IEnova®
INFRAESTRUCTURA ENERGÉTICA
Una empresa de Sempra

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IENOVA ANNOUNCES MARKETING OF POTENTIAL PRIVATE OFFERING OF DEBT SECURITIES

Mexico City, September 9, 2020 – Infraestructura Energética Nova, S.A.B. de C.V. ("**IEnova**"), announced today that it has commenced marketing efforts in connection with a potential private offering of its debt securities, subject to market conditions.

As previously announced, IEnova reorganized its business segments, effective for the first quarter of 2020, to improve visibility into the performance of each segment and to enable the business to respond to management's needs more effectively. This reorganization had no effect on IEnova's accounting policies or the basis of preparation of IEnova's financial information. IEnova's new segment presentation has been retrospectively applied to prior period segment results, including in its financial statements for the years ended December 31, 2019, 2018 and 2017, which are attached hereto. Financial statements reflecting the retrospective application of the new segment presentation for these periods have also been made available to purchasers in the potential private offering.

Any debt securities to be sold in a potential private offering have not been and will not be registered in Mexico, the United States or elsewhere, and may not be offered or sold (i) in Mexico absent authorization by the *Comisión Nacional Bancaria y de Valores* (the "**CNBV**") in accordance with the *Ley del Mercado de Valores* (Mexican Securities Market Law) and all applicable regulations and the due registration of such securities in the *Registro Nacional de Valores* (National Securities Registry) maintained by the CNBV or (ii) in the United States absent registration under the Securities Act of 1933, as amended, or an exemption from registration therefrom.

This communication is for informational purposes only pursuant to the terms of Article 50 of the General Rules for Issuers of Securities (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*) and does not constitute an offer to sell or the solicitation of an offer to buy, or a request to subscribe for or sell, any securities.

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

Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017 and Independent Auditor's Report Dated September 4, 2020

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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 its Subsidiaries

(In millions of U.S. Dollars)

Opinion

We have audited the consolidated financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and its subsidiaries (the Company or IEnova), which comprise the consolidated statements of financial position as of December 31, 2019, 2018 and 2017, and the consolidated statements of profit, consolidated statements of profit and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Infraestructura Energética Nova, S. A. B. de C. V. and its subsidiaries as of December 31, 2019, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter –Change in reportable segments

We draw attention to Note 28 to the financial statements, which describes the recasting of operating segment information reported as of and for the years ended December 31, 2019, 2018 and 2017. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

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Analysis of Significant New Contracts and Transactions

The Company entered into several significant transactions during the year, some of which required the determination of the appropriate accounting treatment, which can have material impact on current and future consolidated financial statements with respect to the recognition, valuation, presentation and disclosures of the particular transaction. International Financial Reporting Standards require management to apply its judgement to define the accounting treatment while providing limited specific industry guidance. A typical analysis requires the Company to determine whether it needs to consolidate a project; whether the arrangement contains a lease, and if so, whether it is properly classified as a finance or operating lease; whether the contract meets the own use exemption, or the definition of a derivative (in which case hedge accounting may be applicable) or if it contains embedded derivatives; or, whether, it should be accounted for under another model, such as the concession arrangement model. Examples of significant transactions include agreements such as terminal services, power sales, concessions, purchase options, and acquisition of subsidiaries and the adoption of new financial reporting standards.

As described in Note 38 of the consolidated financial statements, the Company adopted IFRS 16, *Leases* (IFRS 16), at January 1, 2019. IFRS 16 specifies how an entity shall recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The implementation of IFRS 16 is considered a key audit matter due to the judgments applied in establishing the underlying key assumptions.

Our audit placed an emphasis on understanding the internal control of the Company and performing detailed risk assessment procedures to identify the significant judgements used and to design tailored audit procedures to assess the risks identified of the adoption of IFRS 16. We have assessed whether the accounting regarding leases is consistent with the criteria set forth in IFRS 16, including factors such as lease term, discount rate and measurement principles. Furthermore, we have evaluated certain transition matters, including validating the appropriate use of practical expedients offered by IFRS 16. Due to the extent to which management judgment was applied in establishing the underlying assumptions, we have involved our technical accounting and valuation specialists to assist us in auditing these matters.

Goodwill Impairment Testing

As described in Note 13 to the consolidated financial statements, the Company maintains goodwill of $1,638 million, which originated mainly from the acquisitions of IEnova Pipelines, S. de R. L. de C. V. and Ventika I, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V., and represents 17% of the total assets at December 31, 2019. Management performed its annual goodwill impairment testing during the fourth quarter, which uses business and valuation assumptions that require a high degree of judgement, including discount rates and long-term projections of revenues and costs. The most relevant matters addressed in our audit were as follows:

- The reasonableness of discount rates
- The reasonableness of the recoverable amount and valuation techniques used management by performing the following:
    - Procedures to verify that the calculations are based on the Company's latest business plans approved by the Board of Directors.
    - Tests of the reasonableness of projected growth considering market conditions and the Company’s historical financial performance.
    - Sensitivity analyses to validate relevant assumptions.

Our audit procedures focused mainly on testing relevant controls to assess the risks identified based in our evaluation and performing substantive procedures over significant assumptions used by the Company in its annual testing. In addition, we involved an internal valuation specialist to assist us in auditing these highly technical matters.

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Emphasis of Matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers in accordance with the basis of presentation described in Note 2.2.

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

C.P.C. Erika Regalado García
Mexico City, Mexico
September 04, 2020

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

Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	December 31, 2019	December 31, 2018	December 31, 2017
Current assets:				
Cash and cash equivalents	4, 24	$ 57,966	$ 51,764	$ 38,289
Restricted cash	4, 24	30,844	23,342	55,820
Finance lease receivables	8, 24	11,354	9,809	8,126
Trade and other receivables, net	5, 24, 29	139,407	153,649	94,793
Due from unconsolidated affiliates	6, 24	36,394	45,043	24,600
Income taxes receivable	25	22,061	74,806	81,909
Natural gas inventories	7	8,270	3,516	7,196
Derivative financial instruments	24	10,267	9,474	6,130
Value added tax receivable		132,886	76,907	39,633
Carbon allowances	21	6,444	5,936	—
Other assets	9	9,688	9,695	10,327
Assets held for sale	12	—	—	148,190
Total current assets		465,581	463,941	515,013
Non-current assets:				
Due from unconsolidated affiliates	6, 24	744,609	646,297	493,887
Derivative financial instruments	24	6,974	8,146	1,935
Finance lease receivables	8, 24	921,270	932,375	942,184
Deferred income tax	25	89,898	80,853	97,334
Investment in joint ventures	10	625,802	608,708	523,102
Other assets	9	32,836	94,060	32,658
Property, plant and equipment, net	14, 28	4,637,962	4,086,914	3,729,456
Right-of-use-assets, net	38	175,841	—	—
Carbon allowances	21	30,083	15,499	—
Intangible assets, net	15	180,867	190,772	190,199
Goodwill	13	1,638,091	1,638,091	1,638,091
Restricted cash	4, 24	2,692	2,941	—
Total non-current assets		9,086,925	8,304,656	7,648,846
Total assets	28	$ 9,552,506	$ 8,768,597	$ 8,163,859

(Continued)

Liabilities and Stockholders' Equity	Notes	December 31, 2019	December 31, 2018	December 31, 2017
Current liabilities:				
Short-term debt	22, 24	$ 1,235,379	$ 870,174	$ 262,760
Trade and other payables	16, 24	154,936	99,757	72,638
Due to unconsolidated affiliates	6, 24	24,471	310,696	544,217
Income tax liabilities	25	62,699	63,044	3,384
Lease current liabilities	38	2,654	—	—
Derivative financial instruments	24	15,071	10,943	41,726
Other financial liabilities	18, 24	26,218	24,720	10,372
Provisions	20	—	251	394
Other taxes payable		31,878	31,619	36,273
Carbon allowances	21	6,444	6,354	—
Other liabilities	19	33,782	28,073	19,631
Liabilities related to assets held for sale	12	—	—	62,522
Total current liabilities		1,593,532	1,445,631	1,053,917
Non-current liabilities:				
Long-term debt	23, 24	1,818,331	1,675,192	1,732,040
Due to unconsolidated affiliates	6, 24	233,597	75,161	73,510
Lease non-current liabilities	38	101,788	—	—
Deferred income tax liabilities	25	565,957	566,892	551,614
Carbon allowances	21	29,843	14,826	—
Provisions	20	84,842	61,903	67,210
Derivative financial instruments	24	140,860	152,880	162,444
Employee benefits	17	9,901	7,643	6,537
Other non-current liabilities	19, 29	16,618	14,719	—
Total non-current liabilities		3,001,737	2,569,216	2,593,355
Total liabilities	28	4,595,269	4,014,847	3,647,272
Stockholders' equity:				
Common stock	26	955,239	963,272	963,272
Additional paid-in capital	26	2,342,883	2,351,801	2,351,801
Treasury shares	26	—	(7,190)	—
Accumulated other comprehensive loss		(130,919)	(104,105)	(114,556)
Retained earnings		1,777,280	1,536,662	1,316,070
Total equity attributable to owners of the Company		4,944,483	4,740,440	4,516,587
Non-controlling interests		12,754	13,310	—
Total stockholders' equity		4,957,237	4,753,750	4,516,587
Commitments and contingencies	36, 37	—	—	—
Events after the reporting period	39	—	—	—
Total stockholders' liabilities and equity		$ 9,552,506	$ 8,768,597	$ 8,163,859

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Profit

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

	Notes	Year ended December 31, 2019 (Notes 1, 12)	2018 (Notes 1, 12)	2017 (Notes 1, 12)
Revenues	24, 28, 29	$ 1,379,256	$ 1,368,555	$ 1,222,905
Cost of revenues		(391,093)	(385,791)	(331,846)
Operating, administrative and other expenses	31	(210,325)	(214,519)	(202,982)
Depreciation and amortization	14, 28, 34	(155,799)	(137,157)	(119,020)
Impairment of Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM")	12	—	—	(63,804)
Interest income	28, 30	45,665	27,449	22,808
Finance costs	28, 33	(132,849)	(122,879)	(73,501)
Other gains (losses), net	32	25,619	8	(40,900)
Profit before income tax and share of profits of joint ventures	25	560,474	535,666	413,660
Income tax expense	25, 28	(132,558)	(143,064)	(104,163)
Share of profits of joint ventures	10, 28	39,769	37,984	44,677
Profit for the year	28	$ 467,685	$ 430,586	$ 354,174
Attributable to:				
Owners of the Company	35	468,241	430,592	354,174
Non-controlling interests		(556)	(6)	—
		$ 467,685	$ 430,586	$ 354,174
Earnings per share:				
Basic and diluted earnings per share	35	$ 0.31	$ 0.28	$ 0.23

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2019	2018	2017
Profit for the year	28	$ 467,685	$ 430,586	$ 354,174
Items that will not be reclassified to profit or (loss):				
Actuarial (losses) gain on defined benefits plans	17	(1,057)	519	704
Deferred income tax related to actuarial (losses) gain on defined benefits plans		317	(156)	(211)
Total items that will not be reclassified to profit		(740)	363	493
Items that may be subsequently reclassified to profit or (loss):				
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(9,727)	7,688	4,586
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		2,918	(2,306)	(1,376)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(41,321)	7,665	3,270
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		12,396	(2,299)	(981)
Exchange differences on translation of foreign operations		9,660	(660)	6,110
Total items that may be subsequently reclassified to (loss) or profit		(26,074)	10,088	11,609
Other comprehensive (loss) income for the year		(26,814)	10,451	12,102
Total comprehensive income for the year		$ 440,871	$ 441,037	$ 366,276
Attributable to:				
Owners of the Company		441,427	441,043	366,276
Non-controlling interests		(556)	(6)	—
		$ 440,871	$ 441,037	$ 366,276

See accompanying notes to the Consolidated Financial Statements.

Infraestructura Energetica Nova, S. A. B. 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	Treasury shares	Other comprehensive loss	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance as of December 31, 2016	26	$ 963,272	$ 2,351,801	$ —	$ (126,658)	$ 1,161,896	$ 4,350,311	$ —	$ 4,350,311
Profit for the year	28	—	—	—	—	354,174	354,174	—	354,174
Actuarial gain on defined benefit plans, net of income tax	17	—	—	—	493	—	493	—	493
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	3,210	—	3,210	—	3,210
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	2,289	—	2,289	—	2,289
Exchange differences on translation of foreign operations		—	—	—	6,110	—	6,110	—	6,110
Total comprehensive income for the year		—	—	—	12,102	354,174	366,276	—	366,276
Dividends paid	27	—	—	—	—	(200,000)	(200,000)	—	(200,000)
Balance as of December 31, 2017	26	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the year	28	—	—	—	—	430,592	430,592	(6)	430,586
Actuarial gain on defined benefit plans, net of income tax	17	—	—	—	363	—	363	—	363
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	5,382	—	5,382	—	5,382
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	5,366	—	5,366	—	5,366
Exchange differences on translation of foreign operations		—	—	—	(660)	—	(660)	—	(660)
Total comprehensive income (loss) for the year		—	—	—	10,451	430,592	441,043	(6)	441,037
Additional non-controlling interests arising on the acquisition of subsidiaries		—	—	—	—	—	—	13,094	13,094
Additional non-controlling interests relating to equity contributions		—	—	—	—	—	—	222	222
Repurchase of ordinary shares, net	26	—	—	(7,190)	—	—	(7,190)	—	(7,190)
Dividends paid	27	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of December 31, 2018	26	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Profit for the year	28	—	—	—	—	468,241	468,241	(556)	467,685
Actuarial loss on defined benefit plans, net of income tax	17	—	—	—	(740)	—	(740)	—	(740)
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(6,809)	—	(6,809)	—	(6,809)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(28,925)	—	(28,925)	—	(28,925)
Exchange differences on translation of foreign operations		—	—	—	9,660	—	9,660	—	9,660
Total comprehensive (loss) income for the year		—	—	—	(26,814)	468,241	441,427	(556)	440,871
Repurchase of ordinary shares, net	26	—	—	(9,761)	—	—	(9,761)	—	(9,761)
Retirement of treasury shares	26	(8,033)	(8,918)	16,951	—	—	—	—	—
Investment decrease in joint venture	10	—	—	—	—	(7,623)	(7,623)	—	(7,623)
Dividends paid	27	—	—	—	—	(220,000)	(220,000)	—	(220,000)
Balance as of December 31, 2019	26	$ 955,239	$ 2,342,883	$ —	$ (130,919)	$ 1,777,280	$ 4,944,483	$ 12,754	$ 4,957,237

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2019	2018	2017
Cash flows from operating activities:				
Profit for the year	28	$ 467,685	$ 430,586	$ 354,174
Adjustments for:				
Income tax expense	25, 28	132,558	143,064	104,162
Share of profit of joint ventures, net of income tax	10, 28	(39,769)	(37,984)	(44,677)
Finance costs	28, 33	132,849	122,879	73,501
Interest income	28, 30	(45,665)	(27,449)	(22,808)
Loss on disposal of property, plant and equipment		5,900	13,708	7,877
Impairment loss (gain) recognized on trade receivables		96	(1)	(60)
Impairment of TDM		—	—	63,804
Depreciation and amortization	14, 28, 34	155,799	137,157	119,020
Net foreign exchange (gain) loss		(27,117)	6,103	37,028
Net (gain) loss on valuation of derivative financial instruments		(1,559)	(3,754)	6,715
Others		9	—	—
		780,786	784,309	698,736
Movements in working capital:				
Decrease (increase) in trade and other receivables, net		32,938	(55,452)	(2,368)
(Increase) decrease in natural gas inventories, net		(4,754)	3,680	(1,113)
Decrease (increase) in other assets, net		52,741	(14,220)	(4,204)
(Decrease) increase in trade and other payables, net		(24,939)	5,134	12,546
Decrease in provisions, net		(36,703)	(42,463)	(252)
Increase (decrease) in other liabilities, net		25,707	1,088	(2,098)
Cash generated from operations		825,776	682,076	701,247
Income taxes paid		(119,122)	(57,090)	(115,013)
Net cash provided by operating activities		706,654	624,986	586,234

(Continued)

	Notes	Year ended December 31, 2019	2018	2017
Cash flows from investing activities:				
Acquisition of subsidiaries and assets, net of cash acquired	11	—	(19,954)	(147,638)
Investment in joint ventures	10	(49,107)	(79,908)	(72,067)
Equity reimbursement from joint ventures	10	1,955	—	—
Marine terminals bidding fee	1	—	(44,355)	(28,179)
Interest received		18,892	563	1,089
Acquisitions of property, plant and equipment and other	14	(613,624)	(392,073)	(224,816)
Loans granted to unconsolidated affiliates		(20,726)	(134,661)	(505,997)
Receipts of loans granted to unconsolidated affiliates		7,607	42,275	8,152
Net cash used in investing activities		(655,003)	(628,113)	(969,456)
Cash flows from financing activities:				
Interest paid		(133,792)	(85,046)	(75,661)
Loans received from unconsolidated affiliates	6	155,396	70,000	377,926
Loans payments to unconsolidated affiliates	6	(267,768)	(312,032)	(46,702)
Payments of loans acquired through acquisition of subsidiary	11	—	—	(95,839)
Proceeds from bank financing		1,477,433	916,757	897,000
Payments on bank lines of credit		(967,431)	(304,395)	(1,257,531)
Lease payments	38	(27,440)	—	—
Proceeds from international debt offering	23	—	—	840,000
Debt issuance costs	23	—	—	(32,609)
Payments for repurchase of shares	26	(9,761)	(7,190)	—
Payment of debt securities (“CEBURES”)	23	—	(102,069)	—
Dividends paid	27	(220,000)	(210,000)	(200,000)
Net cash provided by (used in) financing activities		6,637	(33,975)	406,584
Increase (decrease) in cash, cash equivalents and restricted cash		58,288	(37,102)	23,362
Cash, cash equivalents and restricted cash at the beginning of the year		78,047	94,109	76,361
Effects of exchange rate changes on cash and cash equivalents		(44,833)	21,040	(5,614)
Cash, cash equivalents and restricted cash at the end of the year		$ 91,502	$ 78,047	$ 94,109

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017
(In thousands of U. S. Dollars, except where otherwise stated)

1. General information and relevant events

1.1. General information

Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (collectively,"IEnova or the Company") are located and incorporated mainly in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent") located and incorporated in the United States of America ("U. S."). The addresses of the Company's registered offices and principal places of business are disclosed in Note 41.

1.2. Relevant events

1.2.1.International Senior Notes Offering ("Senior Notes")

On December 7, 2017, IEnova obtained $840.0 million related to an international Senior Notes Offering, the notes were offered and sold in a private placement to qualified institutional buyers in the U. S. pursuant to Rule 144A and outside the U. S. pursuant to Regulation S under the U. S. Securities Act of 1933, as amended (the "Securities Act").

The Senior Notes received an investment grade rating from Fitch Ratings (BBB+), Moody's Corporation ("Moody's") (Baa1) and Standard & Poor's Global Ratings ("S&P") (BBB). The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

The Senior Notes may not be offered or sold in Mexico absent authorization by the Comision Nacional Bancaria y de Valores (the "CNBV") in accordance with the Ley del Mercado de Valores ("Mexican Securities Market Law") and all applicable regulations and the registration of the Senior Notes in the Registro Nacional de Valores ("National Securities Registry") maintained by the CNBV; or in the U. S. absent registration under the Securities Act or an exemption from registration therefrom.

On December 14, 2017, the Company entered into an international Senior Notes offering comprised of $300.0 million aggregate principal amount of the Company's 3.75 percent Senior Notes due 2028 and $540.0 million aggregate principal amount of the Company's 4.88 percent Senior Notes due 2048. (Please refer to Note 23.a.).

1.2.2.CEBURES

On February 8, 2018, the Company made the repayment of its CEBURES public debt, of the second placement for an amount of $1,300.0 million of historical Mexican Pesos (Please refer to Note 23.e.).

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The Company received $1,300.0 million Mexican Pesos and paid $102.2 million U. S. Dollars. The repayment ended the hedging contract and CEBURES liability. (Please refer to Note 23.e.).

1.2.3.Execution of Standby Letter of Credit Facility ("LOCF") and Reimbursement Agreement

On January 22, 2018, in order to make more efficient and standardize the process for the issuance of letters of credit requested by governmental entities or third parties with whom the Company contracts, IEnova together with a bank syndicate formed by Banco Nacional de México Banamex, S. A., ("Banamex"), Sumitomo Mitsui Banking Corporation ("SMBC"), BBVA Bancomer, S.A. de C.V. ("BBVA"), Scotiabank Inverlat, S. A. ("Scotiabank"), Mizuho Bank LTD. ("Mizuho"), BNP Paribas S. A. and Santander (Mexico), S. A. ("Santander"), entered into a letter of credit facility and reimbursement agreement, up to an amount equivalent to $1.0 billion, which will be in effect for five years.

i. The agreement, among other things, will allow IEnova to expedite the administrative processes for the issuance or renewal of standby letters of credit and to have a standard process for the issuance of all its standby letters of credit.
ii. The LOCF and the standby letters of credit issued under this agreement do not constitute IEnova's debt.

1.2.4.Revolving credit facility

On November 30, 2018, the Company entered into a revolving credit agreement with Sempra Global, LLC ("SEG") for up to $320.0 million and maturity date on August 2020. The funds will be used for working capital, investments and other general corporate purposes.

1.2.5.Plan to market and sell TDM

In February 2016, the Company's management approved a plan to market and sell TDM, a 625-Megawatts ("MW") natural gas-fired power plant located in Mexicali, Baja California, Mexico.

1.2.5.1.TDM changes to plan of sale

On June 1, 2018, the management of the Company formalized its decision to suspend the sell of TDM, and the assets and liabilities that were previously classified as held for sale were reclassified as held and used, and depreciation resumed. (Please refer to Note 12.).

1.2.6.Purchase agreement of Ductos y Energeticos del Norte ("DEN")

On October 6, 2017, the Company announced the agreement to acquire Pemex Transformacion Industrial, S. de R.L de C.V. ("Pemex TRI") participation's in DEN.

On November 10, 2017, the Federal Economic Competition Commission ("COFECE") authorized the transaction. The purchase price paid was $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of existing debt, and the proportional amount of Los Ramones II Norte pipeline project financing of $289.0 million. This debt will not be consolidated on IEnova's Consolidated Financial Statements.

This acquisition increased IEnova's indirect participation in the Los Ramones II Norte pipeline from 25 percent to 50 percent through TAG Norte Holding, S. de R. L. de C. V. ("TAG").

Please refer to Notes 10.3., 10.4. and 11.1.

1.2.7.Formation of a fund to repurchase its own shares

On June 14, 2018, at the Company's Ordinary General Shareholders' Meeting, the shareholders decided to approve the creation of a fund to repurchase its own shares for a maximum amount of $250.0 million. Such amount shall not exceed the Company's total net profits, including retained earnings, as stated in the Company's 2017 Financial Statements, which were approved in the Ordinary General Shareholders' Meeting on April 27, 2018. This amount was reestablished in the General Shareholders Meeting on April 30, 2019. (Please refer to Note 26.).

1.2.8.Increase and term extension to revolving credit agreement

On February 11, 2019, the Company entered into an amendment agreement to i) increase the amount of a credit (See Note 22.a.) line to $1.5 billion, ii) extend the term thereof from August 2020 to February 2024, iii) include JP Morgan Chase Bank, N. A. and Credit Agricole Corporate and Investment Bank to the lenders' syndicate, and iv) modify the interest rate terms.

1.2.9.Working Capital Credit Line

On April 11, 2019, the Company entered into a revolving credit agreement with Scotiabank, for up to $100,000.0. The term is three years.

1.2.10.Standby Letter of Credit to the Comision Federal de Electricidad ("CFE")

On April 12, 2019, Infraestructura Marina del Golfo, S. de R. L. de C. V. ("IMG") a joint venture ("JV") formed between the Company and TC Energy Corporate ("TC Energy"), issued a letter of credit to the CFE for an amount of $84,463.9 for the fixed charges in relation to three months of capacity or any penalty for the period of force majeure since April 14, 2019. This amount represents the Company's 100 percent share in the project. This letter of credit was due on October 12, 2019, as of that date it can be extended for additional periods of 90 days until July 14, 2020.

1.2.11.Manzanillo and Gudalajara Terminal

During the second quarter of 2019, the Company executed two long-term contracts with BP Estaciones y Servicios Energeticos, S.A de C.V. ("BP") and Marathon Petroleum Corporation ("MPC") for the receipt, storage, and delivery of refined products, securing the full capacity of the Manzanillo terminal. With an investment of approximately $285.0 million, the terminal is expected to begin commercial operations, subject to the timing of issuance of the permits, in the first half of 2021.

In April 2019, the Company executed a long-term contract with BP for the receipt, storage, and delivery of refined products in the terminal that the Company is developing in Guadalajara, Jalisco. The terminal's total capacity will be defined once additional commercial agreements with prospective customers have been completed.

1.2.12.Expansion Plan

On June 4, 2019, Ecogas Mexico, S. de R. L. de C. V., ("ECO") a subsidiary of IEnova announced an expansion plan to connect approximately forty thousand new customers during the next two years, with an investment of approximately $1,500.0 million Mexican Pesos ($80.0 million U. S. Dollars).

1.2.13.Moody's Credit Rating

On June 7, 2019, the Company announced that Moody's affirmed IEnova's global scale corporate credit rating of Baa1 and the Mexican National Scale corporate rating of Aa1.mx, and revised its outlook from stable to negative.

1.2.14.South of Texas – Tuxpan Marine Pipeline

In June 2019, IMG, IEnova's JV with TC Energy, completed the construction of the 800 Kilometers ("Km") South of Texas - Tuxpan Marine Pipeline, and was ready to begin commercial operations. The pipeline received force majeure payments from November 2018 through April 2019. In order to place the pipeline into service, IMG required CFE's letter of acceptance.

In addition, in June 2019, IMG received a request for arbitration from the CFE through which it requested the nullification of certain contract clauses that refer to the parties' responsibilities in instances of acts of God or force majeure, as well as reimbursements and payments applicable to such events.

In September 2019, the Company executed agreements with CFE in relation to the Transportation Service Agreements corresponding to South Texas - Tuxpan marine pipeline the latter jointly developed with TC Energy. This agreement establish a new tariff structure and consider a 10-year extension. Such agreements fulfill both parties' interests while maintaining the overall integrity and economics of the original contracts.

On September 17, 2019, IMG announced that the South of Texas - Tuxpan Marine Pipeline has reached commercial operations.

1.2.15.Terminal Services Agreement with MPC

On June 25, 2019, the Company announced the execution of a long-term Terminal Services Agreement with a subsidiary of MPC for approximately 650,000 barrels, equivalent to 30 percent of the total capacity of the marine terminal for the receipt, storage, and delivery of gasoline, diesel and jet fuel in Manzanillo, Colima.

1.2.16.Guaymas - El Oro Pipeline

Following the start of commercial operations of the Guaymas-El Oro pipeline, the Company reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 23, 2017, and as a result, the Company declared a force majeure event in accordance with the contract.

The Company has received force majeure payments since August 2017 through the end of the force majeure period in August 2019.

The Company also received a court order in an appeal procedure that has prevented it from making repairs to place the pipeline back in service. In July 2019, the court ruled that the Yaqui Tribe was properly consulted and that consent from the Yaqui tribe was received. The plaintiffs appealed the ruling, causing the suspension order preventing the Company from repairing the damaged pipeline in the Yaqui territory to remain in place until the appeals process is exhausted.

In addition, in July 2019, the Company received a request for arbitration from the CFE to demand the nullification of certain clauses of the contract for this pipeline, which refer to the parties' responsibilities in instances of acts of God or force majeure, as well as reimbursements and payments related to such events.

In August 2019, the Company executed a Term Suspension Agreement with CFE for the Natural Gas Transportation Services Agreement for the Guaymas - El Oro gas pipeline. This agreement was executed to take all necessary actions to resume operation of the pipeline and to avoid the termination of the contract.

In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreements corresponding to the Guaymas - El Oro pipeline. This agreement establish a new tariff structure and consider a 10-year extension. Such agreements fulfill both parties' interests while maintaining the overall integrity and economics of the original contracts.

1.2.17.Long-term Electric Supply contracts

On July 10, 2019, the Company executed a 15-years clean electricity supply contract with various subsidiaries of El Puerto de Liverpool, S. A. B. de C. V. ("Liverpool").

On September 15, 2019, the Company executed a 15-year clean energy supply contracts with Comercializadora Circulo CCK, S. A. de C. V. and subsidiaries ("Circulo CCK").

On October 4, 2019, the Company executed an electricity Sale and Purchase Agreement ("SPA") with Envases Universales de Mexico, S. A. P. I. de C. V. ("Envases Universales") for a period of ten years.

On December 17, 2019, the Company executed a long-term clean energy supply contract with Grupo Cementos de Chihuahua, S.A.B. de C.V. (“GCC”) for the period of fifteen years.

The energy will be generated by one of IEnova´s solar power plants located in Ciudad Juarez, Chihuahua, which will begin operations in the second half of 2020. The project will have an installed capacity of 150 MW and an approximate investment of $160.0 million.

1.2.18.Bilateral Revolving Credit Agreement

On September 23, 2019, the Company entered into a revolving credit agreement with The Bank of Nova Scotia (“BNS”) for up to $280.0 million. The term is two years.

1.2.19.Corporate Long - Term Credit facilities

On November 19, 2019, regarding the credit mentioned in Note 23.h., the Company entered into 15-year credit facilities for $200.0 million with International Finance Corporation (“IFC”), a member of the World Bank Group, and North American Development Bank (“NADB”).

1.2.20.Private placement of senior secured notes by TAG

On December 16, 2019, regarding the credit mentioned in Note 10.4., the parent entity of the Los Ramones Norte II natural gas pipeline and a JV between the Company and Brookfield Asset Management Inc. (“Brookfield”), issued $332.0 million dollars of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors.

1.2.21.Projects under development

a. *Veracruz marine terminal and in-land terminal projects*

On July 12, 2017, the Company won the Administracion Portuaria Integral de Veracruz, S. A. de C. V. (“Veracruz API”) bid for a 20-year transfer of its concession rights of an area to build and operate a marine terminal for the reception, storage and delivery of refined products.

According to the bidding basis, the Company made a onetime counter-payment offered for the right to build, use, leverage and benefit from the operation of the Veracruz marine terminal, in two installments, each equivalent to the 50 percent of the total amount, the first payment of $500.0 million Mexican Pesos ($28.2 million U. S. Dollars) was settled on August 1, 2017, prior to the execution of the concession agreement, as per bidding basis.

On August 3, 2017, the Company executed the 20-year concession agreement with the Veracruz API to develop, construct and operate the aforementioned marine terminal. The concession includes the transfer, during 2018, of the waterfront lot where the terminal will be built. The terminal will have a capacity of 2,100,000 barrels.

Additionally, the Company will build and operate two storage terminals that will be strategically located in Puebla and Estado de Mexico, and will have initial storage capacities of approximately 650,000 barrels, each one.

The beginning of commercial operations for the three terminals are expected to occur in the first half of 2020, with an investment in the range of $590.0 - $640.0 million.

The Company will be responsible for the implementation of the projects, including to obtain permits, engineering, procurement, construction, operation, maintenance, financing and providing services.

On July 29, 2017, the Company executed three long-term firm capacity contracts with Valero Marketing and Supply de Mexico, S. A. de C. V. (“Valero”) for the receipt, storage capacity and delivery of hydrocarbons in the Veracruz marine terminal and for the two in-land terminals to be constructed in Puebla and Estado de Mexico, for a 20-years term, the contracts are denominated in U.S. Dollars.

Valero plans to import refined products including gasoline, diesel and jet fuel, and store them at the Veracruz marine terminal. Locally, the products will be distributed by truck and transported to Puebla and Estado de Mexico by rail.

After commercial operations, and subject to all relevant regulatory and corporate authorizations as well as the approval of the API of Veracruz, Valero will have the option to acquire 50 percent of the equity in each of the three terminals.

On January 8, 2018, ESJ Renovable III, S. de R. L. de C. V. (“ESJRIII”) paid to the Veracruz API the remaining 50 percent of a counter-payment fee equivalent to the amount of $500.0 million Mexican Pesos ($25.9 million U. S. Dollars) for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico.

On November 22, 2018, ESJRIII signed a contract with the Veracruz API for land, which will be used exclusively for the construction and operation of a railway and its respective roads with term on June 11, 2038.

b. *Wind power generation facility*

On November 16, 2017, the Company through Energia Sierra Juarez 2 U. S., LLC, its wholly owned subsidiary, executed a 20-year Power Purchase Agreement (“PPA”) with San Diego Gas & Electric Company (“SDG&E”), a IEnova’s unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW and will require an investment of approximately $150.0 million. The development of this project is subject to the receipt of regulatory approvals, including from the California Public Utilities Commission and the U.S. Federal Energy Regulatory Commission, it is also subject to obtaining consents from financing parties and partners.

c. *Long-term electric supply contract*

On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of Liverpool. The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico. The plant will have the capacity to supply Liverpool and other large energy consumers. The Company will be responsible for the development, construction and operation of the project that will have a capacity of 125 MW, with an investment of approximately $130.0 million. The beginning of commercial operations is expected to occur in the first half of 2020. (Please refer to Note 11.2.).

d. *Marine terminal, Baja California, Mexico.*

On April 12, 2018, the Company announced a project to develop, construct, and operate a marine terminal that will be located 23 Km North of Ensenada, Baja California, Mexico. The terminal, with one million barrels of initial storage capacity will receive, store, and deliver hydrocarbons, primarily gasoline and diesel. The investment will be approximately $130.0 million. The terminal is expected to begin commercial operations in the first half of 2021.

On April 12, 2018, the Company signed a long-term contract with Chevron Combustibles de Mexico S. de R. L. de C. V., a Chevron Corporation (“Chevron”) subsidiary, for approximately 50 percent of the terminal’s storage capacity. Additionally, another Chevron subsidiary will have the right to acquire 20 percent of the terminal equity after commercial operations begin. The option does not meet the definition of an equity instrument under International Accounting Standards (“IAS”) 32,

Financial instruments, and is therefore within the scope of IFRS 9, *Financial instruments*, the option is required to be initially recognized at Fair Value ("FV") which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for FV, as such the Company will not record a FV.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP, a BP P. L. C. ("BP PLC") subsidiary, for the remaining 50 percent of the terminal's storage capacity.

e. *Marine terminal in Topolobampo, Sinaloa, Mexico*

On July 8, 2018, the Company was awarded by the Administracion Portuaria Integral de Topolobampo, S. A. de C. V. ("Topolobampo API") with a bid for a 20-year transfer of its concession rights of an area to build and operate a marine terminal for the receipt and storage of hydrocarbons and other liquids.

The terminal will be located in Topolobampo, Sinaloa, Mexico and will have an initial storage capacity of approximately one million barrels, for storage primarily of gasoline and diesel. The investment is expected to be approximately $150.0 million, and commercial operations are expected to commence in the first half of 2021.

In September and October 2018, the Company announced the execution of two long-term, U. S. Dollar-denominated contracts with subsidiaries of Chevron and MPC for the storage and delivery of refined products, primarily gasoline and diesel, at the terminal, for the receipt, storage and delivery in Topolobampo, Sinaloa, Mexico. The agreements will allow Chevron and Marathon to each utilize approximately 50 percent of the terminal's initial one million barrels of storage capacity. Additionally, another subsidiary of Chevron will have the right to acquire up to 25 percent of the equity of the terminal after commercial operations begin. The option does not meet the definition of an equity instrument under IAS 32 and is therefore within the scope of IFRS 9 as a financial instrument, the option is required to be initially recognized at FV which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for FV, as such the Company will not record a FV.

According to the bidding basis, the Company is committed to make a onetime counter-payment offered for the right to build, use, leverage and benefit from the operation of the Topolobampo marine terminal, payable in two installments, each equivalent to 50 percent of the total amount. The first payment of $350.5 million Mexican Pesos ($18.4 million U. S. Dollars) was made in July 2018.

f. *Marine terminal in Manzanillo, Colima, Mexico*

On September 26, 2018, the Company executed a long-term contract with Trafigura Mexico S.A. de C. V. ("Trafigura"), for 580,000 barrels, equivalent to 50 percent of the terminal's storage capacity.

On September 28, 2018, the Company announced a project to develop, build and operate a marine terminal for the receipt, storage and delivery of refined products, primarily gasoline and diesel, that will be located in Manzanillo, Colima, Mexico. In its initial stage, the terminal is expected to have a storage capacity of 2.2 million barrels. The project's estimated investment is approximately $285.0 million, and the Company anticipates, subject to the timing of issuance of the remaining permits, the start of commercial operations in the first quarter of 2021.

As part of the agreements, the Company also acquired 51 percent of the equity of ICM Ventures Holding B. V. ("ICM"), owner of the land where the project will be built. Affiliates of Trafigura retained 49 percent of the equity interest in the project. (Please refer to Note 11.4.).

g. *Natural gas liquefaction project*

On November 7, 2018, the Company announced, together with Sempra LNG & Midstream, the signature of three agreements with affiliated companies of Total S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the Energia Costa Azul, S. de R.L. de C.V. ("ECA") liquefied natural gas ("LNG") project located in Ensenada, Baja California, Mexico. (Please refer to Note 39.9.).

1.2.22.Other matters

a. *Credit Ratings*

On November 30, 2017, S&P gave the Company a global corporate credit rating of BBB with a stable outlook, and Fitch Ratings gave IEnova long-term foreign and local currency issuer default ratings of BBB+ with a stable outlook.

On November 19, 2018, Fitch Raitings confirmed the credit rating of BBB granted in 2017. S&P Global Ratings affirmed IEnova's global scale corporate credit rating of BBB and revised its global outlook from stable to negative because of similar action on Sempra Energy. As a result, IEnova's local credit rating changed from AAA to AA+.

On July 9, 2019, the Company announced that Fitch has placed IEnova's rating on "Watch Negative": BBB+ / Watch Negative (the previous rating was BBB+ / Stable), due to the events described in Note 1.2.14. and 1.2.16.

On October 31, 2019, the Company announced that Fitch affirmed IEnova's rating BBB+ / Stable (from BBB+ / Negative watch), due to the agreement reached with the CFE regarding the pipeline contracts and the neutral impact that the amended terms have on IEnova's cash flow.

Fitch maintains IEnova's long-term issuer default rating and senior unsecured rating at BBB+. This rating reflects the Company's strong competitive position, its adequate capital structure, stable and predictable cash flow generation supported by long-term agreements signed with investment grade counterparties, and no material commodity exposure. IEnova's ratings also reflect the Company's strong liquidity position and the support of its majority shareholder, Sempra Energy (BBB+ / Stable).

1.3. Activities

The Company reorganized its prior reporting segments effective first quarter 2020. The change affected neither the accounting policies nor the basis of preparation of the financial information. This change reflects how management will evaluate and review the performance of the business. Disclosures are uniformly conducted in accordance with the new segments established for 2020.The new reportable segments are Gas, Storage and Power. The aggregation criteria disclosure is described in Note 28.

The Gas segment develops, owns and operates, or holds interests in, natural gas and ethane pipelines, transportation, distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Chiapas, San Luis Potosi, Tabasco, Veracruz and Nuevo Leon, Mexico.

The Storage segment owns and operates a liquefied natural gas ("LNG") terminal in Baja California, Mexico, for importing, storing and regasifying LNG. Additionally, storage spheres of liquid petroleum gas ("LPG") in Jalisco, Mexico and a LPG pipeline in Tamaulipas, Mexico. The Company develops marine and in - land terminals for the reception, storage and delivery of refined products, located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico.

The Power segment develops, owns and operates solar projects located in Baja California, Aguascalientes, Sonora, and Chihuahua, Mexico, a natural gas fire power plant that includes two gas turbines and one steam turbine in Baja California, Mexico to serve customers in U.S.; and a wind farm located in Nuevo Leon, Mexico, and holds interests in a renewable energy project in a JV in Baja California, Mexico. The renewable energy projects use the solar and wind resources to serve customers in Mexico and in the U.S.

The Company obtained the corresponding authorization from the Comision Reguladora de Energia ("CRE") in order to perform the regulated activities.

Seasonality of operations. Customer demand in both Gas and Power segments experience seasonal fluctuations. For the Gas segment, the demand for natural gas service is higher in summer and winter. In the case of the Power segment, the demand for power distribution service is higher during months with hot weather. Storage segment does not experience seasonal fluctuation.

1.3.1. Gas segment

The Company's mainly subsidiaries included in this reportable segment are:

a. 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, Baja California), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtemoc and Anahuac) and La Laguna-Durango (serving the cities of Torreon, Gomez Palacio, Lerdo and Durango), with pipelines of approximately 4,138 Km in length.

During 1996, 1997 and 1999, the 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 2016, the CRE authorized an adjustment to the authorized tariffs to be applied in the five-year plan for the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango and in 2018 an actualization to tariffs related to inflationary effects. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2019, 2018 and 2017, ECO had over 130,000, 122,000 and 120,000 customers, respectively.

b. IEnova Gasoductos Mexico, S. de R. L. de C. V. ("IGM") 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 gas and LPG 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.

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, IGM entered into an agreement with Pemex TRI 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 between IGM and Pemex TRI.

c. Gasoductos de Aguaprieta, S. de R. L de C. V. ("GAP"), a subsidiary of IGM, 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 Mexico, S. de R. L. de C. V. ("EPEMM"), a related party until April 2010. The pipeline starts at the border of Arizona, U. S., 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, Mexico.

Sonora pipeline: In October 2012, GAP was awarded by the 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), has an approximate length of 505 Km, 36 inch diameter pipeline with 770 Million Cubic Feet per Day ("MMCFPD") of transportation capacity; and the second one (Guaymas – El Oro), has an approximate length of 330 Km, and 30 inch pipeline with 510 MMCFPD of transportation capacity and started commercial operation on May 19, 2017.

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 second 285 Km of the first segment (Puerto Libertad – Guaymas), this segment started commercial operation in the third quarter of 2015.

The capacity of the Sonora pipeline is contracted by CFE under two 25 and 35 year firm contracts denominated in U.S. Dollars.

Ojinaga - El Encino pipeline: 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 percent of the transportation capacity of the Ojinaga pipeline, equal to 1,356 MMCFPD. The 42 inch pipeline, with a length of approximately 220 Km. This segment started commercial operation on June 30, 2017.

San Isidro - Samalayuca pipeline: During 2015, the Company, through its subsidiary 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 Cubic Feet Per Day("CFPD") and a 23 Km pipeline with a capacity of 1,135 MMCFPD of natural gas. The system supplies natural gas to the Norte III Combined Cycle Power Plant and interconnect with the following systems: Gasoductos de Chihuahua, Tarahumara Pipeline and the Samalayuca-Sasabe pipeline. This segment started commercial operation on March 31, 2017. The contract maturity is 25 years.

El Empalme pipeline branch: In May 2016, IEnova entered into a natural gas transportation service agreement with CFE for a 21 year term, denominated in U.S. Dollars, for 100 percent of the transportation capacity of the Ramal Empalme pipeline, equal to 226 MMCFPD of natural gas. The 20 Km pipeline branch. This segment started commercial operation on June 24, 2017.

Aguaprieta pipeline: This system is comprised of approximately 13 Km of 20 inch diameter pipeline and has a design capacity of 200 MMcfd. The firm transportation services contracts in force between the Company and the Aguaprieta Pipeline system represent 129.4 MMcfd (1.3 MMThd), equivalent to 65 percent of the system's installed capacity. Among these contracts is a firm transportation services contract with the CFE, signed in September 2013, for 67 MMcfd (0.7 MMthd), which is renewed every year after an initial period of two years. This contract supplies a combined cycle generation plant fired with gas from Agua Prieta II, which reached commercial operations in 2017. In addition, the Company signed two firm contracts with El Paso Marketing, one on June 2002 and the second on October 2013, with a duration of six and twenty five years respectively for 50 MMcfd and 2 MMcfd.

Gasoducto Rosarito, ("GRO"): Renders services of transportation of natural gas, providing the energy requirements of Baja California, Mexico. GRO operates the Gasoducto system comprised of three natural gas pipelines (Rosarito Mainline, LNG Spur and Yuma Lateral) and two 32,500 horse power ("HP") compression stations located in Baja California, Mexico. 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, Baja California, Mexico at the interconnection with the Transportadora de Gas Natural de Baja California, ("TGN" a subsidiary of IEnova), pipeline. The Mexican portion of the pipeline begins at the interconnection in Algodones, Baja California with the North Baja Pipeline

and travels through Mexicali and Tecate, Baja California 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 U.S. to several power plants and industrial customers in the Baja California, Mexico market. This system is a 30 inch diameter pipeline with a length of approximately 225 Km and a designed transportation capacity of 534 MMCFPD.

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, Mexico. This system is a 42-inch diameter pipeline with a length of approximately 72 Km and a designed transportation capacity of 2,600 MMCFPD.

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 MMCFPD.

Effective August 1, 2017, GRO ans TGN was merged with and into GAP which is the surviving entity in the merger.

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 designed transportation capacity of 940 MMCFPD as permitted by the CRE. TGN interconnects with the GRO pipeline system in the Tijuana, Baja California, Mexico, area and extends north to interconnect with the SDG&E, system at the Otay Mesa International border and southwest to the CFE's 1,300 MW Presidente Juarez Power Plant in Rosarito, Baja California, Mexico. The TGN pipeline system was placed in service in June 2000. A 19 Km expansion to the TGN system began operations in May 2008.

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

e. IEnova Marketing, S. de R. L. de C. V. ("IEnova Marketing") provides LNG services related to the purchase and sale of LNG and natural gas. In May 2008, IEnova Marketing began operations jointly with ECA. Up to that date, the activities of IEnova Marketing were primarily focused on obtaining necessary permits to operate.

In November 2009, IEnova Marketing entered into an agreement with Sempra LNG International, LLC ("SLNGI"), whereby SLNGI agreed to deliver and sell LNG cargoes to IEnova Marketing from startup date of the LNG Terminal. Accordingly, IEnova Marketing entered into transportation and storage capacity service agreements to commercialize the LNG.

Thereafter, on January 1, 2013, SLNGI and IEnova Marketing entered into an LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 Million 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, IEnova Marketing will take LNG in order to meet its purchase commitments.

As of February 28, 2018, all end users that purchase natural gas and whose maximum annual consumption is greater than 5,000 Gigajoules ("GJ") must resort to licensees marketers for the supply thereof, said licensees marketers must have a supply issued by the CRE. During the period from January to March 2018, IEnova Marketing signed 93 natural gas purchase agreements with third parties which are located in Mexicali, Chihuahua, Torreon and Durango. The majority of the customers were previously consumers from ECO. (Please refer to Note 1.3.1.a.).

As of December 31, 2019, IEnova Marketing has a total of 147 new customers derived from the change regulation issued by the CRE.

f. IEnova Pipelines is engaged in providing natural gas and LPG transportation services through Gasoductos de Tamaulipas, S de R. L. de C. V. ("GdT"), Gasoductos del Noreste, S. de R. L. de C. V. ("GdN") and TDF, S. de R. L. de C. V. ("TDF"), respectively, it also stores gas for the supply of LPG, through Transportadora del Norte SH, S. de R. L. de C. V. ("TdN", TDF's holding company). These activities are regulated by the CRE. IEnova Pipelines is also engaged as well in the ethane gas transportation service through Gasoductos del Sureste, S. de R. L. de C. V. ("GdS").

IEnova Pipelines has to follow the rulings authorized by the CRE. Those contain among other things, general service provision conditions for the service supply, tariff limits, the approved maximum revenues and the route followed by the gas pipeline proposed by the companies. The construction program and established investments in each permit must have been developed by IEnova Pipelines. In addition, the rulings require that a review of the maximum revenue be performed every five years to make any adjustments required regarding revenue and the related tariffs.

GdT - San Fernando pipeline: a fully bi-directional system that is comprised of a 36 inch diameter pipeline with an approximate length of 114 Km and a capacity of 1,460 MMCFPD and two compression stations with a total of 95,670 HP. The pipeline extends from the El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas. Centro Nacional de Control de Gas Natural ("CENAGAS"), as transferee of Pemex TRI, is the sole customer of the San Fernando pipeline and also purchases the system's unused compression capacity on an as-needed basis pursuant to an interruptible transportation services agreement. The services agreement with CENAGAS has an initial term of 20 years beginning in 2003, but is extendable for a five-year period at the customer's option.

IEnova Pipelines - Samalayuca pipeline: a 24 inch diameter pipeline with an approximate length of 37 Km and a capacity of 400 MMCFPD. The Samalayuca pipeline, which began operations in 1997, was the first privately-owned natural gas pipeline in Mexico. The Samalayuca pipeline extends from Ejido San Isidro, Chihuahua, to CFE's Samalayuca power plant and interconnects with a separate, 16-inch diameter pipeline owned by Pemex TRI that extends from Ciudad Juarez to Chihuahua. IEnova Pipelines has entered into long-term transportation service agreements with the Samalayuca pipeline's customers, which have 50 percent of the system's design capacity contracted on a firm basis.

IEnova Pipelines - Gloria a Dios compression station: a 14,300 HP compressor with a capacity of 60 MMCFPD. It is installed at the interconnection point of the Samalayuca pipeline and Pemex TRI's Ciudad Juarez, Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. CFE, which is the station's sole customer, has contracted 100 percent of the station's capacity on a firm basis through 2021, at the rates established by the CRE, pursuant to a transportation and compression services agreement.

Under this agreement, the Gloria a Dios compression station provides compression services for the Chihuahua II power plant, transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico – U.S. border, and delivers the compressed gas to the interconnection point of the Samalayuca pipeline and Pemex TRI's pipeline system.

GdN - Los Ramones I pipeline: the system is comprised of a 48 inch diameter pipeline with an approximate length of 116 Km and two compression stations with a total of 123,000 HP. The Los Ramones I pipeline transports natural gas from northern Tamaulipas, near the Mexico-U.S. border, to the interconnection point with the Los Ramones II Norte pipeline and Mexico's national pipeline system in Los Ramones, Nuevo Leon. CENAGAS, as transferee of Pemex TRI, is the sole customer of this facility under a 25-year firm transportation services agreement.

GdS - Ethane pipeline: an approximately 224 Km system comprised of three segments. The first segment is a 20 inch diameter pipeline with a transportation capacity of approximately 52 MMCFPD. The second segment is a 16/24 inch diameter pipeline with a transportation capacity of approximately 152 MMCFPD. The third segment is a 20 inch diameter pipeline with a transportation capacity of approximately 106,000 Bbld. The Ethane pipeline transports ethane from

Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization plant in the State of Veracruz. Pemex TRI, the sole customer of this facility, has contracted 100 percent of its capacity for a period of 21-years under a purchase agreement on a take-or-pay basis. This system, which began operations in 2015, is Mexico's first privately-owned ethane pipeline.

g. DEN provides operation and maintenance services to the Los Ramones II Norte pipeline system under a 25-year term agreement, starting in February 2016, the commercial operations date DEN owned 50 percent of TAG, which owned 99.99 percent of TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte"), under which the Los Ramones II Norte pipeline was built. On November 15, 2017, IEnova completed the acquisition of Pemex TRI 50 percent interest in DEN, through this acquisition IEnova increased its ownership interest in TAG from 25 percent to 50 percent. DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.1.).

h. *Marine pipeline.* In June 2016, IMG, the JV formed between IEnova and TC Energy, whereby TC Energy has a 60 percent interest in the partnership and IEnova owns the remaining 40 percent interest, entered into a 35-year natural gas transportation service agreement with the CFE, which was won in connection with the bid issued by CFE for the South Texas–Tuxpan marine pipeline. On September 17, 2019, IMG announced that the South of Texas - Tuxpan Marine Pipeline has reached commercial operations. The South of Texas - Tuxpan Marine Pipeline is a 42 inch pipeline, with a capacity of 2,600 MMCFPD and a length of approximately 800 Km. (Please refer to Note 10.2.).

1.3.2. Storage segment

The Company's mainly subsidiaries included in this reportable segment are:

a. ECA owns and operates a LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, Mexico.

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

On 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 Mexico and the U. S.

ECA entered into two 20-year firm storage service agreements with third independent parties for the 50 percent of the total storage capacity of the LNG Terminal. The agreements commenced in 2009.

b. TDF - LPG pipeline: a system comprised of approximately 190 Km of 12 inch diameter pipeline with an average daily transportation capacity of 34,000 Barrels per day ("Bbld") of LPG, a pumping station located near the pipeline's point of delivery, and a reception facility that includes two storage spheres with a combined storage capacity of 40,000 Bbld.

The TDF's LPG pipeline, which was the first private LPG pipeline in Mexico, extends from Pemex TRI's Burgos LPG production area in the State of Tamaulipas to a delivery facility near Monterrey, Nuevo Leon. The TDF's LPG pipeline has in place a firm transportation services agreement with Pemex TRI, which expires in 2027.

c. TdN - Guadalajara LPG terminal: in 2013 TdN completed the construction of an LPG storage facility with a capacity of 80,000 Bbld near Guadalajara, Jalisco. This facility consists of four storage spheres, each with a capacity of approximately 20,000 Bbld, ten loading bays, and an interconnection with a separate LPG pipeline system that is owned by Pemex TRI. The Company has entered into several 15-year storage service agreements with Pemex TRI, pursuant to which it has contracted 100 percent of the terminal's capacity through 2028.

1.3.3. Power segment

The Company's mainly subsidiaries included in this reportable segment are:

a. TDM, a 625 MW natural-gas-fired, combined-cycle power generation facility located in the city of Mexicali, Baja California, is engaged in the generation and sale of electricity. In August 2001, TDM received a favorable resolution by the CRE to generate and export electricity.

On January 1, 2013 (with an effective date of January 1, 2012), Sempra Generation, LLC. ("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 Mexico border, and SGEN provides marketing, scheduling and dispatch services for TDM.

On December 2016, this contract was assigned to SGPM. In April 2018, the Company signed an addendum to the contract where the payment for the sale of electricity was eliminated.

b. In October 2013, ESJ began the construction of the 155 MW first phase of the wind generation project, which is fully contracted by SDG&E and started operations in June 2015. The ESJ project is designed to provide up to 1,200 MW of capacity if fully developed. In June 2014, the ESJ wind project entered into a $240.0 million loan agreement to finance the construction project. The credit facilities mature on June 30, 2033.

The loan agreement also provides for a $31.7 million letter of credit facility. ESJ also entered into a separate Mexican Peso denominated credit facility for up to $35.0 million U.S. Dollar equivalent to fund the Value Added Tax ("VAT") of the project. On December 23, 2015, ESJ repaid and canceled the total credit facility related to VAT. (Please refer to Note 10.1.).

c. In December 2016, the Company acquired 100 percent of the equity interests of Ventika's wind farm, located in the State of Nuevo Leon, approximately 56 Km from the U.S. border. It is powered by 84 turbines, provides an aggregate of up to 252 MW of generating capacity, and is connected to CFE's transmission line. Ventika's location has one of the strongest wind resources in the country. It started operations in April 2016, and substantially all of Ventika's generation capacity is contracted to private companies through 20-year, U.S. Dollar-denominated, energy supply agreements.

d. La Rumorosa Solar and Tepezala Solar. On September 28, 2016, the Company was declared winner of two solar projects, bided by the Centro Nacional de Control de Energia ("CENACE"), La Rumorosa Solar Complex ("La Rumorosa") and Tepezala Solar Complex ("Tepezala") with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezala project was built and developed and constructed in collaboration with Trina Solar Holdings, B. V. ("Trina Solar") has a 10 percent of shares. Rumorosa Solar and Tepezala Solar began operations during the second quarter and fourth quarter of 2019, respectively.

e. Pima Solar. In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with DeAcero, S. A. P. I. de C. V. ("DeAcero") to provide energy, Clean Energy Certificates ("CEC"), and capacity from a new solar power plant located in Caborca, Sonora, Mexico. The solar power plant has a 110 MW capacity. Pima Solar started commercial operation during the first quarter of 2019.

2. Significant accounting policies

2.1. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 except for certain financial instruments, and assets and liabilities recognized upon business combinations that are measured at revalued amounts of FVs at the end of reporting period, as explained in the accounting policies below.

The Consolidate Financial Statements have been prepared in Spanish (official language in Mexico) and also have been translated into English for various legal and reporting purposes.

a. *Historical cost*

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

b. FV

FV 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 FV 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. FV for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for the FV of finance lease receivable is determined by calculating the present value of Discounted Cash Flows ("DCF"), including the contract extension period, using the discount rate that represents the Company's Transportation Weighted Average Cost of Capital ("WACC") and measurement that have some similarities for FV but are not FV, such as net realizable value in IAS 2, *Inventories* or value in use in IAS 36, *Impairment of assets.*

In addition, for financial reporting purposes, FV measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the FV measurements are observable and the significance of the inputs to the FV measurement in its entirety, which are described as follows:

i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
ii. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
iii. Level 3 inputs are unobservable inputs for the asset or liability.

c. Comparative information

The Consolidated Financial Statements provide comparative information with respect to the previous period. The Company presents additional information at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the Consolidated Financial Statements.

Additional information on the Segment disclosure for the years ended on December 31, 2019, 2018 and 2017, are presented in these Consolidated Financial Statements due to the change in reportable segments. (Please refer to Note 28.).

The following inmaterial adjustments and reclassifications were made to conform the 2018 and 2017 Consolidated Financial Statements to the presentation adopted in 2019:

- For cash flow reporting purposes, balances of restricted cash are now part of the cash and cash equivalents. Accordingly, changes in restricted cash in 2018 are no longer reported as cash flows from investing activities.

- Additionally, certain amounts included in short term investment in 2018 were reclassified to cash and cash equivalents.

- The amounts corresponding to the acquisition of the investment in Trafigura were reclassified out of comprehensive income for the year ended December 31, 2018 in the Consolidated Statements of Changes in Stockholders' Equity as such amounts do not form part of comprehensive income.

2.3. *Consolidation of Financial Statements*

2.3.1.Basis of consolidation

The Consolidated Financial Statements of IEnova incorporate the financial statements of all entities where it maintains control (its subsidiaries). Control is achieved when the Company:

i. Has power over the investee;
ii. Is exposed, or has rights, to variable returns from its involvement with the investee; and
iii. Has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

i. The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
ii. Potential voting rights held by the Company, other vote holders or other parties;
iii. Rights arising from other contractual arrangements; and
iv. Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit and Other Comprehensive Income ("OCI") from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Company accounting policies.

All intercompany transactions, assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in consolidation.

IEnova's equity ownership in subsidiaries for the year ended December 31, 2019 is as follows:

Company	Ownership percentage 2019
Gas and Storage Segment:	
Ecogas Mexico, S. de R. L. de C. V.	100.00
PE International Canada, S. de R. L. de C. V. ("merged in 2018 with IEnova Holdco, S. de R. L. de C. V. ")	100.00
Servicios DGN de Chihuahua, S. A. de C. V.	100.00
IEnova Gasoductos Mexico, S. de R. L. de C. V.	100.00
Gasoducto de Aguaprieta, S. de R. L. de C. V.	100.00
IEnova Gasoductos Holding, S. de R. L. de C. V.	100.00
Energia Costa Azul, S. de R. L. de C. V.	100.00
IEnova Marketing, S. de R. L. de C. V.	100.00
Ductos e Insfraestructura Marina, S. de R. L. de C. V.	100.00
IEnova Gas, S. de R. L. de C. V.	100.00
IEnova Pipelines, S. de R. L. de C. V.	100.00
Gasoductos de Tamaulipas, S. de R. L. de C. V.	100.00
Gasoductos del Noreste, S. de R. L. de C. V.	100.00
Transportadora del Norte SH, S. de R. L. de C. V.	100.00
TDF, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos Servicios Subholding, S. de R. L. de C. V.	100.00
Gasoductos Ingenieria, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Norte, S. de R. L. de C. V.	100.00
IEnova Infraestructura Marina Holding, B. V.	100.00
IEnova Petroleum Liquids Holding, B. V.	100.00
IEnova Gasoductos Holding, LLC	100.00
Sempra Ecogas Holdings, LLC	100.00
IEnova Petroliferos Holding, S. de R. L. de C. V.	100.00
IEnova Petroliferos III, S. de R. L. de C. V.	100.00
IEnova Petroliferos IV, S. de R. L. de C. V.	100.00
IEnova Petroliferos V, S. de R.L. de C. V.	100.00
IEnova Petroliferos VI, S. de R.L. de C. V.	100.00
Servicios Energia Costa Azul, S. de R. L. de C. V.	100.00
ICM Ventures Holding, B. V.	53.68
TP Terminals, S. de R. L. de C.V.	53.68
ESJ Renovable III, S. de R. L. de C. V.	100.00
Power segment:	
Termoelectrica de Mexicali, S. de R. L. de C. V. and Subsidiaries	100.00
Termoelectrica U.S., LLC	100.00
Servicios Termoelectrica de Mexicali, S. de R. L. de C. V.	100.00
Controladora Sierra Juarez, S. de R. L. de C. V.	100.00
IEnova Ventika Holding, S. a. r. l.	100.00
IEnova Ventika Holding II, S. a. r. l.	100.00

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Company	Ownership percentage 2019
IEnova Ventika Mexico, S. de R. L. de C. V.	100.00
IEnova Ventika Mexico II, S. de R. L. de C. V.	100.00
Ventika, S. A. P. I. de C. V.	100.00
Ventika II, S. A. P. I. de C. V.	100.00
ESJ Renovable I, S. de R. L. de C. V.	90.00
ESJ Renovable II, S. de R. L. de C. V.	100.00
Ventika Energy B. V. (formerly known as IEnova Renewable Holding I, B. V.)	100.00
IEnova Midstream Holding B. V (formerly known as IEnova Renewable Holding II, B. V.)	100.00
IEnova IGP, S. A. P. I. de C. V.	100.00
IEnova Infraestructura Petrolera, S. A. P. I. de C. V.	100.00
Energia Sierra Juarez 2, U. S., LLC	100.00
Energia Sierra Juarez 2, S. de R. L. de C. V.	100.00
Energia Sierra Juarez Holding, S. de R. L. de C. V.	100.00
ESJ Energy, B.V.	100.00
Central Fotovoltáica Border Solar Norte, S. A. de C.V.	100.00
Don Diego Solar Netherlands, B. V.	100.00
Don Diego Solar Holding, S. de R. L. de C. V.	100.00
Don Diego Solar, S. A. P. I. de C. V.	100.00
IEnova Suministro Calificado, S. de R. L. de C. V.(formerly known as BC Transmision, S. de R. L. de C. V.)	100.00
Corporate segment:	
IEnova Holdco, S. de R. L. de C. V. (formerly known as Sempra Servicios Energeticos, S. de R. L. de C. V.)	100.00
Fundacion IEnova, A. C.	100.00
Inmobiliaria IEnova, S. de R. L. de C. V.	100.00

2.4. 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.

2.5. 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 are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at FV; any fluctuations in value are recognized in the Consolidated Statements of Profit.

2.6. Restricted cash

Restricted cash comprises the amounts of cash of escrows used by the Company to make payments of certain operating costs, which are guaranteed until the completion of the projects. It also comprises the restricted cash under the project financing structure.

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*

LGN 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. 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 Company´s net investment with respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.9.2. Company as lessee

Set out below are the new accounting policies of the Company upon adoption of IFRS 16 *Leases*, which have been applied from the date of initial application, which was January 1, 2019:

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value, in addition the Company established a materiality threshold amounted to below $250.0. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

IAS 17 Leases before IFRS 16 adoption

The accounting policy under previous IAS 17 related to leases under Lessee prospective applied a dual recognition and measurement approach for all leases. Lessees classified a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise a lease is classified as an operating lease.

2.10. Investments in JV´s

A JV 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 results, assets and liabilities of the JV 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 JV 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 OCI of the JV.

When the Company's share of losses of a JV exceeds the Company's interest in that JV (which includes any long-term interests that, in substance, form part of the Company's net investment in the JV), 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 JV.

An investment in a JV is accounted for using the equity method from the date on which the investee becomes a JV. On acquisition of the investment in a JV, any excess of the cost of the investment over the Company's share of the net FV 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 FV of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit in the year in which the investment is acquired.

The requirements of IFRS 9*:* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a JV. 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 FV 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 JV, or when the investment is classified as held for sale. When the Company retains an interest in the former JV and the retained interest is a financial asset, the Company measures the retained interest at FV at that date and the FV is regarded as its FV on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the JV at the date the equity method was discontinued, and the FV of any retained interest and any proceeds from disposing of a part interest in the JV is included in the determination of the gain or loss on disposal of the JV. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that JV on the same basis as would be required if that JV had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that JV would be reclassified to profit on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit (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 JV or an investment in a JV becomes an investment in an associate. There is no remeasurement to FV upon such changes in ownership interests.

When the Company reduces its ownership interest in a JV, but the Company continues to use the equity method, the Company reclassifies to profit 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 on the disposal of the related assets or liabilities.

When the Company conducts transactions with JV, non-realized profit and losses are eliminated at the Company's ownership percentage in the JV.

2.11. Business combination and assets acquisition

A Company shall determine whether a transaction or other event is a business combination by applying the definition of IFRS 3 *Business Combinations*, which requires that the assets acquired, and liabilities assumed constitute a business. If the assets acquired are not a business, the Company shall account for the transaction or other event as an asset acquisition.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at FV, which is calculated as the sum of the acquisition-date FVs of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company 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 FV, except for:

i. 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,
ii. Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 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 FV 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 FV of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit 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 FV 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 FV 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 FV and included as part of the consideration transferred in a business combination. Changes in the FV 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 FV 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. Other contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date FV and the resulting gain or loss, if any, is recognized in profit. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in OCI are reclassified to profit 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, 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.

When a transaction or other event does not meet the definition of a business combination due to the asset or group of assets not meeting the definition of a business, it is termed an "asset acquisition". In such circumstances, the acquirer:

i. Identifies and recognizes the individual identifiable assets acquired and liabilities assumed; and,
ii. Allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative FVs at the date of purchase.

In addition, in an asset acquisition, the acquirer generally capitalizes transaction costs as part of the cost of the assets acquired, applies the exception to recognition of deferred taxes arising upon the initial recognition of assets and liabilities, and, does not recognize contingent liabilities.

2.12. Goodwill

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, 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. 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 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. (Please refer Note 21.).

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 FV 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, 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.

2.15. Intangible assets

Intangible assets acquired in a business combination and/or assets acquisition and recognized separately from goodwill and are initially recognized at their FV at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination and/or assets acquisition are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.16. 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 FV 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

When non-current assets and disposal groups are classified as held for sale, they are required to be measured at the lower of their carrying amount and FV less costs to sell. The comparison of carrying amount and FV less costs to sell is carried out at each reporting date while it continues to meet the held for sale criteria. As described in Note 12, during 2017 an impairment loss related to TDM has been recognized in the Consolidated Statements of Profit.

FV is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, a gain or loss could arise once an actual sale is completed.

2.17. Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

A discontinued operation is a component of a company that either has been disposed of or is classified as held for sale and represents (or is part of a single coordinated plan to dispose of) a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

A discontinued operation is presented as a single amount in the Consolidated Statements of Profit comprising the total of post-tax profit or loss of discontinued operations and gain or loss recognized on the measurement to FV less costs to sell or on the disposal of the assets constituting the discontinued operation.

If the Company does not meet with the criteria established in accordance with IFRS 5 or decides to make changes to a plan of sale and the non-current asset ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale), it is measured at the lower of:

i. Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale; and
ii. Its recoverable amount at the date of the subsequent decision not to sell or distribute.

The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria of the IFRS 5 are no longer met and will be changed, as a result the Consolidated Financial Statements of the periods from the classification of as held for sale. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any.

If an entity ceases to classify a component as held for sale, the results of operations of the component previously presented in discontinued operations should be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods should be described as having been re-presented.

The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the comparative Consolidated Statement of Financial Position should not be reclassified or re-presented.

2.18. 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 in the period in which they are incurred.

2.19. 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 annual reporting period.

Remeasurement comprising actuarial gains and losses and the effect of the changes on the floor of the asset (if applicable), are immediately recognized in the Consolidated Statement of Financial Position charged to the credit recognized in the Consolidated Statements of Profit and OCI in the period in which they occur.

Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or 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 year.

2.19.1. Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service and are presented in other liabilities.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

2.19.2. Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses.

As result of the 2014 Income Tax Law, as of December 31, 2019, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

2.20. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.21. 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 FV. 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 FV through profit) are added to or deducted from the FV 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 FV through profit or loss are recognized immediately in profit.

2.21.1. 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.

2.21.2. FV

FV is defined in Note 2.2.b.

2.22. Financial assets

Financial assets are classified into the following categories: financial assets "at FV through profit or loss" ("FVTPL"), investments held to maturity, financial assets "available for sale" ("AFS") and 'loans and receivables' (amortized cost). 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.

2.22.1. Amortized cost /effective interest rate method

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.

2.22.2. 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:

i. It has been acquired principally for the purpose of selling it in the near term; or
ii. 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
iii. 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 FV, 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. FV is determined in the manner described in Note 2.2.b.

2.22.3. 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.

2.22.4. 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.

2.22.5. 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:

i. Significant financial difficulty of the issuer or counterparty;
ii. Non-payment of interest or principal;
iii. It is probable that the borrower will enter bankruptcy or financial reorganization; or
iv. 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.

2.22.6. 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.

For changes related to the adoption of IFRS 9 and IFRS 7 *Financial Instruments: Disclosures*, refer to Notes 38 and 24.9, respectively.

2.23. Financial liabilities and equity instruments

2.23.1. Classification as debt or equity

Debt and equity instruments issued by the Company 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.

2.23.2. 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 on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.23.3. Financial liabilities

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

2.23.3.1. 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:

i. It has been acquired mainly for the purpose of repurchasing it in the near term; or
ii. 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
iii. 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 FV, 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. FV is determined as described in Note 24.

2.23.3.2. 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.

2.23.3.3. 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 Consolidated Statements of Profit.

2.24. 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 24.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at FV on the Consolidated Statements of Financial Position, regardless of its intent for holding them.

Derivatives are initially recognized at FV at the date the derivative contracts are entered and are subsequently remeasured to their FV 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.

2.24.1. 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.

2.24.2. Own use exemption

Contracts that are entered 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.

2.25. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivative with respect to foreign currency risk, either as FV hedges, cash flow hedges, or hedges of a net investment in a foreign transaction. 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 FVs or cash flows of the hedged item attributable to the hedged risk.

2.25.1. Cash flow hedges

The effective portion of changes in the FV 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 Consolidated Statements of Profit.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit in the years when the hedged item is recognized in profit, in the same line of the Consolidated Statements of Profit 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.

2.25.2. FV hedges

Changes in the FV of derivatives that are designated and qualify as FV hedges are recognized in profit immediately, together with any changes in the FV of the hedged asset or liability that are attributable to the hedged risk.

The change in the FV 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 FV adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2.26. Income tax

Income Tax expense represents the sum of the current and deferred tax.

2.26.1. Current tax

Current income tax is recognized in the results of the year in which it is incurred.

2.26.2. Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in JV's, 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 year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.26.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.26.4. Tax on assets

The assets tax ("IMPAC") expected to be recoverable is recorded as a tax credit and is presented in the balance sheet in the income taxes receivable line item.

2.27. Revenue recognition

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers,* from January 1, 2018. Information about the Company's accounting policies relating to contracts with customers is provided in Note 29. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 29.

2.27.1. Sale of goods

Revenue from the sale of goods are recognized over the time when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Management considered practical expedient which allows companies to recognize revenues based on amount invoiced to the customer when the amount of the invoice corresponds directly with the value transferred.

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:

i. 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,
ii. Power generation on revenues are recognized when generated power is delivered.

2.27.2. Rendering of services

Under IFRS 15 revenue is recognized upon the satisfaction of an entity's performance obligation which occurred when contract service transfers to the costumer at a point in time or over time.

The main services are consumed simultaneously therefore the performance obligation is eligible for recognition over the time.

Management considered practical expedient which allows companies to recognize revenues based on amount invoiced to the customer when the amount of the invoice corresponds directly with the value transferred.

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:

i. Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements;
ii. Revenues and related costs and expenses from gas distribution and transportation are recognized when the distribution or transportation services are rendered;
iii. Revenues also include net realized gains and losses and the net change in the FV of unrealized gains and losses on derivative contracts for natural gas; and,
iv. Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.27.3. 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.

2.27.4. Lease revenue

The Company's policy for recognition of revenue from finance leases is described in Note 2.9.1.

2.28. Foreign currencies

The Company's functional currency is the U. S. Dollar, except for ECO, PEI and SDGN in its Gas segment, and Fundacion 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 FV that are denominated in foreign currencies are translated at the rates prevailing at the date when the FV 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:

i. 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;
ii. 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 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.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company´s accounting policies, the management of the Company required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the Consolidated Financial Statements.

The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future 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. 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.

3.1.2. Own use exemption

IAS 39 and IFRS 9 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.

3.1.3. Classification of its joint arrangements

The JV's 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 Company's share of the profits 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. 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 management 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.

3.2.2. 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.

3.2.3. Recoverability of deferred tax assets

As mentioned in Note 25., 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.

3.2.4. Key sources of estimation uncertainty for IEnova Pipelines

Selected Valuation Methodology.

IEnova Pipelines is a regulated business that will earn a return of its costs and a reasonable return on its invested capital, without other consideration; the value of the assets of a regulated business is the value of its invested capital. Under this premise, the FV of the fixed assets of regulated businesses is equivalent to carrying value for financial reporting purposes, as carrying value reflects the basis for which invested capital is derived, and for which a regulated business is allowed to earn a reasonable return.

The Company concluded that the carrying value of the fixed assets is deemed to be representative of FV for IFRS purposes.

3.2.5. Key sources of estimation uncertainty for Ventika

Selected Valuation Methodology.

Based on the nature of the power facility and generally accepted industry practice, the Company relied on the Income Approach, specifically the DCF method.

Associated intangibles such as rights of way / easements are embedded in the value of the property plant and equipment.

While the Cost Approach was not relied upon to derive the FV estimate, provided the Income Approach being the preferred approach to valuing an operational wind power facility, it was considered for corroboratory purposes in relation to the FV estimate derived utilizing the Income Approach. It is noted that the derived FV estimate embeds a developer margin (i.e., margin above the cost to develop/ construct the power project) that is within the reasonable range of developer margins expected for this type of power facility and at the stage of development associated with Ventika (i.e., recently entering commercial operation).

In addition to what is described above, the Company used different estimates relating to operating statistics, revenues, operating expenses and cash flow.

4. Cash and cash equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash, banks and investments in instruments in the money market funds, net of bank overdrafts.

Cash and cash equivalents at end of year as shown in the Consolidated Statements of Cash Flows can be reconciled to the related items in the Consolidated Statements of Financial Position as follows:

	As of		
	12/31/19	**12/31/18**	**12/31/17**
Cash and cash equivalents	$ 57,966	$ 51,764	$ 38,289

The Company maintained restricted cash as a current asset by $30.8, $23.3 and $55.8 million as of December 31, 2019, 2018 and 2017, respectively, which $2.7 and $2.9 million are presented in non-current assets as of December 31, 2019 and 2018, respectively, to make payments of certain operating costs for the execution of projects.

5. Trade and other receivables, net

	As of		
	12/31/19	**12/31/18**	**12/31/17**
Trade receivables	$ 117,276	$ 146,273	$ 93,299
Credit Expected Losses (a)	(136)	(40)	(41)
	117,140	146,233	93,258
Other receivables	22,267	7,416	1,535
	$ 139,407	$ 153,649	$ 94,793

a For the Gas segment, ECO, has recognized a credit expected losses for doubtful accounts of 80 percent against all receivables outstanding between 180 and 269 days and 100 percent against all receivables outstanding over 270 days, based on historical experience.

The Company revised methodology based on IFRS 9: for expected losses and compared versus the amount determined under the described methodology and the amount recorded is appropriate.

Credit Expected Losses 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 year for which the Company has not recognized an allowance for expected losses debts because the amounts are still considered recoverable.

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

	As of		
	12/31/19	**12/31/18**	**12/31/17**
31-120 days	$ 146	$ 33	$ 61
121-180 days	82	18	21
181-270 days	36	11	5
Total	$ 264	$ 62	$ 87
Average age (days)	36	41	29

5.2. Movement in the credit expected losses

	As of		
	12/31/19	**12/31/18**	**12/31/17**
Balance as of beginning of the year	$ (40)	$ (41)	$ (101)
Impairment losses recognized on receivables	(128)	(69)	(90)
Amounts written off during the year as uncollectible	37	66	152
Foreign exchange translation (loss) gains	(5)	4	(2)
Balance as of end of the year	$ (136)	$ (40)	$ (41)

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 24.9. for more details of the Company's credit risk management and concentration of credit risk assessment.

5.3. Age of impaired trade receivables

	As of		
	12/31/19	**12/31/18**	**12/31/17**
181-270 days	$ (52)	$ (14)	$ (20)
Over 270 days	(84)	(26)	(21)
Total	$ (136)	$ (40)	$ (41)

6. Transaction and balances with unconsolidated affiliates

Transactions and balances between IEnova and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note.

a. ***Transactions and balances with unconsolidated affiliates***

During the years ended December 31, 2019, 2018 and 2017, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues		
		Year ended	
	12/31/19	12/31/18	12/31/17
Sempra Gas & Power Marketing, LLC ("SG&PM")	$ 212,237	$ 226,004	$ 140,914
SLNGI	102,084	38,847	—
TAG Pipelines Norte	25,620	23,357	1,766
Sempra International, LLC ("Sempra International")	1,802	1,763	1,844
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	1,655	1,215	1,072
ECA Liquefaction, S. de R. L. de C.V. ("ECAL")	1,401	—	—
TAG	701	—	—
Southern California Gas Company ("SoCalGas")	405	731	231
Sempra LNG International Holdings, LLC ("SLNGIH")	—	59,588	103,043
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	—	81	217
Energía Sierra Juarez, S. de R. L. de C. V. ("ESJ")	—	7	—
DEN	—	—	6,761

	Cost of revenue, administrative and other expenses		
		Year ended	
	12/31/19	12/31/18	12/31/17
SLNGI	$ 228,652	$ 230,510	$ 207,505
SG&PM	113,250	139,565	88,144
Sempra North American Infrastructure, LLC ("Sempra Infrastructure")	5,947	5,430	6,936
Sempra International	4,875	8,509	7,250
SoCalGas	2,609	2,026	1,258
Pxise Energy Solutions, LLC ("Pxise")	1,826	—	—
Sempra Energy Holding, XI. B. V. ("SEH")	128	131	—
Pacific Enterprises International INC ("PEI INC")	—	366	—
Sempra Midstream, Inc. ("Sempra Midstream")	—	—	492

Included in the operational transactions are administrative services from affiliates by $4.9 million, $8.5 million and $7.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	Interest income		
	Year ended		
	12/31/19	12/31/18	12/31/17
IMG	$ 41,622	$ 23,929	$ 17,211
SEG	90	75	180
ESJ	36	401	775
ECAL	18	—	—
DEN	—	—	3,665

	Finance costs		
	Year ended		
	12/31/19	12/31/18	12/31/17
Inversiones Sempra Limitada (“ISL”)	$ 4,408	$ 9,315	$ 3,491
Peruvian Opportunity Company, S. A. C. (“POC”)	2,618	2,941	944
TAG Pipelines Norte	2,086	1,651	50
Sempra Energy International Holding NV (“SEI NV”)	1,489	209	—
TAG	372	—	—
SEH	—	2,310	937
Sempra Oil Trading Suisse (“SOT Suisse”)	—	1,321	1,265
SEG	—	—	332
Inversiones Sempra Latin America Limitada (“ISLA”)	—	—	1,174
DEN	—	—	332

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

	Amounts due from unconsolidated affiliates		
	As of		
	12/31/19	12/31/18	12/31/17
SG&PM	$ 30,581	$ 40,600	$ 10,723
TAG Pipelines Norte	2,524	2,234	4,289
Sempra Infraestructure	2,349	—	—
SESJ	575	346	371
ECAL	295	—	—
TAG	70	—	—
PEI	—	1,803	—
SoCalGas	—	60	21
SLNGIH	—	—	9,162
SLNGEL	—	—	21
	$ 36,394	$ 45,043	$ 24,587

	Amounts due to unconsolidated affiliates		
		As of	
	12/31/19	12/31/18	12/31/17
SG&PM	$ 13,343	$ 23,412	$ 17,525
SLNGI	10,525	18,795	16,360
Pxise	235	—	—
SoCalGas	227	199	98
Sempra International	136	122	226
SEH (iii)	5	10	132,800
ISL (i)	—	165,768	275,188
POC (ii)	—	102,000	102,020
PEI INC	—	390	—
	$ 24,471	$ 310,696	$ 544,217

i. On March 2, 2015, IEnova entered into a $90.0 and a $30.0 million U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements have nine-month terms, with an option to be extended for up to four years. Interest is payable on a quarterly basis a rate of 1.98 percent per annum of outstanding balances.

   In December 2016, the Company signed addendums modifying the initial contracts and the new characteristics are: the term was extended and was due and payable in full on December 15, 2017. The applicable interest shall be computed and paid on a quarterly basis at the rate of 1.75 percent per annum.

   On December 27, 2016, IEnova entered into a $70.0 million U.S. Dollar-denominated affiliate revolving credit facility with ISLA, to finance working capital and for general corporate purposes. The credit facility has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at a rate of 1.75 percent per annum. Interest shall be paid on the last day of each calendar quarter.

   On March 21, 2017, IEnova entered into an $85.0 million U.S. Dollar-denominated affiliate credit facility with ISL, to finance working capital and for general corporate purposes. The credit is a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month London Interbank Offered Rate ("LIBOR") plus 60 basis points ("BPS") per annum. Interest shall be paid on the last day of each calendar quarter.

   Effective June 1, 2017, ISLA was merged with and into ISL, which is the surviving entity in the merger. The terms and conditions of agreements between ISL and IEnova remain the same.

   On December 15, 2017, the Company signed addendums modifying the contracts terms over the $90.0 million, $30.0 million and $70.0 million U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

   On January 16, 2018, IEnova entered into a $70.0 million U.S. Dollar-denominated affiliate credit facility with ISL, to finance working capital and for general corporate purposes. The credit is a twelve-month term, with an option to extend. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

   On March 21, 2018, the Company signed an addendum modifying the contract's terms over the $85.0 million U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and is due and payable in full on March 21, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

   On November 30, 2018, the Company made a payment to ISL for $179.2 million, the loans for $90.0 million and $70.0 million was paid in full and the loan for $30.0 million was partially paid leaving a balance to pay $165.8 million.

On December 15, 2018, the Company signed an addendum modifying the contract's terms over the $30.0 million and $70.0 million U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and is due and payable in full on December 15, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 1.024 percent per annum. Interest shall be paid on the last day of each calendar quarter.

On March 21, 2019, the Company signed an addendum modifying the contractual terms over $85.0 million principal amount U.S. Dollar-denominated credit facilities with ISL, the new conditions are: the term was extended and is due and payable in full on November 29, 2019, interest shall be computed on a calendar quarter basis at three-month LIBOR plus 80 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On September 25, 2019, the Company made a payment to ISL for $33.5 million, partially paying down a U.S. $70.0 million loan. On October 9, 2019, the outstanding balance of $132.3 million was paid in full by the Company.

ii. On December 27, 2016, IEnova entered into a $20.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest on the outstanding balance is payable on a quarterly basis at rate of 1.75 percent per annum.

On April 27, 2017, IEnova entered into a $19.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend for up to four years. Interest on the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 60 BPS per annum.

On June 26, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum. On June 26, 2018, IEnova signed an addendum modifying the contract term to December 15, 2018.

On September 29, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum. On September 28, 2018, IEnova signed an addendum modifying the contract term to December 15, 2018.

On December 15, 2017, the Company signed an addendum modifying the contract term over the $20.0 million U.S. Dollar-denominated revolving credit facilities with POC and the new characteristics are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On December 28, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend for up to four years. Interest on the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 63 BPS per annum.

On December 15, 2018, the Company signed an addendum modifying the following contracts:

- $20.0 million (originally issued on December 27, 2016)
- $19.0 million (originally issued on April 27, 2017)
- $21.0 million (originally issued on June 26, 2017)
- $21.0 million (originally issued on September 29, 2017)
- $21.0 million (originally issued on December 28, 2017)

The new conditions of the contract in relation to $102.0 million U.S. Dollar-denominated credit facilities with POC are: the term was extended and is due and payable in full on December 15, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 90 BPS per

annum. Interest shall be paid on the last day of each calendar quarter. On September 24, 2019, the outstanding balance of $102.0 million was paid in full by the Company.

iii. On August 23, 2017, IEnova entered into a $132.8 million U.S. Dollar-denominated affiliate credit facility with SEH, to finance working capital and general corporate purposes. The credit facility is for a six-month term. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 61 BPS per annum.

On February 6, 2018, IEnova signed an addendum modifying the contract term to August 22, 2018. In August 2018, the outstanding balance of $132.8 million was paid in full by the Company.

Transactions with unconsolidated affiliates, as of December 31, 2019, 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 nor received. No expenses have been recognized in the current or prior periods for credit expected losses regarding the amounts owed by unconsolidated affiliates.

b. ***Due from unconsolidated affiliates***

		As of	
	12/31/19	12/31/18	12/31/17
IMG (i)	$ 741,816	$ 640,775	$ 487,187
SEG	2,793	2,111	—
ESJ	—	3,411	6,700
	$ 744,609	$ 646,297	$ 493,887

i. On April 21, 2017, IEnova entered into a loan agreement with IMG, providing a credit line in an amount of up to $9,041.9 million Mexican Pesos, the maturity date is March 15, 2022. The applicable interest rate is the Mexican Interbank Interest Rate ("TIIE") at 91 days plus 220 BPS capitalized quarterly.

On December 6, 2017, the Company signed an addendum modifying the amount of the loan up to $14,167.9 million Mexican Pesos.

As of December 31, 2019, the outstanding balance amounts $13,919.1 million Mexican Pesos, including $2,521.5 million Mexican Pesos of accrued interest.

c. ***Due to unconsolidated affiliates***

		As of	
	12/31/19	12/31/18	12/31/17
TAG (iii)	$ 155,769	$ —	$ —
TAG Pipelines Norte (ii)	39,368	36,701	35,050
SEI NV (i)	38,460	38,460	—
SOT Suisse (i)	—	—	38,460
	$ 233,597	$ 75,161	$ 73,510

i. On March 17, 2017, IEnova entered into an amended agreement with SOT Suisse in order to extend the loan to seven years. The interest is payable on an annual basis at three-month LIBOR plus 180 BPS.

On November 9, 2018, the contract signed between the Company and SOT Suisse was transferred to SEI NV with no modifications in the original terms and conditions except for the modification in interest rate of three-month LIBOR plus 137 BPS per annum. The credit matures on March 17, 2024.

ii. On December 19, 2017, DEN entered into a $35.0 million U.S. Dollar-denominated affiliate credit facility with TAG, to finance working capital and general business purposes. The credit facility has a four years term. Interest on the outstanding balance is payable on a semiannual basis at six-month LIBOR plus 290 BPS per annum.

iii. On December 16, 2019, DEN entered into a $155.4 million U.S. Dollar-denominated affiliate credit facility with TAG, to finance working capital and general business purposes. The credit facility has a ten years term. Interest on the outstanding balance is payable on a quarterly basis at 5.74 percent per annum.

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

Total compensation paid to key management personal was $13.5, $13.5 and $10.7 million, for the years ended December 31, 2019, 2018 and 2017, respectively.

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

7. Natural gas inventories

	As of		
	12/31/19	**12/31/18**	**12/31/17**
LNG	$ 8,270	$ 3,516	$ 7,196

The cost of inventories recognized within cost of revenues were $216.3, $222.0 and $194.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017, no cost of revenue was recognized, due to write-downs of inventory to net realizable value.

8. Finance lease receivables

8.1. Finance lease receivables – Natural Gas Compression Plant

	As of		
	12/31/19	**12/31/18**	**12/31/17**
Current finance lease receivables	$ 608	$ 433	$ 308
Non-current finance lease receivables	12,786	13,394	13,827
	$ 13,394	$ 13,827	$ 14,135

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.

8.1.1. Amounts receivables under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	As of			As of		
	12/31/19	**12/31/18**	**12/31/17**	**12/31/19**	**12/31/18**	**12/31/17**
Not later than one year	$ 5,136	$ 5,136	$ 5,136	$ 608	$ 433	$ 308
Later than one year and not later than five years	25,680	20,544	21,828	9,435	4,348	3,464
More than five years	3,851	14,123	17,975	3,351	9,046	10,363
	34,667	39,803	44,939	13,394	13,827	14,135

	Minimum lease payments			Present value of minimum lease payments		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Less: unearned finance income	(21,273)	(25,976)	(30,804)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 13,394	$ 13,827	$ 14,135	$ 13,394	$ 13,827	$ 14,135

No residual values of assets leased under finance lease at the end of the year 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 34.5 percent per annum for 2019, 2018 and 2017. The receivable under finance lease balance as of December 31, 2019, 2018 and 2017, is neither past due nor impaired.

8.2. Finance lease receivables – Los Ramones I Pipeline

	As of		
	12/31/19	12/31/18	12/31/17
Current finance lease receivables	$ 5,138	$ 4,517	$ 3,665
Non- current finance lease receivables	557,999	562,888	567,405
	$ 563,137	$ 567,405	$ 571,070

Leasing arrangements

The Company entered into a finance lease arrangement for one of its natural gas pipelines and compression stations. The lease is denominated in U. S. Dollars. The term of the finance lease is 25 years.

8.2.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Not later than one year	$ 85,742	$ 86,470	$ 87,104	$ 5,138	$ 4,517	$ 3,665
Later than one year and not later than five years	421,344	426,802	424,616	38,203	32,643	28,108
More than five years	732,821	812,855	901,512	519,796	530,245	539,297
	1,239,907	1,326,127	1,413,232	563,137	567,405	571,070
Less: unearned finance income	(676,770)	(758,722)	(842,162)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 563,137	$ 567,405	$ 571,070	$ 563,137	$ 567,405	$ 571,070

No residual values of assets leased under finance lease at the end of the reporting year 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 15.2 percent per annum for 2019, 2018 and 2017. The receivable under finance lease balance as of December 31, 2019 ,2018 and 2017, is neither past due nor impaired.

8.3. *Finance lease receivables – Ethane Pipeline*

	As of		
	12/31/19	12/31/18	12/31/17
Current finance lease receivables	$ 5,608	$ 4,859	$ 4,153
Non-current finance lease receivables	350,485	356,093	360,952
	$ 356,093	$ 360,952	$ 365,105

Leasing arrangements

The Company entered into a finance lease arrangement for its ethane pipeline. The lease is denominated in U. S. Dollars.

The transportation system refers to:

Segment I. Transports ethane from Ethylene Complex XXI Braskem-IDESA to Cangrejera (Veracruz), through a 20-inch and 4 Km length pipeline. The term of the finance lease is 20.5 years.

Segment II. Transports ethane from Nuevo Pemex (Tabasco) to Cactus (Chiapas) through a 16 inch and 15 Km length pipeline and from Cactus to the Ethylene XXI Complex Braskem-IDESA through a 24 inch and 133.5 Km length pipeline. The term of the finance lease is 20.5 years.

Segment III. Transports liquid ethane from Ciudad Pemex to Nuevo Pemex (Tabasco) through a 20 inch and 73.5 Km length pipeline. The term of the finance lease is 21 years.

The breakdown as of December 31, 2019, of this finance lease is as follows:

	Amount
Segment I	$ 30,820
Segment II	181,234
Segment III	144,039
Total	$ 356,093

8.3.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Not later than one year	$ 54,218	$ 54,704	$ 55,393	$ 5,608	$ 4,859	$ 4,153
Later than one year and not later than five years	254,812	258,766	264,235	45,336	38,948	33,512
More than five years	311,689	416,097	388,982	305,149	317,145	327,440
	620,719	729,567	708,610	356,093	360,952	365,105
Less: unearned finance income	(264,626)	(368,615)	(343,505)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 356,093	$ 360,952	$ 365,105	$ 356,093	$ 360,952	$ 365,105

No residual values of assets leased under finance lease at the end of the reporting year are estimated.

The average effective interest rate contracted is approximately 16 percent for segment I and 14 percent for segments II and III as of December 31, 2019, 2018 and 2017, respectively. The receivable under finance lease balance as of December 31, 2019, 2018 and 2017, is neither past due nor impaired.

9. Other assets

		As of	
	12/31/19	12/31/18	12/31/17
Rights of way	$ 20,021	$ 14,073	$ —
Prepayments	13,051	8,966	9,621
Renewable interconnection facilities	6,857	—	—
Pipeline interconnection rights	1,336	1,486	1,637
LOCF related costs	911	1,506	—
Pipeline integrity system	348	468	593
Veracruz marine terminal initial bidding quota (a) (Refer to Note 1.2.21.a.)	—	54,163	28,179
Topolobampo marine terminal initial bidding quota (a) (Refer to Note 1.2.21.e.)	—	18,371	—
Contractual tariff	—	5,744	—
Prepaid land leases	—	547	526
IMPAC recoverable	—	—	1,455
Natural gas imbalance	—	—	974
	42,524	105,324	42,985
Amortization expense (a)	—	(1,569)	—
	$ 42,524	$ 103,755	$ 42,985
Current	9,688	9,695	10,327
Non–current	32,836	94,060	32,658
	$ 42,524	$ 103,755	$ 42,985

a. Due to IFRS 16 adoption in 2019, the Company has considered initial bidding quota and related amortization of Veracruz and Topolobampo marine terminals as part of lease accounting as lessee.

10. Investment in joint ventures

10.1. ESJ

The JV formed between IEnova and IG Sierra Juarez, S. de R.L. de C.V. ("Saavi Energia"), started operations in June 2015. As of December 31, 2019, 2018 and 2017, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method.

ESJ's Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

		As of	
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	$ 4,151	$ 1,695	$ 2,785
Other assets	24,382	24,165	18,479
Current assets	28,533	25,860	21,264

	As of		
	12/31/19	12/31/18	12/31/17
Deferred income tax assets	5,787	2,849	4,778
Other assets	2,774	2,784	2,795
Property, plant and equipment, net	229,091	241,457	252,856
Non-current assets	237,652	247,090	260,429
Total assets	$ 266,185	$ 272,950	$ 281,693
Current liabilities	$ 19,045	$ 16,673	$ 17,509
Non-current liabilities	204,644	210,991	231,048
Total liabilities	$ 223,689	$ 227,664	$ 248,557
Total members' equity	$ 42,496	$ 45,286	$ 33,136
Share of members' equity	$ 21,248	$ 22,643	$ 16,568
Goodwill	12,121	12,121	12,121
Carrying amount of investment in ESJ	$ 33,369	$ 34,764	$ 28,689

On September 30, 2019, pursuant to a resolution in the General Ordinary Shareholders' Meeting resolved to reduce the equity in the amount of $3,910.0 of which 50 percent correspond to IEnova.

ESJ's Consolidated Statements of Profit are as follows:

	Year ended		
	12/31/19	12/31/18	12/31/17
Revenues	$ 49,921	$ 45,759	$ 46,570
Operating, administrative and other expenses	(25,227)	(20,210)	(22,147)
Finance costs	(14,108)	(15,166)	(15,929)
Other gains, net	75	48	13
Income tax expense	(2,688)	(2,780)	(1,340)
Profit for the year	$ 7,973	$ 7,651	$ 7,167
Share of profit of ESJ	$ 3,987	$ 3,825	$ 3,584

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 as coordinating lead arranger, the NADB as technical and modeling bank, Nacional Financiera, S. N. C. Institucion de Banca de Desarrollo ("NAFINSA"), Norddeutsche Landesbank Girozentrale ("NORD/LB") and 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, as follows:

Years	LIBOR applicable margin
June 2019 – June 2023	2.625%
June 2023 – June 2027	2.875%
June 2027 – June 2031	3.125%
June 2031 – June 2033	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 the amount of $239.8 million. The debt outstanding as of December 31, 2019, is as follows:

		Debt balance
Mizuho	$	43,729
SMBC		43,729
NORD/LB		43,729
NAFINSA		31,802
NADB		31,802
	$	194,791

b. ***Interest rate swaps***. To partially mitigate its exposure to interest rate changes associated with the 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 entered into to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

c. ***Other disclosures.*** The member's agreement provides certain restrictions and benefits to the sale of the membership interest in ESJ. The agreement establishes that capital calls that are to be contributed on a pro rata basis by the members.

10.2. IMG

IMG is a JV formed between IEnova and TC Energy, for the construction of the South Texas - Tuxpan marine pipeline, where TC Energy has 60 percent interest in the partnership and the Company owns the remaining 40 percent interest of the project.

On September 17, 2019, IMG announced that the South of Texas - Tuxpan Marine Pipeline has reached commercial operations.

As of December 31, 2019, 2018 and 2017, the Company's 40 percent interest in IMG is accounted for under the equity method.

IMG's Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

			As of			
		12/31/19		12/31/18		12/31/17
Cash and cash equivalents	$	71,364	$	46,333	$	58,284
Accounts receivable		49,732		—		—
VAT receivable		77,504		51,371		195,350

		As of	
	12/31/19	12/31/18	12/31/17
Other assets	8,532	1	434
Total current assets	207,132	97,705	254,068
Total non-current assets	2,955,435	2,594,950	1,653,554
Total assets	$ 3,162,567	$ 2,692,655	$ 1,907,622
Current liabilities	588,643	364,716	176,771
Long-term debt	1,844,249	1,602,029	1,222,973
Deferred revenue	—	901	—
Deferred income tax liabilities	56,663	51,785	34,209
Total non-current liabilities	1,900,912	1,654,715	1,257,182
Total liabilities	$ 2,489,555	$ 2,019,431	$ 1,433,953
Total members' equity	$ 673,012	$ 673,224	$ 473,669
Share of members' equity	269,205	269,290	189,468
Guarantees (b)	5,018	5,018	5,018
Remeasurement of interest rate (c)	(70,390)	(37,653)	—
Share of members' equity and carrying amount of investment in IMG	$ 203,833	$ 236,655	$ 194,486

IMG's Consolidated Statements of (loss) profit are as follows:

		Year ended	
	12/31/19	12/31/18	12/31/17
Revenue	$ 140,166	$ —	$ —
Operating, administrative and other expenses	(24,411)	—	—
Finance (costs) income, net	(54,980)	7,582	78,082
Other (losses) gains, net *	(73,299)	9,858	692
Income tax benefit (expense)	10,105	(17,657)	(31,233)
(Loss) profit for the year	$ (2,419)	$ (217)	$ 47,541
Other adjustments	575	—	—
Share of (loss) profit of IMG	$ (393)	$ (87)	$ 19,016

* Includes a foreign exchange impact mainly related to the Mexican Peso-denominated inter-affiliate loan granted by the Company and TC Energy to IMG for the proportionate share of the project financing. In the Consolidated Statements of Profit, in the "Other gains (losses), net", net line item, a corresponding foreign exchange gain (loss) which fully offsets the aforementioned effect, is included.

a. ***Project financing for the IMG project.*** As of December 31, 2019, 2018 and 2017 the project resources for the design and construction of the marine pipeline have been funded with capital contributions and loans of its members.

On April 21, 2017, IMG entered into two revolving credit agreements with IEnova and TC Energy, parent entities, for $9,041.9 and $13,513.1 million Mexican Pesos, respectively.

On December 6, 2017, IEnova and TC Energy renegotiated the credit line of such credit facility agreements for an amount up to $14,167.9 and $21,252.1 million Mexican Pesos, respectively. The loans accrue an annual interest rate of TIIE plus 220 BPS. Loan balance as of December 31, 2019, with IEnova is $13,919.1 million Mexican Pesos.

On March 23, 2018, IMG entered into a $300.0 million U. S. Dollar-denominated revolving credit facility with Scotiabank, which can be disbursed in U. S. Dollar or Mexican Pesos, to fund VAT payments and other capital expenditures. On July 5, 2019 the loan was increased to a total $420.0. million. The credit facility is for one-year term with option to extend for one additional year. Interest of the outstanding balance is payable on a bullet basis at LIBOR plus 90 BPS for U. S. Dollar or TIIE plus 50 BPS for Mexican Pesos per annum.

b. ***Guarantees.*** IEnova and TC Energy have each provided guarantees to third parties associated with the construction of IMG's South of Texas-Tuxpan natural gas marine pipeline. IEnova's share of potential exposure of the guarantees was estimated to be $5.0 million and will terminate upon completion of all guaranteed obligations. The guarantees had terms that expired in July 2019.

c. ***Remeasurement of interest rate.*** As of December 31, 2019 and 2018 the adjusted amount in the financial income for the loan between IEnova and IMG was $7.3 and $11.9 million, respectively, derived from the difference in the capitalized interest rates of projects under construction per contract, the loan accrues interest at TIIE rate plus 220 PBS, 10.6 and 9.8 percent average during the years ended December 31, 2019 and 2018; while the financing of the resources used by IEnova accrues interest at an average rate of 4.1 percent for the years ended on December 31, 2019 and 2018.

10.3. DEN

Until October 31, 2017, the Company owned a 50 percent interest in DEN, a JV with Pemex TRI.

In November 2017, the Company fully consolidated DEN.

DEN's Consolidated Financial Statements of Financial Position and the Company's equity method investment are summarized as follows:

		As of 10/31/17
Cash and cash equivalents	$	17,257
Due from unconsolidated affiliates		4,135
Other assets		7,166
Total current assets		28,558
Deferred income tax assets		10,361
Investments in joint ventures		195,981
Property, plant and equipment, net		1,795
Total non-current assets		208,137
Total assets	$	236,695
Current liabilities		68
Non-current liabilities		194,010
Total liabilities	$	194,078
Total members' equity	$	42,617
Share of members' equity and carrying amount of investment in DEN	$	21,309

DEN's Consolidated Statements of Profit is as follows:

	Period ended 10/31/17
Revenues	$ 18,532
Operating, administrative and other expenses	(7,185)
Finance costs	(7,394)
Other losses	(202)
Income tax expense	(7,003)
Share of profit of joint venture, net of income tax	41,551
Profit for the period / year	$ 38,299
Share of profit of DEN	$ 19,150

On November 15, 2017, IEnova completed the acquisition of Pemex's TRI 50 percent interest in DEN.

In November 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.1.).

10.4. TAG (a Subsidiary of DEN)

TAG, together with TAG Pipelines Norte, a JV between IEnova and Brookfield, owns Los Ramones Norte II pipeline, which began operations in February 2016.

In November 2017, the Company increased its indirect participation in TAG from 25 percent to 50 percent. (Please refer to Note 11.1.).

As of December 31, 2019, 2018 and 2017, the interest in TAG is accounted for under the equity method.

		As of	
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	$ 174,780	$ 88,977	$ 81,823
Other assets	40,259	36,917	22,293
Total current assets	215,039	125,894	104,116
Due from unconsolidated affiliates	390,291	73,715	70,698
Finance lease receivables	1,397,491	1,411,308	1,431,703
Other assets	—	3,202	16,466
Property, plant and equipment, net	15,792	15,282	15,471
Total non-current assets	1,803,574	1,503,507	1,534,338
Total assets	$ 2,018,613	$ 1,629,401	$ 1,638,454
Current liabilities	81,327	69,115	58,023
Non-current liabilities	1,437,126	1,083,748	1,178,616
Total liabilities	$ 1,518,453	$ 1,152,863	$ 1,236,639
Total members' equity	$ 500,160	$ 476,538	$ 401,815
Share of members' equity and carrying amount of investment in TAG	250,080	238,269	200,907
Equity method goodwill	99,020	99,020	99,020
Total amount of the investment in TAG	$ 349,100	$ 337,289	$ 299,927

TAG's Consolidated Statement of Profit is as follows:

	Year ended 12/31/19	Year ended 12/31/18	For the period 11/01/17 to 12/31/17
Revenues	$ 210,638	$ 211,002	$ 32,411
Operating, administrative and other expenses	(32,668)	(32,903)	(6,876)
Finance costs	(73,745)	(60,052)	(10,517)
Other gains (losses), net	4,336	(1,564)	217
Income tax expense	(33,942)	(47,992)	(9,378)
Profit for the year / period	$ 74,619	$ 68,491	$ 5,857
Share of profit of TAG	$ 37,309	$ 34,246	$ 2,928

a. ***TAG Project financing.*** On December 19, 2014, TAG, entered into a credit contract with Santander as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of the gas pipeline.

During 2016 and 2015, there were amendments to the credit contract in order to include additional banks as lenders. The total amount of the credit is $1,274.5 million, divided in tranches:

i) long tranche, up to $701.0 million,
ii) short tranche up to $513.3 million and
iii) the letter of credit tranche for debt service reserve up to $60.2 million.

On December 16, 2019, the existing credit agreement was modified and restated concurrently with the issuance of the guaranteed notes to, among other things, renew the original terms of 12 and 20 years of the commercial banking and development banking tranches.

As of December 31, 2019, the total outstanding loan is $1,019.0 million, with its respective maturities.

The credit facilities mature in December 2031 and December 2039 for the short and long tranche loan respectively, with payments due on a semi-annual basis.

The credit facilities bear interest at LIBOR plus the spread, in the short tranche as follows:

Years	Applicable margin BPS
December 16, 2019 to 4th year	215
4-8	240
8th until credit maturity	265

The credit facilities bear interest at LIBOR plus a spread, in the long tranche as follows:

Years	Applicable margin BPS
December 16, 2019 to 4th year	265
4-8	300
8-12	325
12-16	350
16th until credit maturity	375

On December 16, 2019, TAG issued $332.0 million of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors.

The loans mentioned above contain restrictive covenants, which require TAG to maintain certain financial ratios and limits dividend payments, loans and obtaining additional financing. TAG met such covenants as of December 31, 2019.

Long-term debt due dates are as follows:

Year		**Amount**
2020	$	40
2021		39
2022		45
2023		48
Thereafter		847
Total	$	1,019

The payment of the bonds is semiannually and will be done as follows:

Year		**Amount**
2020	$	7
2021		8
2022		9
2023		9
Thereafter		297
Total	$	330

b. ***Interest rate swaps.*** In November 2015, TAG contracted derivative instruments in order to hedge the risk of variable interest rates originated from LIBOR. The fixed contracted interest rates are 2.5 and 2.9 percent for the debt maturing in 2026 and 2034, respectively.

In December 2019, an additional coverage was contracted for a modification to the credit amortization curve derived from the refinancing formalized on December 16, 2019, the fixed rates contracted were 2.1 and 2.6 percent beginning in June 2021 and July 2029 and ending in 2031 and 2039 respectively.

c. ***Exchange rate forwards.*** In September 2018, TAG entered into forward contracts to exchange Mexican Pesos for U . S . Dollars of a portion of the projects' revenues for 2019; maturing from January 2019 through February 2020.

On September 2019, TAG signed forward contracts to exchange Mexican Pesos for U . S . Dollars for a portion of the project´s revenues for 2020; maturating from March 2020 through February 2021.

10.5. ECA LNG Holdings B.V.

In February 2019, ECAL and ECA Minority, S. de R . L . de C . V., (formerly IEnova´s subsidiaries) were deconsolidated. The new parent ECA LNG Holdings B. V. is an investment between IEnova and SLNGEL (50 percent each).

As of December 31, 2019, the Company's 50 percent interest in ECAL is accounted for under the equity method. ECAL's Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	As of 12/31/19
Cash and cash equivalents	$ 15,791
Other assets	1,812
Current assets	17,603
Property, plant and equipment, net	59,662
Deferred income tax	8,419
Non-current assets	68,081
Total assets	$ 85,684
Total liabilities	$ 6,685
Total members' equity	$ 78,999
Carrying amount of investment in ECAL	$ 39,500

ECAL´s Consolidated Statement of Loss is as follows:

	Year ended 12/31/19
Operating, administrative and other expenses	$ (3,383)
Other losses	(109)
Interest gain, net	72
Income tax benefit	1,152
Loss for the year	$ (2,268)
Share of loss of ECAL	$ (1,134)

During November 2019, ECA (entity under common control) transfer certain assets to ECAL. This transaction was recorded as an investment reduction per a total amount of ($7.6) million, net of deferred tax.

11. Assets acquisition

11.1. DEN, asset acquisition

On November 15, 2017, IEnova completed the acquisition of Pemex TRI's 50 percent interest in DEN, a JV that holds a 50 percent interest in the Los Ramones Norte II pipeline, through TAG, for a purchase price of $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of intercompany debt. This acquisition increases IEnova's ownership interest in TAG from 25 percent to 50 percent. IEnova Pipelines previously accounted for its 50 percent interest in DEN as an equity method investment. In November 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. DEN will continue to account for its interest in TAG as on equity method investment.

This transaction was accounted as an asset acquisition because DEN does not meet the definition of a business, since it does not have substantive inputs or processes. DEN's most significant asset is its equity method investment in TAG, the entity that owns the Los Ramones Norte II pipeline. The excess

consideration over the FV of assets acquired and liabilities assumed was allocated on a relative FV basis between the equity investment in TAG and an acquired intangible asset (Please refer to Note 15.).

a. ***Assets acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
DEN	Holds equity investment in TAG	November 15, 2017	50%	$164,752

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 11/15/17
FV of assets acquisition:		
Cash paid	$	164,752
Acquisition costs		143
Total FV of assets acquisition	$	164,895
Cash and cash equivalents		17,257
Trade and other receivables		12,284
Deferred income tax assets		10,481
Investment in TAG		295,002
Property, plant and equipment, net		1,795
Other intangible assets		44,566
Current liabilities		(99,343)
Non-current liabilities		(95,839)
Total identifiable, net assets	$	186,203
Less: Carrying value of equity interest in DEN immediately prior to acquisition		(21,308)
Total FV of assets acquisition	$	164,895

Valuation of DEN's Assets and Liabilities. DEN is substantially comprised of two assets. The first asset is DEN's equity method investment in TAG. The second asset is an acquired intangible asset, with an amortization period of 23 years, representing a favorable Operation & Maintenance ("O&M") agreement. Both assets were valued using an income approach. For substantially all other assets and liabilities, the Company determined that historical carrying value approximates FV due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

		As of 11/15/17
Consideration paid in cash	$	164,752
Plus: Acquisition costs paid		143
Less: balances of cash and cash equivalents acquired, net of acquisition costs		(17,257)
Consideration paid in cash, net	$	147,638

11.2. Don Diego Solar Netherlands, B. V ("Don Diego"), asset acquisition

On February 28, 2018, IEnova acquired 100 percent of the shares of Fisterra Energy Netherlands II,B.V. ("Fisterra") at a value of $5.1 million, which was renamed to Don Diego after the acquisition. Don Diego, a 125 MW solar project facility in Benjamin Hill municipality in the state of Sonora, Mexico, is comprised of a Self-Supply Permit granted by the CRE in 2016. The Self-Supply Permit allows generators to compete directly with the CFE retail tariffs and thus have access to PPAs with significantly higher prices.

This transaction was accounted as an asset acquisition because Don Diego does not meet the definition of a business, since it does not have substantive inputs or processes.

a. ***Asset acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Don Diego	Energy infrastructure investments / Development of solar project	February 28, 2018	100%	$5,072

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 02/28/18
FV of assets acquisition:		
Cash consideration	$	5,072
Total FV of assets acquisition	$	5,072
Cash and cash equivalents		24
Trade and other receivables		112
Other assets		2
Intangible assets		4,977
Current liabilities		(43)
Total identifiable, net assets	$	5,072

Valuation of Don Diego's assets and liabilities. Don Diego is substantially comprised of an intangible asset resulting from valuation of the Self-Supply Permit granted to the company by the CRE. This advantageous transmission tariff structure reduces the administrative costs to manage transmitting power to off- takers, providing an attractive opportunity for both the generator and the off-taker. With the recent reform to the renewable energy market in Mexico, self- supply permits are no longer being issued. New renewable power projects now receive a permit under the Electric Industry Law ("LIE"), which requires the renewable power facilities to pay higher tariffs/charges, including transmission, CENACE fees, imbalance, and distribution.

Based on the nature of the Self-Supply Permit and generally accepted industry practice, an income approach was utilized, based on a cash flow differential approach, to value the Self-Supply Permit. For all other assets and liabilities, the Company determined that the historical carrying value approximates FV due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

		As of 02/28/18
Cash consideration (i)	$	5,072
Less: balances of cash and cash equivalents acquired		(24)
Cash consideration, net	$	5,048

i. There was a cash payment for the amount of $3.0 million at closing and an amount of $2.1 million paid on February 5, 2019, after the Company issued the final notice for the assigned Engineering Procurement and Construction (“EPC”) contract.

11.3. Central Fotovoltaica Border del Norte. S. A. de C. V. (“Border Solar”), asset acquisition

On August 14, 2018, IEnova acquired 100 percent of the shares of Border Solar at a value of $3.6 million. Border Solar is comprised of a Self-Supply Permit granted by the CRE in 2015. The Self-Supply permit allows generators to compete directly with CFE's retail tariffs and thus have access to PPAs with significantly higher prices.

The primary purpose of the transaction was for the Company to further grow its renewable energy business through the purchase of Border Solar to develop a photovoltaic solar electric generating project located in Ciudad Juarez, Chihuahua, Mexico with a nominal capacity rating of approximately 150 Megawatt Alternating Current (“MWac”) / 192 MW Direct Current (“MWdc”).

According to the purchase and sale agreement, the acquisition date was subject to the subsequent condition, which consisted in the seller to complete the subdivision of the land that was completed on August 14, 2018.

This transaction was accounted as an asset acquisition because Border Solar does not meet the definition of a business, since it does not have substantive inputs or processes.

a. ***Asset acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Border Solar	Energy infrastructure investments / Development of solar project	August 14, 2018	100%	$3,580

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 08/14/18
FV of assets acquisition:		
Cash consideration (i)	$	3,580
Total FV of assets acquisition	$	3,580
Tax receivables		514
Intangible assets		5,490
Current liabilities		(2,424)

	As of 08/14/18
Total identifiable, net assets	$ 3,580

Valuation of Border Solar assets and liabilities. Border Solar is substantially comprised of an intangible asset resulting from valuation of the Self-Supply Permit granted to the Company by the CRE. This advantageous transmission tariff structure reduces the administrative costs to manage transmitting power to off- takers, providing an attractive opportunity for both the generator and the off-taker. With the recent reform to the renewable energy market in Mexico, self supply permits are no longer being issued. New renewable power projects now receive a permit under the LIE, which requires the renewable power facilities to pay higher tariffs/ charges, including transmission, CENACE fees, imbalance, and distribution.

Based on the nature of the Self-Supply Permit and generally accepted industry practice, an income approach was utilized, based on a cash flow differential approach, to value the Self-Supply Permit. For all other assets and liabilities, the Company determined that the historical carrying value approximates FV due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

	As of 08/14/18
Cash consideration, net (i)	$ 3,580

i There was a cash payment for an amount of $0.5 million at the closing of the acquisition, and the remaining amounts will become due and payable as follows:

- $ 1.7 million subject to the execution of a PPA.
- $ 0.6 million at the start of project construction.
- $ 0.7 million on the date on which the project reaches commercial operation.

11.4. ICM, asset acquisition

On September 26, 2018, IEnova signed a purchase-sale agreement with Trafigura for 51 percent of the shares of ICM, at a value of $16.4 million and Trafigura retained the remaining 49 percent of the equity of ICM.

The purpose of the acquisition is to develop, construct, own and operate a refined hydrocarbon products terminal in Manzanillo, Colima, Mexico. ICM owns certain permits and land where, the terminal for the receipt, storage and delivery of refined products will be built.

This transaction was accounted as an asset acquisition because ICM does not meet the definition of a business, since it does not have substantive inputs or processes.

a. ***Asset acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
ICM	Development of marine terminal project for the storage of refined products	September 26, 2018	51%	$16,442

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 09/26/18
FV of assets acquisition:		
Cash consideration	$	16,442
Total FV of assets acquisition	$	16,442
Cash and cash equivalents		2
Taxes receivable		554
Other receivables		17
Property, plant and equipment (land)		28,832
Deferred income taxes		483
Current liabilities		(351)
Total identifiable, net assets		29,537
Non-controlling interest	$	(13,095)

Valuation of ICM's assets and liabilities. ICM substantially comprised of two assets of property plant and equipment that corresponds to five plots of land at the shore of the Pacific Ocean in Manzanillo, Colima, Mexico, equivalent to 87.92 hectares, where the marine terminal will be built. The assets were valued using an income approach. For substantially all other assets and liabilities, the Company determined that historical carrying value approximates FV due to their short-term nature.

c. ***Non-controlling interest***

The non-controlling interest (49 percent ownership interest in ICM held by Trafigura) recognized at the acquisition date was measured by reference to the FV of the non-controlling interest and amounted to $13.1 million, this FV was estimated by applying an income approach.

d. ***Net cash flow from acquisition of assets***

		As of 09/26/18
Cash consideration	$	16,442
Less: balances of cash and cash equivalents acquired		(2)
Cash consideration, net	$	16,440

12. Assets classified as held for sale and discontinued operations

a. In February 2016, the management of the Company approved a plan to market and sell TDM, a 625 MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As a result, the Company classified TDM as held for sale, stopped depreciating the plant, and since recorded it each period at the lower of its carrying value and FV less costs to sell.

Assets and liabilities held for sale corresponding to TDM are as follows:

		As of 12/31/17
Cash and cash equivalents	$	—
Other assets		64,263
Total current assets		64,263

		As of 12/31/17
Deferred income tax assets		201
Other assets		1,515
Carbon allowance		2,272
Property, plant and equipment, net		79,939
Total non-current assets		83,927
Total assets	$	148,190
Current liabilities	$	54,336
Non-current liabilities		8,186
Total liabilities	$	62,522

As a result of the allocation in assets held for sale property, made during this year, the Company carried out a review of the recoverable amount of these assets. The review led to the recognition of an after-tax impairment loss of $63.8 million during 2017, which have been recognized in the Consolidated Statements of Profit. The Company also estimated the FV less costs of disposal of property, plant and equipment, which is based on the recent market prices of assets with similar age and obsolescence.

b. On June 1, 2018, the management of the Company terminated its sales process for TDM due to evolving strategic considerations for projects under development at the Company. As a result, the assets and liabilities that were previously classified as held for sale were reclassified as held and used, and the depreciation of its fixed assets were resumed.

The property, plant and equipment has been measured at FV as of the date of the subsequent decision not to sell, since the FV was lower than the carrying amount before it was classified as held for sale, adjusted for depreciation expense that would have been recognized had it been continuously classified as held and used. The difference between the carrying value and FV at the date of the subsequent decision not to sell was negligible.

As a result of the reclassification of TDM to held and used, the operating asset category, discontinued operations in the Consolidated Financial Statements of Profit were reclassified and re-presented in the line item of "Profit for the period" for the current and prior periods. There was no gain or loss recognized in the Consolidated Financial Statements of Profit as a result of the change to the plan of sale of TDM and subsequent reclassification to held and used within the Power Segment.

13. Goodwill

				As of		
		12/31/19		12/31/18		12/31/17
Cost	$	1,638,091	$	1,638,091	$	1,638,091

There are no accumulated impairment losses. The breakdown of goodwill is as follows:

				As of		
Company		**12/31/19**		**12/31/18**		**12/31/17**
IEnova Pipelines	$	1,497,008	$	1,497,008	$	1,497,008
Ventika		115,429		115,429		115,429
IGM		25,654		25,654		25,654
Total	$	1,638,091	$	1,638,091	$	1,638,091

Allocation of goodwill to cash-generating units

IEnova Pipelines

Management expects IEnova Pipeline's acquisition to have strategic benefits, including opportunities for expansion into other infrastructure projects and larger platform and presence in Mexico to participate in energy sector. As such, IEnova Pipelines goodwill is tested at the Company's Cash Generated Unit ("CGU"), IEnova Transportation.

The Company used DCF analysis to determine the FV of the CGU. The DCF includes cash flows through contracted period of the pipelines and the gas storage terminal exit multiple of 6.0x. The discount rate used was the WACC calculated in 6.8 percent. Under this approach, the value in use was greater to the carrying value. Based on that, no impairment was determined.

Ventika

Management expects Ventika's acquisition to have strategic benefits, including opportunities for expansion into other infrastructure projects and larger platform and presence in Mexico to participate in energy sector. As such, Ventika's goodwill is tested at the Company's CGU, IEnova Renewables.

There are no significant changes in Ventika's operations that would indicate potential impairment since acquisition, including the following: a) its financial results have been consistent with management initial projections, b) there has not been a material change in macroeconomic indicators, and c) there have been no significant changes in workforce, strategy, market trends or impacts due to recent acquisitions/integrations.

In the case of Ventika, the Company considered appropriate to use cash flows from the acquisition model and reviewed consistency with the actual results in 2017. The discount rate used was the WACC of 10.5 percent. Under this approach, the value in use is greater to the carrying value. Based on that, no impairment was determined.

During the fourth quarter of 2017, the Company received additional information regarding Ventika's deferred income taxes as of the acquisition date, primarily related to net operating loss carryforwards. As a result, the Company recorded a measurement period adjustment that resulted in a net decrease to goodwill of $13.7 million.

IGM

Goodwill has been allocated for impairment testing purposes to IGM's CGU, which is included in the IEnova Transportation.

The recoverable amount of this CGU is determined based on a 10-year DCF analysis of IGM's projected results. The DCF for 2019, 2018 and 2017, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 7.8 percent, which was the same rate used at the acquisition date.

There are no significant changes in IGM'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 may 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 Mexico), 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.

14. Property, plant and equipment, net

	As of		
	12/31/19	12/31/18	12/31/17
Carrying amounts of:			
Buildings and plants	$ 4,608,337	$ 4,273,297	$ 4,017,315
Equipment	37,130	31,937	28,674
Other assets	155,382	135,580	117,279
	4,800,849	4,440,814	4,163,268
Accumulated depreciation and amortization	(996,356)	(851,313)	(545,148)
Land	132,078	124,908	82,389
Properties under construction	701,391	372,505	28,947
	$ 4,637,962	$ 4,086,914	$ 3,729,456

	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Cost						
Balance as of January 1, 2017	$ 82,404	$ 3,113,347	$ 96,017	$ 695,721	$ 59,670	$ 4,047,159
Additions	13	886,917	192	(705,173)	33,318	215,267
Assets acquisition DEN (Refer to Note 11.1)	—	—	203	—	1,592	1,795
Disposals	(30)	(7,501)	(59)	(325)	(2,146)	(10,061)
Effect of foreign currency translation	2	(10,662)	—	16,013	837	6,190
Revisions and additions to decommissioning liability	—	10,814	—	—	—	10,814
Other	—	24,400	(67,679)	22,711	24,008	3,440
Balance as of December 31, 2017	$ 82,389	$ 4,017,315	$ 28,674	$ 28,947	$ 117,279	$ 4,274,604
Additions	12,982	27,863	110	360,893	12,065	413,913
Assets acquisition ICM (Refer to Note 11.4)	28,832	—	—	—	—	28,832
Effect of TDM reclassification to held and used (Refer to Note 12)	733	235,007	966	523	12,695	249,924
Disposals	(28)	(9,873)	—	(518)	(5,336)	(15,755)
Effect of foreign currency translation	—	351	72	(193)	9	239
Revisions and additions to decommissioning liability	—	(13,685)	—	—	—	(13,685)
Other	—	16,319	2,115	(17,147)	(1,132)	155
Balance as of December 31, 2018	$ 124,908	$ 4,273,297	$ 31,937	$ 372,505	$ 135,580	$ 4,938,227
Additions	7,526	13,520	237	624,158	18,643	664,084
Disposals	(159)	(897)	(39)	(4,706)	(1,324)	(7,125)
Effect of foreign currency translation	1	6,382	1,162	304	805	8,654
Revisions and additions to decommissioning liability	—	20,403	—	—	—	20,403
Other	(198)	295,632	3,833	(290,870)	1,678	10,075
Balance as of December 31, 2019	$ 132,078	$ 4,608,337	$ 37,130	$ 701,391	$ 155,382	$ 5,634,318
Accumulated depreciation						
Balance as of January 1, 2017	$ —	$ (396,719)	$ (12,550)	$ —	$ (23,805)	$ (433,074)
Eliminated on disposals of assets	—	890	146	—	1,572	2,608
Depreciation expense	—	(102,805)	(911)	—	(6,745)	(110,461)
Effect of foreign currency translation	—	(1,314)	(234)	—	(666)	(2,214)
Other	—	(3,379)	3,579	—	(2,207)	(2,007)
Balance as of December 31, 2017	$ —	$ (503,327)	$ (9,970)	$ —	$ (31,851)	$ (545,148)
Eliminated on disposals of assets	—	1,591	11	—	866	2,468
Effect of TDM reclassification to held and used (Refer to Note 12)	—	(180,017)	(404)	—	(1,209)	(181,630)
Depreciation expense	—	(117,446)	(974)	—	(8,419)	(126,839)
Effect of foreign currency translation	—	(5)	1	—	(3)	(7)
Other	—	(45)	—	—	(112)	(157)
Balance as of December 31, 2018	$ —	$ (799,249)	$ (11,336)	$ —	$ (40,728)	$ (851,313)
Eliminated on disposals of assets	—	299	33	—	1,123	1,455
Depreciation expense	—	(124,195)	(1,027)	—	(8,460)	(133,682)
Effect of foreign currency translation	—	(1,749)	(340)	—	(394)	(2,483)
Other	—	(10,106)	(13)	—	(214)	(10,333)
Balance as of December 31, 2019	$ —	$ (935,000)	$ (12,683)	$ —	$ (48,673)	$ (996,356)

The additions to property, plant and equipment during 2019, 2018 and 2017, are mainly comprised of construction in process, related to the following projects:

- Terminals - Veracruz, Puebla, Estado de Mexico and Baja California (Please refer to Note 1.2.21.).
- Solar - Don Diego and Border Solar
- Pipelines - Compression station, in Sonora
- Solar - Pima (Commercial Operation Date ("COD") on April 1, 2019)
- Solar - Rumorosa (COD on June 1, 2019)
- Solar - Tepezala (COD on October 6,2019)
- Pipelines - San Isidro - Samalayuca (COD on March 31, 2017)
- Pipelines - Guaymas - El Oro (COD on May19, 2017)
- Pipelines - El Empalme pipeline branch (COD on June 24, 2017)
- Pipelines - Ojinaga - El Encino (COD on June 30, 2017)

As of December 31, 2019, 2018 and 2017, additions of property, plant and equipment that were not paid, amount to $104.5, $63.6 and $41.7 million, respectively.

Borrowing cost. During the years ended December 31, 2019, 2018 and 2017 the Company capitalized borrowing costs on qualifying assets in the amount of $22.5, $10.7 and $10.2 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.68, 4.02 and 2.98 percent, for the years ended December 31, 2019, 2018 and 2017, respectively.

14.1. 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]	30-45
Plant and equipment for wind power generation facilities [1]	20-30
Pipelines system for transportation and distribution of gas [1]	34-50
Plant and equipment for generation of electricity [1]	37
Fiber optic network [2]	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
2 Useful lives related to other assets

15. Intangible assets

		As of	
	12/31/19	**12/31/18**	**12/31/17**
Carrying amounts of:			
Renewable transmission rights (a)	$ 164,622	$ 164,622	$ 154,144
O&M contract (b)	44,566	44,566	44,566
Amortization	(28,321)	(18,416)	(8,511)
	$ 180,867	$ 190,772	$ 190,199

a. *Renewable transmission rights*

On February 28, 2018, the Company acquired a $5.0 million intangible asset related to Self-Supply Permit of the Don Diego Solar Project. (Please refer to Note 11.2.).

On August 14, 2018, the Company acquired a $5.5 million intangible asset related to Self-Supply Permit of the Border Solar Project. (Please refer to Note 11.3.).

Amortization is calculated using the straight-line method based on the remaining useful life of the related intangible asset, over the term of the self-supply of Ventika and for the interconnection agreements to Don Diego and Border Solar.

b. ***O&M Contract***

In November 2017, the Company, through DEN's asset acquisition, acquired a $44.6 million intangible asset related to the O&M contract with TAG, the amortization is calculated on a straight-line basis until the expiration of the Agreement in February 2041, equivalent to 23 years. (Please refer to Note 11.1.).

16. Trade and other payables

		As of	
	12/31/19	**12/31/18**	**12/31/17**
Trade payables	$ 144,944	$ 99,713	$ 72,603
Other miscellaneous payables	9,992	44	35
	$ 154,936	$ 99,757	$ 72,638

The average credit period on purchases of goods and services is 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.

17. Employee benefits

17.1. Defined contribution component

The Company provides a defined contribution plan for all permanent full-time employees in Mexico. Employees that leave the Company obtain the capital accumulated with the contributions according to the following vesting schedule: a) Basic Contribution: 100 percent immediately for the capital accumulated. b) Additional Contribution: for the capital accumulated the vesting rates are: 100 percent in case of death or disability, and in case of voluntary termination according with the Company policy.

17.2. Defined benefit component

The Company also provides defined benefit plans for all permanent full-time employees of its subsidiaries in Mexico. Under the plans, the employees are entitled to retirement benefits varying between 55 percent and 100 percent of their final salary upon reaching the retirement age of 65 years. No other post-retirement benefits are provided to these employees.

17.3. 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.

17.3.1. 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	
	12/31/19	**12/31/18**	**12/31/17**
Discount rates	8.75%	9.75%	8.25%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$ 19.53	$ 18.81	$ 18.20

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:

	As of		
	12/31/19	12/31/18	12/31/17
Current service cost recognized in administrative and other expenses	$ 912	$ 836	$ 155
Interest on obligation recognized in finance costs	672	528	457
Actuarial gains recognized in OCI	964	519	704

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:

	As of		
	12/31/19	12/31/18	12/31/17
Opening defined benefit obligation	$ 7,643	$ 6,537	$ 5,586
Current service cost	912	836	105
Interest benefit	672	528	422
Actuarial loss (gain)	964	(519)	482
Payment	—	310	—
Benefits paid	(290)	(49)	(58)
Ending defined benefit obligation	$ 9,901	$ 7,643	$ 6,537

18. Other financial liabilities

	As of		
	12/31/19	12/31/18	12/31/17
Accrued interest payable (a)	$ 22,711	$ 22,454	$ 6,959
Customer deposits	3,507	2,266	1,333
Guarantee liability (b)	—	—	2,080
	$ 26,218	$ 24,720	$ 10,372

a. Balance represents accrued interest payable on long-term debt. (Please refer to Note 23.).

b. IEnova and its partner on the South of Texas-Tuxpan natural gas pipeline, TC Energy, have a jointly guaranteed obligation for constructions services during the construction of the pipeline. (Please refer to Note 10.2.).

19. Other liabilities

	As of		
	12/31/19	12/31/18	12/31/17
Wages and benefits payable	$ 28,452	$ 21,302	$ 19,012
Deferred revenue (a) and (b)	16,618	11,983	—
Contractor withholdings	5,330	6,771	619
Lease liability (c)	—	2,736	—

	As of		
	12/31/19	12/31/18	12/31/17
	$ 50,400	$ 42,792	$ 19,631
Other current liabilities	$ 33,782	$ 28,073	$ 19,631
Other non current liabilities	16,618	14,719	—
	$ 50,400	$ 42,792	$ 19,631

a. Corresponds to Guaymas-El Oro pipeline unrendered services for an amount of $11.4 and $7.6 million, as of December 31, 2019 and 2018, respectively. It is expected to place in operation by the end of 2019.

b. Corresponds to San Isidro-Samalayuca contract unrendered services for an amount of $4.3 million, as of December 31, 2019 and 2018.

c. Corresponds to fixed monthly contribution of API Veracruz given land use.

20. Provisions

	As of		
	12/31/19	12/31/18	12/31/17
Decommissioning liabilities (a)	$ 77,648	$ 54,443	$ 58,654
Other provisions (b)	7,194	7,711	8,950
	$ 84,842	$ 62,154	$ 67,604
Current	$ —	$ 251	$ 394
Non-current	84,842	61,903	67,210
Total provisions	$ 84,842	$ 62,154	$ 67,604

	Asset retirement obligations	Others	Total
Balance as of January 1, 2017	$ 41,618	$ 10,347	$ 51,965
Additional provisions recognized	4,239	—	4,239
Increase of financial cost	1,983	—	1,983
Payments and other decreases in provisions recognized	—	(1,397)	(1,397)
Unwinding of discount and effect of changes in the discount rate	10,814	—	10,814
Balance as of December 31, 2017	$ 58,654	$ 8,950	$ 67,604
Recognition of provision on TDM reclassification to held and used	6,922	—	6,922
Increase of financial cost	2,552	—	2,552
Payments and other decreases in provisions recognized	—	(1,239)	(1,239)
Unwinding of discount and effect of changes in the discount rate	(13,685)	—	(13,685)
Balance as of December 31, 2018	$ 54,443	$ 7,711	$ 62,154
Additional provisions recognized	3,620	—	3,620

	Asset retirement obligations	Others	Total
Increase of financial cost	2,803	—	2,803
Payments and other decreases in provisions recognized	—	(517)	(517)
Unwinding of discount and effect of changes in the discount rate	16,782	—	16,782
Balance as of December 31, 2019	$ 77,648	$ 7,194	$ 84,842

a. ***Decommissioning liabilities***

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 3.75, 4.64 and 3.90 percent as of December 31, 2019, 2018 and 2017, respectively.

b. ***Other provisions***

The balance of other provisions includes a liability by $0.3 million due to 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 percent.

As of December 31, 2019, the balances of the Specific Services Contract ("CSE") related to the authorized provision stipulated under the O&M contract with Pemex TRI regarding the acquisition of materials, spare parts and services for the maintenance of the pipelines transportation system amounts $7.1 million.

21. Carbon allowances

The Company is required by California Assembly Bill 32 ("AS32") to acquire carbon allowance for every metric ton of carbon dioxide equivalent emitted into the atmosphere during electricity generation. Under the bill, TDM is subject to this extraterritorial regulation, despite being located in Baja California, Mexico since their end users are located in California, U. S.

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 Consolidated 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 FV of additional allowances necessary to satisfy the obligation. The Company derecognized the assets and liabilities from the Consolidated Statement of Financial Position as the allowances are surrendered.

Carbon allowances are shown in the Consolidated Statements of Financial Position as follows:

	As of	
Assets:	**12/31/19**	**12/31/18**
Current	$ 6,444	$ 5,936
Non-current	30,083	15,499
	$ 36,527	$ 21,435

Liabilities (a):

Current	$ 6,444	$ 6,354
Non-current	29,843	14,826
	$ 36,287	$ 21,180

a. Cost of carbon allowances of $21.3 million, $21.9 million and $16.5 million were recorded in cost or revenue, for the years ended December 31, 2019, 2018 and 2017, respectively.

22. Short-term debt

As of December 31, 2019, 2018 and 2017, short-term debt includes the following:

		As of	
	12/31/19	12/31/18	12/31/17
Credit agreement (a)	$ 1,174,068	$ 808,086	$ 137,053
Current portion of IEnova Pipelines Bank Loan (Refer to Note 23.d.).	41,186	38,227	40,631
Current portion of Ventika Bank Loan (Refer to Note 23.b.)	25,665	25,973	22,588
Multilateral Facility (Refer to Note 23.h.).	588	—	—
Trina Solar (Refer to Note 23.f.).	231	28	—
CEBURES at variable rate (Refer to Note 23.e.).	—	—	65,871
	$ 1,241,738	$ 872,314	$ 266,143
Borrowing costs	(6,359)	(2,140)	(3,383)
	$ 1,235,379	$ 870,174	$ 262,760

a. ***Credit agreements.***

SMBC. 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 Banamex, SMBC, Santander, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") and BNS.

Withdrawal of credit line. In December 2016, the Company withdrew $375.0 million to finance a portion of Ventika's acquisition and for general corporate purposes.

On November 3, 2016, the Company renegotiated the credit line of the credit agreement for an amount up to $1,170.0 million, U.S. Dollar-denominated. On December 30, 2016, a portion of this revolving credit was repaid in the amount of $200.0 million.

On November 14, 2017, the Company withdrew $260.0 million, a portion of this disposition was used to finance the acquisition of DEN. (Please refer to Note 11.1.).

On December 14, 2017, with the proceeds received from the Senior Notes offering the Company paid a portion of this revolving credit by $730.0 million. (Please refer to Note 23.a.).

On February 11, 2019, the Company entered into an amendment agreement to increase the amount of the credit line to $1.5 billion and extend the maturity to 2024. The Company recognized transaction costs for $5.8 million in this transaction.

As of December 31, 2019, the Company has made withdrawals of $990.0 million and payments of $904.0 million.

As of December 31, 2019, 2018 and 2017, the available unused credit portion was $606.0, $362.0 and $1,033.0 million, respectively.

The weighted average interest rate on short-term debt with SMBC was 2.74 percent during the year ended December 31, 2019.

BNS. On September 23, 2019, the Company entered into a two-year, $280.0 million revolving credit agreement with BNS. As of December 31, 2019, the credit line has been fully used.

The loan can be paid at any time and from time to time, without premium or penalty, voluntarily prepayment of loans in part in the Minimum Amount in full.

The loan bears interest at three-month LIBOR plus 54 BPS, with quarterly payments.

Dispositions of credit lines are used for working capital and general corporate purposes.

23. Long-term debt

As of December 31, 2019, 2018 and 2017, long-term debt includes:

		As of	
	12/31/19	**12/31/18**	**12/31/17**
Senior Notes (a)	$ 840,000	$ 840,000	$ 840,000
Santander – Ventika (b)	401,764	426,359	451,248
CEBURES at fixed rate (e, g)	206,949	198,142	277,175
Multilateral Facility (h)	200,000	—	—
Bancomer – IEnova Pipelines (d)	198,759	239,513	—
Trina Solar (f)	11,190	3,757	—
CEBURES at variable rate (e, g)	—	—	197,614
	$ 1,858,662	$ 1,707,771	$ 1,766,037
Debt issuance costs	(40,331)	(32,579)	(33,997)
	$ 1,818,331	$ 1,675,192	$ 1,732,040

a. ***Senior Notes.*** On December 14, 2017, the Company obtained $840.0 million related to an international Senior Notes offering as follows:

i. The first placement was for $300.0 million bearing interest at a rate of 3.75 percent, with semi-annual payments of interest, maturing in 2028.

ii. The second placement was for $540.0 million bearing interest at a rate of 4.88 percent, with semi-annual payments of interest, maturing in 2048.

The Company used the net proceeds from the offering to repay outstanding short-term indebtedness and the remainder for general corporate purposes.

b. ***Project financing for the Ventika project.*** On April 8, 2014, Ventika (a subsidiary of IEnova) entered into a project finance loan for the construction of the wind projects with five banks: Santander as administrative and collateral agent, NADB, Banco Nacional de Obras y Servicios Publicos, S. N. C. Institucion de Banca de Desarrollo (“BANOBRAS”), Banco Nacional de Comercio Exterior, S. N. C. Institucion de Banca de Desarrollo (“BANCOMEXT”) and NAFINSA as lenders.

The credit facilities mature according to the following table, with payments due on a quarterly basis each March 15, June 15, September 15 and December 15, until the final maturity date, as follows:

Bank	Maturity date
Santander	3/15/2024
BANOBRAS	3/15/2032
NADB	3/15/2032
BANCOMEXT	3/15/2032
NAFINSA	3/15/2032

The breakdown of the debt (including short and long-term) is as follows:

Bank		As of 12/31/19
NADB	$	130,445
BANOBRAS		83,858
Santander		74,708
NAFINSA		65,223
BANCOMEXT		65,223
	$	419,457

c. ***Interest Rate Swaps.*** In order to mitigate the impact of interest rate changes, Ventika entered into interest rate swaps with Santander and BANOBRAS for almost 92 percent of the above mentioned credit facilities. The swap contracts allow the Company to pay a fixed interest rate of 2.94 and 3.68 percent respectively, and to receive variable interest rate (three-month LIBOR).

d. ***Bancomer - IEnova Pipelines.*** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as fiduciary. The amount of the loan is for $475.4 million, the proceeds will be used to develop IEnova Pipelines projects

The four participating credit institutions are Bancomer with a 50 percent contribution, Bank of Tokyo with 20 percent, Mizuho with 15 percent and NORD/LB with 15 percent

The loan calls for quarterly payments beginning on March 18, 2014, and ending in 2026 for a total term of 13 years.

The loan bears an interest at LIBOR plus 2 percent per year until the fifth anniversary, LIBOR plus 2.25 percent from the fifth to the eight anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of December 31, 2019, the long-term debt maturity are as follows:

Year		Amount
2020	$	42,213
2021		45,054
2022		47,537
Thereafter		114,859
	$	249,663

In such credit, IEnova Pipelines was defined as debtor, TDF together with GdT were assigned as guarantors and collaterals through the cession of the collection's rights from their portfolio of projects integrated by IEnova Pipelines, TDF and GdT as source of payment for the credit.

Covenants arising from the credit require for the following:

i. Maintain a minimum member's equity during the term of the loan, in the amounts indicated:

Entity		Amount
IEnova Pipelines	$	450,000
GdT		130,000
TDF		90,000

ii. Maintain an interest ratio of 2.5 to 1 at least on a consolidated basis (Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") to interest), for the payment of interest.

As of the date of the Consolidated Financial Statements, IEnova Pipelines has complied with these obligations.

On January 22, 2014, IEnova Pipelines contracted a financial derivative instrument (swap) with Bancomer, The Bank of Tokyo, Mizuho and NORD/LB to hedge the interest rate risk on the total of its outstanding debt. The financial instrument changes the LIBOR for a fixed rate of 2.63 percent.

The Company has designated derivative financial instruments mentioned above as a cash flow hedges, as permitted by applicable accounting standards, given that, this interest rate swaps hedge objective is to fix the cash flows derived from variable interest payments on the syndicated loan maturing in 2026.

e. ***CEBURES.*** On February 14, 2013, the Company entered into two public debt issuances of CEBURES or debt securities as follows:

i. The first placement was for $306.2 million ($3,900.0 million of historical Mexican Pesos) bearing interest at a fixed rate of 6.3 percent, with semi-annual payment of interest, maturing in 2023.

ii. The second placement was for $102.1 million ($1,300.0 million of historical Mexican Pesos) bearing interest at variable rate based on the TIIE plus 30 BPS, with monthly payments of interest, maturing in 2018. The average annual rate as of December 31, 2019, 2018 and 2017, was 6.3 percent, 6.93 percent and 7.25 percent, respectively.

On February 8, 2018, the Company made the repayment of the second placement of the public debt issuance, CEBURES, for an amount of $1,300.0 million of historical Mexican Pesos.

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The Company received $1,300.0 million Mexican Pesos and paid $102.2 million U. S. Dollars. The repayment ended the hedging contract and CEBURES liability.

f. ***Trina Solar - ESJ Renovable I. S. de R. L. de C. V. ("ESJR I")*** On July 31, 2018, the Company, signed a credit contract with Trina Solar for an amount up to $12.4 million, the proceeds were used to develop the Tepezala Solar Project. The maturity of the loan is 10 years.

The loan can be totally paid in full in a lump sum payment at the end of the credit contract or partially paid in installments throughout the contract term.

The loan bears an interest at three - month LIBOR plus 365 BPS, with quarterly payments, maturing in 2028. As of December 31, 2019, ESJR I has made withdrawals for $11.2 million.

g. ***Cross-currency and interest rate swaps.*** On February 14, 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 Mexican Pesos:

i. For the debt maturing in 2023, the Company swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U. S. Dollars for this swap was 4.12 percent in 2018.

ii. For the debt maturing in 2018, the Company swapped variable rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U. S. Dollars for this swap was 2.66 percent in 2018.

As of December 31, 2019, the swaps' total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). These contracts have been designated as cash flow hedges.

h. ***Multilateral Facility -*** On November 19, 2019 the Company signed a credit agreement with IFC and NADB. The amount of the loan was $200.0 million, the proceeds will be used to finance four solar power plants with a total capacity of 376 MW across Mexico.

IFC and NADB have a 50 percent contribution each. The loan calls for semiannual amortization beginning on June 15, 2022 and ending in November 2034, for a total 15 years. The loan bears interest at LIBOR plus 2.25 percent per year until maturity.

i. ***Interest rate swaps of Multilateral facility***. To partially mitigate its exposure to interest rate changes associated with the Multilateral Facility loan, IEnova entered into floating-to-fixed interest rate swaps for 100 percent of the loan. The outstanding interest rate swap assigned to Credit Agricole with a trade date of November 20, 2019, and an effective date of December 05, 2019, the date of disbursement of the loan. The term of the interest rate swap matches the critical terms of the interest payments. The swap is accounted as cash flow hedges. The fixed contracted interest rate is 1.77 percent.

24. Financial instruments

24.1. Capital management

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 10 percent of their investment.

Also, the Company has a commitment with the Mexican regulator for capital contributions based on invested capital for its projects. As of December 31, 2019, 2018 and 2017, the Company had complied with the above requirements.

24.2. Categories of financial instruments

		As of	
	12/31/19	**12/31/18**	**12/31/17**
Financial assets			
Cash and cash equivalents	$ 57,966	$ 51,764	$ 38,289
Restricted cash	33,536	26,283	55,820
FVTPL			
Held for trading	17,241	17,703	9,146
Amortized cost			
Loans and receivables	920,410	844,989	613,280
Financial leasing	932,624	942,184	950,310
Financial liabilities			
FVTPL			

	As of		
	12/31/19	12/31/18	12/31/17
Held for trading	$ 155,931	$ 163,823	$ 204,170
Amortized cost	3,492,932	3,055,700	2,695,537

24.3. Financial risk management objectives

The activities carried out by the Company may expose it to financial risks, 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 forecast 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. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

24.4. 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 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 and related tax impacts are denominated in; 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.

24.5. Value at Risk ("VaR") analysis

The VaR measure estimates the maximum potential loss the company can experience in any of it underlying position 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 considers 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 percent confidence interval in its VaR calculations.

The one-day 95 percent VaR number reflects the 95 percent 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	**12/31/19**	**As of 12/31/18**	**12/31/17**
Interest rate swap and commodities	$ 15,058	$ 2,258	$ 2,581
Total VaR exposure	$ 14,305	$ 2,145	$ 2,452

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 percent 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 24.7.1.

24.6. 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, gas pipelines 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. (Please refer to Note 24.4.).

24.7. Foreign currency risk management

The Company has investments in entities whose functional currency is not the U. S. Dollar; additionally, 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		
	12/31/19	**As of 12/31/18**	**12/31/17**
U. S. Dollar functional currency subsidiaries	$ 1,025,682	$ 907,113	$ 746,038
Mexican Peso functional currency subsidiaries	26,462	32,146	33,594

	Financial liabilities		
	As of		
	12/31/19	12/31/18	12/31/17
U. S. Dollar functional currency subsidiaries	$ 938,184	$ 860,870	$ 853,067
Mexican Peso functional currency subsidiaries	47,867	31,325	26,478

For the Company's U.S. Dollar functional currency subsidiaries their Mexican Peso balances include: bank accounts and short-term investments, VAT, income tax receivables or payables, prepaid expenses, guarantee deposits, intercompany loans, 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 receivables or payables and provisions.

Exchange rates in effect as of the date of the Consolidated Financial Statements and their issuance date are as follows:

	Mexican Pesos			
	12/31/19	12/31/18	12/31/17	04/11/20
One U.S. Dollar	$ 18.8452	$ 19.6829	$ 19.7354	$ 24.0388

24.7.1. Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 24.7. 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 and OCI sensitivity to a 10 percent 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 percent, 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 percent 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 percent against the Mexican Peso for U. S. Dollar functional currency subsidiaries. For a 10 percent 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 percent against the Mexican Peso. For a 10 percent 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		
	2019	2018	2017	2019	2018	2017
Profit (loss) (i)	$ 5,532	$ 2,943	$ 6,811	$ (916)	$ 52	$ (453)
OCI	—	—	—	2,865	414	2,580

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 decreased mainly due to higher intercompany loans with unconsolidated affiliates.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has increased mainly due to higher trade and other trade receivables balances.

24.8. Interest rate risk management

24.8.1. Interest rate swaps contracts entered into by the Company's JV's

As described in Note 10.1.b. the JV with Saavi Energia entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings.

As described in Note 10.4.b. the JV with Brookfield entered into swap contract that effectively hedges the interest rate risk due to variable rate financings.

The FV of derivative instruments is based on the market values in place as of the date of the Consolidated Financial Statements, which impacts investment in JV with a debit to current earnings.

The Company's management considers the results of the sensitivity analysis for these derivatives to be immaterial.

24.9. 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 percent 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 comply 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.

24.9.1. Concentration of credit risk

The Company conducts 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 S&P's or other credit rating agency in the U. S. or Canada.

The management believes that the risk arising from its concentration of credit is mitigated since all of their major customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

The following table shows the Company's revenue concentration by customer:

	Segment	As of 12/31/19	As of 12/31/18	As of 12/31/17
Customer 1	Gas	$ 301,727	$ 317,805	$ 317,055
Customer 2	Power & Gas	222,867	218,126	142,445
Customer 3	Gas	167,770	171,666	168,937
Customer 4	Gas	143,090	143,026	113,086
Customer 5	Gas	127,243	123,366	114,093
Customer 6	Gas	102,084	98,435	103,043
Customer 7	Gas	64,237	84,846	87,160
Customer 8 *	Power	38,381	36,353	35,389
Customer 9	Gas	36,366	36,723	36,397
Others **		175,491	138,209	105,300
		$ 1,379,256	$ 1,368,555	$ 1,222,905

* Please refer to Note 12.

** Within others, there are no customers with revenue concentration greater than 9 percent.

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.

24.10. 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, 2019, the projects were funded with resources obtained from the Global Offering, unconsolidated affiliates loans and bank financing. The Company's current liabilities exceed its current assets mainly due to loans from unconsolidated affiliates and short-term debt. As explained in Notes 6 and 22, the Company had $892.5 million of unused lines of credits with banks.

24.10.1.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 principal cash flows.

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
December 31, 2019						
Variable interest rate from banks (SMBC)		$1,174,068	$ —	$ —	$ —	$1,174,068
Variable interest rate from banks (International debt 10 years)	3.75	11,250	33,750	56,250	334,178	435,428
Variable interest rate from banks (International debt 30 years)	4.88	26,325	78,975	131,625	1,146,476	1,383,401
Fixed interest rate for long- term debt (Note 23)	6.3	12,838	38,446	199,769	—	251,053
Variable interest rate loan from banks (Ventika)	6.49	51,218	81,591	143,419	462,329	738,557
Variable interest rate loan from banks (GdC)	4.63	41,186	27,607	226,110	—	294,903
Multilateral Facility	1.78	356	7,415	30,298	173,016	211,085
Variable interest rate for long-term (Trina)	6.07	585	1,756	2,927	12,946	18,214
Lease liabilities		1,197	3,501	3,800	95,944	104,442
		$1,319,023	$ 273,041	$ 794,198	$2,224,889	$4,611,151
December 31, 2018						
Variable interest rate from banks (SMBC)		$ 808,086	$ —	$ —	$ —	$ 808,086
Variable interest rate from banks (Senior Notes 10 years)	3.75	11,250	33,750	56,250	300,000	401,250
Variable interest rate from banks (Senior Notes 30 years)	4.88	26,325	78,975	131,625	1,066,500	1,303,425
Fixed interest rate of long-term debt (Note 23.)	6.30	12,483	37,449	199,286	—	249,218
Variable interest rate loan from banks (Ventika)	6.49	53,649	83,028	197,086	447,892	781,655
Variable interest rate loan from banks (IEnova Pipelines)	4.63	49,316	33,268	283,563	—	366,147
Variable interest rate for long-term (Trina)	6.07	256	684	1,140	3,862	5,942
		$ 961,109	$ 266,470	$ 867,810	$1,814,392	$3,909,781

December 31, 2017

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
Variable interest rate from banks (SMBC)		$ 137,053	$ —	$ —	$ —	$ 137,053
Variable interest rate from banks (International debt 10 years)	3.75	6,563	33,750	56,250	316,875	413,438
Variable interest rate from banks (International debt 30 years)	4.88	15,356	78,975	131,625	1,105,988	1,331,944
Variable interest rate of short-term debt (Note 23.)	4.14	65,871	—	—	—	65,871
Fixed interest rate of long-term debt (Note 23.)	6.30	12,623	37,868	211,378	—	261,869
Variable interest rate loan from banks (Ventika)	5.59	48,211	76,868	210,235	472,467	807,781
Variable interest rate loan from banks (IEnova Pipelines)	4.63	53,642	39,034	341,697	—	434,373
		$ 339,319	$ 266,495	$ 951,185	$1,895,330	$3,452,329

Prepayments on intercompany loans can be made at the Company's discretion.

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn-up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or commodity prices forward curves at the end of the reporting period.

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2019					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ (33,429)	$ (30,421)	$ (152,585)	$ (33,621)	$ (250,056)
	$ (33,429)	$ (30,421)	$ (152,585)	$ (33,621)	$ (250,056)

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2018					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ 176	$ (1,920)	$ (159,750)	$ (2,909)	$ (164,403)
	$ 176	$ (1,920)	$ (159,750)	$ (2,909)	$ (164,403)

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2017					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ (38,978)	$ (3,032)	$ (12,579)	$ (141,516)	$ (196,105)
	$ (38,978)	$ (3,032)	$ (12,579)	$ (141,516)	$ (196,105)

24.11. FV of financial instruments

24.11.1.FV of financial instruments carried at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the Consolidated Financial Statements approximate their FVs.

	As of					
	12/31/19		12/31/18		12/31/17	
	Carrying amount	FV	Carrying amount	FV	Carrying amount	FV
Financial assets						
Financial lease receivables	$ 932,624	$ 1,308,000	$ 942,184	$ 942,184	$ 950,310	$ 950,310
Due to unconsolidated Affiliates	781,003	823,757	691,340	696,626	535,945	592,727
Financial liabilities						
-Long-term debt (traded in stock exchange)	1,016,697	1,010,330	1,038,142	865,710	1,037,614	998,995
-Loans from banks long-term	790,444	756,411	669,629	675,801	728,423	849,486
-Loans from unconsolidated affiliates (Long-term)	233,597	228,578	75,161	67,963	73,510	69,967
Loans from associate (Long-term)	11,190	10,848	3,757	3,274	—	—

24.11.2.Valuation techniques and assumptions applied for the purposes of measuring FV

The FVs of financial assets and financial liabilities are determined as follows:

i. The FV of finance lease receivables is determined by calculating the present value of discounted cash flows, including the contract extension period, using the discount rate that represents the Company's Transportation Weighted Average Cost of Capital (Level 3).

ii. The Company determined the FV of its long-term debt using prices quoted on recognized markets (Level 1).

iii. For financial liabilities, other than long-term debt, accounts receivables and payable due to unconsolidated affiliates, the Company determined the FV 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. (Level 3).

iv. The FV of commodity and other derivative positions, which include interest rate swaps, is determined using market participant assumptions to measure these derivatives. Market participants' assumptions include the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. (Level 2).

Significant assumptions used by the Company in determining the FV of the following financial assets and liabilities are set out below.

24.11.3.FV measurements recognized in the Consolidated Statements of Financial Position

The Company applies recurring FV measurements to certain assets and liabilities. "FV" is defined in Note 2.2.b.

A FV 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 to a particular valuation technique (such as a pricing model) and the risks inherent to the model inputs. Also, management considers the Company's credit standing when measuring its liabilities at FV.

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

The three levels of the FV hierarchy are as follows:

- Level 1 FV 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 FV measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability as of reporting date, either directly or indirectly.

- Level 3 FV measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and are generally less observable from objective sources.

The assets and liabilities of the Company that were recorded at FV on a recurring basis are listed in the following table and were classified as Level 1 and 2 in the FV hierarchy as shown below:

		As of	
	12/31/19	**12/31/18**	**12/31/17**
Financial assets at FVTPL			
Short-term investments (Level 1)*	$ 35,742	$ 26,366	$ 56,901
Derivative financial assets (Level 2)	17,241	17,620	8,065
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	155,931	163,823	204,170

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

* The short-term investments include current restricted cash by $30.8 million, $23.3 million and $55.8 million as of December 31, 2019, 2018 and 2017, respectively.

24.11.4. Hedging instruments

The impact of the hedging instruments on the statement of financial position as of December 31, 2019, 2018 and 2017 are as follows:

	As of		
	12/31/19		
	Notional value	**Carrying amount**	**Change in fair value used for measuring ineffectiveness**
U. S. Dollars			
Interest rate swap	595,039	(15,881)	(8,790)
Foreign currency	122,747	(5,986)	(7,835)
Mexican Peso			
Cross currency swap	3,900,000	(121,988)	18,509

	As of		
	12/31/18		
	Notional value	**Carrying amount**	**Change in fair value used for measuring ineffectiveness**
U. S. Dollars			
Interest rate swap	451,017	(7,091)	4,029
Foreign currency	107,503	1,849	1,849
Mexican Peso			
Cross currency swap	3,900,000	(140,497)	44,488

	As of		
	12/31/17		
	Notional value	**Carrying amount**	**Change in fair value used for measuring ineffectiveness**
U. S. Dollars			
Interest rate swap	507,027	(11,120)	2,005
Mexican Peso			
Foreign currency and interest rate	5,200,000	(184,985)	20,011

24.11.5. 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 Mexican 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 Mexican 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.

The Company recognized the change in FV and the settlements in the "cost of revenue" line item within the Consolidated Statements of Profit.

25. Income taxes

The Company is subject to ISR. The rate of current income is 30 percent.

25.1. Income taxes recognized in the Consolidated Statements of Profit

		As of	
	12/31/19	12/31/18	12/31/17
Current income tax:			
ISR	$ (139,677)	$ (113,683)	$ (39,376)
IETU	—	—	(204)
	(139,677)	(113,683)	(39,580)
Deferred Income tax:			
Deferred income tax	7,119	(29,381)	(64,582)
Total taxes in the Consolidated Statements of Profit	$ (132,558)	$ (143,064)	$ (104,162)

Income tax expense is reconciled with the profit before tax as follows:

		Year ended	
	12/31/19	12/31/18	12/31/17
Profit before income tax and share of profits of joint ventures	$ 560,474	$ 535,666	$ 413,660
Income tax expense calculated at 30%	(168,142)	(160,700)	(124,098)
Non-deductible expenses	(2,369)	(1,985)	(2,880)
Effects of foreign exchange rate	(35,830)	513	(17,806)
Effects of inflation adjustment	(19,169)	(28,076)	(32,341)
Effect of unused tax losses not recognized as deferred income tax asset	(3,157)	2,279	(25,965)
Non-taxable income	—	—	368
Effect of foreign exchange rate and inflation on the tax bases of property, plant and equipment, net and unused tax losses	77,499	55,180	98,880
Tax incentive *	24,108	—	—
Other	(5,498)	(10,275)	(321)
Income tax expense recognized in the Consolidated Statements of Profit	$ (132,558)	$ (143,064)	$ (104,163)

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

- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Mexican Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.
- The effect of foreign currency exchange gains or losses is being calculated on Mexican Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.
- The inflationary effects relative to certain monetary assets and liabilities.
- Tax losses used or not recognized as deferred taxes.
- *Recognition of the income tax incentive applicable to certain taxpayers residing in the northern border region, in accordance with a decree issued on December 28, 2018.

25.2. Income tax recognized directly in common stock and OCI

	Year ended		
	12/31/19	12/31/18	12/31/17
Recognized directly in common stock:			
Issuance or ordinary shares under Initial Public Offering ("IPO") and Follow-on	$ —	$ —	$ 17,851
Recognized directly in OCI:			
Tax related to actuarial gain on defined benefit plans	(287)	(156)	(211)
Tax on valuation of financial instruments held for hedging purposes	(2,020)	(4,605)	(2,357)
Total of income tax recognized directly in common stock and OCI	$ (2,307)	$ (4,761)	$ 15,283

25.3. 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:

	As of		
	12/31/19	12/31/18	12/31/17
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	$ 21,855	$ 72,497	$ 171,015
Accrued expenses and provisions	32,127	21,582	43,381
Effect of business combination IGM	1,257	1,355	1,453
Employee benefits	8,941	6,845	5,941
Inventories	4,941	1,909	2,768
Credit expected losses	127	159	139
Deferred income tax assets for issuance or ordinary shares under IPO and follow on	17,851	17,851	17,851
Deferred income tax asset regarding valuation of financial instruments held for hedging purposes	8,644	6,593	10,360
Total deferred income tax assets	95,743	128,791	252,908
Deconsolidation effect (a)	(5,845)	(47,938)	(155,574)
Deferred income tax asset	$ 89,898	$ 80,853	$ 97,334
Deferred income tax liabilities:			
Property, plant and equipment	$ (192,394)	$ (228,634)	$ (318,297)
Finance leases	(279,605)	(282,525)	(285,000)
Effect of assets FV and intangible of Ventika	(79,867)	(83,054)	(86,241)
Prepaid expenses	(6,181)	(4,396)	(4,693)
Other	(1,708)	(16,221)	(12,957)
Right-of-use-assets	(12,047)	—	—
Total deferred income tax liabilities	(571,802)	(614,830)	(707,188)
Deconsolidation effect (a)	5,845	47,938	155,574
Deferred income tax liabilities	$ (565,957)	$ (566,892)	$ (551,614)

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 Consolidated Statements of Financial Position as of December 31, 2019, 2018 and 2017.

i. During 2017, the Company has not recognized a deferred tax asset in the amount of $15.2 million generated from the deductible temporary differences between book value and tax basis as a result of the decision to sale the partnership interest in TDM.

ii. As of December 31, 2019 , the Company has not recognized a deferred tax asset in the amount of $26.2 million generated from the deductible temporary differences between book value and tax basis of TDM. The Company considers that there are no sufficient taxable profits available to recognize all or part of the deferred tax asset.

25.4. 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:

	As of		
	12/31/19	**12/31/18**	**12/31/17**
Assets	$ 89,898	$ 80,853	$ 97,334
Liabilities	$ (565,957)	$ (566,892)	$ (551,614)
	$ (476,059)	$ (486,039)	$ (454,280)

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, 2019, are as follows:

Years	**Tax-Loss Carryforwards**	**IMPAC Recoverable**
2020	$ 1,750	$ 163
2021	1,458	163
2022	576	163
2023	492	163
2024	2,411	163
2025	1,502	163
2026	36,141	163
2027	3,058	163
2028	17,231	161
2029	8,231	—
	$ 72,850	$ 1,465

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $72.8 million and $1.4 million respectively.

25.5. Current tax receivable and payable

	As of		
	12/31/19	12/31/18	12/31/17
Current tax assets:			
ISR receivable	$ 22,061	$ 74,806	$ 81,909
Current tax liabilities:			
ISR payable	$ (62,699)	$ (63,044)	$ (3,384)

26. Stockholders' equity

	As of		
	12/31/19	12/31/18	12/31/17
Common stock	$ 955,239	$ 963,272	$ 963,272
Additional paid-in equity	2,342,883	2,351,801	2,351,801
	$ 3,298,122	$ 3,315,073	$ 3,315,073

26.1. Issued member's equity is comprised as follows:

Pursuant to a resolution of the general ordinary member's meeting on February 15, 2013, member's equity increase was approved at $1.00 Mexican Peso per share, which was subscribed and paid by SEH an unconsolidated affiliate, increasing the value of its social part; also, Company's name change from Sempra Mexico, S. de R. L. de C. V. to "Sociedad Anonima de Capital Variable" ("S. A. de C. V.", Public limited Company) was approved. 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

Shareholder's equity consists of nominative shares with no-par value. The theoretical value per share is $10.00 Mexican Pesos. The Class I and II represent the fixed and the variable part of shareholder's equity, respectively. Variable capital may be increased without limitation.

On March 6, 2013, SEH 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 percent of the Shares of SEH 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 Mexican 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 Mexican Pesos).

In connection with the Global Offering, on March 27, 2013, the underwriters in Mexico and abroad exercised the over-allotment option. The amount of over-allotment was $78,106.0 ($967.0 million Mexican Pesos), related to 28,449,196 shares at the placement price of $34.00 Mexican Pesos per share.

On September 14, 2015, the Ordinary and Extraordinary Shareholder's 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 $3,300.0 million Mexican Pesos in Ordinary and Extraordinary Shareholder's Meetings; of which 330 million ordinary shares were issued. As of December 31, 2015, such shares have been neither subscribed nor paid, and therefore no impacts have been reflected in the Consolidated Financial Statements.

26.2. Formation of a repurchase fund its own shares

During the Company's General Shareholders' Meeting on June 14, 2018, the formation of a repurchase fund of the Company's own shares of a maximum amount of $250.0 million was approved. This amount was reestablished in the General Shareholders Meeting on April 30, 2019.

As of August 6, 2019, and December 31, 2018, the Company repurchased 4,620,000 and 2,000,000 shares for a total of $16.9 and $7.2 million, respectively. As of December 31, 2019, the Company has canceled the treasury shares.

		For the year ended December 31, 2019 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**Fixed shares**	**Variable shares**	**Total**	**Total shares in USD**
SEMCO	1,019,038,312	$ 50,000	$ 10,190,333,120	$ 10,190,383,120	$ 751,825
Private investors	510,365,500	—	5,103,655,000	5,103,655,000	203,414
	1,529,403,812	$ 50,000	$ 15,293,988,120	$15,294,038,120	$ 955,239

		For the year ended December 31, 2018 and 2017 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**Fixed shares**	**Variable shares**	**Total**	**Total shares in USD**
SEMCO	1,019,038,312	50,000	10,190,333,120	10,190,383,120	751,825
Private investors	514,985,500	—	5,149,855,000	5,149,855,000	211,447
	1,534,023,812	$ 50,000	$ 15,340,188,120	$15,340,238,120	$ 963,272

27. Declared dividends

During 2019, 2018 and 2017, pursuant to the resolution of Company's General Shareholders' Meeting, payments of dividends in cash were approved and were 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	**Amount**
October 22, 2019	$ 220,000
July 24, 2018	210,000
July 25, 2017	200,000

27.1. Dividends per share

	Cents per share for year ended		
	12/31/19	**12/31/18**	**12/31/17**
IEnova	$ 0.14	$ 0.14	$ 0.13

28. Segment information

28.1. Change in reportable segments

In February 2020, IEnova approved a change to its reporting segments, effective January 1, 2020, to improve visibility of each business performance, and enable the business to respond to management´s needs more effectively. Therefore, the information presented in the reportable segments as of December 31, 2019, 2018 and 2017 were recast.

Aggregation criteria:

IEnova groups its reportable segments according to the nature of the business activities, having as main starting point the interrelation of its activities in the business operations as the main relevant economic characteristic. In order to determine the aggregation of the operating segments to reportable, the nature of the products or services, the operation processes, the category of product customers and the existing regulatory framework were considered within its evaluation, and concluded from the above that the reportable segments identified by IEnova are as follows:

Gas:

The Gas segment includes IEnova assets that develop, own and operate or have an equity investment in natural gas pipelines, ethane and LPG pipelines and natural gas transportation, distribution and sales operations, in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. The aggregation criteria in this segment included the specific analysis of the distribution and transportation activities, sale of natural gas, which cannot be carried out without in the pipeline system for transportation, for which the management considers the evaluation of the performance of these activities as a whole. In addition, the operation of transportation and distribution of natural gas, ethane and LPG is regulated by CRE, which establishes the guidelines for the operation, as well as maximum rates for each service to be charged to customers, as well the authorization for the commercialization of natural gas in Mexico.

Power:

The Power segment includes three types of technology: solar, wind and combined cycle based on natural gas. Likewise, they participate in two markets; Mexico and California in the United States. In all projects, the nature of the product is electrical power energy, which is unique, regardless of the technology with which it has been generated, and the markets have similar characteristics in their operation, with certain regulatory or contractual differences, for example, for being of an export nature. As an important feature, customers in the energy sector are entities that require minimum consumption to carry out their operations regardless of the technology that produces them.

Management considers that reporting Power segment regardless of its technology, has the benefit of a natural portfolio compensation due to its diversification of technology and customers, synergies of administration and operation and similar regulations for electrical systems, among others.

Storage:

This segment includes the LNG terminal in Baja California, Mexico for the import, storage and regasification of LNG. Additionally, it includes the operations of four liquid gas storage spheres ("LPG") in Jalisco, Mexico. The Company is developing projects for the construction of onshore and in land terminals for the receipt, storage and delivery of hydrocarbons, these terminals will be located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico. The aggregation in

this segment is based on the nature and operation of the assets, the activities are also included in the hydrocarbons law and the clients are companies authorized to commercialize those products.

The operation of the terminals will have important synergies in the forms of operation, allocation of capacity, procedures and security protocols, as well as similarities in contracts with different clients (fixed rates for capacity and variables), ensuring the expected returns of the investment in its assets. The following information is provided to assist the users of the financial statements during transition to the new segment reporting structure. The change affected neither the accounting policies nor the basis of preparation of the financial information.

The following summarizes the changes made to the reporting business segments:

1. Energia Costa Azul, S. de R.L. de C. V. ("ECA"), Transportadora del Norte SH, S. de R.L. de C.V. ("TDN") ,TDF and marine and land terminals projects have been moved from Gas segment to a new segment "Storage".

2. Servicios DGN de Chihuahua, S. de R.L. de C.V. ("SDGN"), Gasoductos Ingenieria, S. de R.L. de C.V. ("GI") Servicios de Energia Costa Azul, S. de R.L. de C.V. ("SECA"), have been moved from Gas segment to a non-reportable segment Corporate.

3. Intrasegment/intersegment eliminations are presented in a separate column together with Corporate.

The operating segment information as of December 31, 2019, 2018 and 2017 are as follows:

	2019				
	Gas	**Storage**	**Power**	**Corporate and eliminations**	**Consolidated**
External revenue	$ 894,790	$ 156,477	$ 323,131	$ 4,858	$ 1,379,256
Intercompany revenue	89,618	83,703	—	(173,321)	—
Revenue	984,408	240,180	323,131	(168,463)	1,379,256
Cost of revenue	(434,529)	(198)	(128,327)	171,961	(391,093)
Operating costs, administration and others	(124,494)	(51,408)	(37,847)	3,424	(210,325)
EBITDA	425,385	188,574	156,957	6,922	777,838
Depreciation and amortization	(66,084)	(48,298)	(42,912)	1,495	(155,799)
Operating income	359,301	140,276	114,045	8,417	622,039
Interest income					45,665
Financial costs					(132,849)
Other (loss), net					25,619
Profit before income tax and share of profits of joint ventures					560,474
Income tax expense					(132,558)
Share of profits of joint ventures					39,769
Profit of the period					$ 467,685

	2018				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 903,741	$ 153,716	$ 308,244	$ 2,854	$ 1,368,555
Intercompany revenue	114,635	83,297	—	(197,932)	—
Revenue	1,018,376	237,013	308,244	(195,078)	1,368,555
Cost of revenue	(444,942)	(175)	(137,468)	196,794	(385,791)
Operating costs, administration and others	(119,143)	(57,148)	(41,282)	3,054	(214,519)
EBITDA	454,291	179,690	129,494	4,770	768,245
Depreciation and amortization	(64,509)	(39,949)	(34,288)	1,589	(137,157)
Operating income	389,782	139,741	95,206	6,359	631,088
Interest income					27,449
Financial costs					(122,879)
Other (loss), net					8
Profit before income tax and share of profits of joint ventures					535,666
Income tax expense					(143,064)
Share of profits of joint ventures					37,984
Profit of the period					$ 430,586

	2017				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 842,304	$ 148,314	$ 229,356	$ 2,931	$ 1,222,905
Intercompany revenue	115,081	83,189	—	(198,270)	—
Revenue	957,385	231,503	229,356	(195,339)	1,222,905
Cost of revenue	(420,965)	(163)	(108,170)	197,452	(331,846)
Operating costs, administration and others	(111,968)	(46,308)	(47,036)	2,330	(202,982)
EBITDA	424,452	185,032	74,150	4,443	688,077
Depreciation and amortization	(49,900)	(39,859)	(31,125)	1,864	(119,020)
Impairment	—	—	(63,804)	—	(63,804)
Operating income	374,552	145,173	43,025	6,307	505,253
Interest income					22,808
Financial costs					(73,501)
Other (loss), net					(40,900)
Profit before income tax and share of profits of joint ventures					413,660
Income tax expense					(104,163)
Share of profits of joint ventures					44,677
Profit of the period					$ 354,174

	As of		
	12/31/19	12/31/18	12/31/17
Assets by segment:			
Gas	$ 5,795,587	$ 5,735,059	$ 5,569,420
Storage	2,126,634	1,719,083	1,438,728
Power	1,720,286	1,408,760	1,176,115
Corporate and eliminations	(90,001)	(94,305)	(20,404)
Consolidated total assets	$ 9,552,506	$ 8,768,597	$ 8,163,859
Liabilities by segment:			
Gas	$ 2,087,468	$ 2,125,645	$ 2,243,112
Storage	776,212	408,176	279,127
Power	1,193,539	929,937	758,345
Corporate and eliminations	538,050	551,089	366,688
Consolidated total liabilities	$ 4,595,269	$ 4,014,847	$ 3,647,272

28.2. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	$2,369,759	$2,251,708	$2,166,234	$ (293,055)	$ (229,834)	$ (161,694)
Storage	1,892,969	1,592,817	1,472,680	(428,554)	(389,875)	(350,964)
Power	1,402,750	1,150,247	686,195	(265,568)	(232,776)	(24,885)
Corporate and eliminations	(31,160)	(46,917)	(50,505)	(9,179)	(8,456)	(7,605)
	$5,634,318	$4,947,855	$4,274,604	$ (996,356)	$ (860,941)	$ (545,148)

	Depreciation and amortization			Additions to property, plant and equipment		
	Year ended			Year ended		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	$ 63,238	$ 62,702	$ 48,952	$ 109,494	$ 93,221	$ 204,303
Storage	46,544	39,571	39,290	287,340	125,590	1,149
Power	42,137	34,228	31,049	247,123	222,384	8,373
Corporate and eliminations	3,880	656	(271)	20,127	1,550	3,237
	$ 155,799	$ 137,157	$ 119,020	$ 664,084	$ 442,745	$ 217,062

28.3. Segment revenues

The following tables show the restated numbers from the previous operating segments disclosure:

	Revenues 2019			
	Previous	Storage	Other	Current
Gas	$ 1,054,218	$ (240,180)	$ 170,370	$ 984,408
Storage	—	240,180	—	240,180
Power	323,131	—	—	323,131
Corporate and eliminations	1,907	—	(170,370)	(168,463)
	$ 1,379,256			$ 1,379,256

	Revenues 2018			
	Previous	Storage	Other	Current
Gas	$ 1,058,535	$ (237,013)	$ 196,854	$ 1,018,376
Storage	—	237,013	—	237,013
Power	308,244	—	—	308,244
Corporate and eliminations	1,776	—	(196,854)	(195,078)
	$ 1,368,555			$ 1,368,555

	Revenues 2017			
	Previous	Storage	Other	Current
Gas	$ 991,690	$ (231,503)	$ 197,198	$ 957,385
Storage	—	231,503	—	231,503
Power	229,356	—	—	229,356
Corporate and eliminations	1,859	—	(197,198)	(195,339)
	$ 1,222,905			$ 1,222,905

28.4. Assets and liabilities by segment

The following tables show the restated numbers from the previous operating segments disclosure:

	Assets 2019			
	Previous	Storage	Other	Current
Gas	$ 7,030,018	$ (2,126,634)	$ 892,203	$ 5,795,587
Storage	—	2,126,634	—	2,126,634
Power	1,654,192	—	66,094	1,720,286
Corporate and eliminations	868,296	—	(958,297)	(90,001)
	$ 9,552,506			$ 9,552,506

	Assets			
	2018			
	Previous	Storage	Other	Current
Gas	$ 6,705,011	$ (1,719,083)	$ 749,131	$ 5,735,059
Storage	—	1,719,083	—	1,719,083
Power	1,356,815	—	51,945	1,408,760
Corporate and eliminations	706,771	—	(801,076)	(94,305)
	$ 8,768,597			$ 8,768,597

	Assets			
	2017			
	Previous	Storage	Other	Current
Gas	$ 6,425,446	$ (1,438,728)	$ 582,702	$ 5,569,420
Storage	—	1,438,728	—	1,438,728
Power	1,170,970	—	5,145	1,176,115
Corporate and eliminations	567,443	—	(587,847)	(20,404)
	$ 8,163,859			$ 8,163,859

	Liabilities			
	2019			
	Previous	Storage	Other	Current
Gas	$ 1,306,150	$ (776,212)	$ 1,557,530	$ 2,087,468
Storage	—	776,212	—	776,212
Power	690,230	—	503,309	1,193,539
Corporate and eliminations	2,598,889	—	(2,060,839)	538,050
	$ 4,595,269			$ 4,595,269

	Liabilities			
	2018			
	Previous	Storage	Other	Current
Gas	$ 1,066,774	$ (408,176)	$ 1,467,047	$ 2,125,645
Storage	—	408,176	—	408,176
Power	655,386	—	274,551	929,937
Corporate and eliminations	2,292,687	—	(1,741,598)	551,089
	$ 4,014,847			$ 4,014,847

	Liabilities			
	2018			
	Previous	Storage	Other	Current
Gas	$ 1,031,448	$ (279,127)	$ 1,490,791	$ 2,243,112
Storage	—	279,127	—	279,127
Power	652,502	—	105,843	758,345
Corporate and eliminations	1,963,322	—	(1,596,634)	366,688
	$ 3,647,272			$ 3,647,272

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

i. All assets are allocated to reportable segments. Goodwill is allocated to reportable segments.
ii. All liabilities are allocated to reportable segments, except mainly for Corporate financing.

28.5. *External revenue by segment and subsegment*

The following is an analysis of the Company's revenue from its major type of product or service:

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Distribution	$ 72,880	$ 74,671	$ 114,327
Transportation	440,339	468,582	448,054
Sale of natural gas	381,571	360,488	279,923
Storage	156,477	153,716	148,314
Power	323,131	308,244	229,356
Corporate and others	4,858	2,854	2,931
Total revenues	$ 1,379,256	$ 1,368,555	$ 1,222,905

Sale of natural gas includes other operating revenues mainly comprised of:

a. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $102.1, $98.5 and $103.0 million for the years ended December 31, 2019, 2018 and 2017, respectively; such balances are presented within the revenues line item in the Consolidated Statements of Profit.

On August 3, 2018, as a part of dissolution of SLNGIH there was a deed of termination executed between IEnova Marketing and SLNGIH, transferred indemnity obligations under the deed of indemnity from SLNGIH back to SLNGI by executing the Third Amended and Restated LNG SPA between IEnova Marketing and SLNGI.

b. The Company reported damage and declared a force majeure event for the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory that has interrupted its operations since August 23, 2017. There is no material economic impact due to this event. The Sasabe-Puerto Libertad-Guaymas segment remains in full operation.

29. Revenues

29.1. Distribution by type of revenues

The Company has initially applied IFRS 15 from 1 January 2018. The following table shows the distribution by type of revenue shown in the Consolidated Statements of Profit for the years ended on December 31, 2019 and 2018:

	Year ended (Recast)	
	12/31/19	**12/31/18**
Revenue from operations:		
Contracts with customers*	$ 818,695	$ 847,729
Leases*	190,281	180,281
Derivatives	81,721	69,617
Others - Sale of natural gas	176,271	171,206
Other revenue - Non IFRS 15	112,288	99,722
Total revenue	$ 1,379,256	$ 1,368,555

*TDN operating lease amount was reclassified to lease line in amount of $18.6 million as of December 31, 2018.

29.2. Disaggregation of revenue from contracts with customers

Following is a breakdown of income from contracts with clients by type of product or service, operating segment and date on which obligations are met, as well as a reconciliation of total revenue per segment for the years ended on December 31, 2019 and 2018:

	Year ended (Recast)	
	12/31/2019	**12/31/2018**
Power generation	$ 311,193	$ 307,039
Transportation of gas*	266,337	300,730
Storage and regasification capacity*	135,686	134,970
Natural gas distribution	74,277	78,647
Administrative services	31,202	26,343
Total revenue from contracts with clients	$ 818,695	$ 847,729
Obligations met:		
Over time	$ 818,695	$ 847,729

*TDN, TDF and marine and land terminals projects have been moved from Transportation of gas segment to Storage with an impact of $42.0 and $40.7million as of December 31, 2019 and 2018, respectively as consequence of change in reportable segments.

The revenue from products and services shown in the preceding table arise independently from contracts with each of the clients with possible renewal provided in the contracts.

Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect. That income is assigned on the basis of independent sales prices established in the contract and on the basis of amounts incurred. Assignment of the consideration, and therefore the schedule of income recognition, required no changes as a result of adopting IFRS 15 during 2018.

Following is a detailed description of the principal features by type of product or service:

a. ***Revenue from power generation***

The Company generates revenue from renewable energy generated by Ventika, a wind energy generation facility acquired in December 2016.

Such revenue for the sale of power is recorded under long term U. S. Dollar PPAs as energy is delivered at the interconnection point. It is invoiced to clients based on the volume of electricity delivered at rates established in a formula set down in the contracts.

The client has a period of time established in the contract (commonly up to the later of (i) 10 days following issuance of the invoice and (ii) the 30th of the calendar month in question) to make full payment on the invoice in question. In certain contracts, if Ventika fails to provide the client with the minimum production agreed over one year of operations, it must pay the client a fine in the amount of the difference between (i) what the client must pay the CFE to acquire that energy in the market and (ii) the amount the Client would have paid Ventika to purchase the minimum amount of energy at the contract price. The Company has determined that the transaction price does not contain a significant financing component.

Pima Solar. In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with DeAcero to provide energy, CEC, and capacity from a new solar power plant located in Caborca, Sonora, Mexico. The solar power plant has a 110 MW capacity.

On April 1, 2019, management declared the completion of the construction COD of the Pima Solar project.

La Rumorosa Solar and Tepezala Solar. On September 28, 2016, the Company was declared winner of two solar projects, bided by the CENACE with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezala project was built and developed and constructed in collaboration with Trina Solar who has a 10 percent of shares.

On June 1, 2019, management declared the completion of the construction and COD of the Rumorosa Solar project.
On October 6, 2019, management declared the completion of the construction and COD of Tepezala Solar project.

The sale of power is recorded under long term PPAs as energy is delivered at the interconnection point. It is invoiced to clients based on the volume of electricity delivered at rates established in a formula set down in the contracts.

b. ***Revenue from transportation of gas***

Transportation services are provided over long-term agreements based on rates established at inception of the contract and the Company is obligated to transport and deliver natural gas and other products to the costumer from the receipt point to the delivery point, subject to a minimum/ maximum.

The variable usage fee depends of the volume delivered. The stand-alone selling price is established at the inception of each contract and depends of the agreement and it's based on a regulated rate or a conventional rate.

c. ***Revenue from storage of natural gas***

Natural gas always remains the property of the storage service clients, which pay a global rate based on two components:

i. A fixed rate, which confers the right to store natural gas at Company facilities.
ii. A rate per unit for volumes injected into or withdrawn from the storage unit.

The fixed rate component of the global rate is recorded as revenue for the period in which the service is rendered. The charge per unit is recorded as revenue when volumes are injected into or withdrawn from the storage units.

d. *Revenue from administrative services*

Revenue from services rendered under the management agreements generally arises as services are rendered and are recorded over time as clients receive and consume the benefits of said services. Clients are invoiced for services on the basis of a fixed annual rate and payment is generally due in one month. Certain agreements allow for the reimbursement of expenses when the Company acts as agent of affiliates, such as in cases where it manages invoicing and personnel subcontracting of other affiliates. In those cases, income is recorded net of the respective expenses incurred.

e. *Revenue from natural gas distribution*

Revenue is generated through the monthly distribution service charges billed to its customers. The purchase price of natural gas for the Company is based on international price indices and is transferred directly to customers. The charges for the distribution service of the ECO system are regulated by the CRE, which reviews the rates every five years and monitors the prices charged to final consumers. The current tariff structure of natural gas minimizes the market risk to which the Company is exposed, since the rates are adjusted regularly based on inflation and fluctuations in exchange rates. The adjustments due to inflation take into account the cost components incurred both in Mexico and in the U . S., so that costs incurred in the latter country can be included in the final rates.

29.3 Balances from revenue arising from contracts with customers

Revenue from rendering services to customers prior to expiration of the payment date is recorded as contractual assets until the remaining performance obligations are satisfied.

When payments are received prior to complying with the performance obligations associated with contracts with customers, that revenue is deferred as a contractual liability and is generally amortized in line with profits during the lifetime of the contract, provided performance obligations are met.

The following table shows the reconciliation of balances at the opening and closing of contracts with clients for Company, contractual assets and liabilities as of December 31, 2019 and 2018.

	Contracts assets	Contract liabilities
Balance as of January 01, 2018	$ —	$ (834)
Revenue from performance obligation satisfied during reporting period	—	—
Revenue from performance obligation satisfied in previous reporting periods	—	—
Other deferred revenue adjustments	—	(6,803)
Cash receipts	—	—
Advance payments	—	(4,347)
Reclassifications to accounts receivable	—	—
Balance as of December 31, 2018 *	$ —	$ (11,984)

	Contracts assets	Contract liabilities
Balance as of January 01, 2019	$ —	$ (11,984)
Revenue from performance obligation satisfied during reporting period	—	—
Revenue from performance obligation satisfied in previous reporting periods	—	—
Other deferred revenue adjustments	—	(3,781)
Cash receipts	—	—
Advance payments	—	—
Reclassifications to accounts receivable	—	—
Balance as of December 31, 2019 *	$ —	$ (15,765)

* The contract liabilities are presented in Other non - current liabilities in the Consolidated Statements of Financial Position. (See Note 19.).

a. ***Accounts receivable from contracts with customers***

The following table shows the receivable balances associated with contracts with customers shown in the Consolidated Statements of Financial Position.

	Year ended		
	12/31/19	12/31/18	12/31/17
Accounts receivable - commercial - net	$ 59,330	$ 101,038	$ 68,991
Accounts receivable - other - net	80,077	52,611	25,802
Total	$ 139,407	$ 153,649	$ 94,793

29.4. Performance obligations

Company revenue from contracts with customers are principally related to the generation, transfer and distribution of electricity and the transfer, distribution and storage of natural gas via our regulated public services. Likewise, other midstream services are provided as well as others pertaining to renewable energy.

The Company considers the transfer of electricity and natural gas, as well as natural gas storage services, to be continuous and integrated services. Electricity and natural gas services are generally received and consumed by the client simultaneously. Therefore, the performance obligation related to the services is met over time and represents a series of differentiated services which are substantially the same and show the same transfer-to-client pattern. Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect.

Payment conditions in contracts with clients vary. There is generally an unconditional right to client payment, which expires once the performance obligation to the client has been complied with.

Therefore, there are no material contractual assets or contractual liabilities in the Consolidated Statements of Financial Position. The lapse from the date of invoicing to the expiration date is not significant, i.e., usually from 10 to 90 days.

Therefore, revenue is usually recognized when the agreed basic service has been rendered to the clients and an amount has been invoiced to the clients reflecting the consideration to which it is entitled in exchange for those services.

29.5. Transaction price assigned to pending performance obligations

Remaining performance obligations		In millions
2020	$	403
2021		396
2022		399
2023		396
2024		342
Thereafter		4,530
Total Revenues to be recognized	$	6,466

No information is disclosed concerning remaining performance obligations for (a) contracts with an expected duration of one year or less, (b) revenue recorded in the amount the entity is entitled to invoice for services rendered, and (c) a variable consideration assigned to performance obligations that have remained entirely unsatisfied.

29.6. Significant judgments

The Company uses the product method to record revenue from regular operations under contracts with clients related to performance obligations satisfied over time so as to determine the schedule for satisfaction of said performance obligations, as the value of the delivery of electricity or natural gas to the client can be measured directly on the basis of units delivered. In most cases, the right to the consideration of the client corresponds directly to the value transferred to the client and is recorded in income in the amount the entity is entitled to invoice.

The Company records revenue from services and from the generation of wind and electric energy at the time those services are rendered or delivered to and accepted by that client, in the terms of the programs established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred.

29.7. Assets recorded for costs incurred in order to secure or comply with a contract with a client.

The Company has not recorded assets pertaining to costs incurred in order to secure or comply with a contract with clients at December 31, 2019 and 2018.

30. Interest income

			Year ended			
		12/31/19 (Note 12)		12/31/18 (Note 12)		12/31/17 (Note 12)
Interest income:						
Unconsolidated affiliates	$	41,766	$	24,405	$	21,651
Bank investments		3,899		3,044		1,157
	$	45,665	$	27,449	$	22,808

The following is an analysis of interest income by category of asset:

	As of		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Loans and receivables	$ 41,766	$ 24,405	$ 21,651
Held-to-maturity investments	3,899	3,044	1,157
	$ 45,665	$ 27,449	$ 22,808

31. Operating, administrative and other expenses

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Purchased services	$ 80,306	$ 101,490	$ 81,954
Employee benefit expenses	102,441	88,231	78,033
Purchased materials	22,774	20,750	22,305
Outside services and others	4,804	4,048	20,690
	$ 210,325	$ 214,519	$ 202,982

Outside services and others include charges related to leases of land and buildings with low value and less than one year.

32. Other gains (losses), net

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Net foreign exchange gains (losses) (a)	$ 27,116	$ (6,104)	$ (37,027)
Net (losses) gains arising on derivative financial instruments (b)	(1,364)	3,415	(6,135)
Other (losses) gains	(133)	2,697	2,262
	$ 25,619	$ 8	$ (40,900)

a. A foreign exchange gain (loss) by $29.9, $(2.9) and $(34.9) million for the years ended December 31, 2019, 2018 and 2017, on a peso-denominated inter-affiliate loan granted to IMG for the development of the South Texas - Tuxpan marine pipeline project for our proportionate share of the project´s financing is included. (Please refer to Note 10.2.).

b. The amount represents a change in FV arising from the cross currency swaps, interest rates swaps and foreign exchange forwards and the related settlements. (Please refer to Note 24.).

33. Finance costs

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Interest	$ (124,804)	$ (104,711)	$ (68,058)
Capitalized interest (a)	22,454	10,746	10,181
Decommissioning liabilities accretion expense	(2,803)	(2,552)	(2,249)
Other finance costs	(7,403)	(8,615)	(5,037)
Interest on loans from unconsolidated affiliates	(10,972)	(17,747)	(8,338)

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Financial lease interest	(9,321)	—	—
	$ (132,849)	$ (122,879)	$ (73,501)

a. Please refer to Note 14., for the capitalized interest on qualified assets.

34. Depreciation and amortization

	Year ended		
	12/31/19 (Note 14, 15, 38)	12/31/18 (Note 14, 15, 38)	12/31/17 (Note 14, 15, 38)
Depreciation of property, plant and equipment	$ 133,682	$ 126,839	$ 110,461
Rights-of-use assets amortization	11,777	—	—
Other assets amortization	10,340	10,318	8,559
Total depreciation and amortization expense	$ 155,799	$ 137,157	$ 119,020

35. Earnings per share

35.1. Basic earnings per share

	Year ended		
	12/31/19	12/31/18	12/31/17
Basic and diluted earnings per share	$ 0.31	$ 0.28	$ 0.23

35.2. 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		
	12/31/19	12/31/18	12/31/17
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 468,241	`$ 430,592	$ 354,174
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,530,116,250	1,533,857,145	1,534,023,812

The Company does not have potentially diluted shares.

36. Commitments

36.1. Sales commitments

a. ***GRO.*** 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 customer's 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 5 to 25 years and from 800 to 1,307,000 Dth/d, respectively.

b. ***TGN.*** Entered into FTSAs with two clients. Through FTSAs the Company commits to surrender transportation services up to a certain daily amount of natural gas. The FTSAs establish conventional or regulated transportation rates.

c. ***ECA.*** The Company has a Firm Storage Services Agreement ("FSSA") for 50 percent of the LNG Terminal's capacity to a third party for 20 years commencing in May 2008. As of April 2009, the customer assigned a portion of its contracted capacity to another independent third party. The other 50 percent of the capacity is a FSSA with a related party IEnova Marketing for 20 years.

The Company 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 years.

d. ***GAP.*** Entered into a 25 years capacity contract with CFE corresponding to segment Sasabe Guaymas, which started operations in December 2014 and has a capacity of 793,100 Dth/d.

The Company, entered into a 25 years capacity contract with CFE related to next segments:

	Sasabe Puerto Libertad	**Puerto Libertad Guaymas**	**San Isidro Samalayuca**	**Guaymas El Oro**	**Ojianga El Encino**
Capacity	793.1 Dth/d		1,169.02 Dth/d	525.3 Dth/d	1,396.7 Dth/d
Started Operation	10/01/2015	08/01/2015	03/31/2017	05/19/2017	06/30/2017
Zone	Sonora		Chihuahua	Sonora and Sinaloa	Chihuahua

The Company entered into a 21 years capacity contract with CFE corresponding to segment El Ramal Empalme which started operations in June 2017 and has a capacity of 232.8 Dth/d. This agreement was executed on May 5, 2016.

The Company has entered into Interruptible Transportation and Compression of natural gas Service Agreements ("ITSAs") with Shell Trading Mexico, S. de R. L. de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 1,000 Dth/d defined as MDQ. The ITSAs establish a transportation service rate which has to be approved by CRE. This agreement was executed on May 15, 2017 and will continue in full force until May 15, 2022.

The Company has entered into ITSAs with Union Energetica del Noroeste, S. A de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 3,600 Dth/d defined as MDQ. The customer will pay the regulated fee applicable in accordance with the latest publication by the Official Gazzete of the Federation and according to the modifications approved by the CRE. This agreement will be valid as of the date on which the customer notifies to GAP that is ready to start the natural gas tests and will be in force until such tests are concluded. This agreement was executed on January 4, 2017.

e. ***IEnova Pipelines.*** The Company has entered into ITSAs with two customers. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation and compression service up to certain daily quantities of natural gas, defined as MDQ measured in Gigacalories per day ("Gcal/d"). The ITSAs establish a transportation and compression service rate published in the Official Gazette of the Federation in accordance with the applicable regulations. The range of effective periods and the agreed-upon MDQ for each agreement described above are from one to three years and from 3,822 to 10,000 Gcal/d respectively. The agreements were executed on March 22, 2017 and April 19, 2017 and will continue in full force until March 22, 2018 and April 30, 2020, respectively.

On February 15, 2001, entered into a contract with to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with the right of renewal for additional five years. The maximum daily capacity covered by this contract is 60 MMCFPD.

On October 22, 2014, entered into a natural gas transportation services contract, under the TF-1 firm transport service scheme with CFE for a firm base reserved capacity of 100 MMCFPD with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On October 22, 2014, entered into an agreement to provide natural gas transportation service under the TI-1 interruptible transport service scheme to CFE for an interruptible capacity of 72 MMCFPD with a regulated rate. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On October 31, 2014, entered into a natural gas transportation services contract, under the TI-2 interruptible transport service scheme with CFE for an interruptible capacity of 50 MMCFPD with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TF-1 firm transport service scheme with Pemex TRI signed on December 11, 2009, for a firm base reserved capacity of 40 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Pemex TRI signed on December 11, 2009 for an interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered the into a fifth natural gas transportation services amending agreement, under the TI-2 interruptible transport service scheme with Pemex TRI signed on December 11, 2009 for a interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year periods. The agreement is currently in effect with Pemex TRI.

On December 16, 2014, entered into a second natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Energia Chihuahua signed on December 21, 2012, for an interruptible capacity of 80 MMCFPD. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On February 17, 2012, signed a service contract to LPG storage with Pemex TRI. This contract provides base storage capacity reserved of 4,470 MMCFPD to 30,000 Bbld. The contract term is 15 years with a conventional rate, which represents the rate regulated by the CRE minus 1.2 percent. This contract was given in all rights and obligations, together with all attachments to TdN, by signing an amendment agreement dated on June 18, 2012, between IEnova Pipelines, TdN and Pemex TRI.

f. ***GAP.*** In October 2012, 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 will comprised of two segments; the first one is for an approximate length of 505 Km, 36-inch diameter pipeline with 770 MMCFPD of transportation capacity; and the second one, is for an approximate length of 330 Km, 30-inch pipeline with 510 MMCFPD of transportation capacity. The estimated price per MMCFPD is approximately $250.0. The Company estimates the total cost of the Northwest gas pipeline will be $1.0 billion. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-years firm contracts denominated in U.S. Dollars.

In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Northwest gas pipeline, GAP issued 2 irrevocable standby credit letters, for $90.0 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.

g. ***La Rumorosa solar project.*** Entered into an Electricity SPA with CFE for 15 years and has a contracted energy of 114,115.9 MWh by year and shall take effect from COD which is on June 15, 2019; the contract was executed on January 20, 2017.

The Company, signed a CEC SPA with CFE for 20 years. During this period ESJH acquired the obligation to sell to CFE 117,064 CEC per year. This commitment took effect on June 1, 2019 (COD), the contract was executed on January 20, 2017.

h. ***Tepezala solar project.*** Entered into an Electricity SPA with CFE for 15 years and has contracted energy of 278,357.76 MWh per year and it took effect on October 6, 2019, the contract was executed on January 20, 2017.

The Company entered into an Power SPA with CFE for 15 years and has a contracted power of 10 MW per year and it took effect on October 6, 2019, the contract was executed on January 20, 2017.

The Company signed a CEC with CFE for 20 years, during this period ESJRI acquired the obligation to sell to CFE 285,606 CEC per year, this commitment took effect on October 6, 2019, the contract was executed on January 20, 2017.

i. ***Pima solar project.*** Entered into an electricity, power and CEC with De Acero, this contract was executed on March 24, 2017 and will have a duration of 20 years starting on April 1, 2019.

Must deliver for each contract year at least the amount of CEC corresponding to the guaranteed Energy that will be one CEC per MWh and is obligated to transfer the net power of the power plant which is 110 MW.

j. ***Marine terminal Veracruz project.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD is expected to take place in April 2020 and include 2,100,000 barrels of shell storage capacity. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

k. ***Puebla in-land terminal project.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 650,000 barrels of shell capacity. The parties expect the COD to occur during first quarter 2020. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

l. ***Estado de Mexico in-land project.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 650,000 barrels of shell capacity. The parties expect the COD to occur during first quarter 2020. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

m. ***IEnova Marketing.*** On July 1, 2008, entered into a contract with CFE, for supply natural gas at the delivery points from an LNG Storage Plant, the contract ends on December 31, 2022, equivalent to 14.5 years.

The Company has entered into a base contract for SPA of natural gas (the "Base Contract"), through this contract IEnova Marketing celebrated a Supply Agreement with several clients to supply natural gas. The terms and conditions of the Supply Agreement are variable for each customer. As of December 31, 2017, IEnova Marketing support seven ongoing supply agreements with contract terms less than 5 years.

On January 1, 2013 entered into natural gas SPA with SLNGI. Dated as of August 3, 2018 entered a third amended SPA with SLNGI, to transfer 65 percent of profits and losses. The agreements end on August 20, 2029. The acquired annual capacity are 188,000,000 MMBtu/year.

On February 1, 2013, entered into a Scheduling Agreement with SG&PM; the agreement ends on December 31, 2022. The objective of the agreement is to engage in the service of SGEN to supply natural gas at the delivery points of SG&PM.

n. ***GdT.*** Executed a natural gas compression and transport service contract with Pemex TRI. Such contract was signed on December 19, 2001 and stipulates a capacity of 1,000 million cubic feet of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (COD). On January 1, 2016, this agreement was transferred to CENACE.

o. ***GdN.*** On July 19, 2013, entered into an agreement to provide natural gas transportation services to Pemex TRI. The agreement has a term of 25 years from COD the system with a regulated rate. This contract is under scheme firm transport capacity reserved of 2,100 Mcfd. This contract was transferred to CENACE on January 1, 2016.

p. ***DEN.*** On December 15, 2014, entered an agreement with TAG to provide O&M services. This agreement expires in 25 years from the pipeline commercial operations.

On January 1, 2016, entered an agreement with TAG to provide commercial services for a period equal Natural Gas Transport Permit G/335/TRA/2014 in favor of TAG, starting from the firm contract date.

q. ***Ventika.*** During 2014, entered into a 10 to 20-year contract with their customer's partners to sell 100 percent of the renewable energy produced from the wind energy project. Such agreement commenced in April 2016 once Ventika started commercial operations.

r. ***TDF.*** On December 15, 2005, entered into a LPG transport service contract with Pemex TRI, under firm base capacity reserved of 4,470 MMCFPD equivalent to 30,000 Bbld. This agreement expires 20 years after COD.

s. ***GdS.*** On December 13, 2012, entered into an ethane gas transportation services contract with Pemex TRI. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme for a firm base reserved capacity of: Segment I Cangrejera– Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI–Cangrejera 29,500 BPD, Segment II Nuevo Pemex Km 3 66,000 BPD, Segment II Cactus–Km 3 38,000 BPD, Segment II Km 3–Complejo Etileno XXI 95,500 BPD and Segment III Cd. Pemex–Nuevo Pemex 105,600 BPD.

t. ***Wind power generation facility.*** On November 16, 2017, the Company through Energia Sierra Juarez 2 U. S., LLC, its wholly owned subsidiary, executed a 20-year PPA with SDG&E, a IEnova's unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW. This contract was assigned by Energia Sierra Juarez 2 U. S., LLC to Energia Sierra Juarez 1 U. S., LLC on March 2019. The beginning of commercial operations is expected to occur on July 19, 2021.

u. ***Long-term electric supply contract.*** On February 28, 2018, the Company executed a 15-years electricity supply contract with various subsidiaries of Liverpool. The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico with a capacity of 125 MW. The beginning of commercial operations is expected to occur in the second half of 2020.

v. ***Marine terminal, Baja California, Mexico.*** On April, 2018, the Company signed a long-term contract with Chevron, for approximately 50 percent of the terminal's storage capacity for a period of 15 years.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP, for the remaining 50 percent of the terminal's storage capacity for a period of 10 years.

w. ***Marine terminal in Topolobampo, Sinaloa, Mexico.*** In September and October 2018, the Company announced the execution of two long-term, U. S. dollar-denominated, contracts with subsidiaries of Chevron and Marathon for the storage and delivery of refined products, primarily gasoline and diesel, at the terminal, for the receipt, storage and delivery in Topolobampo, Sinaloa, Mexico. The agreements will allow Chevron and Marathon to each utilize approximately 50 percent of the terminal's initial one million barrels of storage capacity. Its term in Chevron is 15 years and with Marathon 10 years.

x. ***Marine terminal in Manzanillo, Colima, Mexico***. On September 26, 2018, the Company executed a long - term contract with Trafigura, for 580 thousand barrels, equivalent to 50 percent of the terminal's storage capacity.

y. ***LNG project.*** On November 7, 2018, the Company announced together with Sempra LNG & Midstream, the signature of three agreements with affiliated companies of Total S. A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the ECA LNG project located in Baja California, Mexico.

z. ***Don Diego.*** On December 17, 2018, the Company, executed a 15-year electric supply contract with Autlan to provide energy from the Company's portfolio of solar generation projects.

The beginning of commercial operations is expected to occur in the second quarter of 2020.

36.2. Purchase commitments

a. ***TDM.*** On May 31, 2019, the Company signed a services agreement ("CSA") for the gas and steam turbines maintenance, it includes the replacement of pieces and a termination date of 10 years. Payments under this contract in 2019 were $6.1 million. Future contractual cash payments are as follows:

Year		Amounts
2020	$	5,140
2021		2,640
2022		6,160
Thereafter		8,500
	$	22,440

b. ***ECA.*** Entered into a service agreement with Turbinas Solar, S. A. de C. V. ("Turbinas Solar") which provides extended service and maintenance for five gas turbines. As of April 2014, Turbinas Solar assigned this agreement to Turbinas Solar. The agreement establishes two main types of services: a monthly fee covers operational support and extended product warranty for $124.4 million and a variable cost based on turbine usage, expensed as incurred, for major turbine maintenance, that 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; On March 31, 2018 agreement shall be extended for a period of five hundred and eighteen (518) days through August 31, 2019 and On August 16, 2019 the term of this agreement was extended until December 31, 2020.

During 2019, 2018 , payments under the agreement were $1.3 million and $1.4 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2020	$	1,982

c. ***IEnova.*** On January 1, 2013, the Company entered into an Information Technology Services Agreement with Sempra Infrastructure (formerly U.S. Gas & Power) (a related party in U.S.). Pursuant to this agreement, Sempra Infrastructure will provide certain software and information technology services, including software, support and security services. The Company pays an approximate annual rate of $6.8 million. This agreement has an initial term of five years, and for subsequent five year Renewal Terms thereafter.

d. ***GdT.*** On December 5, 2012, entered into an agreement with Pemex TRI through which it receives compression services based on interruptible by Pemex TRI to GdT, on investment of $4.6 million will be used for the rehabilitation of compression station 19 and Pemex TRI reinstate costs in 75 percent and only paid 25 percent to Pemex TRI. On January 1, 2016 this agreement was transferred to CENAGAS. This contract is for indefinite term.

e. ***TDF.*** On December 15, 2005, entered into an agreement with Pemex TRI, through which it receives O&M services for liquid gas transport system. This agreement expires 20 years after COD. The agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were $5.2 million and $5.2 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2020	$	5,692
2021		5,692
2022		5,692
Thereafter		17,075
	$	34,151

f. ***TdN.*** On February 21, 2012, entered into an agreement with Pemex TRI, through which it provides operation and maintenance services for the LPG transportation services. This agreement expires 20 years after COD. This agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were $3.0 million and $3.0 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2020	$	3,047
2021		3,047
2022		3,047
Thereafter		27,927
	$	37,068

g. ***GdS.*** On April 16, 2014, entered into an agreement with Pemex TRI, through which it provides operation and maintenance services for the ethane gas transportation services. This agreement expires in 20.5 years after the first segment COD. This agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were $6.2 million and $6.2 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2020	$	6,201
2021		6,201
2022		6,201
Thereafter		72,856
	$	91,459

h. ***Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V. ("GSCA").*** On March 30, 2017, entered into an agreement with GE Oil & Gas Products and Services, S. de R. L. de C. V. ("GE") for the maintenance of GdT's turbines. This agreement will expire upon the first occur considering the following:

a) The date upon which all covered units have reached their performance end date, or
b) Eight years from the contract effective date.

The estimated cost of this contract amounts to $18.2 million.

During 2019 and 2018, payments were $3.1 million and $2.5 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2020	$	5,038
2021		3,080
2022		835
Thereafter		1,477
	$	10,430

GSCA and GdT. Entered into various O&M agreements during 2017. During 2019 and 2018, payments during the agreement were $1.0 million and $1.3 million, respectively.

i. ***IEnova Marketing.*** On May 1, 2008, entered into a contract with MGI Supply, LTD ("MGI"), to purchase the gas natural transportation capacity in GAP (formerly the North Baja System). The acquired capacity is 210 Dth/d. The contract term is for 14 years (ends on August 31, 2022).

On November 24, 2016, entered into a purchase natural gas capacity agreement with SG&PM, to guarantee the ongoing Supply Agreements signed with several customers. The acquired capacity is variable and the average maturity is less of 5 years.

j. ***GAP Compression stations.*** During 2018, the Company entered into several contracts for the construction of the project. For the year ended December 31, 2019, the payments made from these contracts were $ 22.6 million.

Year		Amounts
2020	$	4,367

k. ***Software licenses.*** During 2018, the Company entered into a contract for the purchase of software licenses. For the year ended December 31, 2019, the payments derived from said contract were $4.7 million. Net future payments under this contractual commitment are as follows:

Year		Amounts
2020	$	1,100
2021		880
2022		880
Thereafter		880
	$	3,740

l. ***Tepezala solar project.*** During 2018, the Company entered into several contracts for the project. During the year ended December 31, 2019, payments under these contracts were $59.8 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	11,294

During 2018, the Company entered into assignment agreements of the permits and rights of way. During the year ended December 31, 2019, payments under these contracts were $0.4 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	1,964

During 2018, the Company started several parcel land purchase negotiations for the site on which the project will be constructed. During the year ended December 31, 2019, payments under these contracts were $0.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts	
2020	$	285
2021		285
2022		285
Thereafter		3,987
	$	4,842

m. ***Border Solar project Construction.*** During 2019 the Company entered into several contracts for the construction of the solar facility in Cd. Juarez. Payments under these contracts were $28.0 million. Net future payments under these contractual commitments are as follows:

Year	Amounts	
2020	$	104,862

On October 31, 2019 the Company has signed an Energy Transformers agreement to acquire some power transformers for substation at the solar facility, includes all licenses, fees, taxes, charges for packing or transport, freight and related services applicable. Net future payments under this contractual commitment will be $1.5 million.

n. ***Don Diego Solar project.*** During 2019 the Company entered into several contracts for the construction of the solar facility in Benjamin Hill Sonora. Payments under these contracts were $97.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts	
2020	$	2,647

o. ***Sonora Compression Station Projects.*** During 2019, the Company, entered into several contracts for the engineering, procurement and construction of natural gas compression station in Pitiquito Sonora, for an amount of $ 64.6 million, this for one-year period, payments under these contracts were $3.6 million. Net future payments under these contractual commitments are as follows:

Year	Amounts	
2020	$	61,014

p. ***Enterprise Resource Planning ("ERP") project.*** During 2019, the Company entered into several contracts for services derived from the implementation of the new ERP system "SAP and implementations", the contract was signed on June 27, 2019 with no expiration date. The ERP implementation "SAP" has master data service, licenses, advisory services.

Payments under these contracts were $8.1 million. Net future payments under these contractual commitments are as follows:

Year	Amounts	
2020	$	5,140
2021		1,989
2022		1,485
Thereafter		1,459
	$	10,073

q. ***Terminals.*** During 2018, the Companies of the liquid segment entered into several contracts for the construction of the terminal projects, during the year 2019 the payments under these contracts were $174.02 million and future payments are as follows:

Terminal Description	Year	
	2020	**2021**
Puebla in-land project	$ 66,815	$ —
Estado de Mexico in-land project	60,580	—
Veracruz marine terminal project	215,696	—
Baja Refinados project	1,175	—
Manzanillo terminal project	205,154	15,569
Topolobampo terminal project	111,232	—
	$ 660,652	$ 15,569

r. ***DEN project.*** During 2019, the Company entered into two right of ways agreement; considering starting date December 23, 2019, first agreement expires in two-years and the second one on January 2, 2019, this agreement expires in one-year, related to the project construction. Payments under these contracts were $3.0 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 791

37. Contingencies

a. ***Matters related with tax authorities***

Additional income taxes payable could arise in transactions with related parties if the Mexican Tax Authority (Servicio de Administracion Tributaria, "SAT" by its initials in Spanish), during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

b. ***Organized crime penalties propose for smuggling, tax fraud, fraudulent tax invoices.***

i. On November 8 2019, were published several amendments to the legislation that contains a new strategy to combat tax fraud and improve revenue collection by effectively equating certain activities with organized crime, which could be subject to penalties (i.e., imprisonment and the seizure/auction of a taxpayer's assets).

ii. The legislation amends various criminal provisions and makes false invoicing and certain cases involving tax fraud subject to the same consequences as apply to organized crime.

iii. Three or more persons would be punished as members of an organized crime group if they organized to carry out, permanently or together with other activities, have as their purpose, or result in, the commission of any of the following crimes:

- Smuggling or a comparable crime described in the Federal Tax Code
- Tax fraud or a comparable crime described in the Federal Tax Code, but only if the amount at issue exceeds $7.8 million Mexican Pesos
- The issuance, sales, purchase or acquisition, directly or through an interested party, of tax invoices supporting non-existent, false or simulated activities when the person knowingly allows or publishes, by any means, advertisements for the acquisition or sale of these invoices ("fraudulent tax invoicing"), buy only if the invoices are for amount or value exceeding $7.8 million Mexican Pesos

iv. The commission of these crimes also would merit pre-trial detention.

v. Fraudulent tax invoicing would be punishable by imprisonment for two to nine years.

c. Tax Reform was published in the Official Gazette on November 25 and December 9, 2019. Most of the Reform will be effective January 1, 2020. The most relevant modifications to the Mexican Tax Law are summarized below:

i. ***Income Tax***

- The Reform establishes for taxpayers with interest expense over $20.0 million Mexican Pesos to a net interest expense deduction limitation equal to 30 percent of "adjusted taxable profit". Non-deductible interest expense for each year could be carried forward for 10 years.

- The Reform limits the deduction of payments made, directly or indirectly, to related parties whose income is considered subject to a preferential tax jurisdiction ("REFIPRE" for its initials in Spanish). The Reform establishes that payments made directly, indirectly or through a "structured arrangement" to entities whose income is considered subject to REFIPRE, including the cost of sales and services, will not be deductible.

ii. ***VAT***

- The independent services provided by a third party is an issue that is also addressed by this tax reform. When a third party that places personnel at the client's disposal, regardless of the legal form of the contract, where the service is provided, or who directs the personnel, will carry a 6 percent VAT withholding on the consideration paid for these services. Non-compliant withholding agents shall not be able to take either the corresponding income tax deduction or VAT credit related to the payments made for the outsourcing services.
- It is established that the VAT in favor can only be recovered by accreditation or refund.

iii. ***Federal Tax Code***

- A general anti-avoidance rule would give Mexican tax authorities the ability to re-characterize a transaction for tax purposes if the transaction lacked a business purpose. The tax authorities may re-characterize the transaction to one that would have provided the taxpayer with the reasonably expected economic benefit.

- The Reform aligns Mexican law with BEPS 12 Action by introducing mandatory reporting requirements or "reportable schemes"for tax advisors and taxpayers. Taxpayers would be required to report transactions not otherwise reported by their advisor. Reportable transactions entered in 2020 would be reportable beginning in 2021. For tax benefits obtained in 2020 or later years, taxpayers may be obligated to report certain transactions entered before 2020.

The Company evaluated the accounting and fiscal impact of the 2020 Tax Reform on its financial information and concluded, based on the facts and circumstances as of the date of the authorization of the Consolidated Financial Statements as of December 31, 2019, that they were not significant impacts as of that date. However, the Administration will subsequently evaluate the facts and circumstances that will change in the future, especially due to the particular rules that the tax authorities will issue or the interpretation and recently on the application of the 2020 Tax Reform.

iv. ***New taxes on the sale of gasoline and natural gas in Baja California.***On December 31, 2019 the Congress of Baja California approved the creation of the following local taxes:

- Tax on the first hand sale of gasoline, natural gas and other crude oil derivatives. A tax on the total monthly income generated by the first hand sale of gasoline, natural gas and other crude oil derivatives made in the territory of Baja California, calculated at a rate of 2.5 or 5 percent payable monthly on the 15th

day of each month. This tax was created through amendments to the Finance Law of Baja California.

- Tax on the sale of gasoline and other crude oil derivatives. A tax on the total monthly income generated by the sale of gasoline and other crude oil derivatives made in the territory of Baja California (this tax covers both the first hand sale and subsequent sales of gasoline and other crude oil derivatives), calculated at a rate of 2.5 or 5 percent payable monthly on the 25th day of the following month. This tax was created through amendments to the Revenue Law of Baja California.
- It remains unclear if Baja California's Congress intended to create two separate taxes. In any case, these amendments tax the first hand and subsequent sales of gasoline, natural gas and other crude oil derivatives in Baja California's territory.

d. The Tax Reform was published in the Official Gazette on December 31, 2018, the Decree of tax incentives for the Northern Border Region ("The Decree"), which will enter into force from January 1, 2019 and will have a validity of two years, 2019 and 2020.

The purpose of the Decree is to strengthen the economy of the northern border of the Mexico, simulated and incentivize investment, promote productivity and contribute to the creation of sources of employment. The Decree establishes tax incentives in ISR and VAT, applicable to those who have their fiscal domicile, branches or establishments in the northern border region. The stimuli consist of the following:

i. A tax credit for the equivalent of a third of the ISR for the year or of provisional payments related to the income obtained in the region, except those derived from intangible assets and digital commerce
ii. A 50 percent reduction in VAT for the sale of goods, the provision of services and the temporary use or enjoyment or materially delivered goods or services provided in the region, except the sale of real estate and intangibles and the supply of digital content.

Amparo lawsuit filed on February 12, 2020 by IEnova Marketing, ECAL, ECO and TDM, whereby the plaintiffs as natural gas sellers in the territory of Baja California or as purchasers of such products, challenging the "Tax on the First-hand Sale of gasoline and other derivatives due to environmental impacts" provided in the Finance Law of the State of Baja California, also challenge the articles of the Revenue Law for State of Baja California that establish the "Environmental Tax on the Sale of gasoline and other petroleum derivative due to environmental impacts", provided in the Revenue Law for the State of Baja California, approved by the Congress of Baja California, published in the Official Gazzette of the State on December 31, 2019.

37.2. Judicial, administrative or arbitral proceedings

The Company may become involved in litigation and administrative proceedings relating to claims arising out of its operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, there are no material governmental, legal or arbitration proceedings against the Company which may have a material adverse effect on its business, financial position or results of operations:

a. *Motions for review (recurso de revision) against MIA of the ECA Terminal, filed by Castro, Valdez y Palafox.* In May 2003, *Hiram Castro Cruz* and *Roberto Valdez Castañeda ("Castro* and *Valdez"),* jointly, and Monica Fabiola Palafox ("Palafox"), acting individually filed *motions for review* before the Ministry of the Environment and Natural Resources *(Secretaria 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 Valdez, SEMARNAT admitted the motion and in January 2012 it issued a resolution ratifying the validity of the MIA. In March 2012, Valdez 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, Valdez and Palafox are unfounded.

Finally, against the resolution of dismissal Roberto Valdes filed an annulment proceeding that was resolved denying the annulment to the complainant by means of a judgment published in January 2017.

b. *Saloman Arya Furst* and *Abraham Hanono Raffoul* filed before the Unitary Agrarian District Court of *Ensenada* a claim against the Ministry of Agrarian Reform *(Secretaria 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 ungrounded.

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 there was no resolution, later it was programmed the relief of an expert test in the field for the November 3, 2016. This test was released and to the date was submitted to the Agrarian Court.

On November 3, 2017, a diligence for inspection and study in the field was carried out by various experts offered by the litigants. To date all experts have surrendered their respective opinions. The Agrarian Court has ordered the issuance of an expert opinion of a third party in dispute and is requesting the Superior Agrarian Court, the appointment of an expert for this purpose.

c. Amparo trial filed by TAG Pipelines Norte against the Closing of the MLV2211 valve, of the Los Ramones Phase II North Pipeline, made by the Municipality of Dr. Arroyo, Nuevo Leon, for the alleged lack of the Building Use License, derived from an alleged inspection ordered in official letter 001/2019 dated February 21, 2019, carried out on February 25, 2019. TAG Pipelines Norte promoted Amparo Trial before the Third Court of Distrito. in Administrative Matters in Monterrey, Nuevo Leon, whose amparo notebook is 413/2019, the responsible authorities being the Municipal President of Dr. Arroyo, the First and Second Trustees of said Municipality, and the Secretary of Urban Development and Public Works. It is noteworthy that on October 8, 2019, the Municipality of Aramberri, Nuevo Leon, at the request via exhortation, of the Municipality of Dr. Arroyo Nuevo Leon, notified TAG Pipelines Norte of the Resolution contained in official letter number 090/2019, dated March 29, 2019, due to the lack of building use license, through which it intends to impose a Tax Credit. Resolution 090/2019 of March 29, 2019, it is fought through a nullity trial before the Administrative Litigation Court based in Monterrey, Nuevo Leon, which claim was filed on October 18, 2019, which process continues.

d. On October 8, 2019, the Municipality of Aramberri, Nuevo Leon, notified TAG Pipelines Norte of the resolution contained in official letter number 122/2019, dated March 29, 2019, for allegedly not having fully covered various contributions such as land use permit, approval of construction plans, and lack of building use license, through which it intends to impose a tax credit. Resolution

122/2019 of March 29, 2019, it is fought through a nullity trial before the Administrative Litigation Tribunal based in Monterrey, Nuevo Leon, which claim was filed on October 18,2019.

e. Federal Injunction no. 390/2018, at the 8th District Court with residence in Ensenada Baja California. filed by Santander as the representative of the trust that comprehends the land properties of Bajamar against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. The trial is currently suspended due to an appeal, filed against the admission of evidence of the plaintiff. Regarding the definite suspension or injuction of the permits, initially, the judge granted the order, however, The Company was able to revoke it.

f. Federal Injunction case number 603/2018 at the 9th District Court with residence in Ensenada, B.C. filed by Bajamar Homeowners Association, against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. ECAs was recently served. The constitutional hearing is set for February 24, 2020. Regarding the definite suspension or injunction of the permits, the judge denied the petition, the plaintiff filed an appeal, and it has not been resolved.

g. Lawsuit challenging the permits issued by the Safety, Energy and Environment Agency (Agencia de Seguridad, Energia y Ambiente ASEA) and the Mexican Ministry of Energy (Secretaria de Energia de Mexico SENER) related to the Environmental Impact Assessment and the Social Impact Assessment, respectively, from one of our liquefaction projects in ECA. On August 2018, the Bajamar's Leading Resort through Banco Santander. Institucion de Banca Multiple Grupo Financiero Santander, Institucion Fiduciaria in the Trust 53153-0, filed an amparo lawsuit before a District Court in Ensenada, Baja California, against the Environmental Impact Assessment and the Social Impact Assessment from one of our liquefaction projects in ECA, which was issued in late 2017, by ASEA and SENER, respectively. The District Court admitted the lawsuit and granted a provisional suspension so that things would remain as they are, and without suspending the procedure, no final resolution would be issued on the authorization of the works and/or construction and/or operation of the project from which the claimed acts derive, provided that this has not occurred.

Incidental hearing that was scheduled for October 23, 2018, was postponed to January 28, 2019. ECA filed a complaint against the order granting the temporary suspension.

38. Application of new and revised IFRS

a. ***Application of new and revised IFRSs or IAS that are mandatory effective for the current year.***

In the current period, the Company has applied a number of new IFRS and amendments to IFRSs issued by the IASB that are mandatories effective for an accounting period that begins on or after January 1, 2019:

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRS 3 and IFRS 11	*Business Combination and Joint Arrangements*
IAS 12	*Income Taxes*
IAS 23	*Borrowing Costs*

The adoption of the IFRS and amendments to IFRS Standards listed above did not have a material impact on the Consolidated Financial Statements of the Company except for the following:

IFRS 16

IFRS 16 was issued in January 2016 and supersedes IAS 17 and related interpretations. The new standard brings most leases on statement of financial position 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 was effective for periods beginning on or after January 1, 2019.

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 adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption of IFRS 16 as of January 1, 2019, is as follows:

		As of 01/01/19
Right-of-use assets	$	164,540
Other assets and other liabilities classification		(71,030)
	$	93,510
Lease liabilities:		
Lease current liabilities *	$	(18,027)
Lease non current liabilities		(75,483)
Total leases liabilities	$	(93,510)

* *Excluded 2,735.0 from lease liability at 2018 year-end.*

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for land and buildings (offices). Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date FV of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases.

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

i. Used a single discount rate to a portfolio of leases with reasonably similar characteristics
ii. Relied on its assessment of whether leases are onerous immediately before the date of initial application
iii. Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
iv. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the aforementioned, as of January 1, 2019:

i. Right-of -use assets of $164,540.0 were recognized and presented separately in the Consolidated Statements of Financial Position.
ii. Additional lease liabilities of $96,245.0 (included in Interest bearing loans and borrowings) were recognized.
iii. Prepayments of $68,295.0 and trade and other payables of $2,735.0 related to previous operating leases were derecognized.
iv. Deferred tax liabilities increase in an amount of $28,873.5 and the deferred tax assets increase in the same amount.

The lease liabilities as of January 1, 2019, can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as of December 31, 2018	$	234,068
Less:		
Commitments related to short-term leases and leases of low value assets		22,343
Operating lease commitments as of January 1, 2019.		211,725
Weighted average incremental borrowing rate as of January 1, 2019		8.57%
Lease liabilities as of January 1, 2019	$	96,245

Amounts recognized in the Consolidated Statements of Financial Position and Profit

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

		Right of use assets		**Lease liabilities**
As at January 1, 2019	$	164,540	$	(96,245)
Additions		24,331		(24,433)
Depreciation expense		(11,784)		—
Interest expense		—		(9,401)
Payments		—		27,440
Exchange differences on translation of foreign operations		—		(3,049)
Change in minimum lease payments for inflation index update		(1,246)		1,246
As of December 31, 2019	$	175,841	$	(104,442)

Amendments to IFRS 9

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest (*"*SPPI*"*) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applied to annual periods beginning on or after 1 January 2019. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The application of the amendments did not have an impact on the Company's Consolidated Financial Statements.

Amendments to IAS 28

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, a company does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The application of the amendments did not have an impact on the Company's Consolidated Financial Statements.

IFRIC 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

i. Whether an entity considers uncertain tax treatments separately
ii. The assumptions an entity makes about the examination of tax treatments by taxation authorities
iii. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
iv. How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgment in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any

change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

This clarification provides that entities might have to recognize a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted with such amounts.

The Company did not have an impact on the application of the amendments in the Consolidated Financial Statements as no plan amendments, curtailment or settlement occur.

IFRS 3 and IFRS 11

The amendments to IFRS 3 clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at FV. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the Consolidated Financial Statements of the Company as there is no transaction where a joint control is obtained during 2019.

IAS 12

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

Since the Company's current practice is in line with these amendments, they had no impact on the Consolidated Financial Statements of the Company.

IAS 23

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete, if the specific borrowing remains outstanding at that date.

Since the Company's current practice is in line with these amendments, they had no impact on the Consolidated Financial Statements of the Company.

b. ***New and revised IFRSs issued but not yet effective***

The Company has not applied the following new and revised IFRS that have been issued but have not being enforced:

-Amendments to IFRS 3 - *Definition of a Business*
-Amendments to IAS 1 and IAS 8 - *Definition of Material*
-IFRS 17 - *Insurance Contracts*
-Amendments to IFRS 9, IAS 39 and IFRS 7, *Financial Instruments - Interest Rate Benchmark Reform*
The Company is in processes to evaluate the possible impact of this amendments.

39. Events after reporting date

39.1. Guaymas - El Oro Pipeline

In January 13, 2020, the Guaymas - El Oro contract was extended the term suspension until May 15, 2020. (See Note 1.2.16.).

39.2. ICM Capital Increase

On January 23, 2020, ICM issued 3,324,000 new shares (with a nominal value $1 U.S. Dollar per share) in favor of IEnova, with its participation increasing to 58.2 percent.

39.3. Withdrawals of credit line

On January 27 and February 11, 2020, regarding the credit line mentioned in Note 22.a. the Company withdrew $50.0 and $20.0 million, respectively, to be used for working capital and general corporate purposes.

39.4. Corporate Long - Term Credit facilities

On March 23, 2020, the Company informed that the U.S. International Development Finance Corporation ("DFC") approved a long-term financing for IEnova for up to $241 million dollars.

On March 26, 2020, the Company entered into a 15-year credit facility for $100 million dollars with Japan International Coorporation Agency ("JICA").

These facilities are part of the financig structure that the Company closed in November 2019, with the IFC and NADB (See Note 23.h.).

The founds will be used to finance and/or refinance the construction of IEnova´s solar generation projects.

39.5. Assessment of the impact COVID-19

The outbreak of the novel coronavirus ("COVID-19") starting late January 2020 has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The pandemic has resulted in quarantines, travel restrictions and operational slowdown in locations where IEnova does business, mainly in Mexico.

With respect to the 1st quarter of 2020, the 2nd quarter has had more impact in Mexico in terms of the number of total infections and deaths related to COVID-19 of 260,000 and 31,000, respectively, according to official sources.

As soon as the pandemic was declared and the first cases became noticeable in Mexican territory, Sempra Energy, our controlling entity and IEnova took strategic guidelines to protect its employees and other stakeholders in Mexico, among which are the conformation of an "Activated Executive Crisis Management Task Force" to mitigate impacts of COVID-19 (supported by a leading infectious disease expert), the implementation of travel bans, office access restrictions and increased sanitization in working areas.

In addition, as an update on the COVID-19 outbreak in alignment with Sempra, we continuously monitor four main items:

- Workforce Protocol - We revised protocols for onsite employees; those that can work remotely continue to do so for the 2nd Quarter of 2020.

- Customer Exposure - During the 2nd Quarter of 2020, non-governmental customers continue to account for more than 50 percent of total revenues.

- Volumetric Exposure - During the 2nd Quarter of 2020, the majority of contracts with customers remain take-or-pay and U.S. dollar denominated contracts, with an average remaining life of 21 years. However, IEnova will continue evaluating recoverability and collection considering the effect in the supply chain.

It is possible that certain customers may experience delay in payments and others may temporarily stop operations. This could imply that our customers require additional time to pay us, which may require us to record additional allowances for doubtful accounts. As of June 30, 2020, our collection did not present recoverability issues and remains in line with the original due terms. We are continuously evaluating and working with customers to resolve any potential credit issues. As of June 30, 2020 we have not increased the allowance for doubtful accounts.

• Capital Deployment - Although we do not expect major effects such as infrastructure project cancellations, as a result of the current pandemic it's reasonable to expect some of construction cost will be deferred from the original plan these changes are not significant.

IEnova is one of the first companies without governmental investment to enter the energy infrastructure business in Mexico as described in Note 1.a. During the last 23 years, the Company has increased its presence as a leader in private investment in the Mexican Energy Sector (including through new development projects, organic growth, acquisitions and by diversifying its type of assets and customer base) and it is recognized as one of the largest sector companies in the country.

The energy sector has been considered "essential" by Mexican Authorities, which has allowed us to operate practically uninterrupted during this 2nd Quarter of 2020. Although the demand for electricity, natural gas, gasoline and other fuels has declined in the last quarter, mainly due to social confinement and other restrictions on mobility (similar to what was observed in the rest of the world), IEnova is expected to continue to provide energy services on a normal basis.

IEnova has enough liquidity to meet its operating costs, expenses and financial obligations. As of June 30, 2020, the Company had approximately US $1.1 billion of cash and available committed credit lines that contribute to a healthy working capital. The company has not had to lay off some employees and, also has not made salary reductions.

As of today, the COVID-19 pandemic has not had a material impact on our results of operations, however, we have observed other companies, including our current and prospective counterparties, customers and partners, as well as government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address COVID-19, and they may take further actions that alter their normal operations. These actions could result in a material reduction in cash received from our customers, which could have a material adverse effect on the cash flows, financial condition and results of operations.

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the coronavirus effects on people, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local (federal and governmental) authorities, which are beyond our control.

The Board of Directors and the management work continuously to minimize the negative impact of the COVID-19 pandemic, through crisis planning, effective communication, and cooperation.

39.6. Credit rating

On April 17, 2020, the Company, announced that Fitch downgraded IEnova´s rating to BBB / Stable from BBB+/ Stable, following the downgrade of Mexico´s sovereign to BBB-/ Stable from BBB/ Stable.

On April 21, 2020, the Company, announced that Moody's downgraded IEnova's rating to Baa2 (global scale) from Baa1 and to Aa2.mx (Mexico National Scale) from Aa1.mx. The outlook remains negative.

The rating downgrade follows the recent rating actions on the ratings and outlooks of the Government of Mexico (Baa1 negative), CFE (Baa1/Aa1.mx negative) and Petroleos Mexicanos ("PEMEX"; Ba2/A2.mx negative).

Moody's affirms that this action is balanced by IEnova's otherwise stable cash - flow profile coming from Dollar-denominated and long term take-or-pay contracts from a diverse portfolio.

39.7. Acquisition of Non-Controlling interest

On April 28, 2020, IEnova acquired additional 10 percent of participation in Tepezala solar project for an amount of $1.1 million dollars increasing its participation to 100 percent.

39.8. Changes in Energy Renewable regulation

On April 29, 2020, Mexico's CENACE issued an order that it claims would safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. IEnova's projects affected by the order filed for legal protection via amparo claims (constitutional protection lawsuit), and in June 2020, received permanent injunctive relief until the claims are resolved by the courts.

On May 15, 2020, Mexico's SENER published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. The resolution significantly changes Mexico's policy on renewable energy and includes the following key elements:

- provides non-renewable electricity generation facilities, primarily non-renewable power plants, preferential access or easier access to Mexico's national power grid, while increasing restrictions on access to the grid by renewable energy facilities;
- grants the CRE and CENACE broad authority to approve or deny permits and interconnection requests by producers of renewable energy; and
- imposes restrictive measures on the renewable energy sector, including requiring all permits and interconnection agreements to include an early termination clause in the event the renewable energy project fails to make certain additional improvements, at the request of the CRE or CENACE, in accordance with a specific schedule.

IEnova's renewable energy projects, including those in construction and in service, filed amparo claims on June 26, 2020 and received permanent injunctive relief on July 17, 2020. In addition, on June 22, 2020, COFECE, Mexico's antitrust regulator, filed a complaint with Mexico's Supreme Court against the SENER resolution. COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends indefinitely the resolution published in May 2020.

On May 28, 2020, the CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. For IEnova's renewables' facilities that are currently holders of contracts with such legacy rates, any increases in the transmission rates would be passed through directly to their customers. IEnova expects to file amparo claims for its affected facilities in the third quarter of 2020.

IEnova and other companies affected by these new orders and regulations have challenged the orders and regulations by filing amparo claims, some of which have been granted temporary or permanent injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims, the timing of which is uncertain. An unfavorable final decision on these amparo challenges may impact our ability to operate our wind and solar facilities which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

39.9. ECA LNG JV Liquefaction Export

Through a JV agreement, Sempra LNG and IEnova are developing a proposed natural gas liquefaction project at IEnova's existing ECA LNG Regasification facility. The proposed liquefaction facility project, which is planned for development in two phases (a mid-scale project referred to as ECA LNG JV Phase 1 and a large-scale project referred to as ECA LNG JV Phase 2), is being developed to provide buyers with direct access to west coast LNG supplies. The ECA LNG regasification facility currently has profitable

long-term regasification contracts for 100 percent of the regasification facility's capacity through 2028, making the decisions on whether and how to pursue the ECA LNG JV Phase 2 liquefaction project dependent, in part on, whether the investment in a large-scale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts. We do not believe that the development of ECA LNG JV Phase 1 will disrupt operations at the ECA LNG Regasification facility.

In March 2019, ECA LNG JV received two authorizations from the Department of Energy ("DOE") to export U.S.-produced natural gas to Mexico and to re-export LNG to non-USMCA countries from its ECA LNG JV Phase 1 project, a one-train natural gas liquefaction export facility with a nameplate capacity of 3.25 million tons per annum ("Mtpa") and initial offtake capacity of approximately 2.5 Mtpa, and its ECA LNG JV Phase 2 project, each of which is in development.

On February 27, 2020, we entered into an EPC contract with TechnipFMC for the engineering, procurement and construction of ECA LNG JV Phase 1. We have no obligation to move forward on the EPC contract, and we may release TechnipFMC to perform portions of the work pursuant to limited notices to proceed. We plan to fully release TechnipFMC to perform all of the work to construct ECA LNG JV Phase 1 only after we reach a final investment decision with respect to the project and after certain other conditions are met. The total price of the EPC contract for ECA LNG JV Phase 1 is estimated at approximately $1.5 billion. We estimate that capital expenditures for ECA LNG JV Phase 1 will approximate $1.9 billion, including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ, perhaps substantially, from our estimates.

In November 2018, Sempra LNG and IEnova signed Heads of Agreements with affiliates of TOTAL S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for ECA LNG JV Phase 1 in respect of LNG sales of approximately 2.5 Mtpa in the aggregate. In April 2020, ECA LNG JV executed definitive 20- year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness, including our final investment decision for the project.

We continue to work towards reaching a final investment decision for ECA LNG JV Phase 1. However, this project is contingent on the receipt of an export permit from the Mexican government.

39.10. Repurchase of shares

From the date of these financial statements to September 4, 2020, the management has approved to repurchase 30,120,871 shares for a total of $87.7 million.

39.11. ECA's force majeure notifications

In May 2020, two of the customers at the ECA regasification facility filed notices alleging that a 2019 update of the general terms and conditions for service at this facility resulted in both a force majeure and a breach of the existing contracts. IEnova has rejected the customers' allegations as meritless and the parties are engaged in discussions under the applicable upper management discussion period as part of the contractual dispute resolution procedures. During this period the customers have not made payments of the amounts payable under their respective LNG storage and regasification agreements and the Company has drawn on (and receive payments under) the letters of credit provided by the customers as payment security. If a mutual resolution is not achieved, the dispute could proceed to arbitration.

On July 23, 2020, ECA received a request for arbitration from Shell México Gas Natural, S. de R.L. de C.V. ("Shell"). As discussed before, we consider that Shell's claims are unfounded and inadmissible and we will assert its rights in the corresponding arbitration process, seeking to dismiss the counterparty's claims.

40. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on April 11, 2020.

41. Main registered offices

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