on ECA*</u>

a. *Motions for review (recurso de revisión) against MIA of the ECA Terminal, filed by Castro, Valdez y Palafox.* In May 2003, *Hiram Castro Cruz* and *Roberto Valdéz Castañeda ("Castro* and *Valdez"),* jointly, and Mónica Fabiola Palafox ("Palafox"), acting individually filed *motions for review* before the Ministry of the Environment and Natural Resources *(Secretaría de Medio Ambiente y Recursos Naturales, SEMARNAT)* to challenge the issuance of the MIA to the ECA Terminal granted in April 2003, based on allegations similar to IVG's allegations. SEMARNAT dismissed the motions and the plaintiffs filed before the Federal Court of Tax and Administrative Justice *(Tribunal Federal de Justicia Fiscal y Administrativa, TFJFA),* in Mexico city, motions for annulment against the respective rulings. In January 2006 and May 2013, the TFJFA issued the judgments declaring null and void the rulings through which SEMARNAT dismissed the motions for annulment ordering SEMARNAT to issue new rulings in the terms set forth in such judgments. In the case of *Castro* and *Valdéz,* SEMARNAT admitted the motion and in January 2012 it issued a resolution ratifying the validity of the MIA. In March 2012, *Valdéz* filed before the TFJFA a motion for annulment against the ruling issued by SEMARNAT and ECA filed before the Collegiate Circuit Court for the Federal District, a motion against the ruling whereby the TFJFA ordered the admittance of the motion filed by *Valdez.* In the case of Palafox, SEMARNAT has not issued its resolution on the MIA yet. The management of the Company deems that the claims of *Castro, Valdéz* and *Palafox* are unfounded.

   The judgment of nullity of Castro is pending. In the case of *Palafox,* the situation has not changed compared to the previous report.

b. Motion for annulment *against ECA's port concession, filed by IVG.* In January 2005, IVG filed before the Ministry of Communications and Transport *(Secretaría de Comunicaciones y Transportes, "SCT")* a motion for annulment regarding ECA's port concession, which authorizes ECA to use the national port facilities for its maritime operations. IVG argued that the SCT should have applied certain environmental requirements regarding the authorization of the port concession to ECA and that the activities performed by ECA's Terminal are not attributable to the SCT, as well as that ECA did not perform any environmental risk assessment and that the SEMARNAT amended the MIA without notifying such circumstance to the SCT. In March 2005, the SCT dismissed such motion and IVG filed before the TFJFA in Mexico City a motion for annulment against the respective ruling. In March 2010, the TFJFA issued a judgment declaring null and void the ruling whereby the SCT dismissed the motion for review and ordering the latter to admit such motion. In May 2011, the SCT issued a new agreement dismissing the motion once again. In August 2011, IVG filed a second motion for annulment before the TFJFA, confirming its previous arguments and arguing, besides, that the SCT is not empowered to issue the ruling. ECA challenged the ruling whereby the TFJFA admitted the second motion for annulment based on the fact that IVG's claims were resolved during the previous motion. In June 2012, the TFJFA agreed with such argument and dismissed the second motion for annulment filed by IVG. IVG filed a constitutional claim *(amparo)* before the Federal Courts, against the last ruling of the TFJFA. The answer to such claim was made by the Company on August 27, 2012. The SCT and ECA's Terminal answered such claim. During 2013, IVG filed a constitutional claim before the Federal Courts, against the dismissal of the motion before the TFJFA, protection which was granted reversing the dismissal of the motion for annulment. The motion for annulment is pending and therein both the SCT and the ECA Terminal have already answered the claim.

As to the motion for revocation *(recurso de revocación)* against the port concession granted to ECA before the Ministry of Communications and Transports ("SCT"), regarding the port concession for purposes of its maritime operations, we report the following:

On February 19, 2015, a Collegiate Court ruled favorably to ECA's interests, denying the constitutional claim filed by Vista Golf against the ruling of the Federal Court of Tax and Administrative Justice, also issued in favor of ECA's interests.

Therefore, on April 24, 2015, the Federal Court of Tax and Administrative Justice concluded the nullity trial fully and the judgment issued in favor of ECA is in consequence definitive.

c. *Motion for review against MIA of ECA's Terminal, filed by Inmuebles Baja Pacífico, S.A. de C.V. ("IBP").* In 2006, IBP started an action / "popular claim" before the Federal Attorney General Office of Environmental Protection *(Procuraduría Federal de Protección al Ambiente, PROFEPA)* arguing that the conditions and relief measures set forth in the authorization of environmental impact would be insufficient and that the operation of ECA's Terminal would cause a damage to the environment, seeking, among others, the order to amend or annul the referred Authorization in the Subject of Environmental Impact. The proceedings ended in 2006 in favor of ECA. IBP filed a motion for review against such ruling, resolving it grounded and ordering the issuance of a new resolution assessing the evidence of IBP and resolving on the compliance of the environmental legislation.

In compliance to the rulings in the motion for review, PROFEPA performed inspections on ECA's Terminal and it determined that its operations comply with the determinants and relief measures imposed in the authorization in the subject of environmental impact and they do not cause damage to the environment. Such resolution was challenged by IBP through the proceeding for annulment *(juicio de nulidad)* before the Federal Court of Tax and Administrative Justice ("TFJFA"), which in August 2013 declared the nullity of the challenged resolution considering that the authority did not ground duly its territorial competence and it ordered PROFEPA to issue a new resolution considering the evidence delivered by IBP setting forth why they would be insufficient to prove the breach of the applicable legislation. Against TFJFA's ruling, both IPB and ECA filed constitutional trials, respectively, which were resolved in February 2015 determining to dismiss the constitutional claim brought by IPB and grant protection to ECA under the consideration that IBP lacks of *standi*/legal interest to challenge through proceeding for annulment the resolution of the popular claim, ordering the TJFFA the issuance of a new resolution in congruence.

In such circumstances, and given the resolution in the constitutional trial, in July 2015 the TFJFA issued a new resolution dismissing IBP's proceeding. In November 2015, the TFJFA determined that its judgment of July 2015 was definitive, being fully concluded in favor of ECA.

d. *Constitutional Claim filed by Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie").* In June 2010, *Sánchez Ritchie* filed a constitutional claim in the Collegiate District Court of the State of *Baja California,* Mexico, challenging the validity of all the permits and authorizations related to the construction and operation of ECA's Terminal. The motion of *Sánchez Ritchie* named as defendants 17 governmental agencies, including SEMARNAT, the Regulating Energy Commission *(Comisión Reguladora de Energía, CRE)* and the Municipality of *Ensenada*, among others. Although the first permits of ECA's Terminal were issued more than six years before its filing, *Sánchez Ritchie* claims that the operation of ECA's Terminal would impair its rights as alleged owner of the property adjacent to ECA's Terminal (which is disputed by ECA) and that ECA's permits were granted in breach of its rights. *Sánchez Ritchie* claims the payment of damages and the order to the defendant authorities to revoke the permits for ECA's Terminal. On June 17, 2010, the District Court issued an interim judgment ordering the different authorities to suspend ECA's permits, but such provisional order was revoked by the Circuit Court on June 24, 2010 before the governmental authorities answered. Each one of the governmental authorities named in the constitutional claim denied the charges and affirmed the validity of their respective permits and authorizations. The allegations hearing of *Sánchez Ritchie* has been adjourned due to the filing of many remedies and other procedural acts. In May 2012, the case was submitted to the Collegiate District Court of *Tijuana* and an issuance date of the interim judgment regarding the admissibility of the constitutional claim has not been set. The Company deems that the claims of *Sánchez Ritchie* are unfounded.

The constitutional hearing in the issue was held on December 8, 2014.

On February 16, 2015, the Third District Court in the subject of constitutional trial and federal trials in the State of *Baja California* issued a resolution whereby it dismissed the constitutional trial. *Ramón Eugenio Sánchez Ritchie* filed a direct constitutional claim and it is pending of resolution in the First Collegiate Court.

e. *Municipal claim filed by Sánchez Ritchie.* In February 2011, *Sánchez Ritchie* filed a complaint before the Directorate of Urban Control *(Dirección de Control Urbano, DCU)* of the Municipality of *Ensenada,* in *Baja California,* Mexico, arguing the invalidity of the zoning and construction permits granted to ECA's Terminal in 2003 and 2004, respectively. Although the Municipality had ratified the validity of the permits in its answer to the constitutional claim of *Sánchez Ritchie* described above, shortly after receiving the complaint, the DCU issued an order of temporary closing and immediate cessation of operations. The actions of the authorities of the state and federal government prevented the interruption of the operations of the terminal, while ECA filed an answer to the administrative complaint before the DCU as well as a constitutional claim before the Collegiate District Court in *Ensenada.* In March 2011, the District Court granted the suspension of the closing order until the resolution of ECA's constitutional claim, which was confirmed by the Collegiate Circuit Courts in *Mexicali.* As informed on April 28, 2014, on such date the Municipality of *Ensenada* declared itself incompetent to deal with, transact, continue with the transaction and, at the time, resolve the proceedings started in 2011 by *Ramón Eugenio Sánchez Ritchie.* Therein, the authority resolved to rescind the acts in the administrative proceedings, including the closing order, ordering to close the file as a fully and duly concluded issue. The referred memorandum was eventually challenged before an Administrative Court by *Ramón Eugenio Sánchez Ritchie,* which was resolved favorably to the interests of ECA. The resolution mentioned above was not challenged because the issue was fully concluded and the judgment in favor of ECA is, in consequence, definitive.

f. *Saloman Arya Furst* and *Abraham Hanono Raffoul* filed before the Unitary Agrarian District Court of *Ensenada* a claim against the Ministry of Agrarian Reform *(Secretaría de la Reforma Agraria),* ECA and other 20 defendants. The purpose of such claim is to procure a declaration of nullity of the property rights granted by the National Agrarian Registry regarding some plots of land where ECA's Terminal is located, as well as the return of another plot which allegedly is located in the same place, based on the argument that the property titles issued in favor of the ECA's former owners were issued improperly and without considering the existing property rights of such immovable property. In September 2011 was held a definitive hearing on the subject, where the plaintiffs offered evidence to extend their claim. The judge did not admit the evidence, and before issuing the judgment, the plaintiffs filed a constitutional claim against the refusal of the judge to the admittance of the evidence. The action of the judge is suspended by the constitutional claim, and, the constitutional trial cannot continue until the Court serves notice of the civil claim to the other defendants, which has not happened. The Company deems that the claim is unfounded.

After several adjourned hearings, on June 9, 2015 the parties were duly notified of these proceedings. On that same date, the hearing was held, during which the disputed issues were set and the evidence of all the parties was offered. Given the amount of evidentiary material, the Court reserved the right of study and assessment thereof to subsequently set a new date of hearing. It was held on September 2015 where it is expected to have a resolution within eight months from the hearing.

g. *Criminal Investigation.* In May 2009, *Sánchez Ritchie* filed before the Attorney General Office of *Ensenada* a criminal complaint arguing that "Sempra's affiliates", several employees of ECA's Terminal and several former employees of such Office committed the crime of procedural fraud as to a criminal complaint filed by ECA, which owns ECA's Terminal against *Sánchez Ritchie* in 2006 as part of the conflict related to the possession of an immovable property adjacent to ECA's Terminal, which is property of the Company. In September 2006, ECA accused *Sánchez Ritchie* of the crime of dispossession for having trespassed ECA's immovable property. As part of such proceedings, the public prosecutor issued a provisional order to remove *Sánchez Ritchie* from the immovable property. In the criminal complaints filed in 2009, *Sánchez Ritchie* argued that ECA and the other defendants provided false information to obtain such order. The public prosecutor responsible of the case determined that there was not enough evidence to prosecute the defendants and closed the investigation; and in March 2011, the criminal court of *Tijuana* ratified the withdrawal of the action. In September 2011, *Sánchez Ritchie* filed a constitutional claim against the respective ruling before the Collegiate District Court of *Ensenada.* The hearing to analyze the substantive aspects of the constitutional claim was held in March 2012 and in July 2012 the judge granted the protection regarding the omission in the study, by the criminal judge, of certain evidence and arguments submitted by *Sánchez Ritchie.* The district judge ordered the criminal judge to issue a new resolution considering such issues. ECA's Terminal appealed the resolution in the Federal Circuit Court, which has not issued a resolution about it. The Company deems that the claims of *Sánchez Ritchie* are unfounded.

h. *Motion for review against the authorizaiton of environmental impact for ECA's Terminal, filed by Inmuebles Vista Golf.* In May 2003, *Inmuebles Vista Golf, S.A. de C.V.* filed before SEMARNAT a motion for review against the resolution issued by such authority in April 2003, whereby it granted to the Company the authorization of environmental impact for ECA's Terminal. *Inmuebles Vista Golf* argues that SEMARNAT did not give the necessary notices and did not abide by the applicable proceedings to grant such authorization; that the activities of ECA's Terminal are of industrial nature and, therefore, they do not meet the provisions in the Regional Development Program of the Coastal Corridor *Tijuana-Rosarito-Ensenada* (known as COCOTREN); and that the conditions and relief measures set forth in the authorization were insufficient. In August 2003, SEMARNAT dismissed such motion and in December 2003 *Inmuebles Vista Golf* filed before the TFJFA, in Mexico City, a proceeding for annulment against the respective ruling. In April 2005, the TFJFA issued a ruling declaring the nullity of the respective ruling, therefore SEMARNAT continued the motion for review and in July 2006 resolved it confirming the validity and legality of the authorization of environmental impact. In October 2006, *Inmuebles Vista Golf* filed before the TFJFA, in Mexico City, a proceeding for annulment against SEMARNAT's respective resolution. In December 2010, TFJA confirmed the validity and legality of the resolution through which SEMARNAT confirmed the validity and legality of the authorization of environmental impact. Against TFJFA's resolution, *Inmuebles Vista Golf* filed a direct constitutional trial before the Collegiate Circuit Court in the Federal District. The constitutional trial was resolved through resolution of April 2012, whereby was granted the protection for the TFJFA to assess all the evidence provided by the parties, specifically the expert evidence in trial. In August 2012, the TFJFA issued a new ruling ratifying once again the validity of the authorization of environmental impact and the sufficiency of the conditions and relief measures to prevent the damages to the environment set forth therein. *Inmuebles Vista Golf* filed a new constitutional claim against the judgment of August 2012 of the TFJFA, on the other hand, ECA filed an adjacent constitutional claim. In May 2013, the First Chamber of the Supreme Court of Justice of the Nation decided to intervene in the constitutional claim filed by *Inmuebles Vista Golf.* In a public hearing held on February 7, 2014, the First Chamber of the Supreme Court of Justice of the Nation resolved to "dismiss the constitutional trial and leave the adjacent constitutional claim without subject", therefore the affair is fully concluded in favor of ECA.

<u>*Affairs on ESJ*</u>

a. In November 2011, *Terra Peninsular, A.C.* ("TP"), an environmental organization, filed before the TFJFA of Mexico City a motion for review against the resolution whereby SEMARNAT granted to ESJ the authorization of environmental impact for the construction and operation of ESJ wind farm. TP argues that it did not receive notice of such resolution; and that the MIA was not assessed pursuant to the applicable legislation, since otherwise, SEMARNAT would have denied such authorization. However, TP does not specify the laws or regulations that were not duly applied. Besides of the foregoing, TP argues that the different stages of the project should require independent authorizations; and that the granting of a conditional authorization for the development of future states which have not been fully defined is insufficient to protect the environment. The TFJFA denied the suspension order requested by TP, but admitted the claim. ESJ and SEMARNAT filed their respective answers to the claim in June 2012, arguing that the motion filed by TP is untimely and that the MIA was duly granted. The judge has admitted the experts brought by the parties and ESJ's and SEMARNAT's experts have submitted their expert opinions. Once TP submits its expert opinion, the judge shall determine the trial within 15 days. The request filed by TP for the final suspension is also pending. The management of the Company deems that TP's claims are unfounded.

The operations of ECA's Terminal, TDM's plant ad ESJ's wind farm have not been affected as a result of the proceedings described above and they continue operating normally during the process thereof. However, if any of such proceedings was resolved unfavorably for the Company, the operations of ECA's Terminal and/or TDM's generating plant might be affected adversely and significantly, which in turn might have a significant adverse effect on the activities, perspectives, the financial position, the operation results and the cash flows of the Company.

Except for the affairs stated above, neither the Company nor its assets are subject to any other legal action different from those arisen in the normal course of business.

35. Application of new and revised International Financial Reporting Standards

a. *Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year*

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The Company has applied the amendments for the first time in the current year. Prior to the amendments, the Company accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Company to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.

- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Company recognizes the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Company's consolidated financial statements.

Annual Improvements to IFRSs 2010 - 2012 Cycle* and *2011 – 2013 Cycle

The Company has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010-2012 Cycle* and *2011 – 2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments*. The Company has aggregated several operating segments into a single operating segment and made the required disclosures in Note 26 in accordance with the amendments. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Company's consolidated financial statements.

b. ***New and revised IFRSs in issue but not yet effective***

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IFRS 16	Leases[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments for IAS 27	Separate Financial Statements[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted".

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires a Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a Company's risk management activities have also been introduced.

The Company's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, a Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Company's management anticipates that the application of IFRS 15 in the future may does not have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

IFRS 14, ***Regulatory Deferral Accounts***

IFRS 14, "*Regulatory Deferral Accounts*", was issued in January 2014 and applies to annual reporting periods beginning on or after 1 January 2016, earlier application is permitted. The standard specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when a Company provides goods or services to customers at a price or rate that is subject to rate regulation. It permits a Company which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP."

IFRS 16, ***Leases***

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Company's management anticipates that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Company undertakes a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Company's consolidated financial statements.

Amendments to IAS 16 IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Company's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent Company that is a subsidiary of an investment Company, even if the investment Company measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment Company to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Company's consolidated financial statements as the Company is not an investment Company and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment Company.

Amendments to IAS 27, Separate Financial Statements

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

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when a Company reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply.

The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Company's consolidated financial statements.

36. Events after reporting date

In February 2016, management approved a plan to market and sell Sempra Mexico's Termoeléctrica de Mexicali, a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As a result, in February 2016, we ceased depreciating the plant and classified as an asset held for sale. Although we believe fair value approximates or exceeds the carrying value of the asset, in the event that the estimated sales price from the planned sale of Termoeléctrica de Mexicali is less than the carrying value, the Company may recognize an impairment loss in the Consolidated Statements of Profit.

37. Approval of financial statements

The accompanying consolidated financial statements were authorized for issuance on February 22, 2015, by Arturo Infanzón Favela, Executive Vice President of Operations and Finance, and subject to the approval of the Management Board and the ordinary shareholders of the Company, who may be modified in accordance with the provisions of the General Law of Commercial.

38. Registered offices

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  México, D. F.

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

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

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

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

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Termoeléctrica de Mexicali

Energía Sierra Juárez

Contact

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