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In case of a discrepancy, the Spanish original version will prevail.

Annual report pursuant to the Mexican Rules for Securities Issuers and for Other Securities Market Participants, for the year ended December 31, 2019.

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

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As of December 31, 2019, Infraestructura Energética Nova, S.A.B. de C.V. (the "Company") had 1,529,403,812 shares of a single series of stock outstanding, of which 5,000 were Class I registered shares of common stock, no par value, representing the fixed portion of the Company's capital and 1,529,398,812 were Class II registered shares of common stock, no par value, representing the variable portion of the Company's capital.

The Company's shares are registered with the Mexican Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), under registration No. 3420-1.00-2013-001, and are listed for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) under the symbol "**IENOVA**."

The Company had a program for the issuance of up to Ps.12.8 billion in domestic senior notes (*certificados bursátiles*), or Notes, which was approved by the Mexican Banking and Securities Commission pursuant to official communication No. 153/6298/2013. This program expired on February 11, 2018. The Company has one series of Notes outstanding under this program as of December 31, 2019, which are listed for trading on the Mexican Stock Exchange under the symbols "**IENOVA 13**". The series "**IENOVA 13-2**" was paid at maturity on February 8, 2018.

Registration with the Mexican Securities Registry does not imply any certification as to the investment quality of the Company's securities, solvency or the accuracy or completeness of the information contained in this report and such registration does not ratify or validate acts, if any, undertaken in contravention of applicable law.

Terms and conditions of the Notes:

"IENOVA 13"

Amount of Issue: Ps.3.9 billion.
Issue price: Ps.100.0 each.
Issuance date: February 14, 2013.
Maturity date: February 2, 2023.
Term of Issue: Up to 3,640 days, or approximately 10 years divided into 20, 182-day periods.
Interest; determination procedure: These Notes accrue interest at a fixed, annual gross rate of 6.30%, as determined based on the face value thereof.
Interest payment dates: Ordinary interest on the notes are due and payable every 182 days in accordance with the payment schedule.
Principal and interest payment place and method: The Company makes all payments of principal and interest under the Notes by electronic wire transfer through the facilities of S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., or Indeval, located at Paseo de la Reforma No. 255, Tercer Piso, Colonia Cuauhtémoc, Delegación. Cuauhtémoc, 06500 Ciudad de México, upon surrender of the relevant certificate or evidence of its deposit with Indeval. Indeval distributes the proceeds from each such payment to the accounts designated to such effect by its participants, for their subsequent distribution to the note holders.
Repayment of principal: The Company will repay the principal amount of the Notes in a single installment on the Maturity Date.
Early full Repayment of Principal: The Company may prepay all (but not only a portion) of these Notes at any time beginning on the fifth anniversary of the Issue Date.
Collateral: The Notes are secured by all of the Company's assets as a whole, rather than by a specific item of collateral.
S&P rating of the issuance: "mxAA", which is a level under the highest issuer credit rating assigned by Standard & Poor's, S.A. de C.V. under its CaVal scale and is indicative of the issuer's strong capacity to meet its financial commitments relative to other domestic issuers. The rating does not

constitute an investment recommendation and is subject to revision at any time in accordance with the rating methodologies employed by Standard & Poor's, S.A. de C.V.
Moody's rating: "Aa1.mx", which is a strong rating relative to other Mexican issuers. The rating does not constitute an investment recommendation and is subject to revision at any time in accordance with the rating methodologies employed by Moody's de México, S.A. de C.V.
Joint Representative of the Note holders: Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario.
Depositary: Indeval.
Taxation: Interest payments on the Notes are subject to Mexican income tax withholding at the rates specified in the following provisions: (i) in the case of individuals and entities who are Mexican residents for tax purposes, articles 18, 135 and other related provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), as currently in effect; and (ii) in the case of individuals and entities who are non-Mexican residents for tax purposes, articles 153, 166 and other related provisions of the Mexican Income Tax Law, as currently in effect. Prospective buyers should consult with their own advisors as to the tax consequences of an investment in the Company's Notes, including the specific rules applicable to them in light of their individual circumstances.
Negative Covenants: Until such time as the Notes have been repaid in full, the Company may not enter into any merger (or other consolidation) except where (i) the surviving entity expressly assumes the Company's obligations under the Notes and (ii) such merger or consolidation does not give rise to an acceleration event under the Notes. The terms of the Notes do not contain any negative covenant with respect to changes in the Company's control, or to the sale of the Company's indispensable assets or the creation of liens thereon.

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PRESENTATION OF INFORMATION

Financial Statements

The Company's consolidated financial statements and other financial information presented herein were prepared in U.S. Dollars.

The Company's functional currency is the U.S. Dollar, other than with respect to the natural gas distribution business, for which the functional currency is the Mexican peso, and the reporting currency is the U.S. Dollar. For the purposes of presenting the Company's Audited Financial Statements, the assets and liabilities of its subsidiaries with Mexican peso functional currency are translated into U.S. Dollars using the exchange rate as of the end of each reporting period, as reported by the Mexican Central Bank, or Banco de México, in the Mexican Official Gazette (*Diario Oficial de la Federación*). Income and expense items are translated at the period average exchange rate. If period exchange rate fluctuations are significant, translation considers the exchange rate corresponding to the date of each transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. The Company prepares its audited financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

This report includes the Company's Audited Consolidated Financial Statements as of and for the years ended December 31, 2019, 2018 and 2017. The Company's Audited Consolidated Financial Statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, as stated in its report included elsewhere herein.

IEnova EBITDA and IEnova Adjusted EBITDA

The Company considers "IEnova EBITDA" and "IEnova Adjusted EBITDA" provide a reasonable measure of comparison for the performance of the business. We use "IEnova EBITDA" and "IEnova Adjusted EBITDA" for purposes of internal financial planning, analysis and reporting to our board of directors. However, "IEnova EBITDA" and "IEnova Adjusted EBITDA" are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

The Company defines IEnova EBITDA as profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) impairment of Termoeléctrica de Mexicali, (3) financing cost, net, (4) other (gains) losses, net, (5) income tax expense, and (6) share of profits of joint ventures, net of income tax.

The Company defines IEnova Adjusted EBITDA as IEnova EBITDA plus adjustment to IEnova EBITDA from joint ventures.

The Company defines the adjustment to IEnova EBITDA from joint ventures to as the Company's share of the profit from joint ventures after adding back or subtracting, as the case may be, the Company's share of: (1) depreciation and amortization, (2) finance costs, net, (3) other (gains) losses, net, and (4) income tax expense.

Market Estimates

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

The Company has made these statements, on the basis of information from third party sources that believes are reliable as well as commonly used statistics in Mexico, including among others:

- the World Bank;
- the International Monetary Fund;

- the International Energy Agency;
- the Mexican Official Gazette;
- Banco de México;
- the Mexican Ministry of Energy (*Secretaría de Energía or SENER, indistinctly*); and
- the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía or CRE, indistinctly*).

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

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

Rounding

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

Other Information

Certain Mexican peso amounts contained in this report have been translated into U.S. Dollars. Unless otherwise indicated, the exchange rate used to translate such amounts was Ps.18.8452 to USD$1.00, which was the selling exchange rate in effect on December 30, 2019, as reported by Banco de México in the Mexican Official Gazette.

The Company makes reference to various measurements throughout this report that utilize the U.S. or metric system of measurement. The applicable conversion rates, from the U.S. system of measurement to the metric system and vice versa, are as follows:

1 foot = 0.3048 meters
1 square foot = 0.092903 square meters
1 cubic foot = 0.028317 cubic meters

In addition, for convenience and consistency the Company has converted various capacity and volume measurements (as provided in contracts, permits, source materials or other documents in various other capacity and heating value units) into certain consistent units. Specifically, natural gas volume is always presented in MMcf; LNG is always presented in m^3; and LPG is always presented in bl. For comparison across natural gas, LNG and LPG units, the Company also provides parenthetically the heating value in millions of MMTh, for each of these products. All conversions are approximate. The applicable rates used for these conversions in this report are as follows:

1 MMcf natural gas = 252 Gigacalories
1 MMcf natural gas = 1,040 million British thermal units (MMbtu)
MMcf natural gas = 1,097 Gigajoules
1 MMcf natural gas = 1,040 Decatherms
1 m^3 LNG = 23.0 MMbtu

1 MMcf natural gas = 0.01040 MMTh
1 MMcf ethane = 0.017775 MMTh
1 m^3 LNG = 0.000229 MMTh
1 bl LPG = 0.000055 MMTh
1 Mtpa=0.13612 MMcfd

Description of The Company's Contracts and Permits

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

GLOSSARY OF TERMS AND DEFINITIONS

The following terms, as used in this report, have the following meanings:

Term	Definition
"Acciona"	Acciona Energía, S.A.
"Actis"	Actis LLP, an asset management entity, through its subsidiary Saavi Energía, participates in a joint venture with the Company.
"Aguaprieta pipeline"	The 20-inch diameter pipeline with an approximate length of 13 km and a capacity of 200 MMcfd (2.1 MMThd).
"Antitrust Commission" or "COFECE"	Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*).
"Audited financial statements"	The Company's audited consolidated financial statements as of and for the years ended December 31, 2019, 2018 and 2017, including the notes thereto.
"API"	Integral Port Administration. (*Administración Portuaria Integral*)
"Autlán"	Compañía Minera Autlán, S.A.B. de C.V.
"Baja Refinados Terminal"	Refined petroleum products storage terminal located in Baja California that is currently under construction. The project will have a capacity of 1,000,000 bl.
"Banco Nacional de México"	Banco Nacional de Mexico, S.A., Integrante del Grupo Financiero Banamex.
"Banco Santander (México)" or "Santander"	Banco Santander (México), S.A. Institución de Banca Múltiple, Grupo Financiero Santander México.
"Bancomext"	Banco Nacional de Comercio Exterior, S.N.C.
"Banking and Securities Commission"	Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*).
"Banobras"	Banco Nacional de Obras y Servicios Públicos, S.N.C.
"basis point"	One-hundredth of one percent (e.g., 30 basis points = 0.30%).
"BBVA"	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
"bl"	Barrels.
"BlackRock"	BlackRock, an asset management entity.
"Bloomberg"	Bloomberg L.P.
"BP"	BP plc, and its subsidiaries, formerly British Petroleum, is an energy company dedicated mainly to oil and natural gas.
"bpd"	Barrels per day.
"Border Solar"	Solar power plant of 150 MW_{AC} capacity that is under construction and is located in Ciudad Juarez, Chihuahua.
"Brookfield"	Brookfield Assets Management and affiliates.
"CAISO"	California Independent System Operator
"CEBURES" or "Notes"	The Company's domestic senior notes (Certificados Bursátiles).
"CEL" or "CELs"	Clean energy certificates.
"CEMEX"	Cemex, S.A.B. de C.V. and affiliates.
"Chevron"	Chevron Corporation and affiliates.
"Circle K"	Impulsora Círculo CCK, S.A. de C.V., Tiendas Extra, S.A. de C.V. and Inmobiliaira Círculo CCK, S.A. de C.V.

"CNBV"	National Banking and Securities Commission.
"Company" or "IEnova"	Infraestructura Energética Nova, S.A.B. de C.V., together with its subsidiaries.
"Credit Suisse México"	Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México).
"DeAcero"	DeAcero, S.A.P.I. de C.V. (and affiliates)
"DEN"	Ductos y Energéticos del Norte, S. de R.L., the former joint venture between the Company and Pemex TRI until November 2017.
"DOE"	United States Department of Energy
"Dollars" or "USD$"	U.S. Dollars, the official currency of the United States.
"Don Diego Solar"	Solar power plant of 125 MW_{AC} capacity that is under construction and is located in the municipality of Benjamín Hill in the State of Sonora.
"Downstream"	Refining, marketing and distribution.
"ECA LNG" or "ECA Liquefaction"	ECA LNG Holdings B.V., and subsidiaries.
"ECOGAS"	Ecogas México, S. de R.L. de C.V., the natural gas distribution system.
"Empalme Lateral pipeline"	The 20 km, 20-inch diameter pipeline with a natural gas transportation capacity of 226 MMcfd (2.4 MMThd), located between Empalme and Guaymas, where it is connected to the Sonora pipeline.
"Energía Costa Azul" or "ECA"	Energía Costa Azul, S. de R.L. de C.V., and subsidiaries.
"Energía Sierra Juárez"	Energía Sierra Juárez, S. de R.L. de C.V., a 155 MW wind powered generation project, located in Baja California, in which the Company and Actis each hold a 50% equity interest. The wind park second stage is under construction and will have a capacity of 108 MW.
"Energy Regulatory Commission" or "CRE"	The Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*).
"Envases Universales"	Envases Universales de México, S.A.P.I. de C.V.
"Environmental Protection Enforcement Agency" or "PROFEPA"	Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*).
"Ethane pipeline"	It is a three-segment pipeline with a length of approximately 224 km. Its transportation capacity is up to approximately 52 MMcfd (0.6 MMThd) of the ethane gas in the first segment, approximately 152 MMcfd (1.8 MMThd) of ethane gas in the second segment, and approximately 106,000 bpd (3.1 MMThd) of liquid ethane in the third segment. It transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization facility in the State of Veracruz.
"Exchange rate"	The Mexican peso/U.S. Dollar exchange rate published by Banco de México in the Mexican Official Gazette
"FCA"	Fiat Chrysler Automobiles, N.V.
"Federal Electricity Commission" or "CFE"	The Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*), a productive state-owned company.
"FEMSA"	Fomento Económico Mexicano, S.A.B. de C.V.
"FERC"	The U.S. Federal Energy Regulatory Commission.
"Gasoductos de Chihuahua" or "GdC"	In Gasoductos de Chihuahua, S. de R.L. de C.V., the Company was partners with Pemex TRI until September 26, 2016. The name of Gasoductos de Chihuahua was changed to IEnova Pipelines.

"Gasoductos del Sureste"	Gasoductos del Sureste, S. de R.L. de C.V., a subsidiary of the Company and owner of the Ethane pipeline.
"Gazprom"	Gazprom Marketing & Trading México, S. de R.L. de C.V.
"GCC"	Grupo Cementos de Chihuahua, S.A.B. de C.V.
"GDP"	Mexico's gross domestic product.
"Guadalajara terminal"	Refined petroleum products storage terminal located in Jalisco, currently under development.
"Guadalajara LPG terminal"	The 80,000 bl (4.4 MMTh) LPG storage facility, located in Jalisco.
"Guaymas–El Oro pipeline"	The second segment of the Sonora pipeline, comprised of approximately 330 km of 30-inch diameter pipeline with a transportation capacity of 510 MMcfd (5.3 MMThd). It goes through the states of Sonora and Sinaloa. It will include an 11,000 horsepower compression station.
"GW"	Gigawatt.
"GWh"	Gigawatt hours.
"Hydrocarbon Law" or "LH"	Hydrocarbon Law, published in the Mexican Official Gazette on August 11, 2014.
"IASB"	International Accounting Standards Board.
"IEnova"	Infraestructura Energética Nova, S.A.B. de C.V., together with its subsidiaries.
"IEnova EBITDA"	Profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) impairment of Termoeléctrica de Mexicali, (3) financing cost, net, (4) other (gains) losses, net, (5) income tax expense, and (6) share of profits of joint ventures, net of income tax.
"IEnova Marketing"	IEnova Marketing, S. de R.L. de C.V.
"IEnova Pipelines"	Formerly Gasoductos de Chihuahua, S. de R.L. de C.V., in which the Company was partners with Pemex TRI until September 26, 2016.
"IFC"	International Finance Corporation, member of the World Bank.
"IFRS"	International Financial Reporting Standards issued by the IASB.
"IMG"	Infraestructura Marina del Golfo, S. de R.L. de C.V., the joint venture between IEnova, through Ductos e Infraestructura Marina, S. de R.L. de C.V. with participation of 40%, and TC Energy of 60%.
"Income tax"	The Mexican income tax (*impuesto sobre la renta*).
"Indeval"	S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.
"InterGen"	InterGen N.V. and/or its affiliates Energía Azteca X, S.A. de C.V. and/or Energía de Baja California, S. de R.L. de C.V. In 2018, Actis acquired InterGen's Mexican portfolio.
"IPP"	Independent power producer.
"ISL"	Inversiones Sempra Limitada, a subsidiary of Sempra.
"ISLA"	Inversiones Sempra Latin America Ltda, a subsidiary of Sempra.
"Issuer"	Infraestructura Energética Nova, S.A.B de C.V.
"JICA"	Japan International Cooperation Agency.
"JPM Ventures Energy"	JPM Ventures Energy México, S. de R.L. de C.V., an affiliate of J.P. Morgan.
"Kbpd"	Thousand barrels per day.
"km"	Kilometers.

"Law of Energy Transition"	Law of Energy Transition, published in the Mexican Official Gazette on December 24, 2015.
"Law of Electric Industry"	Law of Electric Industry, published in the Mexican Official Gazette on August 11, 2014.
"Law for the Protection of Personal Data"	The Mexican Federal Law for the Protection of Personal Data Held by Private Persons (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), published in the Mexican Official Gazette on July 5, 2010.
"LIBOR"	The London Interbank Offered Rate.
"Liverpool"	El Puerto de Liverpool, S.A.B. de C.V.
"LNG"	Liquefied natural gas.
"LNG terminal" or "ECA"	The LNG terminal with an aggregate storage capacity of 320,000 m^3 (73.3 MMTh) in two tanks, each of 160,000 m^3 (36.6 MMTh), and a send-out capacity of 1,300 MMcfd (13.5 MMThd) or a nominal capacity of 1,000 MMcfd (10.4 MMThd), located in Ensenada, Baja California.
"Los Ramones I pipeline"	The system comprised of a 48-inch diameter pipeline with an approximate length of 116 km, a design capacity of 2,100 MMcfd (21.8 MMThd), and two compression stations with a joint capacity of 123,000 horsepower. It extends from the border between the State of Tamaulipas and the U.S. to the interconnection point with the Los Ramones Norte pipeline in the State of Nuevo León.
"Los Ramones Norte pipeline"	Join Venture with Brookfield, the system is comprised of a 42-inch diameter pipeline with an approximate length of 452 km, a design capacity of 1,420 MMcfd (14.8 MMThd), and two compression stations with a joint capacity of 123,000 horsepower. It extends from the interconnection point with the Los Ramones I pipeline in Ramones, Nuevo León, to the interconnection point with the Los Ramones Sur pipeline in the State of San Luis Potosí.
"LPG"	Liquefied petroleum gas.
"m^3"	Cubic meters.
"Manzanillo Terminal"	Storage terminal of refined petroleum products located in Colima, is currently under construction and has 2,180,000 bl capacity. The project will be developed in a joint venture with Trafigura.
"Marathon"	Marathon Petroleum Corporation and its subsidiaries.
"Mexican Constitution"	The Political Constitution of the United Mexican States (*Constitución Política de los Estados Unidos Mexicanos*).
"Mexican Corporations Law"	Mexican Corporations Law (*Ley General de Sociedades Mercantiles*) published in the Mexican Official Gazette on August 4, 1934.
"Mexican government"	The Mexican federal government.
"Mexican Stock Exchange"	The Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*)
"Mexico"	United Mexican States.
"Midstream"	Transportation, storage and wholesale marketing.
"Ministry of Communications and Transportation" or "SCT"	The Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*).
"Ministry of Energy" or "SENER"	The Mexican Ministry of Energy (*Secretaría de Energía*).
"Ministry of Finance and Public Credit" or "SHCP"	Ministry of Finance and Public Credit *(Secretaría de Hacienda y Credito Público)*
"Ministry of the Environment" or "SEMARNAT"	The Ministry for the Environment (*Secretaría de Medio Ambiente y Recursos Naturales*).

"Mizuho Bank"	Mizuho Bank, Ltd.
"MMcf"	Million cubic feet.
"MMcfd"	Million cubic feet per day.
"MMTh"	Million therms.
"MMThd"	Million therms per day.
"MMtpa"	Million tons per year.
"MUFG"	MUFG Bank, LTD (formerly The Bank of Tokyo Mitsubishi UFJ, LTD)
"MW"	Megawatt.
"MW_{AC}"	Megawatt, alternating current.
"n.s."	Not significant
"Naco compression station"	The 14,340 horsepower natural gas compression station installed at the Mexican Center for the Control of Natural Gas's Naco–Hermosillo pipeline in Naco, Sonora.
"NADB"	The North American Development Bank.
"NAFIN"	Nacional Financiera, S.N.C., Institución de Banca de Desarrollo.
"NAFTA"	The North American Free Trade Agreement.
"National Energy Control Center" or "CENACE"	The Mexican National Center for the Control of Energy *(Centro Nacional de Control de Energía, or CENACE)*
"National Hydrocarbons Commission" or "CNH"	National Hydrocarbons Commission *(Comisión Nacional de Hidrocarburos).*
"National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency" or "ASEA"	The Mexican National Agency for Industrial Safety and Environmental Protection in the Hydrocarbon Sector (*Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*).
"National Institute of Anthropology and History" or "INAH"	National Institute of Anthropology and History *(Instituto Nacional de Antropología e Historia).*
"National Natural Gas Control Center" or "CENAGAS"	The Mexican National Center for the Control of Natural Gas (*Centro Nacional de Control del Gas Natural, or CENAGAS*).
"National Securities Registry"	Mexican National Securities Registry (*Registro Nacional de Valores*).
"NOM"	Mexican Official Standards (*Normas Oficiales Mexicanas*).
"NORD/LB"	Norddeutsche Landesbank Girozentrale.
"Nordex"	NX Energy México, S. de R.L. de C.V.
"North Baja pipeline"	The approximately 138 km third-party-owned pipeline located in the United States.
"Ojinaga–El Encino pipeline"	The approximately 220 km, 42-inch diameter pipeline with a natural gas transportation capacity of 1,356 MMcfd (14.1 MMThd), located in the State of Chihuahua.
"Other comprehensive income"	The Company's other comprehensive income.
"Pemex"	Petróleos Mexicanos, a Mexican productive state-owned company.
"Pemex TRI"	Pemex Transformación Industrial, a productive state-owned subsidiary.
"pesos" or "Ps."	The Mexican peso, the official currency of Mexico.
"Pima Solar"	Photovoltaic solar power plant located in Caborca, Sonora that has a capacity of 110 MW_{AC}.
"PLOG" or "Pemex Logística"	Pemex Logística, a productive state-owned subsidiary of Pemex, dedicated to the transport and storage of hydrocarbons, petroleum and petrochemicals by pipeline, maritime and terrestrial, for Pemex and for third parties.
"PRODESEN"	National electric system development program.

"POC"	Peruvian Opportunity Company S.A.C., a subsidiary of Sempra.
"Puebla Terminal"	Refined petroleum product storage terminal located in Puebla that is currently under construction. The project will have a capacity of 650,000 bl.
"PUHCA"	The U.S. Public Utility Holding Company Act of 2005.
"Report"	This annual report, for the year ended December 31, 2018.
"Regulatory Agency for Rail Transport" or "ARTF"	Regulatory Agency for Rail Transport *(Agencia Reguladora de Transporte Ferroviario).*
"Revolving Bilateral Credit facility"	Revolving bilateral lease agreement executed with The Bank of Nova Scotia on September 23, 2019.
"Revolving Syndicated Credit facility"	Revolving syndicate agreement executed on August 21, 2015 with a duration of 5 years, the creditor are SMBC, Santandere, The Bank of Tokyo and The Bank of Nova Scotia.
"Rosarito pipeline system"	The natural gas transportation system is comprised of three segments of approximately 302 km in aggregate length, which include the 30-inch diameter Rosarito Mainline with a capacity of approximately 534 MMcfd (5.6 MMThd), the 42-inch diameter LNG Spur with a capacity of approximately 2,600 MMcfd (27.0 MMThd), and the 12-inch diameter Yuma Lateral with a capacity of 190 MMcfd (2.0 MMThd). Located in Baja California, it also includes two 32,500 horsepower compression stations.
"Rules for External Auditors"	The General Rules for entities and Securities Issuers supervised by the Banking and Securities Commission (*Disposiciones de Carácter General Aplicables a las Entidades y Emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de audiotria externa de estados financieros básicos*) published in the Mexican Official Gazette on April 26, 2018, as amended as of the date hereof.
"Rules for Hydrocarbon Law" or "LH"	Rules for Hydrocarbon Law, published in the Mexican Official Gazette on October 31, 2014.
"Rules for Law of Electric Industry"	Rules for Law of Electric Industry, published in the Mexican Official Gazette on October 31, 2014.
"Rules for Natural Gas" or "Natural Gas Regulation"	Rules for Natural Gas, published in the Mexican Official Gazette on November 8, 1995 and revoked by the Rules for Title II of LH, except as expressly stated in the transitory provisions of the latter.
"Rules for Securities Issuers"	The General Rules for Securities Issuers and for Other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*) published in the Mexican Official Gazette on March 19, 2003, as amended as of the date hereof.
"Rumorosa Solar"	Photovoltaic solar power generation plant with capacity of approximately 41 MW_{AC} and is located in Baja California.
"Saavi Energía"	Private producer of electricity in the energy segment and subsidiary of Actis.
"Samalayuca pipeline"	The natural gas transportation system comprised of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd). It extends from Ejido San Isidro, Chihuahua, to the Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex TRI, which runs from Ciudad Juárez to Chihuahua.

"San Fernando pipeline"	The natural gas transportation system comprised of approximately 114 km of 36-inch diameter pipeline. It has a capacity of 1,460 MMcfd (15.2 MMThd) and two compression stations with an aggregate of 95,670 horsepower. The pipeline runs from El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas.
"San Isidro–Samalayuca pipeline"	The system comprised of an approximately 23 km pipeline with a transportation capacity of 1,135 MMcfd (11.8 MMThd) and a 46,000 horsepower compression station. The pipeline is located in Chihuahua.
"Sásabe–Puerto Libertad–Guaymas pipeline"	The first segment of the Sonora pipeline, comprised of approximately 505 km of 36-inch diameter pipeline with a natural gas transportation capacity of 770 MMcfd (8.0 MMThd). The pipeline includes two sections in Sonora: the 220 km Sásabe–Puerto Libertad section and the 285 km Puerto Libertad–Guaymas section.
"Scotiabank"	Scotiabank Inverlat, S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.
"SDG&E" or "San Diego Gas & Electric"	San Diego Gas & Electric Company, an affiliate of Sempra Energy.
"Securities Market Law"	Mexican Securities Market Law (*Ley del Mercado de Valores*), published in the Mexican Official Gazette on December 30, 2005.
"SEH"	Sempra Energy Holdings XI B.V., a subsidiary of Sempra.
"Senior Notes" or "International Senior Notes"	In December 2017, the Company successfully completed the issuance of USD$840 million of International Senior Notes, comprised of USD$300 million aggregate principal amount of the Company's 3.750% Senior Notes due 2028 and USD$540 million aggregate principal amount of the Company's 4.875% Senior Notes due 2048. The Senior Notes received an investment grade rating from Fitch (BBB+), Moody's (Baa1) and Standard & Poor's (BBB). The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.
"Sempra Energy" or "Sempra"	Sempra Energy, a California corporation and the Company's indirect parent.
"Sempra Generation"	Sempra Generation, a California corporation and an affiliate of Sempra Energy.
"Sempra International"	Sempra Generation, a California corporation and an affiliate of Sempra Energy.
"Sempra LNG"	Sempra LNG,LLC.
"Sempra Natural Gas" or "SLNGI"	Sempra LNG International LLC, an operating division of Sempra Energy.
"SGPM"	Sempra Gas & Power Marketing, LLC.
"SHCP"	Ministry of Treasury and Public Credit.
"Shell"	Shell México Gas Natural, S. de R.L. de C.V.
"SISTRANGAS" or "SNG"	Integrated national natural gas transportation and storage system.
"SMBC"	Sumitomo Mitsui Banking Corporation.
"SNR"	National Refining System (*Sistema Nacional de Refinación)*
"SoCalGas"	Southern California Gas Company, an affiliate of Sempra Energy.

"Sonora pipeline"	The natural gas transportation system with an aggregate length of approximately 835 km, with a capacity of 770 MMcfd (8.0 MMThd) for the first segment and 510 MMcfd (5.3 MMThd) for the second segment. The system is located in the states of Sonora and Sinaloa. The first segment is the Sásabe – Puerto Libertad – Guaymas pipeline and the second segment is the Guaymas – El Oro pipeline; both segments are interconnected.
"South Texas – Tuxpan pipeline"	The marine natural gas transportation system, in development through a joint venture with TC Energy, with a length of approximately 800 km, a capacity of 2,600 MMcfd (27 MMThd) and a compression station. In the joint venture, participation is IEnova 40% and TC Energy 60%.
"Standby letter of credit facility agreement"	The Company announced the execution of a standby letter of credit facility and reimbursement agreement, up to an amount equivalent to USD$1.0 billion, in order to make more efficient and standardize the process for issuing standby letters of credit requested by governmental entities or third parties. The bank syndicate is formed by Banco Nacional de Mexico, SMBC, BBVA, Scotiabank Inverlat, Mizuho, BNP Paribas and Santander. This agreement has a term of five years. The standby letter of credit facility agreement and the standby letters of credit issued under the same do not constitute the Company's debt.
"STC"	General Service Terms and Conditions (*"Términos y Condiciones para la Prestación de Servicios"*) approved by the Commission that forms an integral part of the permits for the storage and transportation of hydrocarbons, petroleum and petrochemicals (as the case may be).
"TAG Norte Holding" and/or "TAG Pipelines Norte"	TAG Norte Holding, S. de R.L. de C.V., together with its subsidiary TAG Pipelines Norte, S. de R.L. de C.V., formed a joint venture between with affiliates of Brookfield.
"TAG Pipelines"	TAG Pipelines Norte, S. de R.L. de C.V., is a subsidiary of Pemex.
"TC Energy"	TC Energy Corporation, formerly TransCanada Corporation.
"TDF LPG pipeline"	The approximately 190 km, 12-inch diameter pipeline with an average daily transportation capacity of 34,000 bpd (1.9 MMThd) of LPG, extending from the production area of Pemex TRI's Burgos LPG facility in the State of Tamaulipas to the delivery system located in the outskirts of Monterrey, Nuevo León.
"Tecnológico de Monterrey"	Instituto Tecnológico y de Estudios Superiores de Monterrey.
"Tepezalá Solar"	Photovoltaic solar power generation plant with a capacity of approximately 100 MW_{AC}, is located in Aguascalientes. Trina Solar hold a minority participation of 10%.
"Termoeléctrica de Mexicali" or "TDM"	Termoeléctrica de Mexicali, S. de R.L. de C.V., or the combined cycle power plant operated by it, as the context may require, with a 625 MW capacity that is located in Baja California.
"TETL"	TETL JV Mexico Norte, S. de R.L. de C.V., a subsidiary of Brookfield.
"TGN pipeline"	The natural gas transportation system comprised of approximately 45 km of 30-inch diameter pipeline with a capacity of 940 MMcfd (9.8 MMThd) and an 8,000 horsepower compression station, located in Baja California.
"The Bank of Nova Scotia"	The Bank of Nova Scotia.
"TIIE"	The Mexican Interbank Balanced Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*).
"TJFA"	Federal Court of Tax and Administrative Justice *(Tribunal Federal de Justicia Fiscal y Administrativa, TFJFA)*
"Topolobampo Terminal"	Refined petroleum product storage terminal located in Sinaloa. It is currently under construction and the project will have a capacity of 1,000,000 bl.

"Trafigura"	Trafigura México, S.A. de C.V., company dedicated to the logistics and trade of raw materials with which the Company maintains a joint venture.
"Trina Solar"	Trina Solar Limited.
"UDI" or "UDIS"	The unit of account whose value in pesos is published periodically by Banco de Mexico.
"United States" or "U.S."	United States of America.
"Upstream"	Exploration and production activities.
"USMCA"	United States-Mexico-Canada Agreement.
"Valle de México Terminal"	Storage terminal of refined petroleum products located in Valle de México, is currently under construction. The project will have a capacity of 650,000 bl.
"Valero"	Valero Energy Corporation.
"VAT"	The Mexican value added tax (*Impuesto al Valor Agregado*).
"Veracruz Terminal"	Refined petroleum product storage terminal located in Veracruz. It is currently under construction, and the project will have a capacity of 2,100,000 bl.
"Ventika"	Ventika includes two adjacent wind powered generation facilities, of 126 MW each, Ventika I and Ventika II, with a total capacity of 252 MW and a total of 84 turbines of 3 MW each. It is located in the state of Nuevo Leon, Ventika I and Ventika II operate as a single wind powered generation facility.
"Ventika I"	Ventika, S.A.P.I. de C.V.
"Ventika II"	Ventika II, S.A.P.I. de C.V.

EXECUTIVE SUMMARY

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

The Company

The Company is the first private-sector publicly traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. The Company develops, builds and operates energy infrastructure. Its activities in Mexico include several business lines that encompass a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

The Company's assets are divided in two business segments: (1) Gas segment, which includes natural gas, LPG and ethane pipelines, as well as LNG, LPG and refined products storage, and sell and distribution of natural gas; and (2) Power segment, which includes a natural-gas-fired, combined-cycle power generation facility, wind and solar power generation facilities. The Company's assets generate revenues primarily under U.S. Dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, the Company was one of the first private companies to enter the energy infrastructure business in Mexico. During the last 23 years, the Company has increased its presence as a leader in private investment in the Mexican energy sector (including organic growth through the development of new projects, such acquisitions and by diversifying its customer base) As of December 31, 2019, the Company total assets of approximately USD$9.6 billion, positions it as one of the largest private sector companies in the country.

The Company's achievements as pioneers in private investment in Mexican energy infrastructure include the following:

- The Company was the first private company to be awarded a natural gas distribution contract through a public auction following the 1995 reform of the regulatory framework for the Mexican energy sector; the Company owns and operates a natural gas distribution utility, ECOGAS, in three distribution zones: Mexicali since 1996 (serving the city of Mexicali), Chihuahua since 1997 (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna–Durango since 1999 (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango);

- The Company built the first natural gas pipeline in the state of Baja California, and the Company has been the sole developer of open-access natural gas pipelines in Baja California;

- The Company developed the first natural gas infrastructure joint venture in Mexico between Pemex and private companies;

- The Company built the first LNG terminal on the west coast of North America and together with Sempra Energy, is developing the first natural gas liquefaction terminal for exportation in Mexico;

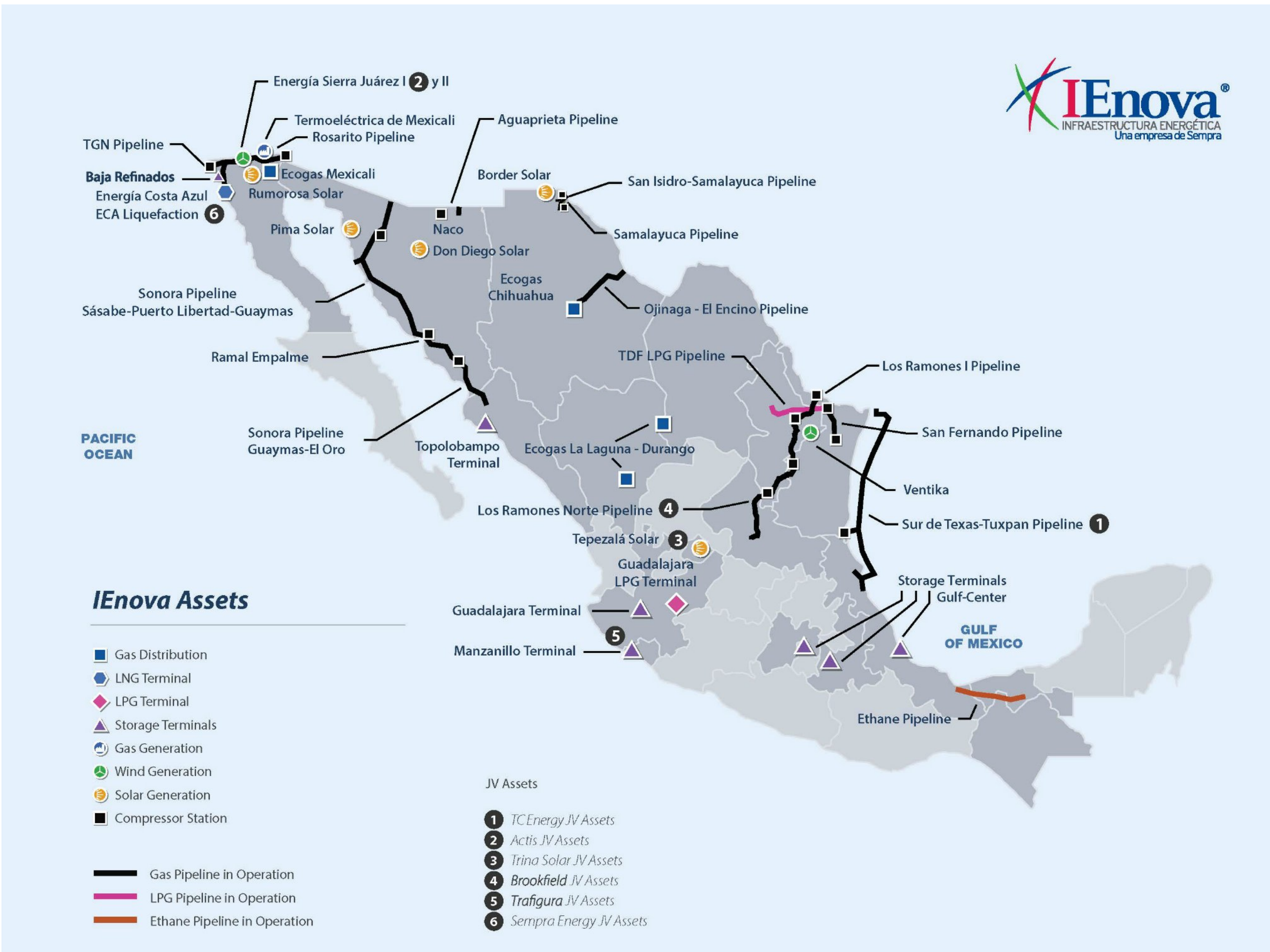
- The Company built, through a joint venture with TC Energy, the first natural gas marine pipeline in its type, the South of Texas-Tuxpan pipeline which started operations on September, 2019, with approximately 800 km natural gas transportation system with a capacity of approximately 2,600 MMcfd (27 MMThd) and a compression station;

- The Company executed a 20-year contract between Pima Solar and DeAcero for the supply of energy, clean energy certificates and capacity from a new photovoltaic solar power plant that will be located in Caborca, Sonora. This transaction marked a milestone in the Mexican electricity sector as the first post-energy reform contract between a generator and a private consumer. Pima Solar started operations during the first quarter of 2019, and it has a capacity of 110 MW_{AC};

- The Company was awarded a concession by the Integral Port Authority (Administración Portuaria Integral) of Veracruz for the construction and operation of a new marine terminal in the new port of Veracruz, which will be used for the receipt, storage and delivery of refined petroleum products, mainly gasoline, diesel and jet fuel. It will have a capacity of approximately 2.1 million barrels. The Company executed a long-term, dollar-denominated firm storage capacity contract with a subsidiary of Valero for the full capacity of the new marine terminal in Veracruz and two in-land terminals in Puebla and the Valle de Mexico area; and

- The Company received the first loan certified under the Green Loan Principles that IFC grants to a company in Mexico to finance and/or refinance the construction of its portfolio of solar generation projects.

The following map shows the location of the Company's principal assets, which are divided in Gas and Power segments:



Gas Segment

Pipelines and Storage Business

- The Company's pipeline and storage business develops, builds and operates systems for receiving, transporting, compressing and delivering natural gas, ethane and LPG, as well as the storage of LPG throughout the states of Baja California, Chiapas, Chihuahua, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz. These systems (including assets under construction or operated through joint ventures) feature:

  - More than 2,900 km of natural gas pipelines with an aggregate design capacity of over 16,400 MMcfd (171.0 MMThd);

  - Thirteen natural gas compression stations with an aggregate of over 688,900 horsepower;

  - 190 km of LPG pipelines with a design capacity of 34,000 bpd (1.9 MMThd);

- 224 km of Ethane Pipelines with a transportation capacity of up to 52 MMcfd (0.6 MMThd) in the first segment (as ethane gas); approximately 152 MMcfd (1.8 MMThd) in the second segment (as ethane gas), and approximately 106,000 bpd (3.1 MMThd) in the third segment (as ethane liquid); and

- An LPG storage facility with a total capacity of 80,000 bpd (4.4 MMTh), near Guadalajara, in the state of Jalisco.

- The Company's current pipeline and storage assets include the Rosarito pipeline system, the TGN pipeline, the Aguaprieta pipeline, the Naco compression station, the Sonora pipeline, the Ojinaga–El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme Lateral pipeline, the San Fernando pipeline, Samalayuca pipeline, Los Ramones I pipeline, TDF LPG pipeline, the Guadalajara LPG terminal, the Ethane pipeline and through joint ventures, Los Ramones Norte pipeline and the South of Texas – Tuxpan pipeline.

Liquefied Natural Gas Business

The Company's LNG regasification terminal "Energía Costa Azul or ECA" located in the north of Ensenada, Baja California, began operations in 2008 and was the first LNG receiving facility on the west coast on North America. The Company's LNG terminal receives, stores and/or provides customer's LNG, and if the customer requires, regasifies their LNG and delivers the resulting natural gas to Rosarito pipeline system with delivery capability in Baja California, Mexico and the United States. The Company also purchases LNG for storage and regasification in the Company's LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 m3 (73.3 MMTh), in two tanks, each with a capacity of 160,000 m3 (36.6 MMTh), with a regasification capacity of 1,300 MMcfd (13.5 MMThd), or a nominal capacity of 1,000 MMcfd (10.4 MMThd).

The Company, together with Sempra LNG are developing ECA LNG, one of the first natural gas liquefaction plants in Mexico, which is to be located on the same property as our LNG Regasification terminal described in the previous paragraph. The project is being developed in two phases, Phase 1 called "ECA Liquefaction Mid-Scale" with a capacity of approximately 3 Mtpa and Phase 2 called "ECA Liquefaction Large-Scale" which will have at least 9 Mtpa capacity, adding a liquefaction capacity of Natural Gas of at least 12 Mtpa. Both phases will use existing infrastructure such as tanks, wharf, marine berths, among others, and additionally require new infrastructure to meet these capacities. Phase 1 of the project is in the final stage of negotiation of the definitive long-term LNG purchase-sale agreements for substantially the total production.

Both phases have the majority of permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In January and March 2019, ECA LNG received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with and without a free trade agreement with the United States. The Company is currently in the process of obtaining the Mexican export permit for Phase 1.

The Company expects to make the Final Investment Decision (FID) during the second quarter of 2020 for Phase 1. Construction and commissioning of Phase 1 will take approximately 4 years, so the The Company anticipates having the first shipments of LNG for export during 2024. See "Description of the Company's main assets - ECA Liquefaction Project".

Refined Products Storage Business

The refined products storage business develops systems for the receipt, storage and delivery of petroleum products and other liquids, mainly gasoline, diesel and jet fuel in the states of Baja California, Colima, Jalisco, Puebla, Sinaloa, Veracruz and Valle de Mexico for private customers. Currently, the Company has four marine and three in-land terminals in the process of development or construction, with a storage capacity of approximately 8 million barrels, and with the possibility of expansion.

Natural Gas Distribution Business

The Company owns and operates the ECOGAS natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With pipelines of approximately 4,138 km in length, this system currently serves approximately 132,000 industrial, commercial and residential customers.

For the years ended December 31, 2019, 2018 and 2017, the gas segment had revenues of approximately US$1,054, USD$1,059 million and USD$992 million, respectively, which accounted for 76%, 77% and 81% of the Company's total consolidated revenues, and a IEnova adjusted EBITDA of approximately USD$753, USD$716 million and USD$663 million, respectively, which accounted for 80%, 82% and 87% of the total IEnova adjusted EBITDA for the periods ended December 31, 2019, 2018 and 2017. This revenue figure does not include net equity in earnings from the Company's joint ventures, which are accounted for using the equity method; however, the Company includes the share of the EBITDA from its joint ventures in the gas segment IEnova adjusted EBITDA.

Power Segment

Natural Gas Fired Power Generation Business

The Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with the Rosarito pipeline system, which allows it to receive regasified LNG from the LNG terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility is a modern, efficient combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California. In July 2019, this facility received a clean industry certificate for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*) that is valid for two years. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the grid controlled by the California Independent System Operator (CAISO) at the Imperial Valley substation and is capable of providing energy to a wide range of customers in the north American state of California.

Wind Powered Generation Business

The Company has three wind power generation facilities in operation and one facility in development, located in Baja California and Nuevo Leon, these wind parks facilities have the following characteristics:

- Energía Sierra Juárez is a joint venture with Actis, in which the Company holds a 50% interest. The initial phase of this project consists of 47 wind turbines with a total capacity of 155 MW. The full amount of electricity from the initial phase is purchased by the U.S. affiliate San Diego Gas & Electric under a 20-year U.S. Dollar denominated power purchase agreement. In November 2017, the Company executed another 20-year U.S. Dollar denominated power purchase agreement with San Diego Gas & Electric Company for a new wind power generation facility that will be located near the initial phase of Energía Sierra Juárez. The second phase of this project currently in development, will have a 108 MW capacity and will require an investment of approximately USD$150 million, it is expected to start of operations in 2021.

- Ventika includes two adjacent wind parks located in Nuevo Leon with a capacity of 252 MW through 84 wind turbines. Substantially all of Ventika's generation capacity is contracted to private companies through long-term, U.S. Dollar denominated energy supply agreements.

Solar Powered Generation Business

The Company has three solar parks in operation and two under construction, in the states of Aguascalientes, Baja California, Chihuahua and Sonora. These parks have the following characteristics:

- Pima Solar with a capacity of 110 $MW_{AC,}$ initiated commercial operation during the first quarter of 2019.

- Rumorosa Solar, with a capacity of 41 $MW_{AC,}$ initiated commercial operations in the second quarter of 2019.

- Tepezalá Solar, with a capacity of 100 MW_{AC}. initiated commercial operations in the fourth quarter of 2019. The project was developed in association with Trina Solar, who maintains a 10% minority participation.

- Don Diego Solar with a capacity of 125 $MW_{AC.}$ Commercial operation is expected during the first semester of 2020.

- Border Solar with a capacity of 150 $MW_{AC.}$ Commercial operation is expected during the second semester of 2020.

For the years ended December 31, 2019, 2018 and 2017, the power segment had revenues of approximately USD323 million, USD$308 million and USD$229 million, respectively, which accounted for 23%, 23% and 19% of the Company's total consolidated revenues, and a IEnova adjusted EBITDA of approximately USD$188 million, USD$161 million and USD$104 million, respectively, which accounted for 20%, 18% and 14% of the total IEnova adjusted EBITDA for the period ended December 31, 2019, 2018 and 2017. This revenue figure does not include net equity in earnings from the joint venture, which is accounted for using the equity method; however, the Company includes the share of the EBITDA from its joint venture in the power segment IEnova adjusted EBITDA.

Strengths

The Company believes the following competitive strengths distinguish it from its competitors and are critical to the continued successful execution of its strategy:

- ***Solid business model***. The Company has contracted a substantial portion of the capacity of its assets through long-term agreements, which are primarily U.S. Dollar-denominated or U.S. Dollar-indexed. This allows us to rely on steady and predictable long-term cash flows. Our customers are primarily creditworthy private counterparties as well as public counterparties that include the CFE, CENAGAS and PEMEX. Approximately 55% of the Company's 2019 revenue are related to contracts with private companies and the rest of such revenues related to contracts with governmental entities. In addition to improving our cash flow stability, our business model minimizes our direct exposure to risks related to the price of refined products. The average life of these agreements, weighted in proportion to revenues, is approximately 21 years.

- ***Proven development capability and extensive experience operating diverse energy infrastructure***. The Company has over 23 years of experience in Mexico, which allowed it to acquire the necessary skills to develop, build, acquire, and operate critical energy infrastructure throughout the country. During this period, the Company has established a track record of building greenfield and brownfield projects and the capacity to acquire assets in existing lines of business. The Company considers its experience in the energy sector positions it to take advantage of possible investment opportunities in development projects, as well as joint ventures opportunities with companies seeking strategic partners or seeking to monetize their assets.

- ***Financing capacity to pursue new opportunities in the energy sector.*** In February 2019, the Company executed an amendment to its committed syndicated revolving credit facility with ten banks led by SMBC, as administrative agent (the "Revolving Credit Facility"). The Revolving Credit Facility borrowing capacity of up to USD$1,500 million through February 2024. As of December 2019, with USD$606 million outstanding under the Revolving Credit Facility. In September 2019, the Company entered into a revolving credit facility with The Bank of Nova Scotia for an amount of USD$280 million, which was borrowed in full. In addition, the Company has an undrawn revolving credit facility with Sempra Energy for USD$320 million. In April 2019, the Company entered into a working capital credit line with Scotiabank Inverlat, which can be drawn in pesos or dollars for an amount of up to USD$100 million, as of December 31, 2019 the line had not been used. In November 2019, the Company entered into a credit facility with IFC and NADB for USD$200 million, which was borrowed in full to finance or refinance its solar power generation facilities. In March 2020, the Company entered into a credit agreement with JICA for a total of USD$100 million, this will be part of the financing structure that the company signed in November 2019 with IFC and NADB. Furthermore, the Company demonstrated its ability to access the capital markets successfully, having issued US$408 million in the debt markets and USD$599 million in the equity markets in February and March of 2013, respectively, US$1,603 million in an equity offering on October 2016 and USD$840 million in an international private offering of senior notes in December 2017. The Company also expects that intercompany affiliate loans from Sempra subsidiaries will continue to be an additional source of financing. As of December 31, 2019, our total shareholders' equity is USD$4.9 billion.

- ***Demonstrated ability to execute wide-ranging sustainable growth strategy***. The Company has managed to grow its business consistently by implementing a diversification strategy through entering into new businesses, expanding its creditworthy customer base and positioning itself as a key participant in the Mexican energy sector. The Company has quickly increased its participation in the refined products storage business, having added seven refined product storage terminals since, and in renewable power generation business, having eight renewable power projects since. The Company is confident it will continue to be at the forefront in the development of the energy infrastructure sector in Mexico.

- ***Diversification of energy assets covering wide market opportunity set***. The Company's assets are diversified across an important part of the energy infrastructure value chain that is open to private investment in Mexico, including transportation of gas, LPG and ethane, and LPG and LNG storage, natural gas distribution, refined products storage and power generation. Given the large scale of the projects and diverse asset base, the Company considers it is strategically positioned to continue to expand its platform of energy infrastructure assets. Moreover, given that the majority of such assets are located in northern Mexico, believes it is strategically located to become a key participant in the growing demand for the importation and transportation of refined products along the border with the United States.

- ***Strong history of compliance and positive relationships with Mexican regulatory bodies and government-controlled businesses***. Over the past 23 years, the Company has worked closely with the Mexican energy regulatory bodies and authorities, and has developed a deep understanding of the regulatory processes governing the Mexican energy sector. The Company believes its knowledge of the regulatory framework provides a key strength and intends to continue to nurture and build positive relationships based on the experience that has developed throughout the years of operation in Mexico.

- ***Experienced management team***. The Company's management team has extensive experience in the energy infrastructure sector. The members of the senior management team have extensive experience developing, building, acquiring and operating assets in the energy sector. The Company believes it has the knowledge, skills and development expertise necessary to successfully and safely manage all of its assets and operations, expand its existing footprint and enter into new sectors as opportunities arise.

- ***World-class parent company***. The Company has the strong support of its indirect controlling shareholder, Sempra Energy, which has a long history of operating diversified energy services companies on a global scale. Based in San Diego, California, Sempra Energy is a *Fortune 500* company with revenues of approximately US$11 billion in 2019. Sempra Energy companies employ approximately 20,000 people and offer services to more than 40 million consumers worldwide. Through its relationship with Sempra Energy, the Company expects to continue having access to a significant pool of strong commercial relationships throughout the energy industry and broad operational, commercial, technical, risk management and administrative infrastructure and support. The Company believes this access should, among other things, continue to maximize the operational and financial performance of its assets and enhance the efficiency of its current operations as well as its growth and expansion projects.

Strategy

The Company provides customers with critical and essential energy infrastructure that contributes to the country’s development. Mexico has a sizable economy, with significant energy infrastructure needs in almost every segment of the energy sector. Its reputation, size, and ability to execute, strategically positions the Company to continue taking advantage of the opportunities offered by the market.

The Company expects to continue its strategy of developing energy infrastructure that is critical for Mexico and generating stable and predictable long-term cash flows from creditworthy counterparties. The Company seeks to maintain its growth by diversifying its assets and customer base, developing projects, optimizing existing assets, participating in new energy segments, acquiring companies and joint ventures with similar business models. The Company’s growth strategy also seeks to maintain itself a a leader in sustainability and is focused on:

- ***Continuing to Be a Leader:*** The Company has a leadership position in the Mexican natural gas transportation, LNG storage, and storage of liquid hydrocarbons, and maintains an important position in Mexican renewable energy generation. These segments continue to offer investment opportunities in light of the need for infrastructure required to provide energy to the country.

- ***Portfolio Diversification:*** The Company has a solid strategy to diversify its asset base and customers. The Company considers its diversification strategy has allowed it to develop new energy infrastructure backed by long-term, primarily U.S. Dollar-denominated or U.S. Dollar-indexed contracts, and to expand its customer portfolio with creditworthy private sector counterparties.

- ***Participating in Sectors Aligned to the Company's Business Model:*** Take advantage of business opportunities that fit the Company's business model, developing energy infrastructure projects that are subject to long-term agreements and that are primarily U.S. dollar-denominated or U.S. Dollar-indexed. The Company believes there are important business opportunities in different segments of the energy sector in Mexico that fit its business model.

- ***Optimizing its Assets:*** The Company maintains an optimization program for assets under operation that seeks to increase their value by expanding their capacity and/or useful life.

- ***Operating Safely and Reliably***: The Company focuses on operating safely and reliably through a model of asset management governed by strict security and health policies under the highest standards in the industry.

- ***Participating in M&A and Strategic Partnerships:*** The Company constantly analyzes opportunities to acquire projects that complement its assets and customer portfolio as well as strategic partnerships with companies that are looking for trustworthy partners. The Company believes that in the event of consolidation in the Mexican energy market, there will still be opportunities to consummate acquisitions and strategic partnerships for projects aligned with its business model.

- ***Strengthen its Balance Sheet:*** The Company's strong balance sheet has allowed it to develop a broad portfolio of assets and clients. The Company seeks to maintain a strong balance sheet through diverse financing strategies that allow it to continue taking advantage of market opportunities.

IEnova seeks to continue being a leader in the market and in terms of sustainability. The Company maintains its firm commitment to the development of the country by building and operating critical, essential and strategic infrastructure to provide power to millions of users.

Summary Financial Information

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2019	**2018**	**2017**
Revenues	1,379,256	1,368,555	1,222,905
Depreciation and amortization	(155,799)	(137,157)	(119,020)
Profit for the period	467,685	430,586	354,174

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2019	**2018**	**2017**
Finance lease receivable, short-term	11,354	9,809	8,126
Finance lease receivable, long-term	921,270	932,375	942,184
Property, plant and equipment, net	4,637,962	4,086,914	3,729,456
Intangible	180,867	190,772	190,199
Goodwill	1,638,091	1,638,091	1,638,091
Total assets	9,552,506	8,768,597	8,163,859
Current liabilities	1,593,532	1,445,631	1,053,917
Total non-current liabilities	3,001,737	2,569,216	2,593,355
Total liabilities	4,595,269	4,014,847	3,647,272
Total stockholders' equity	4,957,237	4,753,750	4,516,587

Ratios	**Year ended December 31,**		
	2019	**2018**	**2017**
Current assets / current liabilities	0.3 times	0.3 times	0.5 times
Total liabilities / total assets	48%	46%	45%
Total liabilities / stockholders' equity	93%	84%	81%
Days of sales in accounts receivable	41 days	47 days	29 days

Closing Prices and Average Trading Volumes for the Company's Shares

IEnova * Date	Closing Price	Average Volume
2014	73.80	1,034,837
2015	72.34	1,139,929
2016	90.33	2,659,053
2017	96.45	1,946,066
2018	73.27	1,826,468
2019	86.96	1,899,426
March 31, 2020	72.67	1,838,934

*Source: IEnova, based on Bloomberg data. Price per share in Pesos

RISK FACTORS

An investment in the Company's securities involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this Report, including the consolidated financial statements, before making an investment decision. The Company's business, financial condition, results of operations, cash flows and/or outlook could be materially adversely affected by any of these risks. The market price of the Company's securities could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that the Company currently believes may materially adversely affect it. Additional risks and factors not currently known, or those currently deemed to be immaterial, may also materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of the Company's securities. In this section, when stated that a risk or uncertainty may, could or will have a "material adverse effect" on the Company or could or will "materially adversely affect" it, it means that the risk or uncertainty could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of the Company's securities.

Risks Relating to Mexico

Adverse economic and political conditions in Mexico may materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

All of the Company's operations are conducted in Mexico and the Company's potential for growth is centered in Mexico; the Company's business is therefore significantly dependent upon the performance of the Mexican economy. Mexico has experienced economic crises in the past, caused by internal and external factors, characterized by, among other things, exchange rate instability (including large devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows and a reduction of liquidity in the banking sector. As a result, such conditions, as well as the general condition of the Mexican economy, over which the Company has no control, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. Dollars (except for certain restrictions related to cash transactions involving a U.S. Dollar payment to a Mexican bank) or other currencies and Mexico has not had a fixed exchange rate policy since 1982. The Mexican peso has been subject to significant devaluations against the U.S. Dollar in the past and may be subject to significant fluctuations in the future. Severe devaluations or depreciations of the Mexican peso may result in governmental intervention to institute restrictive exchange control policies, as has occurred before in Mexico and other Latin American countries. Accordingly, fluctuations in the value of the Mexican peso against other currencies, particularly the U.S. Dollar, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

According to the International Monetary Fund. Mexico's GDP in constant prices 2013 base, percentage change by -0.1%, 2.1% and 2.1%, respectively, in 2019, 2018 and 2017. However, if the Mexican economy experiences another recession, if inflation or interest rates increase significantly, or if Mexico's sovereign debt credit rating is downgraded or if the Mexican economy is otherwise adversely impacted, this could have a material adverse and significant effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The 2020's Mexican Gross Domestic Product growth forecast has been reviewed to the downward according to the latest private sector surveys conducted by Banco de México, as well as, the latest indicators published by recognized financial institutions.

Changes in Mexican federal governmental policies could have a material adverse effect on our business, financial condition, results of operations, cash flows and outlook, as well as the market price of the Company's Shares.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private-sector entities in general, and in particular on the Company, as well as on market conditions, prices and returns on Mexican securities, including our securities.

The last Mexican Congressional elections held in July 2018, resulted in an absolute majority for the coalition led by actual Mexican president's party. Since 1997, no Mexican president had had an absolute majority in the Congress.

In this regard, the Federal Government could introduce relevant changes in laws, policies, and rules, which could change the economic situation and politics in the country. The Company cannot predict if the new administration will implement substantial changes in the Mexican law, policies and rules, which could have an adverse and significative effect on the business of the Company, its activities, its financial situation and its operations.

New and unanticipated tax reforms may be approved.

Mexican tax legislation is frequently amended, and therefore there is no guarantee that the current legal framework will not be amended in a way that might adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See "Management's Discussion and Analysis of Financial Condition and Results of operations - Decree of fiscal incentives".

The Company may be materially adversely affected by economic and political developments in the United States.

Economic conditions in Mexico are strongly correlated with economic conditions in the United States due to the generally high degree of economic activity between the two countries, including the trading facilitated by the United States-Mexico-Canada Agreement, or USMCA, as well as physical proximity. In addition, political developments in the United States, including changes in the administration and governmental policies, can also have an impact on the exchange rate between the U.S. Dollar and the Mexican peso, economic conditions in Mexico and the global capital markets. Exports of a significant number of energy-related products from Mexico to the United States have enjoyed a zero-tariff rate under USMCA.

The USMCA will offer new commercial conditions, whose negotiations began during the fourth quarter of 2018 and that have already been ratified by the governments of the United States, Mexico and Canada.

The introduction of class action lawsuits into the Mexican legal system could have an adverse effect on the Company's operations.

Since 2011, Mexico adopted a legal system that allows for the commencement of class action lawsuits on matters relating to the consumption of goods and services and the environment. This could give rise to the commencement of class action lawsuits against the Company by its customers or other market participants. Because the relevant laws have not yet been the subject of extensive judicial interpretation or enforcement, the Company cannot predict the outcome of any class action lawsuit brought against the Company under such laws, including the extent to which the Company may be found liable and the effect thereof on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

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

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

Mostly the Company's net sales are either denominated in, or linked to the value of, the U.S. Dollar. However, a portion of the Company's cost of goods sold, including labor costs and other selling, general and administrative expenses are invoiced in pesos and the Company's Mexican taxes will also be paid in pesos, as may be debt obligations the Company incurs in the future. Consequently, the real appreciation or depreciation of the peso relative to the U.S. Dollar can have an effect on the Company's operating margins and the Company's income tax expense. The monetary policy decision by the U.S. Federal Reserve and Banco de Mexico could also impact the Mexican peso to U.S. Dollar exchange rate. Changes in the Mexican peso-U.S. Dollar exchange rate could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

An increase in interest rates in the United States could adversely impact the Mexican economy and may have a negative effect on the Company's financial condition or performance.

An increase in the United States interest rates that does not match with an increase of the Mexican interest rates, causing a reduction in the interest rate differential between the two countries, could redirect the flow of capital away from emerging markets and into the United States, because investors may be able to obtain greater risk-adjusted returns in larger or more developed economies rather than in Mexico. Thus, companies in emerging market economies such as Mexico could find it more difficult and expensive to borrow capital and refinance existing debt. This may negatively affect the Company's potential for economic growth and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its Shares.

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

Over the past few years Mexico has experienced a significant increase in violence. This increase in violence has had an adverse impact on the economic activity in Mexico. Also, social instability in Mexico and adverse social or political developments in or affecting Mexico could have a material adverse effect on the Company's business, financial conditions, results of operations, cash flows, outlook, and/or the market price of its securities. In addition, violent crime may increase Company's insurance and security costs. The Company cannot assure that the levels of violent crime in Mexico, over which the Company have no control, will not increase or will decrease. An increase in violent crime could have a material adverse effect on our business, financial condition, and results of operations, cash flows, outlook and/or our ability to repay its securities.

Events and the perception of risk in other countries, especially the United States and other emerging market countries, may materially adversely affect the market price of Mexican securities, including those issued by the Company.

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

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

The Mexican economy also is affected by the international economic and market conditions generally, and especially by economic and market conditions in the United States. For example, share prices on the Mexican Stock Exchange have traditionally been sensitive to fluctuations in U.S. interest rates and activity on the major U.S. securities exchanges. The national economy may also be affected by the tariffs imposed by China and the United States on their respective imports, since the impositive tariffs can destabilize the supply chains or production of goods at a global and national level, in addition to increasing production costs. These tariffs may be maintained (or even increased) indefinitely. This situation could negatively impact the US, Chinese, and other countries' economies, including Mexico. The Company cannot guarantee that these events will not have a significant adverse effect on its activities, its financial situation, its results of operations, its cash flows, its outlook and / or the market price of its securities.

Adverse economic conditions in the United States, the termination or re-negotiation of USMCA or other related events could have a significant adverse effect on the Mexican economy. The Company cannot assure you that events in other emerging market countries, in the United States or elsewhere will not materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

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

The Mexican Federal Anticorruption Law in Public Contracting (*Ley Federal Anticorrupción en Contrataciones Públicas*), the U.S. Foreign Corrupt Practices Act, or FCPA, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials and other persons for the purpose of obtaining or retaining business or any business advantage. Many of the Company's operations require it to use third parties to conduct business or to interact with people who are deemed to be governmental officials under the FCPA. Thus, the Company faces the risk of receipt of unauthorized payments, offers of payments or other things of value by the Company's employees, contractors or agents. It is the Company's policy to implement compliance procedures to prohibit these practices. However, there can be no assurance that the Company's internal control policies and procedures will protect it from unlawful acts committed by its employees, contractors, associated persons or agents, regardless of whether such conduct occurs within or outside the United States. Violations of these laws, or allegations of such violations, could damage the Company's reputation, be expensive to defend, disrupt the Company's business and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The continuity of the Company's business could be affected by measures implemented by the governments of Mexico and other countries to prevent the spread of contagious diseases among the population.

During the first quarter of 2020, there has been an outbreak of Coronavirus (COVID-19), which has spread to various jurisdictions, including locations where IEnova does business (Mexico). The full extent of the outbreak, related business and travel restrictions and changes in behavior intended to reduce its spread are uncertain as of the date of the issuance of the consolidated financial statements as this continues to evolve globally.

IEnova is one of the first companies without governmental investment to enter the Energy Infrastructure business in Mexico as described in its Audited Financial Statements note 1.3. 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 is a sector of essential economic interest in Mexico and the world. COVID-19 has not stopped the activity of the energy sector, although the demand for electricity, natural gas, gasoline and other fuels could decline. The extent of such decline and its duration will depend on how the pandemic evolves. Activity in the energy sector cannot be stopped: electricity, natural gas, gasoline and other fuels must continue to reach consumers. It is not expected that IEnova's operation will stop providing energy services.

Many of the Company's agreements are under "take or pay contracts" modality. 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.

IEnova has sufficient liquidity to meet its operating costs and financial obligations. As of March 31, 2020, the Company had approximately US$1.0 billion of liquidity (including cash and committed credit lines, as described in note 39.4 of the Audited Financial Statements, included in this report).

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain. Given the speed and frequency of the developments with respect to this pandemic, which are in constant evolution, the Company continues evaluating the magnitude of the effects in its business, operations, liquidity, results of operations or financial condition. 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.

Risks Relating to The Company's Business and Industry

The Company operates in a highly regulated environment, and profitability depends on its ability to comply with a number of laws and regulations on a timely and efficient basis.

The Company operates under the laws and regulations of various federal, state and local governmental entities in Mexico and are required to obtain and maintain various permits, licenses and governmental approvals for the Company's activities. In some cases, the prices that the Company charges for its products and services are limited by regulated rates set by governmental authorities. These regulations and permits may limit the Company's operating flexibility, which could have a material adverse effect on its business, financial condition, results of operations, cash flows, outlook and/or the market price of the Company's securities. For example, in order to obtain the favorable opinion of the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*) in connection with a permit required for the operation of the Rosarito pipelines system, the Company was required to agree to divest the Mexicali components of the ECOGAS natural gas distribution system. The Company has been subject to this obligation since 2000 and has made good faith efforts to comply with the obligation to divest the Mexicali gas distribution system, however, various economic situations have made it difficult to divest Mexicali's distribution assets, which has been disclosed to COFECE.

With respect to the regulated rates that the Company charges to its customers, the Mexican Energy Regulatory Commission resets these rates periodically in accordance with applicable regulations, and the rates set by the Mexican Energy Regulatory Commission may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. In addition, in order to undertake new energy infrastructure projects in Mexico the Company may require additional permits from the Mexican Ministry of the Environment (*Secretaría de Medio Ambiente y Recursos Naturales*), the Mexican National Agency for Industrial Protection and the Protection of the Environment (*Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), the Mexican Energy Regulatory Commission and the Mexican Ministry of Energy, as well as the favorable opinion of the Mexican Antitrust Commission, and various factors, including a change in the Mexican Energy Regulatory Commission's energy policy, could result in the Company's inability to obtain such permits.

The Company cannot predict the future course of changes in laws and regulations that cover its activities or the effect that this changing regulatory environment will have on its business and projects development. In addition, due to the complex, overlapping federal, state and local regulatory regimes in which it operates, the Company may from time to time discover that it is lacking, or non-compliant with, one or more of its permits. If there is a delay in obtaining any required regulatory approval or permit to conduct the Company's operations, or if it fails to obtain or maintain any required approval or permit, the Company may not be able to operate and build its energy infrastructure projects, or the Company may be forced to incur additional costs, which in turn could have a material adverse effect on its business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See “Business - Legal, Administrative and Arbitration Proceedings.”

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

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

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

Mexico is a member of many international agreements regarding environmental protection. The Company anticipates that the regulation of its business operations under Mexican federal, state and local environmental laws and regulations will increase and become more stringent over time, including as a result of international agreements. Such international agreements, upon ratification by the Mexican Senate, become a part of Mexican Law. Under the North American Agreement on Environmental Cooperation, or NAAEC, a side agreement to USMCA, each country that is a party to USMCA, including Mexico, must ensure that its environmental laws and regulations are duly enforced. While the NAAEC does not empower any of the environmental agencies of the three USMCA partners to enforce the environmental laws of another party, if a USMCA partner fails to enforce its domestic environmental laws, it may be subject to the dispute mechanism created within the NAAEC, which may lead to monetary penalties, and in some cases, to the suspension of USMCA benefits, the result of which could materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

While it is difficult to predict the scope and effect of new environmental laws and regulations, such changes could materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. On November 2018, the NAAEC was signed, which substitutes the Cooperation Agreement of North America in force since 1994. This event occurs during the USMCA negotiation. The USMCA has already been duly ratified by the United States, Mexico and Canada.

The Mexican Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental)*, which became effective in July 2013, provides for significant penalties for damages to the environment and could subject it to significant liability in the event of any such damage. However, the Company cannot predict the outcome of any action brought against it or the extent to which it could be held liable under such law. The cost of remediating or providing compensation for any environmental damage could be significant and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See "Legal Framework and Fiscal Situation - Environmental Matters".

The Company cannot predict the potential effects on its business of the legal framework for regulating the energy sector in Mexico.

Mexico has developed a legal framework for the regulation of the hydrocarbon and electric power sectors based on a package of constitutional amendments approved by the Mexican Congress in December 2013 and implementing legislation enacted in 2014, including the amendment of certain existing laws in August 2014 and the issuance of new regulations thereunder in October 2014. The legal framework for the Company's pipelines, natural gas distribution and refined products businesses is set forth in the Mexican Hydrocarbon Law (*Ley de Hidrocarburos*), the Mexican Hydrocarbon General Regulations (*Reglamento de la Ley de Hidrocarburos*) and the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbon Law (*Reglamento de las actividades a que se refiere el Título Tercero de la Ley de Hidrocarburos*). The power generation business is subject to regulation under the Mexican Electricity Industry Law (*Ley de la Industria Eléctrica*) and the Regulations Under the Law for the Electricity Industry (*Reglamento de la Ley de la Industria Eléctrica*), except for "grandfathered" projects, which remain governed by the Mexican Public Electricity Service Law (*Ley del Servicio Público de Energía Eléctrica*) and the regulations issued thereunder to the extent they do not conflict with the legal framework. However, given the recent creation of this legal framework, it is uncertain how it would be interpreted in practice. See "Legal Framework and Fiscal Situation".

Future changes in the legal framework may require the Company to obtain an amendment to its existing permits or secure additional permits to operate the natural gas, LNG, LPG, ethane, refined products or power generation facilities or render services, take additional actions to secure the requisite rights-of-way for its projects, perform social impact assessments, or upon consultation with the competent authorities, obtain the consent of indigenous communities for the development of its projects. The Company cannot assure that it would be able to satisfy any requirement affecting the existing permits or rights-of-way, or to secure any additional permit, approval or right-of-way required under the new legal framework. If the Company fails to satisfy any such requirement or if it cannot obtain any such permit, approval or right-of-way in a timely fashion, the Company may be unable to operate or may experience delays in the development, construction and operation of its energy infrastructure projects.

Furthermore, any change in the operating and disclosure rules for the Mexican energy sector, or any cost increase associated with complying with any gas emissions reduction or social impact assessment obligations, or with obtaining the consent of indigenous communities for the development of projects, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its Shares.

Among other things, as a result of the amendment of the legal framework for the Mexican energy sector, Pemex and the Mexican Federal Electricity Commission ceased to be decentralized agencies of the Mexican government and became independent, government-owned operating companies with technical, operational and administrative autonomy. The legal framework generally, and the provisions governing the budgets of these Mexican government-owned companies specifically, have not yet been the subject of judicial or administrative interpretation and it is uncertain how they would be interpreted in practice. See "Legal Framework and Fiscal Situation".

The Company cannot control that the standard response time for granting permits extends beyond the timeframe expected.

Despite the fact that the Company has a robust team for managing permits with the authorities, and due to changes in the structures of the latter, the Company has recently faced considerable delays in the review of permits. Therefore, it cannot predict whether these delays will continue or increase, which could affect the profitability of the projects and even more the cancellation of contracts with Clients. Such situation could have a significant adverse effect on the Company's activities, its financial situation, its results of operations, its cash flows, its outlook and/or the market price of its securities.

The Company cannot predict the impact that legal, regulatory and social responses to climate change may have on its business.

A number of legal and regulatory measures as well as social initiatives have been introduced both internationally and locally as an effort to reduce greenhouse gases and other carbon emissions. The Mexican General Climate Change Las ant the Mexican Electricity Industry Law published on 2012 and 2014, respectively, impose an internal system aimed at encouraging the use of electricity generated through clean energy sources while introducing negotiable clean energy certificates as well as other measures aimed at achieving greenhouse gas reductions, which could result in additional costs in the Power Segment, and in turn could have a material adverse effect on its business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Furthermore, for the Gas Segment it is highlighted the derived from the agreements established in the Leaders Statement of North America on the Climate, clean energy, and environmental alliance, executed on June 2016, where the passage of a new Disposition on methane emission prevention for the Mexican petroleum and gas segments was originated, in force since November 2018, the first regulation that establishes the obligatory actions for the reduction of a greenhouse gas effect in Mexico.

In 2018, the 24th Conference of the Parties in the United Nations Framework Convention for Climate Change (COP23) was held in Katowice, Poland, whose objective was to finalize the Rulebook, with the provisions agreed at COP21 in Paris and that it will enter into force in 2020. In general terms, the Rulebook will set up the rules for the establishment and monitoring of the national emission reduction plans. It will also include: (i) the process to establish new financial goals to support developing countries to reduce their carbon emissions starting in 2025; (ii) the way of evaluating the evolution of the climate change plan in 2023; and (iii) evaluation of development and transfer to low carbon technology. On the other hand, the participating countries, Mexico included, update their carbon emission reduction goals for 2020.

Derived from the above, the authorities will seek that the activities of the companies, belonging to the energy sector, strictly comply with the regulatory provisions in order to achieve the goals proposed based on the National Emissions Registry, the General Law on Climate Change, the National Climate Change Strategy and National Climate Change System, in where the reduction results will be shown in the Biannual Reports (Mexico presented its 2nd Biannual Report at the 24th Conference of the Parties - COP24 - in December 2018). Therefore, the Company will have to assume and consider the climatic challenges that are imposed in the development of its operations or in the operations of its partners and clients such as PEMEX and CFE, which could result in additional costs for the Company and therefore have a significant adverse effect on the Company's activities, its financial situation, its results of operations, its cash flows, its prospects and / or the market price of its securities.

As part of these measures, starting in 2020, the implementation of an Emissions Trading System Test Program by SEMARNAT begins. Although this program will not have economic effects for the participants during the testing stage, a transition to the final system is expected at the end of this stage in 2022. The emissions trading system will imply caps on greenhouse gas emissions from large issuers in the different sectors (being only the energy and industry sectors in which the program will be applied during the testing phase), which will be assigned by SEMARNAT, with additional reporting and verification obligations, and with the right to offset a limited percentage of emissions through compensation mechanisms to meet the ceilings. The imposition of greenhouse gas emission ceilings and the reporting and compensation obligations may imply additional costs for the Company in the business units to which these obligations are applicable.

The Company may be exposed to high costs to acquire LNG in order to maintain the operations of its LNG terminal.

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

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

The Company is assessing the possibility of adding liquefaction capabilities to the LNG terminal, but its efforts to such end may prove unsuccessful. In addition, the successful addition of such capabilities could force it to terminate the existing agreements with the regasification customers, which could give rise to indemnification obligations to such customers.

The Company is assessing the possibility of developing liquefaction capabilities to the LNG terminal, in November 2018, the Company announced, together with Sempra LNG, the signature of Heads of Agreements with customers for substantially the full capacity of Phase 1 of the ECA LNG project. The agreements contemplate the parties negotiating and finalizing definitive 20-year LNG sale-and-purchase agreements. The Company expects to make the Final Investment Decision (FID) during the second quarter of 2020, with potential first LNG deliveries in 2024.

The Company's LNG terminal is the subject of certain disputes challenging the issuance of the construction and operation permits and authorizations related to construction and operation, which may hinder its ability to secure financing for the liquefaction project or to identify suitable partners and customers.

The company cannot assure this project will be in a position to obtain all the necessary permits and for its execution without facing significant challenges and uncertainty, which could make it difficult to find the right partners and clients to finance the project. Furthermore, the potential development of a liquefaction project will largely depend on GNL international market conditions and on the Company's ability to obtain adequate supply or storage of natural gas from the United States. There are a number of potential LNG liquefaction projects under construction or in the process of being developed by various project developers in North America, including the Company's indirect, controlling shareholder's contemplated new projects, and given the projected global demand for LNG, the vast majority of these projects will likely not be successful.

The Company's LNG terminal has in place several long-term storage and regasification agreements that account for 100% of the terminal's installed capacity. Any decision on whether to add liquefaction capabilities to the terminal will depend in part on whether the investment in the construction of the requisite facilities would be more profitable than the continuing provision of only regasification services, under the existing agreements. Pursuant to the Company's existing agreements, the Company is required to provide storage and regasification services to its customers through 2028 (or later, if customers exercise their renewal rights under such agreements). The Company may opt for offering both regasification and liquefaction, or only liquefaction services to its customers, or for continuing to provide regasification services only. If the Company is unable to continue to offer regasification services to its existing customers, or if the construction of the liquefaction facilities renders it unable to provide such services on a timely fashion, the Company may be held liable for indemnification to such customers under the existing agreements, which could have a material adverse effect on its business, financial condition, results of operations, cash flows, outlook. See "Description of the Company's main assets - ECA Liquefaction Project" and "Legal, Administrative and Arbitration Proceedings".

The Company has relied on and may continue to rely on certain affiliates for services and financing and there can be no assurance that in the future the Company will be able to obtain such services or financing from its affiliates or from alternate third parties.

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

As of December 31, 2019, the Company had outstanding borrowings from affiliates in the amount of approximately USD$233.6 million. If the Company's affiliates do not provide it with debt financing in the future, the Company may be unable to secure alternative sources of funding, which would have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. While the Company believes that the rates and terms of the borrowings the Company has received in the past from its affiliates are comparable to those the Company would have obtained from unrelated third parties in arm's-length transactions, it can provide no assurance that the Company would have been able to obtain such borrowings from unrelated third parties at rates and on terms that were as favorable to it as those the Company has received from its affiliates. The Company may not be able to obtain similar financing from these affiliates or any alternate third party at reasonable rates and terms or at all. Any failure to obtain sufficient debt financing on acceptable rates and terms could adversely affect the Company's ability to satisfy its contractual obligations or to grow its business and could have a material adverse effect on its business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See "The Company's history and evolution - Material Events."

The Company's indirect controlling shareholder, Sempra Energy, has guaranteed certain of the Company's financial obligations, including the obligations of IEnova Marketing to the LNG terminal under its firm storage services agreement and to the Company's pipelines business under its transportation service agreements, as well as to third parties. The Company can provide no assurance that Sempra Energy will be willing to provide similar credit support in the future on other commercial contracts that the Company may enter into or the terms it may require from the Company in exchange for providing such credit support. In the event that the Company is unable to obtain such credit support from Sempra Energy on commercially reasonable terms, or at all, the Company can provide no assurance that the Company would be able to obtain such credit support from third parties on commercially reasonable terms, or at all. Any failure to obtain credit support could limit the Company's ability to enter into certain commercial contracts or adversely affect the terms of commercial contracts that the Company does enter into, which could materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See "Related Party Transactions and Conflicts of Interest."

The Company constantly analyzes various sources of resources in order to finance its operations and project development, using various financing methods and the use of cash flows from its businesses and assets. If the Company considers convenient, it could incur in additional debt, refinance its existing debt or sell its assets, which could present structural risks or reduce the assets or stay with assets that generate lower flows.

An important portion of the Company's business depends on the availability of resources. Consequently, the Company constantly analyzes financing sources available in the market in order to improve the terms of its loans and its capital structure, including possible sales of its assets. Due to its constant need for capital, the Company could incur additional debt or refinance its existing debts, which will not necessarily be reflected in a decrease in debt or in lower financial expenses. Likewise, the Company's strategy involves investments of additional capital, which would not necessarily be financed with its own cash flows. Therefore, the Company expects that a significant part of the resources necessary to finance its strategy should be raised through financing or refinancing, which could be accord on less favorable terms than the current ones, with the result, among others, that it be increased, its indebtedness, impose additional restrictions, or require additional guarantees, which could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows and outlook, and/or the market price of its securities.

The Company regularly evaluates its operative assets to improve its financial and capital structure. For example, the Company could sell a portion of the capital stock or assets of any of its subsidiaries or joint ventures and reduce its leverage or satisfy its capital requirements. Furthermore, the Company could decide that all or part of the resources obtained from said operations could not be distributed to the shareholders or reinvested in the business. The Company, in any case, cannot guarantee that its financing strategy will generate attractive returns, or improve its liquidity or the Company's results.

The Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of the Company's securities may be materially adversely affected by the outcome of pending litigation against it or affecting its permits or property rights in connection with its LNG terminal.

Several parties have initiated actions with the Mexican Ministry of the Environment or the Mexican Environmental Protection Enforcement Agency, challenging the environmental impact authorization for the Company's LNG terminal, and one party has brought a civil action challenging the LNG terminal permits. While, to date, the Mexican Ministry of the Environment and the Mexican Environmental Protection Enforcement Agency have found against the claimants challenging this environmental authorization, the claimants have appealed these determinations. In the event any of these parties were to ultimately prevail against us, this could result in a modification to (or in extreme circumstances, a nullification of) the Company's environmental authorization or one or more of the LNG terminal permits. To the extent that any such modifications require new investments to comply with more stringent mitigation measures or conditions, such modifications could materially adversely affect the Company's terminal operations. If the Company's environmental authorization or one or more of the LNG terminal permits were to be nullified, it could result in the terminal being unable to continue operations, which also could result in breaches of one or more permits or contracts to which the Company is a party. Any modification or nullification of the Company's environmental authorization or one or more of the LNG terminal permits could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company is also engaged in disputes regarding its title to the properties on which the Company's LNG terminal is located. In the event that the Company is unable to defend and retain title to the properties on which the Company's LNG terminal is located, it could lose the Company's rights to occupy and use such properties and the terminal, which could result in breaches of one or more permits or contracts that the Company has entered into with respect to such terminal. If the Company is unable to occupy and use such properties and the terminal, it could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

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

The result of certain legal proceedings against the Company or in relation to the permits corresponding to the Los Ramones Norte Gas Pipeline, could have a significant adverse effect on the activities, financial situation, results of operations, cash flows and perspectives of the Company, as well as the market price of its securities.

Currently, the Company is initiating certain judicial and administrative proceedings in two Municipalities in the north of the country (Dr. Arroyo and Aramberri located in Nuevo León) where the Los Ramones Norte Gas Pipeline operates. One sectioning valve of its transport system is closed, without an impact to the operation of the gas pipeline, until the resolution of certain tax credits imposed by the municipal authorities whose alleged a lack of permits during construction. The result of these procedures could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows and outlook and/or the market price of its securities. For additional information regarding the judicial and administrative procedures in which the Company is involved, see the section "Company Activities ¯ Judicial, administrative or arbitration procedures."

Various governmental entities may prematurely terminate the Company's permits under various circumstances, some of which are beyond the Company's control.

Permits granted by the Mexican Energy Regulatory Commission (including the Company's LNG storage permit, liquefaction permits, refined products storage permits, transportation permits, distribution permits, and power generation permits) are essential for the development or operation of the Company's assets, and the Company would be unable to develop or continue the operations of a particular asset without the applicable permit granted by the Mexican Energy Regulatory Commission.

A permit may be revoked by the Mexican Energy Regulatory Commission for certain reasons set forth in such permit and in the laws relating to natural gas, LPG, hydrocarbons and electric power that were in effect when the permit was granted, including (1) if the Company engages in discriminatory practices or charges rates in excess of the maximum rates established by the Mexican Energy Regulatory Commission, (2) if the Company assigns, transfers or creates a lien on the permit in violation of its terms or the applicable law, or (3) if it fails to take action to utilize the permit within the term provided therein. In addition, the Company's permits may be revoked in certain circumstances, including if the Company does not comply with its obligations under NOMs or General Service Terms and Conditions under the permits, or if the Company experiences partial or total interruption in the operation of the system or facility without justified cause or authorization from the Mexican Energy Regulatory Commission.

The Mexican Electricity Industry Law and the Mexican Hydrocarbon Law provide for similar revocation events that would apply to any new permit the Company obtains for purposes of its business activities. These events include: (1) engaging in discriminatory practices that affect end consumers, (2) failing to comply with the regulation relating to rates and tariffs, (3) assigning a permit without the prior approval of the Mexican Energy Regulatory Commission, (4) failing to exercise the Company's rights under the relevant permit within certain period of time, (5) failure to maintain in full force and effect the required collateral and insurance or (6) the interruption of services without justified cause.

The early termination of any of the Company's related permits and the suspension of the operations of any of its assets, or the imposition of changes to the manner in which it operates any of its assets as a result of changes to the permits requested by the Mexican Energy Regulatory Commission, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Natural disasters, accidents, acts of terrorism or criminality could materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company's facilities, including the Company's LNG terminal, pipeline systems, storage and distribution systems, power generation facilities, and office buildings may be damaged by natural disasters, accidents, acts of terrorism or criminality. Substantially all of the Company's assets are located in areas of northern and central Mexico that are susceptible to earthquakes and wildfires. Natural disasters, accidents, acts of terrorism or criminality could result in severe business disruptions, significant decreases in revenues, and/or significant additional costs to us. Any such incident could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Depending on the nature and location of the facilities affected, any such incident also could cause fires, leaks, explosions, spills or other significant damage to natural resources or property belonging to third parties or cause personal injuries or fatalities. Any of these consequences could lead to significant claims against us. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds the Company receives may be insufficient to cover the Company's losses or liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. In particular, the Company has declared a force majeure event for the Guaymas - El Oro segment of the Sonora pipeline in the Yaqui territory, and as a result, operation of that segment has been interrupted since August 23, 2017. The Company signed in August 2019 a suspension agreement to avoid an early termination of the contract. The agreement established that if the natural gas transportation service isn´t in service for a period greater than two consecutive years, it will be understood that the contract has ended. To avoid the termination of the contract, CFE and the Company signed a suspension agreement between the parties to carry out all the necessary and available actions to restart the operation of the gas pipeline, but thus actions does not ensure that the objective will be achieved. Likewise, in September 2019, the parties entered into an agreement establishing the deal reached regarding the gas transportation service contract for the Guaymas - El Oro Gas Pipeline, in which among other things, it was agreed that the scheduled restart date for January 15, 2020 may be reviewed by the parties in the event that the contingencies have not been resolved in such date, an issue that has already been raised by agreeing a new estimated date for restarting operations to May 15, 2020. The parties are currently discussing a new service start date in the event the pipeline is not repaired by May 15, 2020, but there can be no assurance that the parties will have agreed on a new service date if the pipeline is not repaired by that date. The Company may not be successful in its attempt to restart the operation on such date and therefore, it could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows and outlook and/or the market price of its securities.

The Company maintains commercial relationships with various entities of the Federal Government, and any change in the policies of the Federal Government or its dependencies, or conflicts of the Company with them, may significantly affect the activities, financial situation, results of operations, the Company's cash flows and prospects, as well as the market price of its securities.

In August 2019, the Federal Government began arbitrations against several companies that own natural gas pipelines, including the Company and its joint venture with TC Energy in relation to the South Texas - Tuxpan Pipeline and the Guaymas - El Oro Pipeline. Through the dialogue, an agreement was reached whereby a new rate structure is established and the term of the gas pipeline contracts is extended for an additional 10 years, respectively. Said agreements satisfy the interests of both parties and allow a benefit for CFE, preserving the integrity of the contracts. These arbitrations have been definitively resolved and the Company does not expect renegotiated contracts to affect the Company's financial situation. However, the start of new controversies or arbitrations by the Federal Government against proprietary companies, including the Company or its subsidiaries, could have a significant adverse effect on the value of the Company, its business, its activities, its financial situation and its operations.

Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase the Company's costs and materially impair its ability to recover its investments.

The acquisition, development, construction or expansion of new energy infrastructure projects involve numerous risks. The Company may be required to spend significant sums for preliminary engineering and construction, permitting, fuel supply, resource exploration, legal, and other expenses before it can determine whether a project is feasible, economically attractive, or capable of being built.

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

- Obtaining the necessary property rights and other real estate rights;
- Negotiation of satisfactory engineering, procurement and construction agreements;
- Negotiation of supply and natural gas, electricity sales agreements or firm capacity supply agreements;
- Timely receipt of required governmental permits, licenses authorizations, and rights-of-way;
- Negotiation with local communities and minority groups;
- Timely implementation and satisfactory completion of construction; and
- Obtaining adequate and reasonably priced financing for the project.

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

- Unforeseen engineering problems;
- Unforeseen problems to obtain the requisite rights-of-way and easements, including as a result of the Company's discussions with local and indigenous communities;
- Construction delays and contractor performance shortfalls;
- Work stoppages, strikes, boycotts or acts of vandalism;
- Equipment unavailability or delay and cost increases;
- Adverse weather conditions;
- Environmental and geological conditions;
- Opposition and challenges (judicial and extrajudicial) by community organizers, stakeholders of industries affected by energy development activities, non-governmental environmental organizations or indigenous communities;
- Risks related to brownfield projects, such as hidden defects, inherited environmental liabilities and problems with rights-of-way;
- Unanticipated increases in costs associated with known or unknown adverse environmental conditions, including costs of compliance with environmental laws; and
- The impact of exchange rates on the cost of imported material and equipment.

If the Company experiences material delays or is unable or elects not to complete the development of a project or obtain the required permits, rights-of-way or easements for such project, including all the projects currently in development and construction phases, the Company may be unable to recover its investment in such project or have to make payments under contractual obligations the Company has made, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company may not be successful in obtaining new energy infrastructure projects.

The market for new energy infrastructure projects in Mexico is highly competitive. The Company competes with Mexican and foreign companies for most of the new energy infrastructure projects in Mexico. The Company may also face increased competition for key personnel. The Company may compete for energy infrastructure projects in new sectors where we have not previously operated, we may not be able to fully realize the benefit of these new opportunities as we may lack experience or familiarity in these areas. In addition, there are a number of potential new liquefaction projects under construction or in the process of being developed by various project developers in North America, including the Company's indirect controlling shareholder's contemplated new projects, and given the projected demand for LNG, the vast majority of these projects likely will not be completed. Furthermore, the Company not be able to obtain additional permits from the DOE, CRE, ASEA, SEMARNAT or SENER or a favorable opinion from COFECE, which may be required for new energy infrastructure projects. The projections contained elsewhere in this Report related to growth in the Mexican energy sector may not be correct for various reasons, including, among others, changes in the global or Mexican economy, the demand for natural gas, LNG, and other refined products, and the direction the Mexican government takes regarding its energy policy (for example, in terms of the development of the Mexican natural gas or renewable energy network). The inability to successfully obtain new energy infrastructure projects may adversely affect the Company's ability to grow its business, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company's business is capital-intensive and changes in capital requirements or the availability of capital could materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

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

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

Changes in sovereign and corporate ratings may adversely affect the Company's cost of capital.

Changes in the rating or perspective of Mexico, CFE, CENAGAS, PEMEX or Sempra Energy or their securities, may have an adverse effect in the Company. These may arise from changes in Mexico's political or economic perspective, laws, or legal provisions (including treaties such as the T-MEC), the imposition of tariffs, a decrease in oil production or prices, the current situation with COVID-19 among other factors. The credit ratings given by the credit agencies for the securities issued by the Company could be negatively affected by these changes, which could increase the cost or limit the possibility of obtaining financing from the Company and consequently have a significant adverse effect on its activities, its financial situation, its results of operation, its cash flow, its outlook and / or the market price of its securities.

When the Company enters into fixed-price long-term contracts to provide services or commodities, the Company is exposed to inflation, interest rate, foreign exchange and counterparty credit risks.

The Company generally endeavors to secure long-term contracts with customers to optimize the use of the Company's facilities, reduce volatility in earnings and support the construction of new infrastructure. However, if these contracts are at fixed prices, the profitability of the contract may be materially adversely affected by inflationary pressures (in the case of contracts that are not adjusted for inflation), including rising operational costs and commodity prices, fuel costs, costs of labor, materials and equipment, rising interest rates affect financing costs, and changes in the U.S. Dollar to Mexican peso exchange rate. In addition, the counterparties to the Company's long-term contracts could incur in default with their obligations thereunder and any such default could have a material adverse effect on the Company. While the Company frequently requires that counterparties provide it with bank or other types of guaranties, the financial support provided by the guarantors is not always sufficient to fully offset any losses the Company may suffer and exposes it to counterparty risks. Any of these factors may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The operation of the Company's facilities involves many operating risks, availability risks, technology risks and other risks beyond the Company's control.

The operation of the Company's LNG terminal, pipelines, distribution systems and power generation facilities involve many risks, including, among others:

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

In addition, the Company's activities are subject to social risks, including protests from communities surrounding its operations. Although the Company is committed to operating in a socially responsible manner, it may face opposition from local communities regarding its current and future projects in locations where it operates or intends to operate.

The materialization of any of these risks could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows and outlook and/or the market price of its securities.

The Company depends on a limited number of customers (some of whom are affiliates) with which it has entered into long-term agreements.

The Company has entered into long-term LNG terminal capacity agreements with Shell, Gazprom and IEnova Marketing, under which users pay capacity reservation and usage fees to receive, store and regasify their LNG at the LNG Terminal. The Company has also entered into long-term capacity agreements with a limited number of key customers, including the Mexican Federal Electricity Commission, CENAGAS, Pemex, Shell, Gazprom, Actis and its subsidiary IEnova Marketing, under which users pay capacity reservation and usage fees to receive, transport and deliver natural gas or LPG, as applicable, through the Company's pipelines. After giving effect to the consolidation of the intercompany revenues received from IEnova Marketing, during the years ended December 31, 2019, 2018 and 2017 the Company's four largest customers together accounted for approximately 59%, 61% and 61%, respectively, of total revenues. During the same periods, no other customer accounted for more than 10% percent of the Company's total revenues. In each of 2019, 2018 and 2017, the largest customer accounted for approximately 22%, 23% and 26%, respectively, of the Company's total revenues.

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

If the customers in one or more of these agreements were to fail to perform or become unable to meet their contractual obligations on a timely basis, or if any of these agreements is prematurely terminated, it could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. Furthermore, there can be no assurance that, in the event of termination of any of these agreements, the Company would be able to enter into LNG storage capacity or natural gas transportation service agreements with other users or customers on a long-term basis, on otherwise favorable terms, or at all, and the Company's inability to do so could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Any prolonged delay of payments by Clients may cause liquidity stress to the Company.

Even though the Company diligently carries out the billing and collection process for its Clients, some may present considerable delays. The solvency of the Company has allowed it to overcome these delays, however, it cannot anticipate that it always has the necessary resources. There are exit mechanisms within the Contracts that could partially or totally mitigate said risk. However, they could have a significant adverse effect on the Company's activities, financial position, results of operations, cash flows outlook and/or the market price of its securities.

The Company depends on key suppliers, including an affiliate of its indirect controlling shareholder, for the adequate operation of energy infrastructure assets.

The Company's businesses depend on key suppliers performing in accordance with their agreements. In particular, the Company's LNG business has been relying upon Sempra Natural Gas (a business operating division of Sempra Energy that includes the Company's U.S. subsidiaries that sell LNG and buy and/or sell natural gas and electricity to and from Sempra Energy) for an adequate supply of LNG to keep the Company's LNG terminal sufficiently cold to remain in continuous operations and as a source of natural gas to sell to customers. Since the Company's LNG terminal commenced operations, the Company has not been able to obtain sufficient quantities of LNG from Sempra Natural Gas to satisfy all of IEnova Marketing's contractual obligations to its natural gas customers using regasified LNG. However, Sempra Natural Gas is able to purchase and supply the required quantities of gas at the U.S. border, and Sempra Natural Gas makes payments to IEnova Marketing to cover fixed LNG terminal and pipeline capacity costs to the extent its reserved capacity is underutilized because it provides IEnova Marketing less than the full amount of LNG each year. This payment obligation has mitigated the losses that IEnova Marketing would otherwise have experienced in recent years. With respect to the ECOGAS natural gas distribution business, since 2018 the Company has relied the supply of natural gas through the transportation system principally of CENAGAS for Chihuahua and Durango and SoCalGas for Mexicali in order to deliver the gas to their customers. If these key suppliers fail to perform, the Company could incur substantial expenses, and in some cases, be exposed to commodity price risk and volatility, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

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

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

The Company relies on transportation assets and services that the Company does not own or control to deliver electricity and natural gas.

The Company's facilities are interconnected with other facilities outside the served areas. Therefore, the Company often depends on electric transmission lines, natural gas pipelines and other transportation facilities owned and operated by third parties to:

- Deliver the electricity, natural gas and LPG the Company sells to its customers;
- Supply natural gas to the Company's electric generation facilities;
- Provide retail energy services to customers; and
- Supply the Company with natural gas and LPG for sale to its customers.

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

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

Mexican Official Standards (*Normas Oficiales Mexicanas*) 007-ASEA-2016 establish specifications for the products that may be delivered through natural gas, LPG and ethane pipelines. These specifications include requirements such as hydrocarbon dew point, compositions, temperature and foreign content (such as water, sulfur, carbon dioxide and hydrogen sulfide). If the total mix of products that the Company delivers to a pipeline or market fails to meet the applicable product quality specifications set forth in the Mexican Official Standards 007-ASEA-2016, the Company is required to disclose such non-compliance to the producer and to the pipeline or market that scheduled the delivery. The pipeline or market may refuse to accept all or a part of the non-compliant products scheduled for delivery to it, potentially reducing the Company's through-put volumes or revenues, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company does not own all the land on which the Company's energy infrastructure projects and assets are located, so its operations could be disrupted by actions of the landowners.

The Company does not own all of the land on which the Company's pipelines, facilities and ancillary infrastructure, such as power transmission lines and aqueducts, have been constructed. Some of the Company's pipelines cross waterways, in which case governmental approval from entities such as the Mexican National Water Commission is required to maintain such a crossing. The Company typically obtains the rights to construct and operate the Company's pipelines and ancillary infrastructure on land owned by third parties and governmental agencies for a specific period of time. The Company is therefore subject to the possibility of more onerous terms or increased costs to retain necessary land use if in the future it is determined that the Company does not have valid rights-of-way or leases, or if such rights-of-way or leases lapse or terminate. The Company's loss of these rights, through the inability to renew right-of-way or lease contracts or otherwise, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company may face construction delays or increases in costs in its projects as a result of delays or the impossibility of obtaining rights-of-way to the land through which power transmission lines, pipeline installations or other infrastructure will be constructed. If rights-of-way are not obtained on time, the Company may incur additional costs and delays in the start of operations. Furthermore, in the event that rights-of-way are impossible to obtain, the Company may be required to change the route of a project, which may also result in cost increases and delays in the start of operations and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company could face inadequate conducts that doesn´t follows its standards on ethics and compliance. The Compliance policies and procedures of the Company may not be able to detect fraud, money laundry and other illegal or inadequate activities, which could jeopardize the Company to fines, liabilities and reputational risk.

Given the large number of contracts entered between the Company and its suppliers and contractors, the distribution of its operations and the wide variety of parties with which it interacts in the course of its business, the Company is subject to the risk that its employees, suppliers , contractors or any person who has relationships with the Company may misuse or manipulate its assets or information, make payments or participate in money laundering or illicit financing, for the personal or commercial advantage of such person. The Company is obligated to comply with the laws and other regulations in Mexico and abroad against money laundering and illicit financing. Although the Company has adopted policies and procedures aimed to detect and prevent money laundry and other illegal activities, such policies and procedures may not be effective to avoid money laundry and other illegal or incorrect activities. Furthermore, the Company's policies and procedures could not be effective to identify and monitory these risks. If the Company fails to fully comply with applicable laws and regulations, it could be subject to fines and other penalties. Furthermore, such acts may result in material financial losses or reputational damages, which could have a significant adverse effect on the activities, financial situation, results of operations, cash flows and outlook and/or the market price of its securities.

The Company is exposed to market risks, including fluctuations in commodity prices, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company buys energy-related commodities from time to time in order to satisfy contractual obligations with customers. The Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities could be materially adversely affected if the prevailing market prices for electricity, natural gas, LNG or other commodities that the Company buys change in a direction or manner not anticipated and for which the Company had not provided adequately through purchase or sale commitments or other hedging transactions. In addition, while at present the Company is not directly exposed to market risks in connection with the ECOGAS natural gas distribution business because the price the Company pays for natural gas is passed through to the ECOGAS customers, natural gas prices relative to LPG prices affect the Company's ability to sell natural gas, and accordingly, may have a material impact on the natural gas distribution business. Termoeléctrica de Mexicali power plant competes in the U.S. open market for the sale of electricity and other related products in the Californian market, and its profitability is affected by its revenues and costs linked to the price of commodities such as the electricity and the natural gas. Furthermore, the Company currently purchases natural gas to supply Termoeléctrica de Mexicali power plant directly from its subsidiary IEnova Marketing.

The Company cannot and does not attempt to fully hedge its assets or contract positions against changes in commodity prices and the Company's hedging procedures may not work as planned.

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

Unanticipated changes in market prices for energy-related commodities result from multiple factors, including: (1) weather conditions, (2) seasonality, (3) changes in supply and demand, (4) transmission or transportation constraints or inefficiencies, (5) availability of competitively priced alternative energy sources, (6) commodity production levels, (7) activities by oil and gas producing nations or organizations affecting the global supply of crude oil and natural gas, (8) energy and environmental regulation legislation, (9) natural disasters, wars, embargoes and other catastrophic events, and (10) expropriation of assets by governmental authorities. Finally, the Company sends an invoice to its customer after the service is provided, which generates a credit risk. Even though, the Company carries out credit analyzes and requests, as much as possible, guarantees to cover such exposure, the Company faces a counterparty risk in order to collect the amounts owed by the Clients. The changes in market prices or inability to collect amounts owed to the Company could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. For additional information regarding the Company's hedging strategy and position, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Quantitative and Qualitative Discussion of Market Risk" and Note 24 to the Company's audited financial statements included elsewhere in this report.

LPG prices could materially adversely affect the Company's natural gas distribution business.

Historically, LPG prices were subsidized by the Mexican federal government, but these subsidies have already been canceled. If the Company is not able to obtain competitively priced natural gas relative to the LPG that is available to its customers and potential customers through its competitors, the profitability of the natural gas distribution business could be materially adversely affected, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Mexican federal government’s electricity price subsidy policy could materially adversely affect the electric energy distribution business.

Currently electricity prices are subsidized by the Mexican federal government; these electricity subsidies could put Company's certain renewable energy projects power purchase agreements at a competitive disadvantage. If the Mexican federal government’s electricity price subsidy policy continues and the Company is unable to provide electricity at prices that are competitive to those available to its customers without pre-established fixed rates and potential customers through its competitors, the profitability of the power generation facilities could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company’s risk management procedures may not prevent losses.

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

The Company conducts a portion of the Company’s business through joint ventures over which it holds joint control.

As the Company shares the control of some joint ventures with its partners, and in the event of any disagreement between it and its partners the Company may be forced to sell its interest in the relevant joint venture, purchase its partners' interests therein or submit to dispute resolution proceedings. If any joint venture partner were unwilling to cooperate effectively with the Company in the management and operation of the joint venture, this could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The operation of the Company’s facilities depends on good labor relations with the Company’s employees.

As of December 31, 2019, the Company had 1,300 employees. These included 649 administrative employees and 651 operation and maintenance workers, of whom 34 were covered by collective bargaining agreements with several labor unions. The Company’s collective bargaining agreements are negotiated on a company-by-company basis, and the compensation terms are adjusted on an annual basis, whereas all other terms are renegotiated every two years.

Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts with direct employees or with the outsourcing, might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. The Company’s facilities have not experienced any labor disruption since it began operations.

Additionally, because of the constitutional amendment on Article 123 of the Mexico Constitution back in 2017, it is expected an amendment to the Federal Labor Law for May 1, 2019 modifying, among others, rules and procedures for labor unions and the creation of new labor courts. One of the most relevant modifications includes that unions must prove that they have the factual representation of unionized workers in order to have a collective labor contract in force, which can translate into greater union activity in the country. However, the Company cannot predict the impact of those amendments to the Labor Law in its daily activities. Finally, changes in labor matters derived from the renegotiation of the T-MEC could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows and / or outlook and/or the market price of its securities.

During the last year, new law initiatives have been presented that could significantly affect the outsourcing schemes that we know today as a common practice among companies, and although labor obligations are met timely, if these changes occur, the Company must review and adjust the structure of service companies under the new regulations.

Labor disputes, strikes or the negotiation of significant salary increases or any changes in the laws in force, whether as a result of union initiatives, staff turnover or any other circumstances, could have a significant adverse effect on activities, financial situation, results of operations, cash flows and / or outlook of the Company, as well as the market price of its securities.

The Company depends on its executives and employees and their knowledge of the energy sector and the Company's business segments, and the Company may not be able to replace key executives and employees if they leave.

The operations and continued growth of the Company's business is dependent upon being able to attract and retain personnel, including corporate management, specialized engineers and employees who have the necessary and required experience and expertise to manage and operate the Company's businesses. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company's activities are concentrated in its energy infrastructure projects in the states of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Aguascalientes, Tabasco, Puebla, Mexico City (Valle de México), Colima and Veracruz, and developments affecting such regions specifically, such as a local recession, natural disasters, local regulation, increases in crime rates or political and social developments, may have a material adverse effect on us.

The Company's current energy infrastructure projects are primarily located in the states of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Aguascalientes, Tabasco, Puebla, Mexico City (*Valle de México*), Colima and Veracruz, and all the Company's current permits and approvals are issued by either the Mexican government or by local governmental authorities. As a result, any legislative changes, measures taken, stricter rules implemented or additional requirements imposed by the relevant governmental authorities (including changes derived from state and local elections) may materially adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. In addition, the Company is exposed to risks of a local recession, the occurrence of a natural disaster, an increase in local crime rates or local political and social developments in the regions in which the Company operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The insurance the Company contracts may be inadequate.

The Company has insurance for its operations in Mexico, including the Company's LNG terminal and related marine facilities, power generation facilities, pipeline systems, storage systems and power distribution systems, including property insurance, liability insurance, excess liability insurance, environmental liability insurance and business interruption insurance, in amounts and with deductibles that the Company considers appropriate. However, the Company cannot assure you that the insurance currently in place or other insurance that may be appropriate will be available in the future at commercially reasonable rates. In addition, in any particular instance the Company's insurance coverage could prove to be insufficient or an accident or casualty could occur that either is not covered or becomes the subject of a dispute. Currently, the insurance policy program of the Company excludes certain types of events (for example, for losses caused by war or government action) since these types of losses are often not economically insurable.

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

Changes to, or the replacement of the Reference LIBOR Interest Rate, could adversely affect the Company's business, financial situation, liquidity and results of operations.

In July 2017, the UK Financial Conduct Authority ("FCA"), the regulatory authority for financial services companies and the financial markets in UK, announced that they will plan a gradual phase-out of the London Interbank Offer Rate ("LIBOR") interest rate reference. The FCA indicated that they will support LIBOR indices during 2021 to allow for an orderly transition to an alternative benchmark rate. LIBOR indices, in particular the LIBOR rate for the United States Dollar, are frequently used as a benchmark for credit and derivative contracts entered by the Company. Still, it is uncertain whether the LIBOR rate will change or cease to exist or the reference for future contracts. Other reference rates could work differently from the LIBOR rate or run other consequences that cannot be anticipated. Up to December 31, 2019, 38% of the Company's consolidated debt denominated in foreign currencies were linked to the LIBOR rate. A transition or changes to the reference LIBOR interest rate could adversely affect the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company regularly works with volatile and hazardous materials that subject it to risks that may materially impact the Company's operations.

The Company's business involves storing and transporting highly flammable and explosive materials, which are subject to extensive regulation. Even if the Company complies with requisite environmental, sanitary, security, transportation, risk management and safety requirements and standards, its operations are subject to significant hazards associated with using, storing, transporting and disposing of such materials, including:

- Explosions;
- Fires;
- Severe weather and natural disasters;
- Mechanical failure, including pipeline or storage tank leaks and ruptures;
- Discharges or releases of hazardous substances or gases;
- Other environmental risks; and
- Terrorist attacks, vandalism or sabotage.

If any of these hazards were to cause an accident, damage or destruction in relation to the Company's business, this could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities. See "Risks Relating to Business and Industry - The Company is subject to numerous environmental, health and safety regulations that may become more stringent in the future and may result in increased liabilities and increased capital expenditures."

The Company's natural gas distribution business (ECOGAS system) may face increased competition due to the expiration of its exclusivity period.

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

The Company may be subject to interruptions or failures in the Company's information technology systems.

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

Finally, as seen with recent cyber-attacks against private or government cyber-attack may be inflicted large-scale harm on a company in the corporate or in places where the infrastructure operates. Any cyber-attack even if it is not addressed directly against the Company or its assets could cause widespread disruptions to the Company's operation and administrative systems, including the destruction of critical information and a catastrophic event including the total or partial loss of the asset, These kind of events could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

New business technologies present a risk for attacks on the Company's information systems and the integrity of the power grid and infrastructure.

Elements of the Company's energy infrastructure may be exposed to cyber security risks. In addition to general information and cyber risks, such as malware, malicious intent by insiders and inadvertent disclosure of sensitive information, the energy industry faces evolving cyber security risks associated with protecting sensitive and confidential customer information, smart-grid infrastructure, automated metering, and other electronic infrastructure components. Deployment of new business technologies represents a new and large-scale opportunity for attacks on information systems and confidential information as well as the integrity of the energy grid and natural gas infrastructure. While the Company's information technology systems have been and will likely continue to be subjected to the risk of computer viruses or other malware, unauthorized access, attempts and cyber or phishing attacks, to date the Company has not experienced a material cybersecurity breach. Addressing these risks is the subject of significant ongoing activities across the Company's businesses, but no assurance can be given that a successful attack will not occur. Any attack on the Company's information systems, the integrity of the energy grid or any of the Company's facilities, or the unauthorized use of confidential customer data could result in energy delivery service failures, financial loss, violations of privacy laws, customer dissatisfaction and litigation, any of which, in turn, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

In the ordinary course of the Company's business, it collects and retains sensitive information, including personal identification information about customers and employees, customer energy usage and other information. The theft, damage or improper disclosure of sensitive electronic data can subject the Company to penalties for violation of applicable privacy laws, subject it to claims from third parties, require compliance with notification and monitoring regulations and harm reputation. Any cyber-attack could cause widespread disruption to its operating and administration systems, including the destruction of critical information and programming, which could affect the business, operations and integrity of the electric network, reveal Company's confidential information, as well as its customers, employees and others.

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

Currently, industrial customers of the natural gas distribution business use natural gas as their main source of energy for their operations. However, in the future other energy sources might become available at competitive costs.

This circumstance could affect the demand for natural gas and consequently the Company's revenues and financial position.

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

Excess supply of energy and related products could negatively impact the results of the Company's Termoeléctrica de Mexicali power plant.

Several of the wholesale markets supplied by merchant power plants have experienced significant pricing declines due to excess supply of energy and related products. The results of the Termoeléctrica de Mexicali power plant could be adversely affected if it is unable to adequately sell its output through long-term agreements or at prices that are higher than the future price curves, or if it needs to recognize losses with respect to the capital already invested in the project as a result of significant changes to the market or regulatory conditions, among other factors, these are risks that the Company takes. The Company may manage risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak energy sales, daily and hourly spot market sales of capacity, energy and ancillary services, and longer-term structured transactions. However, the Company cannot provide assurance regarding the implementation of these risk management measures or how successful such implementation may be and entering into long-term contracts in oversupplied markets could prove difficult.

Severe weather conditions, natural disasters, catastrophic accidents, major equipment failures could have a material adverse effect on the Company's businesses, financial condition, results of operations, cash flows and/or outlook.

Like other major industrial facilities, ours may be damaged by severe weather conditions, natural disasters such as earthquakes, tsunamis and fires, catastrophic accidents, major equipment failures. Because the Company is in the business of using, storing, transporting and disposing of highly flammable and explosive materials and operating highly energized equipment, the risks such incidents may pose to the Company's facilities and infrastructure, as well the risks to the surrounding communities, are substantially greater than the risks such incidents may pose to a typical business. The facilities and infrastructure that the Company own and in which it has interests (or which in the future the Company may own or have an interest in) that may be subject to such incidents include, but are not limited to:

- Natural gas, LPG and ethane pipelines, storage and compression facilities;
- LNG and refined product such as diesel, gasoline, MTBE or jet fuel terminals and storage;
- Electric transmission infrastructure; and
- Power generation facilities.

Such incidents could result in severe business disruptions, property damage, injuries or loss of life, significant decreases in revenues and earnings, and/or significant additional costs to us. Any such incident could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Depending on the nature and location of the facilities and infrastructure affected, any such incident also could cause catastrophic fires; release of natural gas odorant; natural gas, LPG, ethane or refined products leaks; explosions, spills or other significant damage to natural resources or property belonging to third parties; personal injuries, health impacts or fatalities; or present a nuisance to impacted communities. Any of these consequences could lead to significant claims against us. In some cases, the Company may be liable for damages even though the Company is not at fault, and in cases where the concept of inverse condemnation, strict liability or similar legal concepts (such as *responsabilidad objetiva*) apply, the Company may be liable for damages without being found to be at fault or to have been negligent. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds the Company receives may be insufficient to cover the Company's losses or liabilities due to the existence of limitations, exclusions, high deductibles, failure to comply with procedural requirements, and other factors, which could have material adverse effect on the Company's businesses, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Severe weather conditions may also impact the Company's businesses. Significant rainstorms and associated high winds, could damage the Company's electric, natural gas, LPG o refined products infrastructure, resulting in increased expenses, including higher maintenance and repair costs, and interruptions in electricity and natural gas delivery services. As a result, these events can have significant financial consequences, including regulatory penalties and disallowances if the Company's utilities encounter difficulties in restoring service to their customers on a timely basis. Further, the cost of storm restoration efforts may not be fully recoverable through the regulatory process. Any such events could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company does not carry out the operation of some assets that belongs to the Company because there are Operation & Maintenance Agreements (O&M) that were legaded when certain acquisitions were made.

The Company acquired some assets that had in place an Operation & Maintenance Agreement with Pemex. Such assets are: Gasoductos del Sureste, Transportadora del Norte and TDF. The Company carries out an adequate control of the operations based on its own standards; however, it cannot foresee that there will be an incorrect management of those assets at any time. Any incorrect operative management of these assets not operated by the Company could have a material adverse effect on the Company's businesses, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

The Company seeks growth opportunities in the market through organic and inorganic growth, which includes companies that are already in operation.

The Company performs its best efforts to analyze the economic viability of each acquisition it carries out. However, it is exposed to a wrong decision due to not performed an adequate diligence, difficulty in integrating the asset under the Company's standards or hidden defects that were not foreseen in the negotiation. Any of these events could affect the Company's businesses, financial condition, results of operations, cash flows, outlook and/or the market price of its securities.

Risks Relating to the Company's Shares and Other Securities Issued by it

The market price of the Company's shares and other securities issued by it may fluctuate significantly, and you could lose all or part of your investment.

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

- Significant volatility in the market price and trading volume of securities of companies in the Company's sector, which are not necessarily related to the operating performance of these companies;
- The depreciation of the peso against the Dollar can negatively impact the price of the Company's shares in Dollar terms;
- Risks related to the global economy and the economies of the United States and Mexico;
- Investors' perceptions of the Company's outlook and the outlook of its sector;
- Potential differences between the Company's actual financial and operating results and those expected by investors;

- Changes in earnings or variations in operating results;
- Operating performance of companies comparable to the Company;
- Actions by the Company's indirect controlling shareholder with respect to the disposition of the shares it beneficially owns or the perception that such actions might occur;
- Additions or departures of key management personnel;
- Announcements by the Company or its competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- New laws or regulations or new interpretations of laws and regulations, including tax guidelines, applicable to the Company's businesses or its securities;
- General economic trends in the Mexican, United States or global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events;
- Political conditions or events in Mexico, the United States and other countries;
- Changes in the credit ratings or perspective assigned to Sempra Energy (Parent company),Mexico or the Company's customers; and
- Interest rates increase in Mexico and the United States.

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

The Company is a holding company and depends on the results of operations of its subsidiaries and joint ventures.

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

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

Investing in Mexican securities, such as the Company's shares, involves a higher degree of risk than investing in securities of issuers from countries with more stable political and economic environments and such investments are generally considered speculative in nature. These investments are subject to certain economic and political risks, such as, among others: (1) changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payment, in whole or in part, with respect to their investments, and (2) restrictions on foreign investment and on repatriation of invested capital. The Company cannot assure you that the liquidity of its shares will significantly increase, which could affect the ability of the purchasers of the shares to sell them at the price and time expected.

An active and liquid market for the Company's shares may not continue, which could limit your ability to sell your shares at the desired price and time.

The Mexican securities market is substantially smaller, less liquid, more volatile and more concentrated than the major international securities markets. The relative volatility and liquidity of the Mexican securities markets may substantially limit your ability to sell your shares at the time and price you desire. In addition, the Mexican Stock Exchange operates a system which suspends trading in shares of a particular issuer when fluctuations in the price of such shares (expressed as percentage of that day's opening price) exceed certain levels. As a result of these factors, you may not be able to sell your shares at the time or price you desire or at all.

Future or current issuances of securities, or the possibility or perception of such future issuances, may materially affect the market price of the Company's securities.

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

Terms and conditions of some indebtedness and / or debt instruments issued by the Company include restrictions that affect its ability to operate or finance. Furthermore, future offerings of debt or preferred securities may limit the Company's operating and financial flexibility and may materially adversely affect the market price of, and dilute the value of, its securities.

The Company and its subsidiaries are subject to contractual obligations that restrict their ability to operate or finance. Among others, these obligations could limit the change of control of the Company and its subsidiaries, its ability to issue secured debt, sell certain assets, or carry out corporate reorganizations such as mergers or spin-offs. See section "Financial Situation, Liquidity and Capital Resources"

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

The interests of Sempra Energy, the Company's indirect controlling shareholder, could conflict with yours.

Sempra Energy, which is the indirect shareholder that exercises the control of the Company has and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to the Company's shareholders and thus exercise control over the Company's business policies and affairs, including the following:

- The composition of the board of directors and, consequently, any determinations of it with respect to the Company's business direction and policy, including the appointment and removal of the Company's officers;
- Determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;

- Whether dividends are paid, or other distributions are made and the amount of any such dividends or distributions;
- Sales and dispositions of the Company's assets; and
- If applicable, the amount of incurred debt financing.

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

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

The Company is part of a corporate group, and it enters into transactions with related parties and affiliates, which could result in conflicts of interest.

The Company has entered into and intends to continue to enter into transactions with several entities directly or indirectly owned or controlled by Sempra Energy, the Company's indirect controlling shareholder. Mexican law applicable to public companies and the Company's bylaws provide for several procedures designed to ensure that the transactions entered into with or among the Company's subsidiaries and its parent company do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of the Company's board of directors for some of these transactions. The Company is likely to continue to engage in transactions with its indirect controlling shareholder, subsidiaries and affiliates, and among its subsidiaries and affiliates, and no assurance can be given that the terms that the Company or its subsidiaries consider to be "substantially on market conditions" will be considered as such by third parties. In addition, future conflicts of interest between the Company and its indirect controlling shareholder or any of its subsidiaries or affiliates, and among its subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in the favor of the Company. For example, Sempra Energy owns a liquefaction plant in the state of Louisiana and is developing another plant in the state of Texas, Sempra Energy can take assessment of the Company's potential liquefaction plant. See "Related Party Transactions and Conflicts of Interest."

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

The amount available for cash dividends, if any, will be affected by many factors, including the Company's future operating results, financial condition and capital requirements, and the terms and conditions of legal and contractual restrictions, such as the terms of debt instruments applicable to us, the Company's subsidiaries and joint ventures, among other variables. Also, the amount of cash available for dividend payments may vary significantly from estimates. The Company can offer no assurance that the Company will be able to pay or maintain the payment of dividends. The Company's actual results may differ significantly from the assumptions made by the Company's board of directors in recommending dividends to shareholders or in adopting or amending a dividend policy in the future. Also, there can be no assurance that the Company's board of directors will recommend a dividend payment to the Company's shareholders or, if recommended, that the Company's shareholders will approve such a dividend payment. Sempra Energy, as the Company's indirect controlling shareholder, has the ability to establish and modify any dividend policy as well as to determine the payment of dividends, if any. The payment of dividends and the amounts of dividend payments paid by the Company to the Company's shareholders are subject to the approval of the Company's shareholders. As long as the Company's indirect controlling shareholder continues to own the majority of the Company's shares, it will have the ability to determine whether dividends are paid and the amount of such dividends.

Dividend distributions to holders of the Company's shares may be made in Mexican pesos.

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

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

The protections afforded to minority shareholders in Mexico are different from, and may be weaker than, those in other jurisdictions, including the United States. Although Mexican law permits any shareholder owning 5% of the Company's outstanding common shares to file a shareholder derivative suit against corporate action upon meeting certain procedural requirements and provides specific duties of care and loyalty applicable to the Company's directors and to the Company's principal officers, the substantive law concerning duties of directors has not been the subject of extensive judicial interpretation in Mexico.

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

Preemptive rights may be unavailable to non-Mexican shareholders.

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

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

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

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

The Company's bylaws contain provisions that require approval of the Company's board of directors for an acquisition of a significant stake in the Company's capital stock.

Certain provisions in the Company's bylaws could make it difficult for a third party to acquire a significant ownership percentage of the Company's shares. These bylaw provisions could discourage certain types of transactions involving the acquisition of the Company's shares. Also, these provisions could discourage transactions in which the Company's shareholders would receive a premium on current market value for their shares. For example, subject to certain exceptions, any person who seeks to acquire beneficial ownership of 10% or more of the Company's outstanding capital stock will need to obtain the prior written approval of the Company's board of directors. If the approval of the Company's board of directors is required under its bylaws for any share acquisition or voting agreement, and such acquisition or voting agreement is undertaken without such approval, the voting rights with respect to such shares may be null and void, and a person who acquires shares in violation of these provisions would be required to sell them within 90 days of such acquisition. The Company's board of directors may consider certain factors set forth in the Company's bylaws, as well as any prior approvals of governmental authorities required for such acquisition, including antitrust or other regulatory approvals (such as any prior approval of the U.S. Federal Energy Regulatory Commission required for such proposed purchase). See "Legal Framework and Fiscal Situation."

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

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

The Company's bylaws contain provisions designed to discourage transactions involving a change of control that could otherwise be beneficial to us.

Certain provisions in the Company's bylaws could make it difficult for a third party to acquire a significant ownership percentage of the Company's shares without creating an obligation to purchase all or part of the Company's shares. These bylaw provisions could discourage certain types of transactions involving the acquisition of the Company's shares. Also, these provisions could discourage transactions in which the Company's shareholders would receive a premium on current market value for their shares. If a person undertakes a share acquisition in violation of the anti-takeover provisions contained in the Company's bylaws, such person will not be able to exercise the corporate rights otherwise conferred by the relevant shares, including, specifically, any voting rights with respect to such shares. Furthermore, a person who acquired shares in violation of these provisions would be required to sell them in a single transaction or a series of transactions through the Mexican Stock Exchange within 90 days of such acquisition, without prejudice of the economic rights accruing in favor of such person as a result of the ownership of such shares pending their sale. The Company's board of directors may consider certain factors set forth in the Company's bylaws, as well as any prior approvals of governmental authorities required for such acquisition, including antitrust or other regulatory approvals. See "Management- the Company's Bylaws and Other Agreements - Anti-Takeover Protections".

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

As required by Mexican law, the Company's bylaws provide that non-Mexican shareholders will be treated like Mexican citizens with respect to shares held by them, with respect to the Company's property rights, concessions, participations and interests, and with respect to rights and obligations derived from any agreement between the Company and the Mexican government. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have with respect to its investment in us. If you invoke such governmental protection in violation of this agreement, your shares may be forfeited to the Mexican government.

Risks Relating to Forward-looking Statements

This report contains estimates and forward-looking statements. These statements relate to the Company's business, financial condition, results of operations, cash flows and outlook. The Company's estimates and forward-looking statements are based primarily on its current expectations and estimates of future events and trends. Although the Company believes that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information available to the Company as of the date of this Report.

The Company's estimates and forward-looking statements may be affected by, among others, the following factors:

- Local, national and international economic, competitive, political, legislative and regulatory conditions and developments;
- The political, economic and social conditions in the international arena, in Mexico and in those states and municipalities where the Company's investments are located;
- Actions and the timing of actions by regulatory, governmental and environmental bodies in Mexico and other countries, including actions relating to the reform of the Mexican energy sector;
- Deviations from precedents and regulatory practices that result in the reallocation of benefits or obligations between regulated energy service providers and their investors, customers, shareholders, suppliers and others, as well as delays in regulatory authorizations by agencies, to recover costs in the rates charged from customers;
- The availability of electric power, natural gas and liquefied natural gas, pipeline and storage capacity, including disruptions caused by failures in the distribution network, pipeline explosions and equipment failures;
- Energy markets, including the timing and extent of changes and volatility in commodity prices; as well as the impact of any material reduction in the price of oil that has been more prolonged or severe, compared to historical averages;
- Services and financing provided to the Company by affiliates;
- The resolution of civil and criminal litigations and property disputes;
- The loss of significant suppliers or customers;
- The Company's ability to successfully complete and integrate business acquisitions;
- Tax Changes;
- The Company's ability to hire, train and retain qualified employees and executives;
- The timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations;

- The Company’s ability to successfully compete with its peers for the award of energy infrastructure projects;
- The Company's ability to successfully integrate and achieve the expected synergies in the acquisitions and joint ventures it enters into;
- Wars, terrorist attacks, local crime, weather conditions, natural disasters, catastrophic accidents, equipment failures and preservation efforts and any other event that could disrupt the Company's operations, cause damage to facilities and systems, cause the emission of harmful or greenhouse gases or subject the Company to claims against third parties for property damage or personal injury, some of which may not be covered by insurance (including costs in excess of applicable policy limits) or may be contested by insurers;
- Business, regulatory, environmental and legal decisions and requirements;
- The inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity supply agreements, including those denominated in or indexed to the U.S. Dollar;
- Increased competition due to expected expansion of the natural gas sector in Mexico;
- Reliance on transportation assets and services that the Company does not own or control to deliver natural gas and other hydrocarbons;
- Risks posed by working with volatile and hazardous materials;
- Risks posed by attacks on the Company’s information systems and integrity of its energy grid, attacks used to operate the Company's businesses, the integrity of the energy grid, the confidentiality of relevant Company information, as well as the personal information of the Company's customers and employees;
- Temporary or permanent disruption of operations at the Company’s existing pipelines, storage facilities, and / or power generation facilities due to acts of God, *force majeure* or other events outside of the Company’s control;
- Government expropriation of assets and title and other property disputes or changes in the agreement covenants;
- Capital markets conditions, including the availability of credit and the liquidity of the Company’s investments;
- The risks posed by the decisions and acts of third parties that control operations or investments in which the Company does not have a controlling interest, and risks that the Company's partners and counterparties are not capable of (due to liquidity problems, bankruptcy or others) or are unwilling to fulfill their contractual obligations;
- Other risks and uncertainties discussed under “Risk Factors” and elsewhere in this report, which may be difficult to predict and many of which are beyond the control of the Company.

The words “believe,” “expect,” “anticipate,” “plan,” “estimate,” “project,” “foresee,” “intend,” “propose,” “should,” “could,” “may,” “will,” “objective,” “goal,” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date of this report. The Company’s future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements contained in this report might not occur and the Company’s future results and performance may differ materially from those expressed in these forward-looking statements. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

OTHER SECURITIES

The Company established a five-year program for the issuance of Notes in an aggregate principal amount of up to Ps.12.8 billion or its equivalent in Mexican UDIs, which was approved by the Mexican Banking and Securities Commission for registration with the Mexican Securities Registry maintained by it, under registration No. 3420-4.15-2013-001, effective February 11, 2013. This program expired on February 11, 2018.

On February 14, 2013, the Company issued two series of Notes in an aggregate principal amount of Ps.5.2 billion (USD$408 million, based on the exchange rate of Ps.12.7364 to USD$1.00 published by the Banco de México on February 12, 2013, which is the date of execution of the foreign currency swaps discussed below) under this program: A series of 10-year, 6.30% Notes in the principal amount of Ps.3.9 billion (USD$306 million), and a series of floating-rate Notes in the principal amount of Ps.1.3 billion (USD$102 million) that accrue interest at the TIIE rate plus 30 basis points. The second series of Notes were fully paid at maturity on February 8th, 2018. The Company used the net proceeds from the sale of the Notes, or approximately USD$408 million, to repay approximately USD$356 million in outstanding indebtedness with affiliates and to fund the Company's expansion plans. On February 12, 2013, the Company entered into certain swap agreements to hedge its exposure to changes in interest rates and to the Company's Mexican peso-denominated obligations under the Notes. These included a swap agreement pursuant to which the Company replaced the floating, Mexican-peso denominated interest rate on the five-year Notes due in 2018, with a fixed, U.S. Dollar-denominated rate, and a swap agreement pursuant to which the Company replaced the fixed, Mexican peso-denominated interest rate on the Company's 10-year Notes due in 2023, with a fixed, U.S. Dollar-denominated rate. See "Financial Condition, Liquidity and Capital Resources – Outstanding Debt" and "Financial Condition, Liquidity and Capital Resources – Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk Management."

On December 14, 2017, the Company issued USD$840 million of International Senior Notes, comprised of USD$300 million aggregate principal amount of the Company's 3.750% due 2028 and USD$540 million aggregate principal amount of the Company's 4.875% Senior Notes due 2048 (collectively, the "Senior Notes"). The Senior Notes received an investment grade rating from Fitch (BBB+), Moody's (Baa1) and Standard & Poor's (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 were offered and sold in a private placement to qualified institutional buyers in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S under the United States Securities Act of 1933 as amended. The Company did not register the Senior Notes in Mexico or the United States. The Senior Notes were registered in the Singapore Exchange Securities Trading Limited.

As a result of the above, the Company is subject to the disclosure and reporting requirements imposed by the Mexican Banking and Securities Commission's Rules for Securities Issuers, Rules for External Auditors and the Internal Regulations of the Mexican Stock Exchange. For each periodical report or communication presented before the CNBV and the Mexican Stock Exchange, the Company will file simultaneously an English version, with certain exceptions due to time difference, to the Singapore Exchange Securities Trading Limited. Except as described above, the Company is not subject to any disclosure requirements imposed by other regulatory authorities or securities markets.

Since 2013, the Company has complied as and when due with all of the quarterly, annual, legal information and material events reporting obligations under the Rules for Securities Issuers, Rules for External Auditors and the Internal Regulations of the Mexican Stock Exchange.

MATERIAL CHANGES IN THE TERMS OF THE COMPANY'S REGISTERED SECURITIES

As of the date of this Annual Report, the Company has not made any change in the terms of the securities the Company has registered with the Mexican Securities Registry and maintained by the Mexican Banking and Securities Commission.

USE OF PROCEEDS

Proceeds from the various public offers carried out by the Company have been, as of the date of this Report, fully applied in accordance with the destination indicated in the prospectus of placement and / or corresponding information supplements.

PUBLIC DOCUMENTS

The Company has complied as and when due with all of the quarterly and annual reporting obligations under the Mexican Securities Market Law (*Ley del Mercado de Valores*), the Rules for Securities Issuers and the Internal Regulations of the Mexican Stock Exchange, and with the reporting obligations under the Company's agreements with the rating agencies. Such information is available for consultation by the public by contacting the Company's investor relations department at:

Infraestructura Energética Nova, S.A.B. de C.V.
Investor Relations
Paseo de la Reforma No. 342, Piso 24
Colonia Juárez
06600 Ciudad de México
Tel: +52 (55) 9138-0100
E-mail: ienovainvestorrelations@ienova.com.mx

Such information is available for consultation by the public at the Company's website www.ienova.com.mx

THE ISSUER

a) The Company's History and Evolution

The Company was organized on April 2, 1996, under the name Enova de México, S.A. de C.V., pursuant to public instrument No. 1,352, attested to by Pedro Cortina Latapí in his capacity as notary public No. 226 for Mexico City, and became registered with the Public Registry of Commerce (*Registro Público de Comercio*) for Mexico City under file No. 209,466, on April 15, 1996. The Company was organized for an original term of 99 years, however, currently it has indefinite duration. On April 25, 2008, the Company adopted the form of a limited partnership (*sociedad de responsabilidad limitada*) under the Mexican Corporations Law (*Ley General de Sociedades Mercantiles*) and changed the Company's name to Sempra Energy México, S. de R.L. de C.V. On December 3, 2008, the Company changed its name to Sempra México, S. de R.L. de C.V.

Effective February 20, 2013, the Company adopted the form of a limited liability, variable stock corporation (*sociedad anónima de capital variable*) based on a resolution adopted by the Company's shareholders at an extraordinary shareholders' meeting held February 15, 2013. On March 1, 2013, based on a resolution adopted by the Company's shareholders at an extraordinary shareholders' meeting, the Company changed its name to Infraestructura Energética Nova, S.A. de C.V. and began operating under the trade name "IEnova." This change in name was reflective of Sempra Energy's strategy of creating a separate and distinct entity under which to integrate and consolidate all of its Mexican assets.

On March 6, 2013, the Company's shareholders approved by unanimous consent, in lieu of a shareholders' meeting: (i) the registration of the Company's shares with the Mexican National Securities Registry; (ii) the Company's transformation into a publicly-traded, limited liability variable stock corporation (*sociedad anónima bursátil*) and the Company's change of name to Infraestructura Energética Nova, S.A.B. de C.V. by the amendment of Article One of the Company's corporate bylaws; and (iii) a global offering of the Company's shares.

The Company's corporate headquarters are located at Paseo de la Reforma 342, Piso 24, Colonia Juárez, 06600 Mexico City. The Company's telephone number at this address is +52 (55) 9138-0100.

Recent Developments

The Company reorganized its prior reporting segments effective first quarter 2020. The change does not affect the accounting policies nor the preparation basis of the financial information. This change aligns how the management will evaluate and review the performance of the business. Disclosure are uniformly conducted in accordance with the new segments for 2020.The new reportable segments are Gas, Storage and Power. For additional details see notes 1 and 11 of the Condensed Interim Consolidated Financial Statements as of March 31, 2020.

In *March 2020, U.S. International Development Finance Corporation ("DFC")* approved a 15-year financing for IEnova for up to $241 million. Subject to the execution of the relevant documentation, the Company expects to close this financing in the next few weeks. Additionally, the Company entered into a 15-year credit facility for $100 million with JICA. This transaction is JICA's first private sector investment finance project in Mexico, since 2012. Both transactions are part of the financing structure that the Company closed in November 2019 with IFC, a member of the World Bank Group, and NADB. The funds will be used to finance and/or refinance the construction of solar generation projects within IEnova's portfolio.

Material Events

*In December 2019, Los Ramones Norte natural gas pipeline, a joint venture between the Company and Brookfield, issued USD$332 million of 20-year senior secured note*s 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. In October 2019, Brookfield Asset Management acquired a 50 percent participation in Los Ramones Norte pipeline from BlackRock.

In November 2019, the Company entered into 15-year credit facilities for USD$200 million with International Finance Corporation, a member of the World Bank Group, and North American Development Bank. This is the first loan certified under the Green Loan Principles that IFC grants to a company in Mexico.

During the second half of 2019, the Company announced Border Solar, a fully contracted 150-megawatt solar project, representing a total investment of approximately USD$160 million. The project will supply energy to Circle K, Liverpool, Envases Universales and Grupo Cementos de Chihuahua.

In September 2019, the Company entered into a two-year revolving credit agreement for up to USD$280 million with The Bank of Nova Scotia.

In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreements corresponding to the South Texas - Tuxpan marine pipeline establishing a new tariff structure and a 10-year contract extension. In September 2019, the South Texas - Tuxpan pipeline reached commercial operations under the new commercial agreement with CFE.

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 January 2020, the Guaymas - El Oro contract suspension was extended until May 15, 2020. In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreement corresponding to the Guaymas - El Oro establishing a new tariff structure and a 10-year contract extension. Such agreement fulfills both parties' interests while maintaining the overall integrity and economics of the original contract.

In June 2019, the Company announced the expansion plan for ECOGAS to connect approximately forty thousand new customers during the next years, with an investment of approximately USD$80 million.

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.

During the second quarter of 2019, the Company executed two long-term contracts with BP and Marathon for the receipt, storage, and delivery of refined products, securing the full capacity of the Manzanillo terminal. With an investment of approximately $285 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 was included, for the fifth consecutive year, in the Mexican Stock Exchange's 2019 Sustainability Index "S&P/BMV IPC Sustentable".

In April 2019, the Company entered into a revolving credit agreement with Scotiabank, for up to $100 million.

In March 2019, ECA Liquefaction project received U.S. authorizations for natural gas export to Mexico and re-export to Non-FTA Countries. In 2018 the Company and Sempra LNG signed Heads of Agreements with customers for substantially the full export capacity of ECA Liquefaction Phase 1.

Increase and term extension to revolving credit agreement. In February 2019, the Company informed that in connection with its existing revolving credit agreement of $1,170 million, it entered into an amendment agreement to (i) increase the amount of the credit line under the Credit Agreement to $1,500 million, (ii) extend the term thereof from August 2020 to February 2024 and (iii) include JP Morgan and Credit Agricole to the lenders' syndicate. The financial institutions that are part of the Credit Agreement are: Banco Santander, MUFG Bank, The Bank of Nova Scotia, Sumitomo Mitsui Banking Corporation, Banamex, Bank of America, BBVA Bancomer, Mizuho Bank, JP Morgan and Credit Agricole.

b) Business Description

i) Main Activity

The Company is the first private-sector publicly traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. The Company develops, builds and operates energy infrastructure. Its activities in Mexico include several business lines that encompass a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

The Company's assets are divided in two business segments: (1) Gas segment, which includes natural gas, LPG and ethane pipelines, as well as LNG, LPG and refined products storage, and sell and distribution of natural gas; and (2) Power segment, which includes a natural-gas-fired, combined-cycle power generation facility, wind and solar power generation facilities. The Company's assets generate revenues primarily under U.S. Dollar-denominated contracts on a firm basis, which are long-term in nature and entered into with predominantly stable, creditworthy counterparties.

As a result of changes to Mexican gas regulation in 1995, the Company was one of the first private companies to enter the energy infrastructure business in Mexico. During the last 23 years, the Company has increased its presence as a leader in private investment in the Mexican energy sector (including organic growth through the development of new projects, such as acquisitions and by diversifying its customer base) As of December 31, 2019, the Company total assets of approximately USD$9.6 billion, positions it as one of the largest private sector companies in the country.

The Company's achievements as pioneers in private investment in Mexican energy infrastructure include the following:

- The Company was the first private company to be awarded a natural gas distribution contract through a public auction following the 1995 reform of the regulatory framework for the Mexican energy sector; the Company owns and operates a natural gas distribution utility, ECOGAS, in three distribution zones: Mexicali since 1996 (serving the city of Mexicali), Chihuahua since 1997 (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna–Durango since 1999 (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango);

- The Company built the first natural gas pipeline in the state of Baja California, and the Company has been the sole developer of open-access natural gas pipelines in Baja California;

- The Company developed the first natural gas infrastructure joint venture in Mexico between Pemex and private companies;

- The Company built the first LNG terminal on the west coast of North America and together with Sempra Energy, is developing the first natural gas liquefaction terminal in Mexico;

- The Company built, through a joint venture with TC Energy, the first natural gas marine pipeline in its type, the South of Texas-Tuxpan pipeline wich started operations on September 2019. With approximately 800 km natural gas transportation system with a capacity of approximately 2,600 MMcfd (27 MMThd) and a compression station;

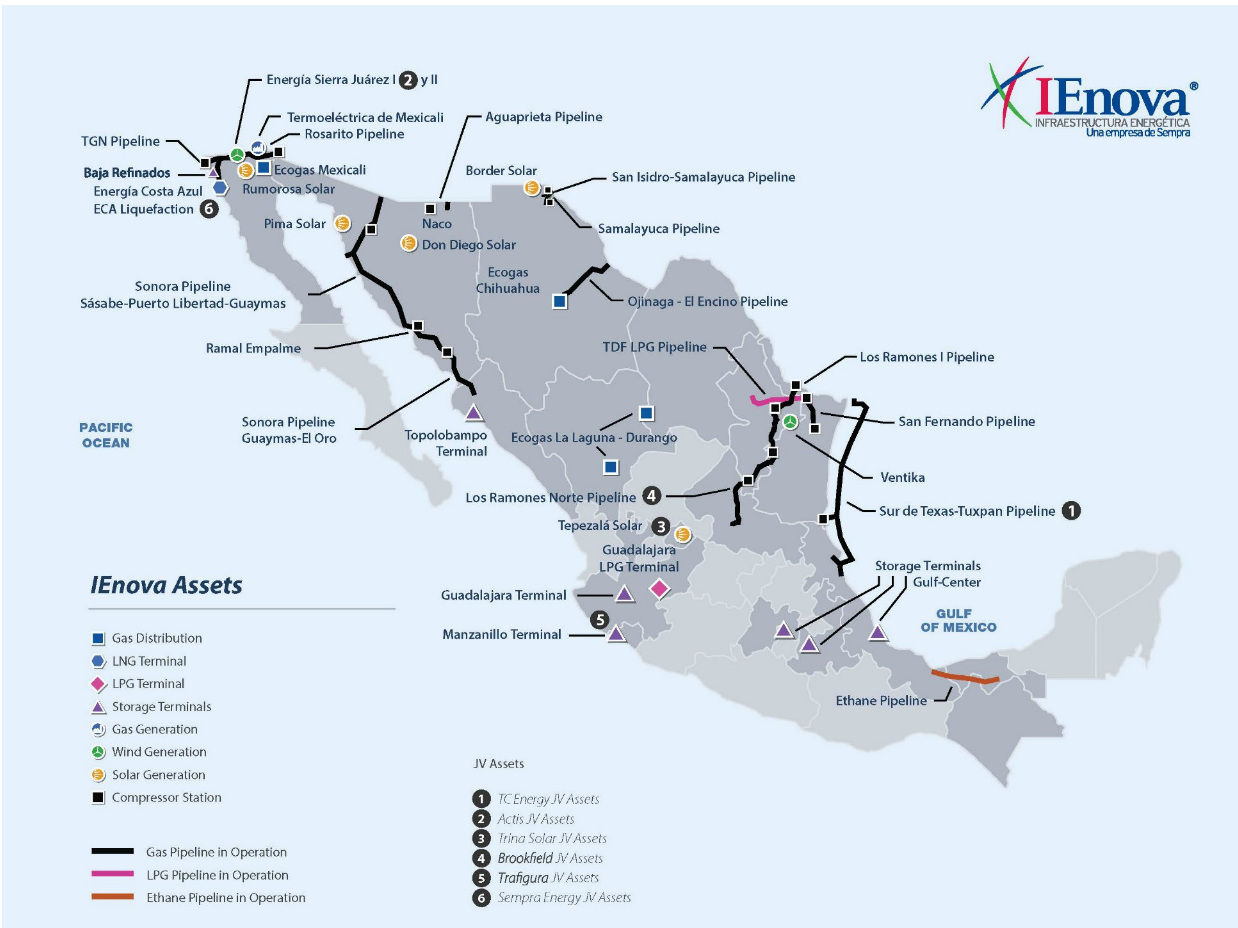
- The Company executed a 20-year contract between Pima Solar and DeAcero for the supply of energy, clean energy certificates and capacity from a new photovoltaic solar power plant that will be located in Caborca, Sonora. This transaction marked a milestone in the Mexican electricity sector as the first post-energy reform contract between a generator and a private consumer. Pima Solar started operations during the first quarter of 2019, and it has a capacity of 110 MW_{AC};

- The Company was awarded the first concession by the Integral Port Authority (Administración Portuaria Integral) of Veracruz for the construction and operation of a new marine terminal in the new port of

Veracruz, which will be used for the receipt, storage and delivery of refined petroleum products, mainly gasoline, diesel and jet fuel. It will have a capacity of approximately 2.1 million barrels. The Company executed a long-term, dollar-denominated firm storage capacity contract with a subsidiary of Valero for the full capacity of the new marine terminal in Veracruz and two in-land terminals in Puebla and the Valle de Mexico area; and

- The Company received the first loan certified under the Green Loan Principles that IFC grants to a company in Mexico to finance and/or refinance the construction of its portfolio of solar generation projects.

The following map shows the location of the Company's principal assets, in development or operation:



Gas Segment

Pipelines and Storage Business

- The Company's pipeline and storage business develops, builds and operates systems for receiving, transporting, compressing and delivering natural gas, ethane and LPG, as well as the storage of LPG throughout the states of Baja California, Chiapas, Chihuahua, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz. These systems (including assets under construction or operated through joint ventures) feature:

  - More than 2,900 km of natural gas pipelines with an aggregate design capacity of over 16,400 MMcfd (171 MMThd);

  - Thirteen natural gas compression stations with an aggregate of over 688,900 horsepower;

    - 190 km of LPG pipelines with a design capacity of 34,000 bpd (1.9 MMThd);
    - 224 km of Ethane Pipelines with a transportation capacity of up to 52 MMcfd (0.6 MMThd) in the first segment (as ethane gas); approximately 152 MMcfd (1.8 MMThd) in the second segment (as ethane gas), and approximately 106,000 bpd (3.1 MMThd) in the third segment (as ethane liquid); and
    - An LPG storage facility with a total capacity of 80,000 bpd (4.4 MMTh), near Guadalajara, in the state of Jalisco.

- The Company's current pipeline and storage assets include the Rosarito pipeline system, the TGN pipeline, the Aguaprieta pipeline, the Naco compression station, the Sonora pipeline, the Ojinaga–El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme Lateral pipeline, the San Fernando pipeline, Samalayuca pipeline, Los Ramones I pipeline, TDF LPG pipeline, the Guadalajara LPG terminal, the Ethane pipeline and through joint ventures, Los Ramones Norte pipeline and the South of Texas – Tuxpan pipeline.

Liquefied Natural Gas Business

The Company's LNG regasification terminal "Energía Costa Azul or ECA" located in the north of Ensenada, Baja California, began operations in 2008 and was the first LNG receiving facility on the west coast on North America. The Company's LNG terminal receives, stores and/or provides customer's LNG, and if the customer requires, regasifies their LNG and delivers the resulting natural gas to Rosarito pipeline system with delivery capability in Baja California, Mexico and the United States. The Company also purchases LNG for storage and regasification in the Company's LNG terminal and sells natural gas to third-party customers. The terminal has a storage capacity of 320,000 m3 (73.3 MMTh), in two tanks, each with a capacity of 160,000 m3 (36.6 MMTh), with a regasification capacity of 1,300 MMcfd (13.5 MMThd), or a nominal capacity of 1,000 MMcfd (10.4 MMThd).

The Company, together with Sempra LNG are developing ECA LNG, one of the first natural gas liquefaction plants in Mexico, which is to be located on the same property as our LNG Regasification terminal described in the previous paragraph. The project is being developed in two phases, Phase 1 called "ECA Liquefaction Mid-Scale" with a capacity of approximately 3 Mtpa and Phase 2 called "ECA Liquefaction Large-Scale" which will have at least 9 Mtpa capacity, adding a liquefaction capacity of Natural Gas of at least 12 Mtpa. Both phases will use existing infrastructure such as tanks, wharf, marine berths, among others, and additionally require new infrastructure to achieve these capacities. Phase 1 of the project is in the final stage of negotiation of the definitive long-term LNG purchase-sale agreements for substantially the total production.

Both phases have the majority of permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In January and March 2019, ECA LNG received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with and without a free trade agreement with the United States. The Company is currently in the process of obtaining the Mexican export permit for Phase 1.

The Company expects to make the Final Investment Decision (FID) during the second quarter of 2020 for Phase 1. Construction and commissioning of Phase 1 will take approximately 4 years, so the The Company anticipates having the first shipments of LNG for export during 2024. See "Description of the Company's main assets - ECA Liquefaction Project".

Refined Products Storage Business

The refined products storage business develops systems for the receipt, storage and delivery of petroleum products and other liquids, mainly gasoline, diesel and jet fuel in the states of Baja California, Colima, Jalisco, Puebla, Sinaloa, Veracruz and Valle de Mexico for private customers. Currently, the Company has four marine and three in-land terminals in process of development or construction, with a storage capacity of approximately 8 million barrels, and with the possibility of expansion.

Natural Gas Distribution Business

The Company owns and operates the ECOGAS natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With pipelines of approximately 4,138 km in length, this system currently serves approximately 132,000 industrial, commercial and residential customers.

For the years ended December 31, 2019, 2018 and 2017, the gas segment had revenues of approximately US $1,054, USD$1,059 million and USD$992 million, respectively, which accounted for 76%, 77% and 81% of the Company's total consolidated revenues, and an IEnova adjusted EBITDA of approximately USD$753, USD$716 million and USD$663 million, respectively, which accounted for 80%, 82% and 87% of the total IEnova adjusted EBITDA for the periods ended December 31, 2019, 2018 and 2017. This revenue figure does not include net equity in earnings from the Company's joint ventures, which are accounted for using the equity method; however, the Company includes the share of the EBITDA from its joint ventures in the gas segment IEnova adjusted EBITDA.

Power Segment

Natural Gas Fired Power Generation Business

The Company owns and operates the Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired, combined-cycle power generation facility located near Mexicali, Baja California. The power plant, which commenced commercial operation in June 2003, receives natural gas through a connection with the Rosarito pipeline system, which allows it to receive regasified LNG from the LNG terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility is a modern, efficient combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California. In July 2019, this facility received a clean industry certificate for outstanding environmental performance from the Mexican Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*) that is valid for two years. The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the grid controlled by the California Independent System Operator (CAISO) at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California.

Wind Powered Generation Business

The Company has three wing power generation facilities in operation and one facility in development located in Baja California and Nuevo Leon, these wind parks have the following characteristics:

- Energía Sierra Juárez is a joint venture with Actis, in which the Company holds a 50% interest. The initial phase of this project consists of 47 wind turbines with a total capacity of 252 MW. The full amount of electricity from the initial phase is purchased by the U.S. affiliate San Diego Gas & Electric under a 20-year U.S. Dollar denominated power purchase agreement. In November 2017, the Company executed another 20-year U.S. Dollar denominated power purchase agreement with San Diego Gas & Electric Company for a new wind power generation facility that will be located near the initial phase of Energía Sierra Juárez. The second phase of this project is on development, will have a 108 MW capacity and will require an investment of approximately USD$150 million, it is expected to start of operations in 2021.

- Ventika includes two adjacent wind parks located in Nuevo Leon with a capacity of 152 MW through 84 wind turbines. Substantially all of Ventika's generation capacity is contracted to private companies through 20-year, U.S. Dollar denominated energy supply agreements.

Solar Powered Generation Business

The Company has three solar parks in operation and two under construction, in the states of Aguascalientes, Baja California, Chihuahua and Sonora. These parks have the following characteristics:

- Pima Solar with a capacity of 110 $MW_{AC,}$ initiated commercial operation in the first quarter of 2019.

- Rumorosa Solar, with a capacity of 41 $MW_{AC,}$ initiated commercial operations in the second quarter of 2019.

- Tepezalá Solar, with a capacity of 100 MW_{AC}. initiated commercial operations in the fourth quarter of 2019. The project was developed in association with Trina Solar, who maintains a 10% minority participation.

- Don Diego Solar with a capacity of 125 $MW_{AC.}$ Commercial operation is expected during the first semester of 2020.

- Border Solar with a capacity of 150 $MW_{AC.}$ Commercial operation is expected during the second semester of 2020.

For the years ended December 31, 2019, 2018 and 2017, the power segment had revenues of approximately USD323 million, USD$308 million and USD$229 million, respectively, which accounted for 23%, 23% and 19% of the Company's total consolidated revenues, and a IEnova adjusted EBITDA of approximately USD$188 million, USD $161 million and USD$104 million, respectively, which accounted for 20%, 18% and 14% of the total IEnova adjusted EBITDA for the period ended December 31, 2019, 2018 and 2017. This revenue figure does not include net equity in earnings from the joint venture, which is accounted for using the equity method; however, the Company includes the share of the EBITDA from its joint venture in the power segment IEnova adjusted EBITDA.

Seasonality

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. Please refer to note 1.3. to the audited financial statements included in this Report.

Risks Relating to, and Effects of, Climate Changes

See "Risk Factors."

ii) Distribution Channels

See "Natural Gas Distribution Business."

iii) Patents, licenses, trademarks and other contracts

Intellectual Property

The Company and its subsidiaries currently hold several registered trademarks in Mexico, including the name and design logos in several classes of "IEnova", "ECOGAS", "IEnova Gasoductos", "IEnova Infraestructura Energética una empresa de Sempra Energía para Mexico" "Infraestructura energética una empresa de Sempra Energy", "IEnova Energía para México" and "Energía para México". Such trademark registrations are valid, and we expect they will be renewed prior to their expiration in accordance with applicable laws. In Mexico, trademark registrations can generally be renewed indefinitely every ten years as long as they are being used. To the knowledge of the Company, there are no disputes regarding the ownership of its trademarks. To the extent the Company considers any trademarks owned by its affiliates to be material to its business, it may enter into licenses with its affiliates for their use. The Company has no patents for its business activities.

iv) Main Customers

The following table includes the Company's revenue per customer. See Note 24.9.1 to the Company's audited financial statements included elsewhere in this report.

(in thousands of U.S. Dollars)		For the years ended on December 31,		
	Segment	**2019**	**2018**	**2017**
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
Revenue		1,379,256	1,368,555	1,222,905

* See Note 12 to the Company's audited financial statements included elsewhere in this report.

** Among others, there are no customers that represent more than 9% of the Company's revenue concentration.

Each of the following customers of the Company represent more than 10% of the revenue, for one or more of the years ended December 31, 2019, 2018 and 2017: CFE, SGPM and CENAGAS.

SGPM is a subsidiary of Sempra Energy, the indirect controlling shareholder of the Company.

v) Legal Framework and Fiscal Situation

Because the Company has various storage permits for LNG, LPG and other petroleum products; transportation permits through natural gas, LPG and Ethane pipelines; natural gas liquefaction permits; distribution permits through natural gas pipelines; natural gas commercialization permits, and self-supply generation, import, export and supply permits for qualified users of electrical energy, its activities in Mexico are governed by the Mexican Constitution and a diverse set of laws, regulations, general provisions, guidelines and official technical standards.

In addition to the regulations in force since 1995, which allow us to participate in the natural gas midstream and downstream private industry, the 2013 amendments to the Mexican Constitution and the overall energy legal framework have enabled the private sector to participate in the processing, refining, commercialization, transportation, storage, importation and exportation of hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, distribution, commercialization and retail of natural gas, the transportation, storage, distribution, commercialization and retail of refined products, the transportation (through pipelines) and storage (pipeline associated) of petrochemicals and the generation and commercialization of electricity in the wholesale electricity market, as well as to enter into contracts for the financing, installation, maintenance, procurement, operation and expansion of electricity network infrastructure.

The Company is subject to Mexican legislation that regulates the following activities of its business:

- ***Storage***: Includes receiving, storing and delivering natural gas, LNG, LPG or other petroleum products with regard to facilities other than pipelines.
- ***Regasification***: The process through which liquid natural gas is changed to a gaseous form.
- ***Liquefaction***: The process through which gaseous natural gas is changed to a liquid form.
- ***Transportation***: Includes the construction, operation and ownership of pipeline systems to receive, transport and deliver natural gas, LPG or ethane.
- ***Distribution***: Includes the reception, transportation and delivery of natural gas for retail sale or final consumption of to end-users.
- ***Marketing***: Encompasses activities related to the marketing of hydrocarbons, including the purchase and sale of natural gas and added-value brokerage or intermediary services for end-users.
- ***Exportation of Natural Gas and LNG:*** Consists of the send-out of natural gas or liquefied natural gas from Mexican territory to remain abroad either on a temporary or permanent basis.
- ***Importation of Natural Gas:*** Consists of the entry of natural gas into Mexican territory to remain there either on a temporary or permanent basis.
- ***Power Generation***: The process that transforms energy (renewable, kinetic, thermal, nuclear, among others) into electricity. The process includes the supply or sale of electrical energy to users (Federal Electricity Commission, qualified users, among others) or to the wholesale electricity market.
- ***Exports of Electricity***: The process of generating and supplying electricity to users in any foreign energy market abroad (including the United States' energy market).
- ***Imports of Electricity***: The purchase of electricity abroad (including the United States) from providers for self-supply, or the purchase of electricity from a power plant abroad, when it is interconnected to the Mexican National Grid.
- ***Qualified Supply:*** The electrical supply that is provided in a competitive regime of products and services required to satisfy the demand and consumption of electrical energy to qualified users.

Laws Applicable to Natural Gas, LPG, Ethane and Petroleum Products Activities

Article 27 of the Mexican Constitution stipulates the general principles that regulate activities that involve petroleum, natural gas and other hydrocarbons in Mexico. Historically, Article 27 prohibited the Mexican government from entering into agreements or granting concessions for hydrocarbons activities and specified that certain activities involving petroleum and other hydrocarbons were exclusively reserved for the Mexican government under a vertical integration system.

In 1995, the Mexican Congress passed a bill to allow private-sector participation in the transportation, storage, distribution and sale of natural gas and LPG in Mexico. The Natural Gas Regulations (*Reglamento de Gas Natural*) were published in 1995. The Liquefied Petroleum Gas Regulations (*Reglamento de Gas Licuado de Petróleo*) were published in 1999.

Certain provisions of the Mexican Constitution related to the hydrocarbon sector were modified in December 2013. The legal framework applicable to the upstream and midstream sectors, among others, was modified in August and October 2014 with the enactment of new laws and the issuance of regulations. This allowed the Mexican government to grant contracts to private-sector companies in the upstream sector through public tenders. These amendments also allow private-sector entities to obtain permits for the processing, refining, marketing, transporting, storing, importing and exporting hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, storage, distribution, marketing and retail sale (to the public) of natural gas; the transportation, storage, distribution, marketing and retail of petroleum products, including LPG; and the transportation (through pipelines) and related storage of petrochemicals, including ethane.

New legislation enacted in 2014, including the Hydrocarbon Law (*Ley de Hidrocarburos*) maintained the concept of state ownership of hydrocarbons located in the sub-soil of Mexican territory and opened-up the hydrocarbons sector to the participation of private companies, provided that the meet certain regulatory requirements.

In October 2014, two Hydrocarbon Law regulations were issued: (i) the Hydrocarbon Law Regulations (*Reglamento de la Ley de Hidrocarburos*) and (ii) the Regulations Relating to the Activities Specified in Title Three of Hydrocarbon Law (*Reglamento de las actividades a que se refiere el Título Tercero de la Ley de Hidrocarburos*). These regulations and the General Administrative Provisions (*Disposiciones Administrativas de Carácter General*) issued by the Energy Regulatory Commission (CRE) regulate Mexico's natural gas, LNG, LPG, petroleum product and ethane markets.

The Company's business is primarily regulated by the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbon Law, which establish the following with respect to storage, transportation, distribution and marketing permits:

- requirements applicable to the rendering of the services as part of permit holders' operations, such as efficiency, frequency, safety, continuity and uniformity of supply;
- open access obligations;
- the rules applicable to the term, duration and renewal of permits;
- the rules applicable to the modification, transfer, cancellation and revocation of permits;
- the requirements to be met for the approval of permits;
- the procedures for the granting of permits;
- the rules for the provision of different services, including specific obligations of permit holders;
- the information requirements applicable to the respective activity, and
- the regulation of tariffs and the General STCs.

The Hydrocarbon Law allows private-sector companies that hold a permit granted by CRE store, transport, distribute, market and carry out direct sales to end users of hydrocarbons, petroleum and petrochemicals, as well as to own and operate pipelines, storage, liquefaction, regasification, compression and decompression stations or terminals, and related equipment in accordance with legal, technical and economic regulations. In addition, private-sector companies may import or export hydrocarbons, petroleum and petrochemicals subject to obtaining the permit issued by the Ministry of Energy and the Ministry of Finance and Public Credit. Permits granted prior to the enactment of the Hydrocarbon Law, as is the case of several of the Company's permits, including the STCs, shall remain in force for their original terms. However, in relation to the Company's operations, it has been necessary to apply for new permits, such as a natural gas marketing permit and two ethane pipeline transportation permits, which were granted by the Energy Regulatory Commission, as well as import and export permits that were also granted by the Ministry of Energy and Ministry of Finance and Public Credit, respectively. The Company has obtained the new permits required within the term stipulated by the applicable regulations.

Midstream and downstream activities (refining, logistics and sales) in the natural gas, LPG, ethane and petroleum product industries are subject to the provisions of the Hydrocarbon Law, the Energy Sector Coordinated Regulatory Agencies Law (*Ley de los Órganos Reguladores Coordinados en Materia Energética*), the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law (*Ley de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), the General Hydrocarbon Regulations, the Regulations of the Activities Specified in Title Three of the Hydrocarbon Law and applicable environmental, social and industrial and operational safety regulations. The General Administrative Provisions (*Disposiciones Administrativas de Carácter General*), resolutions and agreements issued by the Mexican energy, social and environmental authorities, the Official Mexican Standards (*Normas Oficiales Mexicanas*) and terms and conditions set forth in the related permits also regulate the Company's activities. The Company operates in a highly regulated environment, and its profitability depends on its ability to comply with the obligations set forth in the permits, laws and regulations on a timely and efficient basis.

The construction and operation of natural gas, LNG, LPG, ethane and petroleum product storage facilities, pipelines and distribution systems require governmental permits and authorizations from Federal, local and municipal authorities, such as the Energy Regulatory Commission, the Mexican Antitrust Commission *(COFECE*) , the Ministry of the Environment and Natural Resources (*SEMARNAT*), the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency (*ASEA*), the Ministry of Energy *(SENER*) and the Ministry of Finance and Public Credit (*SHCP*). Permits issued by such authorities also impose a series of regulatory obligations and specific terms and conditions, including those called "General Terms and Conditions" (*Términos y Condiciones Generales para la Prestación del Servicio*).

Open Access

Pursuant to the Natural Gas Regulation (under which the Company obtained several of its permits but which was repealed by the Hydrocarbon Law and its Regulations), there were two types of natural gas storage and transportation permits: (i) open access (to provide non-discriminatory services) and (ii) own-use (granted exclusively to end-users or a group of end-users organized in a special purpose vehicle or company). With the exception of an own-use natural gas pipeline that supplies the Termoeléctrica de Mexicali generation plant, all the Company's transportation systems -both under the former and current regulation- are open-access pipelines. Likewise, its LNG, LPG and petroleum terminals are open-access storage facilities, with the exception of the liquefaction plant in development by the Company, which already has the Energy Regulatory Commission permit.

Regarding the self-use natural gas pipeline that serves our Termoeléctrica de Mexicali power generation facility, the Mexican Hydrocarbons Law provides that permits issued prior to the enactment of the law will remain in force during their original term. All our open-access facilities are required to grant non-discriminatory access on a reasonable basis to any shipper that requests the service, provided there is available capacity in the system/facility and the parties reach an agreement on the subject matter, as set forth under the applicable general rules issued by the CRE. Open-access permit-holders are heavily regulated and supervised by the CRE.

Permit holders subject to open-access obligations that have available capacity to be used permanently are required to conduct open seasons to allocate such capacity to third parties. Available capacity is deemed to exist when (1) a new system is developed, (2) the system is extended or enhanced, (3) existing capacity has not been allocated through a service contract, or having been allocated under a service agreement, it is not being used, or (4) the user assigns or wishes to assign its firm-base capacity permanently, totally or partially, through the permit-holder.

In August 2018, the Energy Regulatory Commission amended the open-access provisions applicable to natural gas transportation and storage. Among other things, those provisions, as modified, provide for the following:

i. Permit holders may assign capacity directly to those potential users that contribute with financing to the permit holder's infrastructure by entering into investment agreements ("Anchor User"). Permit holders shall respect the previously agreed conditions under said agreement and the capacity shall not be included in the open-season to be held. If there is third-party interest in contracting additional capacity as a result of the open season, the permit holder shall modify the system to resize the capacity and consider the needs declared, provided doing so is technically feasible and financially viable;

ii. Users who wish to assign capacity permanently to another party that belongs to the same economic stakeholder group shall do so through the permit holder and said permit holder shall then hold an open season.

iii. The permit holder may only allocate capacity through open seasons or via the electronic bulletin; and

iv. The secondary market assumptions for total, partial, permanent or temporary capacity assignments are established for the secondary market.

Tariffs

Certain midstream and downstream natural gas, LNG, LPG and petroleum product services (refining, logistics and sales) are subject to "maximum regulated tariffs" set by the Energy Regulatory Commission. Permit holders may grant discounts or agree conventional tariffs subject to general provisions issued by the Energy Regulatory Commission. These agreements must be reported to the Energy Regulatory Commission and published on the permit holder's electronic bulletin, which will allow public access to the agreements.

Likewise, in assets that have railway facilities, services related to the provision of auxiliary services, such as the transfer of liquids, are subject to maximum rates that must be registered with the Regulatory Agency for Rail Transport, despite the fact that the permit holders may agree discounts or a conventional rate with the Users.

Marketing and Cross Participation Restrictions

The Hydrocarbon Law establishes that an Energy Regulatory Commission permit is required to market natural gas and LNG, among other products. Therefore, the Company's subsidiary ECA Liquefaction, requires a permit to conduct its marketing activities. Pursuant to the Hydrocarbon Law and other applicable laws, IEnova Marketing and ECA Liquefaction have obtained the permits required to sell natural gas. Vendor companies can contract other permit holders' transportation, distribution or storage services, either directly or through third parties. Additionally, the marketing activity requires other permits, such as for imports and exports, granted by the General Customs Administration and/or the Ministry of Energy, respectively. Permits issued by the General Customs Administration are valid for three years, whereas those issued by the Ministry of Energy last from one to twenty years. In addition, with certain exceptions set forth in the law, storage and open-access transportation permit holders are generally prohibited from selling natural gas stored in their facilities or transported through their systems.

The Hydrocarbon Law stipulates cross-participation restrictions applicable to open-access transportation or storage vendors and permit-holders. However, the Energy Regulatory Commission may authorize cross-participation with prior approval of the Federal Economic Competition Commission, provided that such cross-participation does not affect competition, efficiency or effective open access in the market. These requirements may be met by guaranteeing independent operations or by establishing legal and corporate mechanisms to prevent intervention in operations and management between permit-holders. According to the applicable rules, the following may be required: (1) the strict legal segregation of authorized activities or a functional, operational and accounting separation, (2) limitation to participation in a company's capital stock, (3) maximum participation limitations for economic agents engaged in the sales market, and (4) the reservation of capacity in storage facilities and pipelines. Some of the Company's assets are subject to cross-participation regulation by the Energy Regulatory Commission; therefore, the due authorizations have been obtained for such assets and the applicable regulations have been complied with.

During 2019, ECA Liquefaction obtained the approval of COFECE in matters of cross-participation in relation to the permitting of transportation through pipelines and storage of natural gas.

General Storage Terms and Conditions

The LNG Storage STC, the LPG Storage STC and the Refined Products STC, which form part of our LNG and LPG storage permits, apply to all of our services agreements for the receipt, storage and delivery of LNG and LPG. The Storage STC are reported to the CRE. Only the LNG Storage STC require approval from the CRE. The STC are amended by us from time to time, as may be required to comply with applicable regulations and any new administrative regulations that the CRE may issue. Thus, certain provisions of the general terms and conditions may vary if the CRE administrative regulations are amended, subject to notifications delivered to the CRE, and, with respect to the LNG Storage STC, the CRE's prior approval. The services agreements must be consistent with the STC, such that if an amendment is made to the STC, the services agreements may need to be amended.

Furthermore, although the STC for each of our storage permits are substantially similar, there may be certain provisions that vary between permits. Below is a summary of the principal provisions that are common to the STC for each of our storage permits:

Services. The Company is required to render storage services to its customers by receiving LNG, LPG or petroleum products at its storage facilities, rendering storage services and delivering the resulting product to its customers at the authorized point and means of delivery.

Access to available storage capacity. The Company is required to provide customers with reasonable access to the available storage capacity at its LNG, LPG or petroleum product terminals not yet contracted pursuant to a firm or contractual reserve storage services agreement. Customers may access such capacity by entering into the respective service agreement, provided that they have the necessary connection to the facilities at the delivery points specified in the service agreement and that the permit holder meets the open-access requirements set forth in the regulation. In addition, customers must provide a financial guarantee to ensure compliance with their obligations under the services agreements and the LNG or LPG general terms and conditions.

Firm or Contractual Reserve Storage Services. Firm base storage services consist of storing LNG, LPG or petroleum products delivered at the reception point up to the customer's maximum storage quantity specified in the respective service agreement and delivering natural gas or LPG at the delivery point at any time in accordance with the services agreement. The Company's firm base storage services may not be subject to reductions or interruptions, with the exceptions specified in the General LNG, LPG or Petroleum Products STC and the respective service agreement.

Interruptible Storage Service (LNG). Interruptible storage services consist of storing LNG up to the maximum storage quantity specified in the respective service agreement. Customers shall be entitled to request this service at any time during the term of the service agreement. However, interruptible base storage services are subject to the available capacity remaining after performing the obligations of the firm base storage services.

Interruptible Storage Services (LPG and refined products). Interruptible storage services consist of storing LPG and refined products insofar as there is available capacity. Even if the capacity of the terminal has been contracted for by a user, if an order has not been made it is available for storage services. Under our interruptible storage services, we have the right to request expedited delivery from our customers in order to create additional space for other customers. These common use storage services may only be provided for as long as they do not interfere with our obligations under the firm storage services.

Exclusively in the LNG storage service there are additional services, such as nitrogen injection, loading-unloading and accelerated loading services, which, where appropriate, must be documented by an independent contract and separately from the storage service contract.

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

Creditworthiness. In order to be eligible to receive the LNG, LPG or petroleum products storage services, customers must be solvent or provide evidence of creditworthiness within the 30 days following the Company's request. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee to cover their obligations under the LNG, LPG or Petroleum Products STC.

Suspension, Reduction or Modification of the Storage Service. If customers fail to comply with their obligations under their services agreements, the Company may suspend LNG, LPG or Petroleum Products storage services. Subject to a grace period, the Company may also terminate the respective service agreement. The service agreement will terminate automatically in the event of customer insolvency of bankruptcy, and the Company shall be entitled to enforce any financial guarantee granted by such customer. If the Company suspend LNG, LPG or Petroleum Products storage services without just cause, it will grant a credit equal to five times the LNG or LPG service tariff that would have been available to said customer during the suspension. This shall be calculated based on the LNG or LPG STC, as applicable. In the case of Petroleum Products storage, on the issuance of the respective invoice, the Company shall credit the customer an amount equivalent to the amount that said customer would have paid for the rendering of the Service.

Miscellaneous Purchases and Sales. The Company is not obliged to enter into a service agreement at a tariff lower than the regulated tariff.

Payment. If customers breach their payment obligations, the overdue amounts shall accrue interest at a daily rate calculated pursuant to the LNG, LPG or Petroleum Products STC. Failure to pay within a certain period of time provided in the LNG, LPG or Petroleum Products STC may result in suspension of the service or the rescission of the respective agreement.

Liability, Guarantees and Assignment. The Company is deemed to be in control of and liable for any LNG, LPG or Petroleum Products stored from the time of receipt until delivery to customers. Customers are deemed to be in control of and liable for the LNG, LPG or Petroleum Products prior to reception by Company or after delivery thereof.

Any of the parties may assign or encumber storage service agreements with the prior written consent of the other party and in accordance with the STC and the applicable regulation. Customers are deemed to have unconditionally accepted the assignment of the Company's rights and obligations to the respective creditors in order to secure financing and to any entity that acquires the LNG, LPG or Petroleum Products terminals, subject to the authorization of the Energy Regulatory Commission.

The Company's liability to customers is limited to damages incurred directly as a result of its failure to perform its obligations under a storage services agreement (suspension or interruption of delivery of LNG, LPG or Petroleum Products at the delivery point). Customers must ensure that their vessels and tanker trucks are fully insured (including environmental insurance) and are operated and maintained in accordance with applicable national and international standards.

Force Majeure. An event of Force Majeure is any incident, either foreseeable or unforeseeable but unavoidable, that obstructs or prevents the affected party from performing its obligations under a storage services agreement. On receiving a notification that informs the other party of such conditions (except any prior payment obligation), the obligations of both parties shall be suspended for the duration of the event of Force Majeure. Under no circumstances shall financial and/or technical difficulties be considered events of Force Majeure. If an event of Force Majeure affects the Company's terminal, its customers' obligations to make storage capacity payments under the services agreement will be suspended or, if applicable, reduced pro-rata for the level of storage services provided during such event. The Company may also suspend, restrict or modify deliveries of gas to customers to the extent affected by such event.

In the event of a suspension or reduction of LNG, LPG or Petroleum Products storage services unrelated to the Company's facilities, customers must continue to pay any amount owed by them at the time of the event of Force Majeure.

LNG Terminal Operating Gas. The Company requires a certain amount of natural gas to operate the LNG terminal and to render the storage services and is entitled to retain and use its customers' available stored LNG for such purposes at no cost or charge.

Dispute Resolution. Any dispute will be resolved by arbitration.

Assignment of User's Capacity. Any customer may assign either temporarily or permanently, all or part of its supplied quantity of natural gas, LPG or Petroleum Products storage capacity to another customer on prior notice to the Company. Any permanent transfer of contractual rights must be approved by the Company and shall be subject to the creditworthiness requirements, as well as the STC and the applicable regulations. Natural gas users who wish to assign capacity permanently to another party that belongs to the same economic stakeholder group shall do so through the permit holder, which in turn shall hold an open season.

Connection Policy. The Company has an obligation to allow any entity to connect to its LNG, LPG or Petroleum Products terminals and related pipelines, subject to certain conditions of available capacity and technical viability, provided that the party seeking the connection bears all connection and other costs.

General Natural Gas, LPG and Ethane Transportation STC

The Natural Gas, LPG and Ethane and Liquefied Ethane STC regulate transportation services agreements signed among transportation systems with the users and form an integral part of such agreements. The STC of each transportation permit are approved by and reported to the Energy Regulatory Commission for each transportation permit. The STC may be amended from time to time at the request of the Company in order to meet market conditions, comply with the applicable legal provisions and any new administrative regulations that the Energy Regulatory Commission may issue. Thus, certain provisions of the STC may vary if the terms and conditions are amended from time to time, subject to the Energy Regulatory Commission's prior approval. The executed contracts shall by consistent with the STC, as a result every time these are updated, the service contracts shall be updated accordingly.

Further, although the STC for each of the Company's transportation permits are substantially similar, there may be certain provisions that vary from permit to permit and their related agreements. Below is a summary of the main provisions that are common to the STC for each of the Company's transportation permits and their related agreements:

Term. The term of the STC is the same as the term of the respective permit granted by the Energy Regulatory Commission.

Increase of Capacity. In the event that requests for transportation services exceed the capacity available, the Company must build additional facilities to increase the available capacity of its pipelines in order to meet such requests, provided that doing so is technically feasible and economically viable and it holds an open-season to assign the available capacity.

Transportation Service Agreement (TSAs). The Company may only render transportation services to customers that have entered into Transportation Service Agreements (TSAs) based on the forms established by the STC and once the customer has met all the stipulated requirements. The Company enters into agreements following a full analysis of the service requests received from potential customers.

Orders. During the term of a transportation service agreement, the Company's customers prepare and submit orders containing the information about the daily amount of product to be transported, the reception and delivery points (which must have been previously approved) and the start and end dates of the order.

Creditworthiness. Under the STC, the Company is not required to render transportation services to customers with outstanding balances with the Company or impaired creditworthiness. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee to secure their obligations under the STC.

Secondary Market. Service users may assign all or part of their capacity contracted with the permit holder to any party interested in obtaining it, either temporarily or permanently, provided that the assignee meets the requirements of the applicable STC, including providing the required guarantee. In the case of natural gas, users who wish to assign capacity permanently to another party that belongs to the same economic stakeholder group shall do so through the permit holder, which in turn shall hold an open season.

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

Interruption of Services. Most of the STC specifically provide that the Company is not liable for interruptions of transportation services if there is an event of Force Majeure, in the event of failure of a customer's facilities, if an interruption is required for the maintenance or adjustment of its facilities, or in case of breach of the obligations by the customer. Under some of the STC and under certain circumstances, customers are required to pay the respective capacity tariff during the period of the interruption. A service interruption, other than as described above, requires the Company to provide a bonus to the affected customer equivalent to five times the amount of product that would have been available during the period of interruption as if such interruption had not occurred.

In the event of an interruption attributable to an event of Force Majeure that lasts more than five business days, the Company must submit a corrective plan to the Energy Regulatory Commission.

An event of Force Majeure is any foreseeable or unforeseeable but unavoidable occurrence that obstructs or prevents the affected party from performing its obligations under a transportation services agreement. After a certain time, which may vary in each of the STC, depending on the result of the event of Force Majeure, the affected party may terminate the services agreement.

Indemnification. Customers must indemnify the Company and its officers, agents, employees and contractors for any losses or damages incurred in connection with any breach of customer's obligations under their transportation services agreements.

Dispute Resolution. Any disputes will be resolved based on the agreements reached by the parties and may be through arbitration in accordance with the Constitutional Coordinated Energy Regulators' Law or be subject to the jurisdiction of the Federal laws and courts in Mexico. If a customer is deemed a consumer for purposes of the Mexican Federal Consumer Protection Law, any disputes will be resolved in accordance with such law.

Tariffs. The Company is allowed to negotiate tariffs lower than those provided in the respective tariff list approved by the Energy Regulatory Commission. In any case, the tariff for the firm- and interruptible-base services may be the same as or lower than the tariff approved by the Energy Regulatory Commission. The Company shall be required to publish any regulated and approved tariff in the Federal Official Gazette and in the official gazettes of the states in which the Company renders transportation services.

Natural Gas Distribution STC

The natural gas distribution STC included in the Company's natural gas distribution permits regulate the reception, delivery and marketing of natural gas. The natural gas distribution STC are approved by and reported to the Energy Regulatory Commission for each natural gas distribution permit. The natural gas distribution STC may be amended from time to time at the request of the Company in order to meet market conditions, comply with applicable legal provisions and any new administrative regulations that the Energy Regulatory Commission may issue. Thus, certain provisions of the natural gas distribution STC may vary if the terms and conditions are amended from time to time, subject to the Energy Regulatory Commission. The executed contracts shall by consistent with the STC, as a results every time these are updated, the service contracts shall be updated accordingly.

Furthermore, although the STC of each of the Company's gas distribution permits are substantially similar, there may be certain provisions that vary between each permit. The main provisions common to the STC of each of the Company's natural gas distribution permits are summarized as follows:

Services. The Company provides simple-distribution and distribution-with-marketing of natural gas services by delivering natural gas to its customers at different delivery points in its pipeline system. In the event of a failure or deficiency in the Company's system that prevent deliveries of natural gas to end-users, the Company shall compensate it with a specific quantity of natural gas that would have been available to said user had the interruption not occurred. In February 2016, the Energy Regulatory Commission approved low natural gas consumption end-user protection provisions. Said provisions prohibit distributors from rendering natural gas sales services to high natural gas consumption end-users beginning in March 2018 (users with an annual consumption or more than 5000 GJ).

Interconnection. After the expiration of the exclusivity periods granted to the Company by the Energy Regulatory Commission for each geographic zone, the Company must allow other permit holders to connect to its pipeline system provided that it has sufficient capacity available and if such connection is technically and economically viable. All connection tariffs shall by the Company and the other permit holders. In January 2018, the Energy Regulatory Commission approved an agreement that specified the entire Mexican territory as a Single Geographical Zone for the purposes of natural gas distribution. When this agreement took effect, the Geographical Zone Determination Department, which requested specific geographical zones to be determined prior to granted distribution permits, was eliminated.

Tariffs. The Company is allowed to negotiate tariffs lower than those provided in the respective tariffs list approved by the Energy Regulatory Commission. The Company is required to publish all regulated tariffs annually in the Federal Official Gazette and in the Official Gazettes of the states in which the Company renders distribution services.

System Capacity. The Company is required to use the "Stoner Workstation" simulation model to calculate the maximum daily use of its distribution system. This model is the international industry standard used to calculate pipeline flows. If the capacity requested exceeds the Company's available capacity, its residential and commercial services shall take priority, and the Company must consult with its industrial customers regarding the reduction or interruption of their service.

Credit, Deposits and Guarantees. The Company's customers must comply with at least one of the following creditworthiness requirements: (1) make a cash deposit in the Company's favor in the amount equivalent to three times the estimated monthly consumption for such customer; (2) obtain a guarantor, a letter of credit or a bond to guarantee the payment of invoices; or (3) pay all invoices promptly for twelve consecutive months.

Safety Obligations. If an event occurs that may cause a public health and safety risk, the Company must inform the Energy Regulatory Commission, the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency and the appropriate local authorities immediately of the measures taken to overcome the problem. The Company is also required to use equipment, materials and systems that comply with the specifications provided in the Official Mexican Standards, or in the absence thereof, with international industry specifications. The Company is also required to train its personnel to prevent and deal with accidents, as well as to provide any assistance needed to government authorities in case of emergencies or disasters. In addition, the Company must acquire and maintain the insurance required by the respective permits to cover any liabilities that may arise.

Liabilities. The Company shall be liable for any damages that may be caused while rendering the services up to the delivery point, except in case of willful misconduct or negligence of the injured party. After the delivery point, the customers will be liable for any damages incurred by said customers or any third parties.

Interruption of Services. The Company may interrupt the services without any liability in the following cases: (1) if the Company determines that a customer's system or equipment represents a significant hazard or risk or (2) by written order issued by a jurisdictional authority stating that the customer's system represents a hazard or risk or does not comply with applicable legal provisions. The Company shall also be entitled to suspend service if customers fail to pay more than one past-due invoice.

In addition, the Company shall not be liable for the interruption of services as a consequence of (1) unforeseen circumstances or force majeure event; (2) failures of customer systems due to operator error; (3) maintenance, extensions or modifications to the systems, if the Company advises customers in advance; or (4) breach by customers of their obligations under the services agreements.

Rescission. Any customer may rescind or terminate a service agreement with the Company with at least two days' advance notice given prior to the termination date.

Dispute Resolution. Disputes that arise in connection with the services shall be resolved through arbitration. Disputes in which the customer is considered to be a consumer in terms of the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*) shall be resolved in accordance with that law.

Official Mexican Standards, Directives, Resolutions and General Provisions

In addition to the aforementioned laws and regulations, the legal framework that regulates the Company's activities also includes (1) the Official Mexican Standards issued by the Ministry of Energy, the Energy Regulatory Commission and the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency on the technical matters of its business, such as product quality and the technical specifications of the design, construction, safety, operation and maintenance of its transportation, storage and distribution systems and facilities, (2) the Directives issued by the Energy Regulatory Commission that regulate the economic matters of the Company's business, such as prices, tariffs, accounting and insurance, (3) the environmental protection and industrial safety Agreements, Resolutions and General Provisions issued by Energy Regulatory Commission, the General Energy Sector Social Impact Evaluation Provisions issued by the Ministry of Energy and the General Environmental Protection Provisions issued by the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency, and (4) the public policy documents issued by the Ministry of Energy regarding any of the hydrocarbons sector activities in which the Company participates.

Other Authorizations

There are several other permits and/or licenses that may be required by each of the three different levels of government (municipal, state and federal) for the development, construction and operation of hydrocarbon systems. These include environmental permits, industrial and operative security permits, social permits, zoning permits, construction permits, dumping permits in Mexican marine zones granted by the Ministry of the Navy, approval for the project in archeological monuments areas, concessions, and/or permits regarding federally-controlled areas such as rivers, streams and maritime zones, among others.

Mexican Antitrust Commission (COFECE)

The Mexican Antitrust Commission (*COFECE*) is an autonomous body of the Mexican state that has authority over natural gas, LPG, petroleum products and ethane activities in terms of the prevention of economic monopolies and concentrations. With the approval of COFECE, the Energy Regulatory Commission may issue new regulations to develop competitive markets in the hydrocarbons sector, which may include grouping restrictions, stockholder limitations, and limits on economic operators' participations in commercial activities. The favorable opinion of the COFECE is also required to participate in tenders called by Port Administrations, in which the Company has an interest in building and operating petroleum products storage terminals or other products.

Ministry of Communications and Transportation (*SCT*)

The LNG Terminal and some petroleum products storage terminals require permits and/or authorizations from the Ministry of Communications and Transportation (*SCT*). Marine terminals require public asset concessions that include the construction, operation and use of terminals, marine and port facilities, as well as authorizations for marine or dredging works. On-shore terminals that have railroad facilities require the approval of the executive project to build private lines, as well as permits for auxiliary services, such as Liquid Loading and Transfer Terminals.

Ministry of the Navy (*Secretaría de Marina)*

Marine terminals, such as LNG or petroleum product storage, which due to their construction and/or operation, need to discharge liquids into Mexican marine zones, shall obtain authorization from the Ministry of the Navy because the Discharges Law and its Regulations stipulate a series of provisions to control, prevent and protect from pollution or alteration caused by the dumping in the marine environment.

National Natural Gas Control Center (CENAGAS)

CENAGAS is a decentralized public body of the Mexican Federal government. CENAGAS's main responsibility is to manage and operate the National Integrated Natural Gas Transportation System, which was previously managed by the semi-state company Pemex Gas y Petroquímica Básica. Some of its assets are part of the SISTRANGAS.

In March 2018, the Ministry of Energy (*SENER*) issued the Public Natural Gas Storage Policy, which stipulates the CENAGAS's obligation to maintain a minimum of 5 days of natural gas strategic inventory by 2026. It is responsible for coordinating the development of the storage infrastructure and approving strategic projects through open seasons. The Ministry of Energy also established that beginning in October 2018, transportation and storage permit holders are obligated to submit weekly reports of natural gas consumption and inventories to the Energy Regulatory Commission.

In January 2019, the CRE approved the CENAGAS STC, regarding its permit as manager of SISTRANGAS, which regulate the management, administration and operation service of the Integrated National Natural Gas Transportation and Storage System provided by CENAGAS. As being part of SISTRANGAS, some assets of the Company must apply said STC.

National Institute of Anthropology and History (INAH)

INAH is a decentralized body of the Ministry of Culture and founded in 1939, its objective is to guarantee the investigation, protection and dissemination of the prehistoric, archaeological, anthropological, historical and paleontological heritage of Mexico.

In accordance with the provisions of the Federal Law on Monuments and Archaeological, Artistic and Historical Zones, for the construction of new projects it is necessary to have the "Approval of work in areas of archaeological monuments or in which its existence is presumed".

In September 2019, the INAH 05-001 procedure was updated to establish that in the event that construction involves larger infrastructure works, such as roads, gas pipelines, oil pipelines, dams, power generation parks, power lines, etc., they must carry out the procedure without exception, given that the impacted area is greater and consequently the probability of damage to the patrimony.

Having this authorization is essential for the development of the Company's projects, also when a Company project is proposed for financing, as in the case of Energía Sierra Juárez expansion, compliance with the Ecuador Principles and the IFC (International Finance Corporation) performance standards, and that in its performance standard 8 establishes the protection of cultural heritage in the design and execution of projects.

Other Significant Provisions

The Company's business operations are subject to other standards that may affect its business, including state and municipal laws, and construction and civil protection provisions.

In May 2017, the "Rules for Assignees, Contractors and Permit-Holders to Provide Information on the National Content of Their Activities Carried Out in the Hydrocarbons Industry" (*Disposiciones para que los asignatarios, contratistas y permisionarios proporcionen información sobre el contenido nacional en las actividades que realicen en la industria de hidrocarbonos*) were issued. As of April 2019, pursuant to these rules, the hydrocarbons, refined products and petrochemicals storage, distribution, transportation and marketing permit-holders shall report on a quarterly basis to the Mexican Ministry of Economy the national and foreign content of (i) acquired terminated assets; (iii) contracted services; (iii) workforce; (iv) capacity; (v) expenses made for the transfer of technology; and (vi) expenses made for the construction of infrastructure for social purposes.

During 2019, the Ministry of Economy was informed of the domestic content of the Company's 15 hydrocarbon assets.

On January 23, 2020, the Ministry of Economy modified the "Rules for Assignees, Contractors and Permit-Holders to Provide Information on the National Content of Their Activities Carried Out in the Hydrocarbons Industry" of national content, in particular eliminates the obligation of the Permit Holders to report their domestic content every five years, establishing that it will only be reported in case the authority requires it regarding the period that it is determined, which cannot exceed 5 years. The impact that this modification could bring to the Company is being evaluated.

In December 2017, the Ministry of Energy (*SENER*) published in Federal Official Gazette the Public Policy on the Minimum Storage of Petroleum Products (except LPG), which establishes the petroleum product vendors' and distributors' obligations to maintain a minimum of five days' sales as a strategic inventory of each of the petroleum products sold beginning 2020. Said obligations shall increase to 8 and 11 days for 2022 and 2025, respectively. At least 50% of the minimum inventories shall be stored at the terminals that usually supply service stations by tanker trucks. The Public Policy also establishes that from April 2018, the obligation of permit holders throughout the value chain (storage, sales, distribution, dispatch to the public, refining) to submit weekly reports of production, imports, exports and sales by product to the Energy Regulatory Commission.

In December 2019, SENER published a modification to the Policy in order to homologate 5 days of minimum gasoline and diesel inventory, and 1.5 days of minimum jet fuel inventory, nationwide, from July 1st, 2020 to December 31st, 2025. The obligation will be reviewed every 5 years, to the extent that the national market develops or before justification founded by SENER.

Article 28 of the Federal Fiscal Code was amended in June 2018. As a result, hydrocarbons and petroleum product storage, distribution, transportation and sales permit holders must have IT equipment and programs to keep volumetric controls, as well as opinions issued by laboratories authorized by the Tax Administration Service.

During 2019, the CRE published the agreement which defines the justified reasons for which the deadline of December 31, 2019 may be extended, to demonstrate to the CRE the entry into commercial operation of the total capacity in the legacy projects.

Electricity Generation, Supply, Import and Export

As a result of the amendment of the Mexican Constitution in December 2013 and the enactment of the Law of Electric Industry, which repealed and replaced the previous Public Electricity Service Law, private companies are now permitted to obtain permits to generate and sell electricity to basic-supply users and qualified users, to sell electricity directly to the wholesale electricity market, and to participate in the construction, operation and administration of electricity generation plants. The Mexican State remains responsible for the transmission and distribution of electricity through the Energy Regulatory Commission. However, it may enter into agreements with private companies engaged in such activities, including agreements for the financing, installation, procurement, operation and expansion of electrical grid infrastructure. The planning and control of the grid is under the exclusive authority of the Federal Government and is conducted by the CENACE. The CENACE is a decentralized public body responsible for managing the national electrical grid by acting as an independent operator of the system for the wholesale electricity market.

In terms of the Electricity Market Guidelines, private electricity generators may participate in a new open wholesale market operated by the CENACE by selling energy and products related to Suppliers, Vendors and Qualified Users- Market Participants (i.e., companies registered with the Energy Regulatory Commission and that have an annual demand of at least 5 MW and supplies of at least 20 KWh).

During 2019, CENACE granted the status of wholesale market participant to the Rumorosa Solar, Pima Solar and Tepezalá Solar parks to be able to sell or buy energy, power, CELs and other products.

Pursuant to the Law of Electricity Industry, generating plants with installed capacities of 0.5 MW or more, as well as those represented by a generator in the wholesale electricity market (regardless of installed capacity) require an electricity generation permit. Generating plants with installed capacities of less than 0.5 MW do not require a permit, but they do need a supplier to act on their behalf to sell their power and related products in the wholesale electricity market.

Permits granted prior to the enactment of the Law of Electric Industry (such as the export permit of the Termoeléctrica de Mexicali generation plant, issued in 2001, the import and export permits of the Energía Sierra Juárez Wind Park, and the self-supply permits of the Ventika I and Ventika II wind parks, the Don Diego Solar and Border Solar parks shall remain valid in the terms under which they were granted and the rights of the permit holders will not be affected by the new laws and regulations.

The Law of Energy Transition was published in December 2015. This new law, which repeals a former renewable energy statute, intends to regulate the use of sustainable energy and the obligations regarding clean energy and reduction of pollutant atmospheric emissions in the electricity industry. As a consequence of this Law, the Mexican Government must implement strategies and programs to achieve specific clean energy targets. The targets currently consist of generating at least 25% of electricity in Mexico from clean sources by 2018, 30% by 2021 and 35% by 2024. The national targets set by the Law of Energy Transition will be achieved by various mechanisms, including voluntary agreements by and between Mexican companies and the Ministry of Energy, the granting of voluntarily certification and the obligation mentioned previously to use clean energy and acquire clean energy certificates.

Pursuant to the Mexican Electric Industry Law and the Energy Transition Law, certain clean energy usage obligations (for the reduction of air emissions) are applicable to participants in the electric market. These participants include energy suppliers, “Qualified Users,” and Generators subject to the abrogated Mexican Public Service of Electric Power Law when supplying energy from fossil fuels sources. The usage obligations are credited by CELs and are required as of 2018 in proportion to the actual energy consumption established by SENER each year, which is 5% for 2018, 5.8% for 2019, 7.4% for 2020, 10.9% for 2021 and 13.9% for 2022.

As of 2019, Rumorosa Solar, Pima Solar and Tepezalá Solar are able to issue CELs. Electric power generators will be entitled to receive a CEL per MW/hr generated at clean power plants (such as wind and solar farms, geothermal energy projects and cogeneration power plants). During 2019, Rumorosa Solar, Solar de Tepezala project and Pima Solar were registered at the CRE’s CEL portal for the registration of generated CELs. These CELs will be negotiated pursuant to long-term power coverage agreements or under private agreements between market participants.

In October 2019, SENER published an agreement that modified the guidelines that establish the criteria for granting CELs and the requirements for their acquisition. The modifications grant CELs to CFE-owned legacy power plants that generate electric power from clean sources, which could reduce the value of these financial instruments. However, such modifications do not impact the projects the Company currently has because the price of the CELs accredited by Rumorosa Solar, Tepezalá Solar and Pima Solar are agreed in their contracts.

As plants interconnected to the grid controlled by the California Independent System Operator, the Termoeléctrica de Mexicali power generation plant and the Energía Sierra Juárez wind park are subject to the electric reliability standards enacted by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council pursuant to Section 215 of the Federal Power Act.

The United States’ electricity services provisions apply to the sales of electricity of the Termoeléctrica de Mexicali power generation plant and the Energía Sierra Juárez wind park to the United States. A company engaged in the wholesale sale of electricity for resale in interstate commerce is subject to regulation under the Federal Power Act by the U.S. Federal Energy Regulatory Commission, or FERC. The FERC provisions under the United States’ Federal Power Act includes regulations to set the tariffs, terms and conditions under which electricity generators may to sell electricity wholesale, as well as other current provisions on the requirements to file quarterly electronic reports, periodic market power reports, and if an issuer or an affiliate acquires ownership or control of additional energy assets, to notify FERC of these acquisitions, and to comply with applicable FERC requirements, including those that regulate securities issuances, transfers of facilities under ERC jurisdiction, reliability standards, market behavior, and handling and accounting requirements.

The Termoeléctrica de Mexicali generating plant and the Energía Sierra Juárez wind park are subject to the U.S. Public Utility Holding Company Act of 2005, known as the PUHCA. Pursuant to the PUHCA, a "holding company" is any company, trust, or organized group of persons that directly or indirectly owns or controls 10% or more of the outstanding voting rights in a "public-utility company" or is a company that is a "holding company" of a public-utility company. Unless it qualifies for an exemption or obtains a waiver from the FERC, a holding company is subject to certain regulations that grant the FERC access to its books and records relating to transactions with affiliated public utility companies or "natural gas companies," as defined in the PUHCA, and the FERC regulation of certain affiliates' transactions and certain disclosure, accounting and cost-allocation matters. In some cases, state regulatory commissions also have access to the books and records of holding companies or public-utility companies that are not exempt from the PUHCA. The FERC regulations exempt holding companies solely due to their direct or indirect ownership of (1) "qualifying facilities" under the Public Utility Regulatory Policies Act of 1978, (2) Exempt Wholesale Generators or EWGs (as defined in the PUHCA), or (3) "foreign utility companies," as defined in the PUHCA. In addition, the FERC regulations stipulated that an EWG is exempt from FERC regulation under the PUHCA, with the exception of the procedures to obtain EWG status. In order to be an EWG, a project company must be exclusively engaged in owning or operating, or in both owning and operating, an "eligible facility" and sell wholesale electricity. An "eligible facility" is a generation facility used exclusively for the sale of wholesale electricity.

Coordinated Energy Regulators' Law

In addition to the Hydrocarbon Law and the Law of Electricity Industry, the Coordinated Energy Regulators' Law stipulates the authorities, structure and internal organization of the Energy Regulatory Commission. The Energy Regulatory Commission is a Mexican government body that has technical, operating and management autonomy, and is the main body responsible for granting midstream and downstream (refining, logistics and sales) energy permits to participants in the natural gas, LPG, LNG, petroleum and petrochemical product sectors in Mexico. The Energy Regulatory Commission is also responsible for granting permits to electricity generators and suppliers, and electricity import and export authorizations, keeping records of qualified users, clean energy certificates, and for supervising, monitoring and inspecting the activities of said generators, suppliers and users. The Energy Regulatory Commission is the Company's main supervising authority.

Pursuant to the Coordinated Energy Regulators' Law, the Energy Regulatory Commission has broad powers and authority to regulate natural gas, LPG, LNG, petroleum products and ethane storage, regasification, transportation, distribution, processing, liquefaction, compression, decompression, marketing, import and export activities. This remit includes the approval and issuance of the GSTC and GTTC that govern the services provided by the public and private sectors and the issuance of guidelines to calculate the tariffs applicable to such services. The Energy Regulatory Commission also has the authority to oversee the operations of the wholesale electricity market and to issue regulations and provisions to foster the generation and use of clean energy.

General Administrative Responsibilities Law

The legal framework that created Mexico's National Anti-Corruption System was published in the Federal Official Gazette on July 18, 2016. This new legal framework implements the 2015 Constitutional reform on anti-corruption matters and is comprised of several secondary laws, including the General Administrative Responsibilities Law. Although it was published in the Official Gazette on July 18, 2016, the General Administrative Responsibilities Law took effect on July 19, 2017.

In terms of companies, the aforementioned law regulates administrative breaches that may be committed by individuals who act on their behalf or in their representation and intend to gain benefits for these companies through their conduct. In this vein, this Law contemplates that companies must have a policy of integrity as a mechanism to prevent said conduct related corruption, which must consist of several elements, such as:

- (i) An organization and procedures manual to demarcate the functions and responsibilities of each of its departments and clearly specifies the different chains of command and leadership throughout the entire structure.
- (ii) A code of conduct duly published and instilled among all members of the organization.
- (iii) Adequate and efficient control, oversight and auditing systems.
- (iv) Adequate reporting and disciplinary processes.
- (v) Adequate training and instruction systems and processes.
- (vi) Human resources policies that prevent people that generate a risk to the Company's integrity from joining it.
- (vii) Mechanisms that ensure the transparency and disclosure of its interests at all times.

The General Administrative Responsibilities Law also sets forth respective provisions and guidelines to investigate and sanction companies for committing administrative breaches in relation to the undue participation in administrative procedures, influence peddling, bribery, misappropriation of public funds, the hiring of ex-civil servants, collusion in public tenders (including procedures called by foreign entities), and the use of false information to apply for an administrative permit, authorization or concession, among others.

Based on the foregoing, the Company is subject to the General Administrative Responsibilities Law with respect to any activities that require the granting of a permit or a concession, public procurement processes, and/or any other administrative procedure conducted before a governmental entity.

The General Administrative Responsibilities Law establishes administrative procedures for the investigation of administrative liabilities. Pursuant to such law, the Civil Service Ministry (*Secretaría de la Función Pública*) of the Federal Government and the State Governments' Ministries shall be responsible for investigating, substantiating and sanctioning minor offenses, whereas the Federal Audit Office and the local audit offices shall be responsible for investigating and substantiating the administrative procedures of offenses deemed as severe.

Administrative breaches committed by private parties will be subject to jurisdiction of the Federal Administrative Justice Court, which now has a specialized chamber to process severe corruption actions, and is authorized to impose the respective sanctions.

The General Administrative Responsibilities Law provides for the following in terms of the extent of the sanctions that may be imposed on private companies for committing administrative breaches related to corruption: (i) fines up to twice the amount obtained by the company from any unlawful act or from 1,000 to 1,500,000 times the unit of measure and restatement; (ii) disqualification from participating in any public procurement procedure for at least 3 months and up to 10 years; (iii) suspension of all the private company's commercial activities for at least 3 months and up to 10 years; (iv) dissolution of the company and (v) compensation for the damage caused to the Federal Public Treasury and/or Federal, Local or Municipal entities.

Law for the Protection of Personal Data

The Company, and in particular the ECOGAS distribution system, is subject to the provisions of the Law for the Protection of Personal Data that took effect in Mexico on July 6, 2010. The Law for the Protection of Personal Data is applicable to individuals or private companies that process Mexican citizens' personal data.

Pursuant to the Law for the Protection of Personal Data, the processing and transfer of personal data requires the prior consent of the owner of the data. Consent can be obtained by a document referred to in the Law as a "Privacy Notice". This notice informs the owner about which personal data is being collected, the purpose of the use of the personal data, any intended transfers and the data owner's rights of access, rectification, and cancellation or to oppose the processing of the personal data. A data owner is deemed to grant consent for the use of the personal data if no opposition to the privacy notice is declared. The privacy notice can be delivered through printed, digital, visual, electronic, audible or any other means. Pursuant to the Law for the Protection of Personal Data, data owners are entitled to revoke their consent at any time. The Law for the Protection of Personal Data provides certain requirements for the transfer of personal data to third parties and certain exceptions to such requirements in which the transfer of information is permitted.

Ports Law and Dumping in Mexican Marine Zones Law

As holders of a permit or concession for the use and occupation of a federal maritime zone for the construction and operation of a maritime terminal for its LNG terminal, including a dry dock and ancillary maritime infrastructure, as well as the development and construction of new petroleum products terminals in the ports of Veracruz and Topolobampo, as well as in Ensenada, Baja California and Manzanillo, Colima, the Company is subject to the Mexican Ports Law (*Ley de Puertos*) and its Regulations and the jurisdiction of the federal government through the SCT, as well as and the Integral Port Authorities of Veracruz, Topolobampo and Manzanillo, for the respective facilities.

Pursuant to the Ports Law, the construction and operation of maritime infrastructure, as well as dredging, require specific authorizations from the SCT. Likewise, the use of Federal maritime zones requires special authorizations, known as concessions or permits, which are exclusive to Mexican companies. Furthermore, the construction of infrastructure on the seabed and dumping in the required Mexican marine zones require authorization from the Ministry of the Navy.

Concessions and permits may be granted for up to 50 years, depending on the characteristics and investment of the project in question, and may be renewed for the same period as originally granted. A concession or permit may be terminated by the SCT based on certain reasons set forth in the Ports Law, including (1) termination of the purpose for which the concession was granted, (2) the bankruptcy or liquidation of the permit holder, or (3) amortization. In addition, the Company's concessions and permits may be revoked in certain circumstances, including breach of its obligations under the permits, or if the Company experiences partial or total interruption in the operation of the system or facility without just cause.

Railroad Service Regulatory Law

Railroad facilities used for the reception and/or delivery of petroleum products at the Company's storage terminals require permits to be obtained for the construction of railroad tracks. Pursuant to the provisions of said Law, the loading and/or unloading of petroleum products onto/from tanker trucks also require permits to be obtained for the rendering of auxiliary services, such as liquids loading and transfer terminals.

The Railroad Service Regulatory Law and the Railroad Service Regulations establish the conditions for the approval and obtainment of the permits and concessions necessary for the construction and operation of said facilities, as well as for the rendering of auxiliary services related to the railroad network. These permits and concessions are granted the SCT and regulated by ARTF.

Constitutional Amendments to Colective Actions

Article 17 of the Mexican Constitution was amended on July 29, 2010, in order to permit Class Actions to be filed in the Federal courts in relation to matters of consumer protection and environmental laws, among others. Subsequently, on August 30, 2011, the Federal Code of Civil Procedures, the Federal Consumer Protection Law and the General Ecological Balance and Environmental Protection Law were amended to include Class Actions. Such amendments became effective on March 1, 2012, though at the date of this Report, as far as the Company is aware, only a few Class Action lawsuits have been brought before the Federal courts in connection with environmental and environmental liability matters.

Federal Environmental Responsibility Law

The Federal Environmental Responsibility Law (*Ley Federal de Responsabilidad Ambiental*), enacted on July 7, 2013, regulates environmental liability for damage to the environment including environmental remediation and compensation. In the event of intentional and unlawful action or inaction, the party responsible shall be fined up to approximately 61.6 million Mexican pesos in 2019, independently of the actions to repair or compensate the damages. This environmental liability regime is independent from administrative, civil or criminal liability regimes.

Environmental liability may be attributed to any company for the conduct of its representatives, managers, directors, employees, or officers who have operational domain over its activities. The limitations to claim environmental liability is twelve years from the date the environmental damage occurred. The law allows the interested parties to resolve disputes through alternative dispute resolution mechanisms, provided public interest or third-party rights are not affected.

General Law of Sustainable Forest Development

On June 5, 2018, the Official Gazette of the Federation published the Decree by which the General Law on Sustainable Forest Development (LGDFS) is abrogated and published the new General Law of Sustainable Development (LGDFS). One of the most relevant modifications is the definition of "forest land" that was modified and currently refers only to land that is covered by forest vegetation, that produces forest goods and services and that is not located within the limits of the population centers, in terms of the General Law of Human Settlements, Territorial Planning and Urban Development, with the exception of protected natural areas, which will be considered as such.

This modification may represent an advantage for some of the projects that the Company develops, considering that they are located in the limits of population centers.

Permits

Hydrocarbons Activities Permits

Hydrocarbons activities permits establish the general terms and conditions to regulate the activities covered by these permits. The Energy Regulatory Commission has approved and keeps a registration of the GSTC and GTTC of each permit. The GSTC and GTTC are modified from time to time by the Company, in accordance with the requirements to comply with the terms of the legal provisions and any new administrative regulation issued by the Energy Regulatory Commission. Therefore, certain provisions of the GSTC and GTTC of each permit may vary if the GSTC and GTTC are modified subject to the prior approval of the Energy Regulatory Commission.

Natural Gas Distribution Permits

The Company's distribution permits are to supply product within a geographical zone determined by the Energy Regulatory Commission based on the opinion of the local authorities that have jurisdiction over urban development issues. Distribution permits are commonly granted for 30 years and may be extended for a single subsequent period of 15 years. However, the permit holder may apply for a new permit at least two years before the expiration date of such permit.

In January 2018, the Energy Regulatory Commission approved an agreement that specified the entire Mexican territory as a Single Geographical Zone for the purposes of natural gas distribution. When said agreement took effect, the Geographical Zone Determination Department, which requested specific geographical zones to be determined prior to granted distribution permits, was eliminated.

The Company currently operates three natural gas distribution systems in the areas of Mexicali, Chihuahua and La Laguna-Durango, and it has distribution permits for these geographic zones. The ECOGAS distribution system holds separate distribution permits for each of the three distribution zones, which allows it to render natural gas distribution services in those locations. Each of these permits has a term of 30 years and their expiration dates range from 2026 to 2029. These permits provide that allocation of distribution services should be granted in an efficient manner and in accordance with principles of uniformity, homogeneity, regularity, safety and continuity. In addition, the distribution service capacity must be allocated on a non-discriminatory basis in accordance with the principles of open access. The distribution systems must be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure due compliance with all the applicable regulations. These permits can only be assigned if the applicable distribution system is transferred together with the permit.

Natural Gas, LNG and Petrochemicals (Ethane) Transportation Permits

Transportation companies are not obliged to provide transportation services in any predetermined geographic zone. Transportation permits refer to a determined capacity and a specific route within Mexican territory. Transportation permits are granted on a non-exclusive basis by the Energy Regulatory Commission.

Each of the Company’s transportation systems holds a separate transportation permit issued by the Energy Regulatory Commission that allows it to conduct transportation operations. Each of these permits has a term of 30 years and the expiration dates range from 2028 to 2046.

These permits provide that allocation of pipeline capacity must be conducted on a non-discriminatory basis through open seasons in accordance with open access principles, in the case of permanent allocations. In addition, these permits stipulate that the transportation system must be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure due compliance with all the applicable regulations. Any modification of these permits requires the prior approval of the Energy Regulatory Commission and their assignment is subject to the transportation system being transferred together with the permit.

A transportation system permit may be revoked in the event of (1) an interruption of transportation service without just cause or the authorization of the Energy Regulatory Commission, (2) engaging in unduly discriminatory practices, (3) charging tariffs in excess of those authorized by the Energy Regulatory Commission, (4) the assignment, modification or transfer of the permit in breach its conditions, or (5) the lack of payment of the supervision duties of the permit.

Natural Gas Marketing Permit

In October 2019, the Energy Regulatory Commission approved the ECA Liquefaction’s natural gas marketing permit for the development of activities associated with the liquefaction project, including liquefied natural gas trading, management and contracting of transportation, storage and/or distribution services. This permit has a term of 30 years and expires in 2049. This permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by the Energy Regulatory Commission for breach of the conditions established in the permit, (2) engages in unduly discriminatory practices, (3) assigns, transfers or modifies the permit without the authorization of the Energy Regulatory Commission, (4) breaches the cross-participation rules imposed by the Mexican Antitrust Commission and the Energy Regulatory Commission, or (5) fails to pay the permit oversight fees.

Natural Gas Export Permit

In January 2019, the Ministry of Energy approved the natural gas export permit, which enables IEnova Marketing to export natural gas to the United States. This permit has a term of one year and expires in February 2020. Obtaining this permit is subject to the approval of the Ministry of the Economy and the Ministry of Finance and Public Credit. Also, the export of natural gas must not impact the Country's public finances or threaten the continuity of the supply of said hydrocarbons in the Country. The permit may be revoked if (1) the Ministry of Energy confirms that the permit holder submitted false documents or information, made false statements or participated in illegal activities related to the purpose of the permit granted through firm legal resolution; (2) the Ministry of Energy confirms misuse of the permit, (3) the conditions stipulated in the applicable legislation are breached; (4) the exporter breaches the conditions of the permit; (5) the original conditions under which the permit was granted are altered, and (6) the jurisdictional authority confirms that the exporter does not have the documentation to permit the legal extraction from the country or that the records of its foreign-trade transactions are inconsistent with the declarations made in the permit application.

During January 2020, IEnova Marketing requested an extension of the export permit before SENER with effective from February 2020 to February 2021.

LNG Export Permit

Currently, ECA Liquefaction is in the process of obtaining a SENER export license for Liquefied Natural Gas with a validity of 20 years for the development of activities associated with the liquefaction project.

Natural Gas Pipeline Export Permit

In 2017, the General Customs Administration approved the renewal of the introduction of extraction authorizations of natural gas from the Mexican territory via pipelines for export. Each authorization has a term of three years and expires in 2020.

The authorizations are subject to the approval of the Tax Administration Service and the Ministry of Finance and Public Credit, and to the compliance with the following obligations; (1) the payment of the annual duties in accordance with the Federal Duties Law; (2) file, in the first two-month period of the year, the information on the merchandise purchased/sold compared with the merchandise the entry/exit of which would have been registered; (3) Be up to date with fiscal obligations, and (4) register the customs agents and shippers with whom these operations are performed.

The authorizations may be revoked when; (1) the annual duty is not paid; (2) the obligations of the permit are not performed; (3) the rights of the authorization are encumbered, assigned or transferred, either totally or partially; (4) the imports are made through customs agents not indicated in the permit.

Natural Gas Import Permit

In 2018, the General Customs Administration approved the renewal of the introduction of extraction authorizations of natural gas from Mexican territory via pipelines for import. Each authorization has a term of three years and expires in 2021.

The authorizations are subject to the approval of the Tax Administration Service and the Ministry of Finance and Public Credit, and to the compliance with the following obligations; (1) the payment of the annual duties in accordance with the Federal Duties Law; (2) file, in the first two-month period of the year, the information on the merchandise purchased/sold compared with the merchandise the entry/exit of which would have been registered; (3) be up to date with fiscal obligations, and (4) register the customs agents and shippers with whom these operations are performed.

The authorizations may be revoked when; (1) the annual duty is not paid; (2) the obligations of the permit are not performed; (3) the rights of the authorization are encumbered, assigned or transferred, either totally or partially; (4) the imports are made through customs agents not indicated in the permit.

Natural Gas Storage Permit

The Company operates its natural gas storage facility under a natural gas storage permit granted by the Energy Regulatory Commission in August 2003. This permit allows the Company to provide LNG storage and regasification services until 2033 and requires that the Company allocate LNG storage and regasification capacity on a non- discriminatory basis and in accordance with open access principles. In addition, the permit requires that the storage facility be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable regulations.

The assignment and transfer of this permit is only allowed if the permit is transferred together with the LNG storage facility. Any modification of the permit requires prior approval by the Energy Regulatory Commission. The permit is subject to revocation in the event that the Company (1) interrupts the storage service without just cause or without the authorization of the Energy Regulatory Commission, (2) engages in unduly discriminatory practices or does not comply with the tariffs authorized by the Energy Regulatory Commission; (3) assigns, transfers or modifies the permit in breach of its terms; (4) breaches the obligations set forth in the permit, and (5) fails to pay the supervision duties stipulated in the permit.

In October 2007, the Energy Regulatory Commission approved the expansion of the maximum send-out capacity to 2,600 MMcfd (27.0 MMThd) and the addition of up to two additional LNG storage tanks. The GSTC (as amended from time to time at the request of the Company and approved by the Energy Regulatory Commission as part of the Natural Gas Storage Permit issued by the Energy Regulatory Commission) require an open season process to be held should the Company wish to expand the capacity of the terminal.

In December 2019, the CRE approved the modification of the ECA permit, due to changes in its technical characteristics, as well as in the Terms and Conditions for the Provision of the Service.

Natural Gas Liquefaction Permit

In December 2017, the Energy Regulatory Commission approved the natural gas liquefaction permit to ECA Liquefaction in order to liquefy natural gas and supply LNG to tanker vessels and tanker trucks. This permit has a term of 30 years and expires in 2047. The permit is subject to revocation if the Company (1) breaches the obligations or conditions of the permit without just cause and with the authorization of the Energy Regulatory Commission, (2) engages in unduly discriminatory practices, (3) assigns or encumbers the permit, the rights conferred therein or the assets used for its performance without the authorization of the Energy Regulatory Commission, (4) fails to maintain the general insurance valid in accordance with the applicable regulation issued, (5) fails to pay, in more than one fiscal year and in the opinion of the Commission, the permit supervision contribution and use payments without just cause, (6) interrupts the activities stipulated in the permit for a period of at least 30 continuous calendar days without just in the opinion of the Commission, (7) bars access to its facilities by the Energy Regulatory Commission's inspection personnel, or (8) breaches the resolutions issued by the Energy Regulatory Commission, the Mexican Antitrust Commission or the National Industrial Safety and Environmental Protection Agency of the Hydrocarbons Sector within the scope of their respective jurisdictions.

In December 2018, the Energy Regulatory Commission; approved the modification of the natural gas liquefaction permit to divide the project in two phases, the first one for approximately 3Mtpa and the second phase to reach up to 12 Mtpa.

LPG Storage Permit

The Company operates its LPG storage facility under an "LPG storage permit per supply plant", granted by the Energy Regulatory Commission in February 2012. This permit has a term of 30 years, until 2042, and allows for the reception of 42,000 bl of LPG, the storage of 80,000 bl of LPG in four storage tanks, each with a capacity of 20,000 bl, and the delivery of 30,000 bl of LPG through ten loading bays.

The permit also stipulates that the capacity must be allocated on a non-discriminatory basis and in accordance with open access principles. Assignment and transfer of this permit is only allowed if the permit is transferred together with the LPG storage facility. Any modification of the permit requires prior approval by the Energy Regulatory Commission.

The permit is subject to revocation if the Company (1) interrupts the storage service without justified cause or without the authorization of the Energy Regulatory Commission, (2) engages in unduly discriminatory practices or does not comply with the tariffs authorized by the Energy Regulatory Commission, (3) assigns, transfers or modifies the permit in breach of its terms, or (4) fails to comply with the obligations set forth in the permit.

Petroleum Products and Bioenergetics Storage Permit

Each of the Company's storage terminals, whether port or on-shore, operate under an individual petroleum products storage permit granted by the Energy Regulatory Commission. This enables the Company to engage in petroleum products storage operations, such as regular and premium gasoline, diesel, jet fuel and ethanol as bioenergetics. These permits are valid for 30 years.

Each permit authorizes the Company to receive, store and deliver gasoline, diesel, jet fuel and ethanol on a non-discriminatory basis in accordance with the principles of open access. The products shall be received via tanker vessels at port terminals and via tanker trucks at on-shore terminals. The products shall be stored in tanks of different specifications depending on the product to be stored, with a rated capacity and an operating capacity. The products shall be delivered by tanker trucks. These permits include a description of the complementary facilities, such as tanks for additives or to filter jet fuel.

In addition, the permits require that the terminals be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable legal regulations. Any modification to these permits requires the prior approval of the Energy Regulatory Commission. This permit cannot be assigned separately from the respective storage terminal.

The storage permits are subject to revocation if the Company (1) interrupts the storage service without just cause or without the authorization of the Energy Regulatory Commission, (2) performs its activities using products obtained from illegal sources; (3) engages in unduly discriminatory practices or does not comply with the tariffs authorized by the Energy Regulatory Commission; (4) assigns, encumbers or transfers the permit in breach of the provisions of the Law; (5) breaches the Official Mexican Standards and the terms set forth in the permit; (6) dismantles the facilities or systems, or (7) failure repeatedly to pay the supervision duties stipulated in the permit.

Electricity Generation Permits

Electricity Generation Permits for LNG Terminal

The Company's electricity generation activities at the LNG terminal are performed subject to a self-supply electricity generation permit granted by the Energy Regulatory Commission; in February 2005. In 2019 the CRE approved the migration of the self-supply generation permit under the regime of the Electricity Industry Law. This permit enables the Company to generate electricity at the terminal for a period of 30 years, expiring in 2049. The permit also requires that the electricity generation facilities be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable provisions.

The assignment and transfer of this permit is only permitted if the permit is transferred together with the electricity generation facilities and with the prior authorization of the Energy Regulatory Commission. The permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by the Energy Regulatory Commission for selling, reselling, or in any other way transferring the electricity generated in breach of the permit, (2) generates electricity in breach of the conditions established in the permit, (3) assigns, transfer or modifies the permit without the authorization of the Energy Regulatory Commission or in any other manner, breaches the terms and conditions of the permit.

In July 2017, the Energy Regulatory Commission; approved an electricity generation permit with capacity 227.612 MW for the Energía Costa Azul liquefaction project. This permit has a term of 30 years and expires in 2047. The permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by the Energy Regulatory Commission for selling, reselling or transferring the electricity generated in breach of the permit, (2) generates electricity in breach of the conditions established in the permit, (3) assigns, transfer or modifies the permit without the authorization of the Energy Regulatory Commission or in any other manner, breaches the terms and conditions of the permit, or (4) fails to pay the oversight fees stipulated in the permit.

Termoeléctrica de Mexicali Permits

The Termoeléctrica de Mexicali generation plant holds two-way electricity permits issued by the Energy Regulatory Commission. Under the first of these, the Company is permitted to produce and export up to 679.7 MW of electricity to the United States, and the term of the permit expires in 2031. In June 2001 the Company also received a permit to import 12.0 MW of electricity from the United States to power the generation station, for an indefinite term. The export permit requires that the electricity generation facility be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable provisions.

The assignment, transfer or modification of either of these permits requires prior approval of the Energy Regulatory Commission. Additionally, with respect to its export permit, its assignment or transfer is only permitted if the permit is transferred together with the electricity generation facility.

The permits may be revoked if Company (1) is repeatedly sanctioned by the Energy Regulatory Commission for selling, reselling or transferring the electricity generated without permission or for importing electricity in breach of applicable law or the terns of the permits obtained, (2) assigns, transfers or modifies any permit without the authorization of the Energy Regulatory Commission and breaches the requirements provided in the permit to that effect, (3) seriously, repeatedly or continuously fails to comply with the terms and conditions of the applicable legislation, its permits, the Official Mexican Standards or applicable technical and operational provisions, or (4) fails to pay the oversight fees stipulated in the permit.

The plant holds all the Federal environmental impact permits for its construction and operation.

Energía Sierra Juárez Permits

The Energía Sierra Juárez wind park located in the municipality of Tecate, Baja California, is scheduled to be developed in different phases over several years. The resolution in terms of environmental impact, issued by SEMARNAT issued in July 2010 has a validity of 20 years for site preparation and construction and 60 years for operational stage of a wind farm that will have a maximum generation capacity of 1,200 MW. For the first stage identified as “ESJ Jacumé” authorizations were also obtained to change land use on land forestry, the state environmental impact authorization specifically for the rehabilitation and construction of access roads for the project and the approval of INAH works, thus achieving the completion of construction and start of operation on April 30, 2015.

ESJ in its first stage operates under two permits in terms of electrical energy, issued in June 2012 by CRE: (1) an electrical energy import permit that allows the import of electrical energy into Mexico from the United States exclusively to cover the needs of the generating wind plant, with a validity of up to 30 years, subject to obtaining, under certain conditions, a new permit once its validity expires; and (2) an electrical energy export permit that allows the Company to produce electrical energy with an installed capacity of 155.1 MW for a period of 30 years, subject to obtaining, under certain conditions, a new permit once it expires. Under these permits, electricity is imported and exported through a transmission line interconnected with the East County substation of San Diego Gas & Electric. The assignment or transfer of these permits requires the prior approval of CRE. The next phases of the project will also require CRE permits for the energy to be generated and sold.

The Energía Sierra Juárez Expansion (ESJ Expansion) project aims to increase the capacity that ESJ currently has by 108 MW, through the installation of 26 additional wind turbines to the 47 that are already operating. During 2019 and the first quarter of 2020, ESJ Expansion obtained federal and state permits regarding environmental impact, social impact, land use change in forest lands and approval of INAH works, necessary to start construction.

The CRE permits related to ESJ Expansion were obtained under the Electricity Industry Law, in particular, (1) the generation permit (2) the electrical energy import authorization that allows the import of electrical energy into Mexico from the United States exclusively to cover the needs of the generating wind plant, with a validity of 30 years; and (3) the authorization to export electrical energy that allows the Company to produce electrical energy with an installed capacity of 108MW and export it to the United States of America for a period of 30 years.

The permits may be revoked if the Company: (1) is repeatedly sanctioned by the Energy Regulatory Commission for selling, reselling, or in any other manner transferring the electricity generating capacity or electricity in breach of applicable law or its permits, (2) assigns, transfers or modifies any of the permits without the prior authorization of the Energy Regulatory Commission, (3) repeatedly fails to pay the respective oversight fees on said permits, or (4) severely, repeatedly or continuously fails to comply with the terms and conditions of the applicable law, the permits, the Official Mexican Standards or the applicable technical and operational specifications.

Ventika Permits

The Ventika electricity generation wind park has two self-supply electricity generation permits with terms of 20 years granted pursuant to the now repealed Public Electricity Service Law for clean energy (wind) generation. However, under the terms of the Law of Electric Industry, the Ventika self-supply permits continue to be governed by the Public Electricity Service Law, and therefore, allow the Company to enter into bequeathed interconnection agreements for terms of up to 20 years. These permits also grant several benefits that may not be available to holders of permits granted under the Law of Electric Industry, such as fixed transmission and distribution tariffs and banking of surplus power for future sale, among others. From the effective date of the Law of Electric Industry, the Energy Regulatory Commission cannot grant permits under the terms of the previous law. Therefore, at the date of this document, it is impossible to obtain self-supply permits such as those granted to Ventika under the Public Electricity Service Law.

The plant holds all the Federal environmental impact permits for its construction and operation.

Solar Projects' Electricity Generation Permits

In 2017, the Energy Regulatory Commission approved the electricity generation permits for the Rumorosa solar project with an estimated capacity of 41 MW_{AC}, the Tepezalá solar project with an estimated capacity of 100 MW_{AC} and the Pima solar project with an estimated capacity of 110 MW_{AC}. These permits are valid for 30 years and are renewable. In December 2019, CRE approved the increase in generation capacity in alternating current of the Rumorosa project, to be 44.6$MW_{AC.}$ The permits may be revoked if the Company (1) is sanctioned repeatedly by the Energy Regulatory Commission for the generating electricity in breach of the conditions established in the permit, (2) assigns, transfer or modifies the permit without the authorization of the Energy Regulatory Commission, (3) fails to operate in a manner consistent with the efficient operation of the National Grid or the wholesale electricity market, or (4) breaches the terms and conditions of the permit.

In 2018, the Company acquired two solar power generation projects, which were authorized by the CRE prior to the energy reform under the Public Electricity Service Law, in the form of self-supply power generation. The first project called Don Diego Solar with a generation capacity of 125 MW and the second Border Solar project with a generation capacity of 150 MW. These projects will be in force under the self-supply regime for the duration of its interconnection contract and cannot be renewed unless they are transferred to the new regime under the Electric Industry Law. These permits are subject to revocation for the following reasons: (1) When it is repeatedly sanctioned for selling or reselling or disposing of capacity or electrical energy; (2) For transmitting the rights derived from the permit or generating electricity under conditions other than those established in the permit, without prior authorization from the CRE; (3) When in serious and repeated breaches of the applicable regulation and the conditions of the permit.

Electricity Supply Permits, in the Qualified Supply Modality

In 2019, the CRE approved the permit to provide electricity supply service, in the form of qualified supply to IEnova Suministro Calificado, S. de R.L. de C.V., through which is are allowed to present offers to buy and sell energy, related services, power, clean energy certificates, financial rights for the load centers and exempt generators that it represents, carry out import and export transactions, acquire the services of transmission, distribution, operation of CENACE, participate in auctions in the medium and long term, in the clean energy certificate market and auctions of transmission financial rights. This permit is valid for 30 years. This permission is subject to termination or revocation in the in case the Company (1) fails to comply with the terms of strict legal separation, accounting separation, and operational and functional that the CRE issues, (2) does not start the activities that are the object of the permit within the period established for this purpose in the permit, (3) do not pay the rights, uses or any other fee applicable to the permit, (4) carry out the activity permitted under conditions other than those of the permit, (5) does not comply with the instructions of CENACE regarding the operational control of the national electricity system, (6) carry out activities or incur in omissions that prevent the efficient operation of the national electrical system, (7) give, transfers or sell the rights and obligations derived from permits, without prior express authorization from CRE, (8) manipulate in any way the sale prices of electrical energy or associated products, (9) make any serious breach of the general obligations.

Environmental Matters

Environmental Regulation

The Company's operations are subject to Federal, State and Local environmental laws, regulations, Official Mexican Standards and other technical standards. The distribution of jurisdiction over environmental matters among governmental authorities at the Federal, State and Municipal levels is based on a "residual formula" stipulated by the Mexican Constitution, which establishes that matters not expressly reserved to the Federal authorities fall under local-government jurisdiction, also known as concurrent jurisdiction. Although electricity and hydrocarbons projects are regulated under the jurisdiction of said Federal authorities, certain specific environmental matters, such as the special handling or management of urban solid waste, the opening of new access roads, land use and construction falls under State or Municipal jurisdiction. It must be emphasized that as a result of the new regulation of the hydrocarbons sector, the issues of special waste management, the registration of civil and environmental liability insurance policies, among others, comes under Federal jurisdiction and its regulation and management are within the remit of the ASEA.

The main environmental laws in Mexico applicable to the Company's business are the General Ecological Balance and Environmental Protection Law, the General Waste Prevention and Comprehensive Management Law, the National Waters Law, the General Sustainable Forestry Development Law, the General National Assets Law, the General Climate Change Law and the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law. Pursuant to these laws, provisions and regulations have been enacted on matters such as environmental impact and industrial and operational risks, land use change, noise emissions, atmospheric emissions, prevention and control of methane emissions, use of national waters and wastewater discharges in to national water bodies, hazardous residues, special and solid waste management, to which the Company's business is subject. The Company's business may also be subject to other laws, regulations and technical requirements relating to environmental protection such as the General Health Law, the Federal Occupational Health, Safety and Environmental Regulations and the Discharges Law in Mexican Maritime Zones Law and the Federal Criminal Code.

Breach of the applicable laws, regulations and Official Mexican Standards may result in the imposition of administrative, environmental and criminal fines and sanctions; revocations of authorizations, concessions, licenses, permits or registrations; administrative arrests, the seizure of polluting equipment; and in certain cases, the temporary or permanent closure of facilities and even imprisonment when the breaches are classified as environmental or environmental management offenses, as well as in remediation, reparation or compensation obligations in matters of civil or environmental liability.

The Company's projects operate under licenses, permits, authorizations, concessions and registrations issued under these environmental laws. The Company holds all the permits, licenses, registrations, concessions and/or authorizations necessary for its projects and it is in substantial compliance with the applicable environmental laws and the respective permits. There are currently no legal or administrative proceedings pending against the Company regarding any environmental matter, with the exception of the matters described in "Business description- Legal, administrative and arbitration Proceedings-ECA Matters"

The Company follows internal policies and procedures to ensure due compliance with applicable laws, regulations and its permits. The Company updates its permits, authorizations, licenses, concessions and registrations from time to time and evaluates their validity periodically, including the amendment, renewal, extension or termination of such permits. In the event that as a result of such evaluations, action needs to be taken to renew, maintain, transfer or obtain any permit, authorization, license or approval, the Company takes all necessary steps in order to keep them valid.

Regulatory and Oversight Authorities

SEMARNAT is the Federal environmental authority responsible for, among other things, granting Federal authorizations for environmental impact and risk, for change of forest land use, single environmental licenses, accident prevention programs, as well as issuing Official Mexican Standards (NOMs). As a result of the 2013 energy reform, the ASEA was created as a decentralized body of the SEMARNAT. The ASEA regulates, authorizes and oversees the industrial safety, operating and environmental protection activities and obligations with the authority to issue the aforementioned authorizations, as well as to assign the Regulated Entity's Single Registration Code, the Industrial Safety, Operational Safety and Environmental Protection Administration System (SASISOPA) authorization and generate the civil and environmental safety policy registration, among others.

In addition to the foregoing there are six decentralized bodies within the SEMARNAT (the National Water Commission, the National Protected Natural Areas Commission, the National Biodiversity Awareness and Use Commission, the National Ecology and Climate Change Institute, the Environmental Protection Agency (PROFEPA) and the ASEA). There are two decentralized bodies with their own legal capacity and equity (the National Forestry Commission and the Mexican Water Technology Institute), which as part of their jurisdictions, ensure compliance with the environmental standards. The PROFEPA is responsible for investigating and inspecting facilities (including through the voluntary environmental audit program, described below), imposing sanctions, and ruling on the administrative appeals filed by persons who have been sanctioned for breaching the environmental regulations. The ASEA's remit covers inspecting, issuing licenses and authorizations and imposing sanctions on environmental, industrial and operating safety issues of the hydrocarbons sector.

The National Water Commission is responsible for the management and administration of national waters, both surface and underground, the prevention of water pollution, granting of the use and exploitation of national waters and the protection of certain national assets related to rivers, reservoirs and other water bodies. The National Water Commission grants concessions for the use and exploitation of national waters and permits for wastewater discharges into Federal water bodies. The National Water Commission has its own verification and inspection department, independent from the PROFEPA; however, the PROFEPA is also authorized by law to verify matters related to the use and contamination of national water bodies.

Environmental Certifications, Policies and Programs

Clean Industry and Environmental Quality Certifications

Currently, the Company's Gas and Electricity segments participate in the PROFEPA or ASEA voluntary environmental audit programs. These assets currently hold clean industry certificates or if applicable, are in the application or recertification process. The Company's goal is for all of its other assets to participate in this program as they commence operations and obtain the respective certificates.

As part of these voluntary environmental audit programs, companies agree to conduct the environmental audits of their own facilities and operations through an authorized third party every two years and approved by the PROFEPA or ASEA. Based on the audit findings, as applicable, the auditor prepares and proposes a corrective and/or improvement action plan to the company. Depending on the certification process, the auditor advises the PROFEPA or the ASEA, as the case may be, of the results of the audit and the suitability of the resulting action plan. Subject to its review and approval of the audit findings and recommendations, the PROFEPA or the ASEA, as applicable, approves the implementation of the action plan with the audited company.

The end result of this voluntary environmental audit program is a clean industry or an environmental quality certificate, which generally indicates that the company or business has complied with the action plan and is in compliance with the applicable Federal environmental laws and regulations, and in some cases with the international standards and the best engineering and operational practices. The certificate is valid for two years and may be continuously renewed for similar periods provided that the company continues to prove that it has maintained or improved the environmental compliance conditions in force at the time when the certificate was first granted.

Corporate Environmental Policies

The Company conducts its business in compliance with its Corporate Environmental Policy. This policy is communicated to its employees and contractors and applied both in new projects and in the operation and maintenance of its facilities. The Company has made the commitment to comply with the directives established in the policy, as follows and with any other that may be implemented in the future:

- Incorporate the steps that contribute to mitigating the effects of Climate Change into the business strategy and adapt its activities to it.
- Minimize and mitigate the environmental impact, as well as respect the load capacity of the eco-systems as a result of IEnova's and its Subsidiaries' activities.
- Generate strategies to promote, foster and implement specific steps focused on achieving energy efficiency in IEnova's and its Subsidiaries' operations.

- Generate reliable environmental information to improve the environmental performance of IEnova and its Subsidiaries.
- Comply with applicable environmental laws, regulations and standards, as well as seeking to adopt the best industry environmental practices.
- Instill awareness of the importance of environmental matters among the employees of IEnova and its Subsidiaries, customers and suppliers, as well as in the communities in which they operate.
- Establish mechanisms to achieve the transparency and publicity of its results for decision-making and to seek on-going improvement of the environmental performance of IEnova and its Subsidiaries.
- Foster the efficient use of the resources available in the areas where IEnova and its Subsidiaries perform their activities.

The Company frequently seeks to improve the environmental performance of its operations based on internal standards that go beyond the regulatory requirements.

Environmental Programs for the Conservation of Biodiversity

The Company has several on-going environmental programs to conserve biodiversity as well as construction projects and operations that are focused on the conservation, protection and restoration of species of flora and fauna.

As the Company maintains high standards of environmental compliance, it considers it unlikely that it will incur material costs and liabilities related to environmental matters related to its current projects, based on its existing clean industry certificates, the implementation of its Corporate Environmental Policy and on-going compliance monitoring programs. However, the Company cannot guarantee the future costs and liabilities associated with its projects, which in turn may have a material adverse effect on its activities, financial situation, operating income, cash flows and the outlook of the Company, as well as on the market price of its securities.

vi) Human Resources

Employees

The following sets forth the Company's number of full-time employees by type of activity and business segment:

	2019	2018	2017
Activity			
Management	205	167	151
Operations	897	722	685
Construction and engineering	198	146	94
Business Segment			
Gas(1)	883	716	663
Power	64	51	44
Corporate	353	268	223
Total employees	**1,300**	**1,035**	**930**

The increase of employees from 2017 to 2019, is mainly due to development of new projects.

As of December 31, 2019, 2018 and 2017, the Company had 97.6%, 96.7% and 96.2% trusted employees, and 2.6%, 3.3% and 3.8% unionized employees, respectively.

Collective Bargaining Agreements

The Company has in place collective bargaining agreements with various labor unions. The collective bargaining agreements are negotiated on a facility-by-facility basis. The compensation terms under these agreements are adjusted on an annual basis, whereas all other terms are renegotiated every two years. The Company has not experienced any significant labor disruptions with its workforce. The Company believes that its relationships with labor unions are satisfactory.

vii) Environmental Performance

See "Legal Framework and Taxation - Environmental Matters."

viii) Market Information

General

In Mexico, the natural gas and power sectors are highly regulated. In the power sector, the Mexican government owns 100% of the Mexican Federal Electricity Commission. The Mexican Federal Electricity Commission is responsible for the planning of the Mexican power grid as well as the generation, transmission, distribution and sale of energy. In the natural gas sector, the government owns 100% of Pemex and its subsidiaries, including Pemex TRI, which is responsible for the exploration and production of petroleum and other hydrocarbons, among other activities. Legislative changes in Mexico in the 1990s in both the natural gas and power sectors created significant investment opportunities for the private sector. In December 2013, a new and substantial legislative change occurred as a result of amendments to the Mexican Constitution. The reform created a new legal framework for the oil, gas and electric power industries in Mexico. The main objectives of the reform were to open the oil, gas and power sectors in Mexico to private investment. Both Pemex and the Mexican Federal Electricity Commission will continue to play a key role in the natural gas and electric power sectors as state productive enterprises (*empresas productivas del Estado*), owned and controlled by the Federal Government, with entrepreneurial, commercial and financial objectives.

The market information presented below is based on the prospects published by the SENER. The Company cannot guarantee that the estimates included in these documents will materialize.

The Mexican Natural Gas Industry

Prior to the last energy reform, natural gas production was carried out exclusively by the Mexican government through Pemex and its subsidiaries. The deregulation of the natural gas industry started in 1995, when changes to Mexican law allowed private sector participation in the midstream (transportation and storage) and downstream (distribution) natural gas sectors. The National Pipeline System (*Sistema Nacional de Gasoductos*) still holds a dominant position in the market through the CENAGAS. The energy reform allows private sector entities to store, transport, distribute, market and carry out direct sales of natural gas, as well as to operate pipelines and liquefaction, regasification, compression and de-compression stations, as well as terminals.

According to information published by the Mexican Energy Regulatory Commission (CRE) as of January 2020 (information published by the CRE in the website: http://www.cre.gob.mx/Permisos/index.html), private investment in the natural gas sector is comprised as follows:

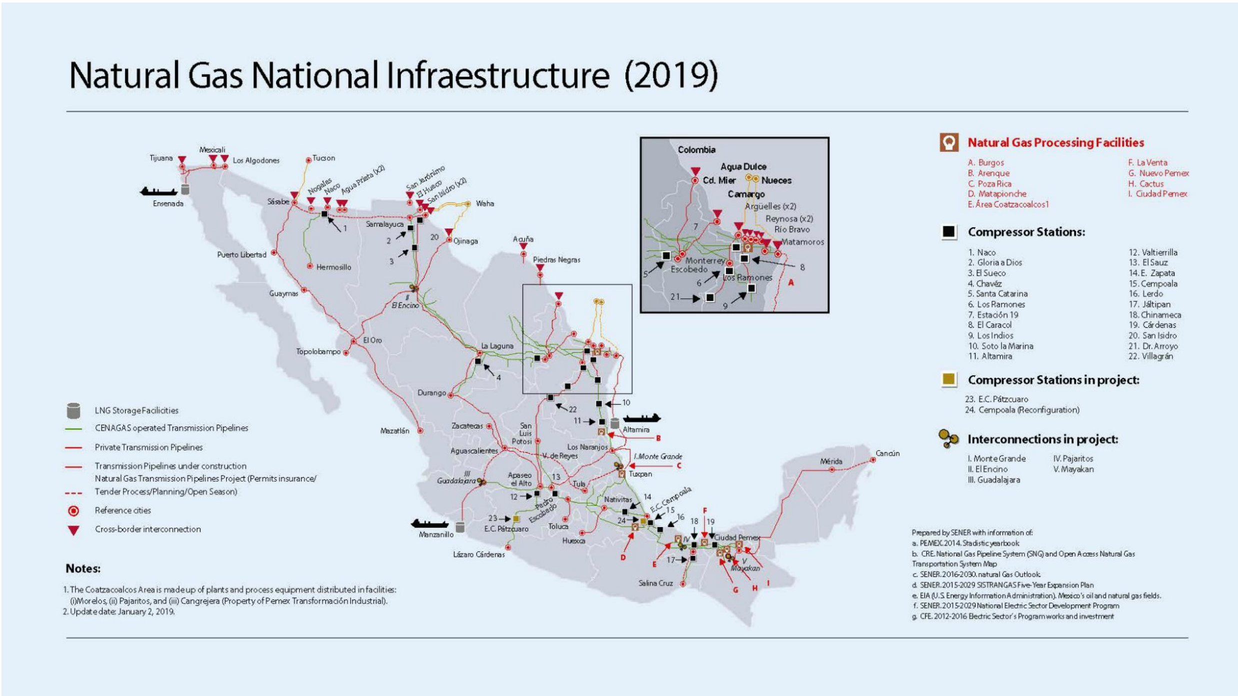
- 88 permits granted for open access transmission systems;
- 61 distribution permits granted; and
- 3 LNG import terminals.

In addition, as a result of the auction rounds organized by the CNH, several private companies have been awarded contracts for the exploration and extraction of hydrocarbons.

As a consequence of the environmental and economic advantages of natural gas over other energy alternatives, demand for natural gas in Mexico has increased significantly, mainly due to the increased usage of natural gas by the CFE and IPPs. In addition, these advantages have led to an increase in consumption of natural gas in other industries, where it is a less expensive and more efficient alternative to other fuels.

Transportation

The following map shows Mexico's current natural gas infrastructure:



Source: SENER, Statistic compendium January 2020

In March 2019, the Ministry of Energy presented the fourth annual review to the 2015-2019 Five Year Plan for Expansion of the National Integrated Natural Gas Transport and Storage Systems (SISTRANGAS). This review confirmed the validity of the initial projects, according to the natural gas market evolution in Mexico.

Below the conclusions of the Fourth Annual Review of the Five-Year Plan 2015-2019

1. Interconnection projects in Montegrande (Tuxpan) through the South Texas - Tuxpan Gas Pipeline and the reconfiguration of the Cempoala compression station remain valid.

2. CENAGAS will monitor the development of the following projects:
   a. Tuxpan - Tula pipeline.
   b. Tula - Villa de Reyes pipeline.
   c. Villa de Reyes - Guadalajara gas pipeline.

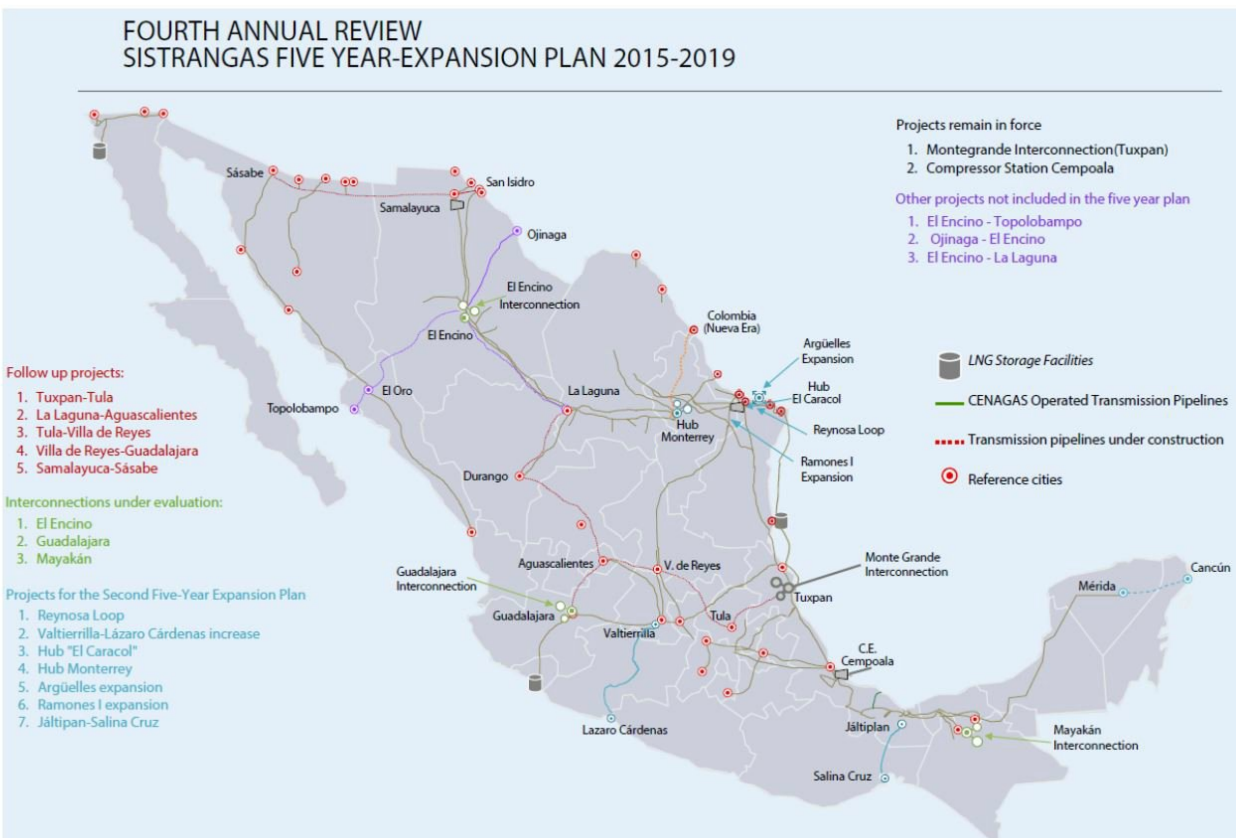
3. The evaluation of SISTRANGAS interconnections with the systems mentioned below will continue, with the aim of optimizing the infrastructure of itself, providing greater operational flexibility and supply points:
   a. El Encino Interconnection (El Encino - La Laguna pipeline) and the alternative interconnection project with the El Encino - La Laguna pipeline in the town of León Guzmán (Durango).
   b. Guadalajara interconnection (Villa de Reyes - Guadalajara pipeline).
   c. Mayakán Interconnection (Mayakán pipeline).

It is important to consider that during 2020, CENAGAS must issue the second five-year plan for expansion of SISTRANGAS 2020-2024, which it is considering to maintain the public consultation exercise by itself, that allows to identify the potential demand for transportation and storage of natural gas in the country, and contributes to the elaboration of the planning strategy for the expansion and optimization of SISTRANGAS. Additionally, CENAGAS indicates that in this second five-year plan will evaluate in detail the relevance of the following projects that were part of the revisions of the previous plan:

a. Reynosa Loop,
b. Increase the transport capacity of the Valtierrilla - Lázaro Cárdenas section,
c. Hub "El Caracol".
d. Monterrey Hub.
e. Argüelles expansion.
f. Ramones Phase I expansion.

Regarding Jáltipan - Salina Cruz strategic gas pipeline, CENAGAS will define the mechanisms to assign capacity, with the aim of ratifying the relevance of developing new infrastructure on this section and finally, in order to have a mechanism to maintain continuity in the supply of natural gas in the national pipeline network in the event of any contingency that may jeopardize the operating capacity of the systems, CENAGAS will evaluate the development of strategic and operational natural gas storage projects. All of these projects represent growth opportunities for the Company's Gas segment.

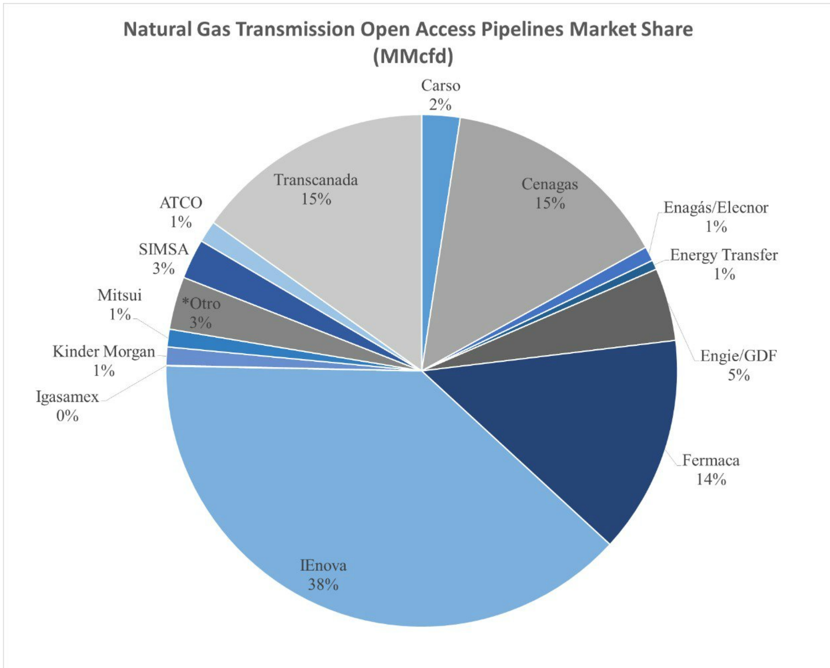
The following map shows the location of the transportation projects listed previously:



Source: Author´s own creation with the information of the Fourth Annual Review five-year Plan for the Expansion of the National Integrated natural gas Transportation and Storage System.

Open-Access Pipeline Transportation Projects

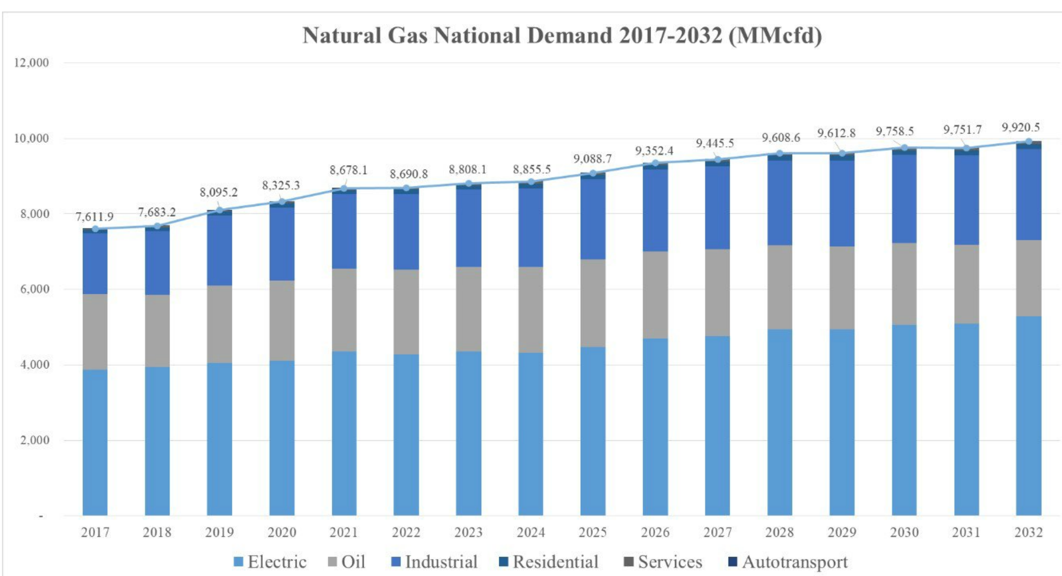
The network of natural gas pipelines in Mexico is composed of approximately 20,472 km of open access transport pipelines. The Mexican market for natural gas pipelines is concentrated on a few key companies. The four main transport companies comprise more than 80% of the market. The market share for the natural gas transport sector through open access pipelines is shown in the next table:



*Includes Finsa, Conceptos Energéticos Mexicanos and Brookfield participation

Source: Mexican Energy Regulatory Commission, December 2019.

Currently, these open-access transportation pipelines transport natural gas to the CFE, IPP's, industrial customers, distribution companies and CENAGAS. According to SENER information, natural gas demand has increased substantially in Mexico due to the shift to natural-gas-fired combined-cycle technology for power generation, as well as the increase in the use of this fuel in the industrial, residential and transport sectors. Following is the prospective information on the national demand for natural gas by 2032:



Source: Mexican Ministry of Energy, Natural Gas Market Outlook 2018-2032.

Currently, Mexico does not have natural gas storage capacity, with the exception of LNG import and regasification projects. The public policy on natural gas storage reviewed by the Ministry of Energy will require up to 45,000 MMcfd of minimum inventory, which is equivalent to the national demand for natural gas estimated for the year 2029. This will allow the country to have 5 days of natural gas inventory to deal with emergencies in the pipeline network or at any point of import. It will require investments for the construction of storage infrastructure.

According to the public policy, the storage of natural gas will be made in economically unviable deposits, for which the CENAGAS will be evaluating the development of the gas storage projects in operational and strategic character, based on the Fourth Annual Review Five-Year Expansion Plan 2015-2019.

LNG Storage and Regasification Facilities

The substantial rise in demand for natural gas from the CFE and IPPs has contributed to the increase in total natural gas demand in the country, which represents an increase of 46% compared to the last decade. In 2032, demand is expected to have grown 30.3% compared to 2017, from 7,613 MMcfd in 2017 to 9,920.5 MMcfd in 2032.

In addition to the imports from cross-border pipelines, imports of LNG have helped satisfy the growing demand for natural gas. Currently Mexico has three LNG regasification terminals, and as of December 2019, the Company has approximately 50% of all LNG regasification capacity in the country.

LNG Regasification Terminals

Plant	Location	Status	Owner	Initial Date	Rated Capacity (MMcfd)
Altamira LNG Terminal	Altamira, Tamaulipas	In Operation	Vopak and Enagás	2006	670 - 1,119
Energía Costa Azul	Ensenada, Baja California	In Operation	IEnova	2008	1,000 - 1,300
KMS LNG Terminal	Manzanillo, Colima	In Operation	KoGas, Mitsui and Samsung	2012	500

Source: Mexican Energy Regulatory Commission

Natural Gas Distribution Business

According to information of the Mexican Energy Regulatory Commission, up to date are 61 natural gas distribution permits by pipeline compared with the 31 permits reported in the last the Natural Gas Outlook 2018-2032.

Natural Gas Marketing

In February 2016, a resolution was published in the Official Gazette of the Federation, in which the Energy Regulatory Commission issued the general administrative provisions applicable to the commercialization of natural gas. The resolution states that Pemex must release part of its portfolio of natural gas marketing contracts within a maximum period of 4 years, an assignment that equals 70% of its marketing in the domestic market. In July 2016, the Ministry of Energy published the Public Policy for the Implementation of the Natural Gas Market, whose objective was to establish public policy that encourages the development of a competitive natural gas market, to contribute to the country's energy security and the continuity of supply. In January 2017, the Energy Regulatory Commission of Mexico implemented the "Contract Assignment Program" with the objective of determining the characteristics of the procedure for the implementation of this program; the implementation of this program will be carried out through the release of contracts in three phases. As a result of the first phase, in September 2017, Pemex released 32.16% of the total volume of its natural gas marketing portfolio.

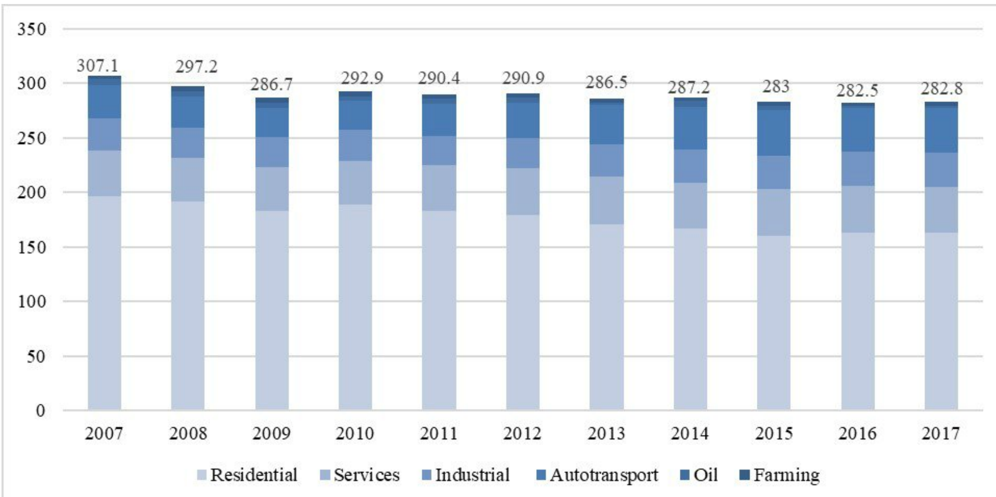
The Energy Regulatory Commission has achieved important advances in the implementation of a permanent plan for the sale of natural gas. The plan is expected to allow all natural gas marketers to purchase natural gas directly from the Pemex processing plant or at cross-border import points, thereby ending the transitory regime in which the majority of consumers (except for IPPs) had to purchase natural gas and related transportation services through Pemex TRI.

The refined petroleum products industry in Mexico

Current Mexican regulations allow private sector investment in the transportation, storage and distribution of LPG. The distribution market is dominated by a very small group of participants, with significant barriers to entry.

In the last decade, the national demand for LPG has had an average annual growth rate of -0.8%.

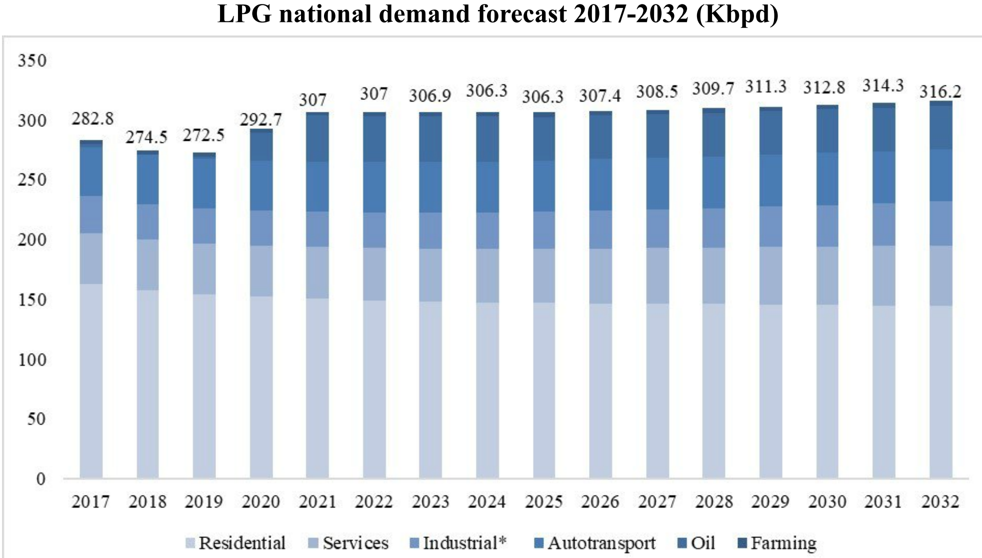
LPG historical national demand (Kbpd)



Source: SENER Natural Gas Prospect 2018-2032

Based on Energy Information System (Sistema de Información Energética, SIE for its acronym in Spanish), for 2019, until September 2019 the average national demand for LPG was 279 Kbpd, with the residential sector being the demand for LPG. The estimated LPG demand, in 2032 will reach 316.2 Kbpd, 16% higher compared to 2019, with different growth rates by sector, as shown in the following graph:

LPG national demand forecast 2017-2032 (Kbpd)



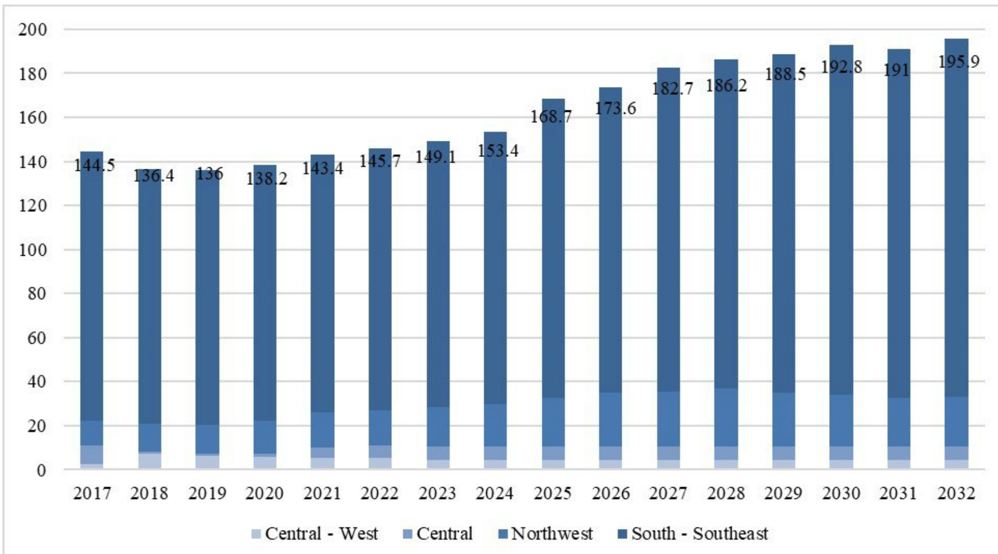
* Includes propane and butane as raw materials in the industrial sector.
Source: Crude Oil and Petroleum Prospective (2018-2032).

The LPG production estimate derives from the analysis of hydrocarbon production scenarios proposed by the General Direction of Exploration and Production of Hydrocarbons of the Ministry of Energy (SENER), based on joint work with Pemex and the National Hydrocarbons Commission (CNH).

It is estimated that in 2032, the domestic supply of LPG will be 195.8 Kbpd, 30% higher than in 2019, due to the exploration and production blocks awarded through the Mexican bid rounds.

In 2032, the region that will provide the most domestic energy production will be the Southern-Southeastern region with 162.8 Kbpd, (which will represent 83.1% of the total production), followed by the Northeastern region with 22.4 Kbpd (11.4%), Central with 6.3 Kbpd (3.2%) and finally the Central-Western region with 4.4 Kbpd (2.2%).

LPG national supply forecast 2017-2032 (Kbpd)



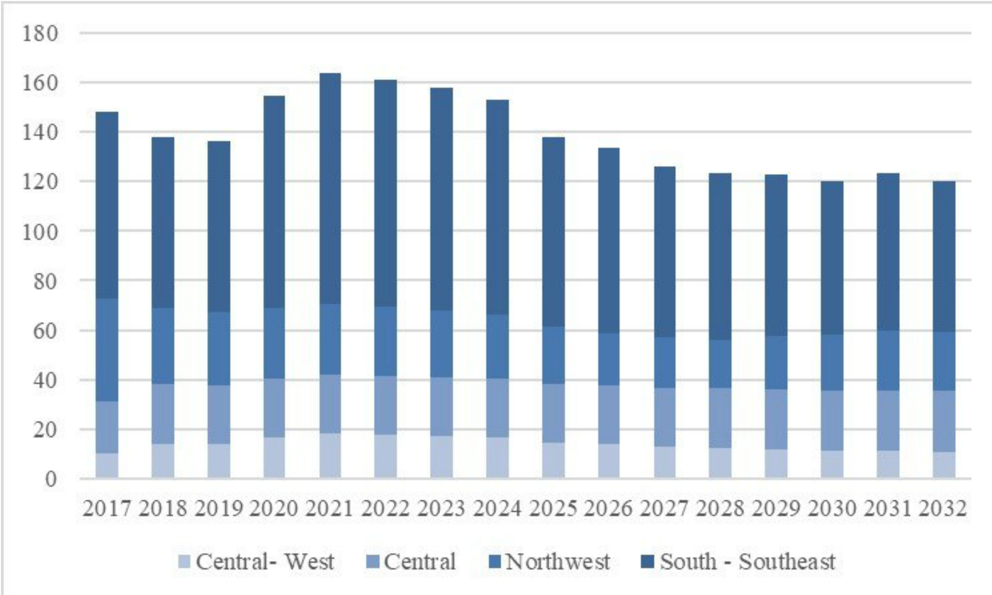
Source: SENER with Pemex's information

For 2019, the supply of LPG was mostly covered through imports (185 Kbpd); while the national production represented 110 Kbpd. The average until September of the same year is 292 Kbpd.

SENER estimates that LPG imports will be reduced to 120.4 Kbpd in 2032 from 148.3 Kbpd in 2017, a decrease of 18.9%, as a result of the expected increase in national fuel production.

By 2032, it is estimated that the Southern-Southeastern region import the largest volume of LPG imports with a share of 51.0% (61.4 Kbpd), followed by the Northeastern region with 20.3% and finally the Northeastern and Central-Western regions with 19.6% (23.6 Kbpd) and 9.1% (11 Kbpd) respectively.

LPG imports forecast 2017-2032 (Kbpd)



Source: SENER with Pemex's information

LPG Storage

Based on information published by CRE, on February 21, 2020 there are 1,163 permits for distribution plants in the country, which have a storage capacity of approximately 2.35 million barrels, including those projects that are under construction.

Mexico's LPG infrastructure has a design storage capacity of 5.6 million of barrels, which is distributed among the projects shown in the following table:

	Permit number	Status	Company name	Municipality	State	Design Capacity (barrels)
1	G/276/LPA/2012	Operating	Transportadora del Norte sh, S. de R.L. de C.V.	Zapotlanejo	Jalisco	79,994
2	G/254/LPA/2015	Operating	Termi-Centro, S.A. de C.V.	San Luis Potosí	San Luis Potosí	79,995
3	G/355/LPA/2015	Operating	Almacenamientos Subterráneos del Sureste, S.A. de C.V.	Ixhuatlán del Sureste	Veracruz	1,799,887
4	LP/12159/ALM/2015	Operating	Pemex Logística	Coatzacoalcos	Veracruz	770,404
5	LP/19357/ALM/2016	Operating	Pemex Logística	Salina Cruz	Oaxaca	4,000
6	LP/19380/ALM/2016	Operating	Pemex Logística	Reforma	Chiapas	40,000
7	LP/19381/ALM/2016	Operating	Pemex Logística	Ciudad Madero	Tamaulipas	15,000
8	G/003/LPA/2010	Operating	Gas Comercial de la Laguna, S.A. de C.V.	Nava	Coahuila	9,434

9	G/004/LPA/ 2010	Operating	Almacenadora de Gas Comercial, S.A. de C.V.	Juárez	Chihuahua	6,289
10	G/005/LPA/ 2010	Operating	Zeta Gas de Cíudad Juárez, S.A. de C.V.	Juárez	Chihuahua	3,774
11	G/006/LPA/ 2010	Operating	Zeta Gas de Cíudad Juárez, S.A. de C.V.	Juárez	Chihuahua	9,434
12	G/007/LPA/ 2010	Operating	Invalle, S.A. de C.V.	Tepeji del Rio de Ocampo	Hidalgo	12,579
13	G/018/LPA/ 2010	Operating	Pemex Logística	Playas de Rosarito	Baja California	39,999
14	G/021/LPA/ 2010	Operating	Termígas, S.A. de C.V.	Tuxpan	Veracruz	433,764
15	G/022/LPA/ 2010	Operating	Pemex Logística	Ahome	Sinaloa	209,996
16	G/023/LPA/ 2010	Operating	Zeta Gas del Pacífico, S.A. de C.V.	Manzanillo	Colima	868,679
17	G/027/LPA/ 2010	Operating	Trans-Soni, S.A. de C.V.	Puebla	Puebla	14,283
18	G/029/LPA/ 2010	Operating	Terminal Maritima Gas Tomza, S.A. de C.V.	Tuxpan	Veracruz	392,767
19	G/030/LPA/ 2010	Operating	Bio Gas de Victoria, S.A. de C.V.	Matamoros	Tamaulipas	3,145
20	G/031/LPA/ 2010	Operating	Zeta Gas de Baja California, S.A. de C.V.	Ensenada	Baja California	610,629
21	G/253/LPA/ 2011	Operating	Gas de Calidad, S.A. de C.V.	Jaltenco	Mexico	73,796
22	G/254/LPA/ 2011	Operating	Generadores de Energía del Noroeste, S.A. de C.V.	Tijuana	Baja California	6,289
23	G/255/LPA/ 2011	Operating	Gas Silza, S.A. de C.V.	Tijuana	Baja California	7,862
24	G/256/LPA/ 2011	Operating	Gas Silza, S.A. de C.V.	Mexicali	Baja California	6,289
25	G/257/LPA/ 2011	Operating	Hidro Gas de Agua Prieta, S.A. de C.V.	Nogales	Sonora	4,717
26	G/258/LPA/ 2011	Operating	Gas Comercial de Villa Ahumada, S.A. de C.V.	Juárez	Chihuahua	4,717
27	G/259/LPA/ 2011	Operating	Almacenadora de Gas Comercial, S.A. de C.V.	Nava	Coahuila	5,912
28	LP/19797/ ALM/2016	Starting operations	Pemex Logística	Tula de Allende	Hidalgo	59,996
29	LP/19798/ ALM/2016	Starting operations	Pemex Logística	Puebla	Puebla	19,999
30	LP/19799/ ALM/2016	Starting operations	Pemex Logística	Tierra Blanca	Veracruz	9,999
31	LP/19800/ ALM/2016	Starting operations	Pemex Logística	San Martín Texmelucan	Puebla	19,999
					Total	**5,623,626**

Notes: Does not included infrastructure suspended or finished permits
Source: CRE as of February 12, 2020

The Company owns Transportadora del Norte, S de R.L de C.V. with a storage capacity of 80,000 barrels located in Guadalajara, Jalisco, which is currently operated by Pemex Logistica, serving to Pemex Logística.

LPG transportation by pipeline

LGP Pipelines per region in Mexico

Location	Owner	Diameter (Inches)	Length (Km)	Capacity (Kbpd)
CPC Burgos - Monterrey	TDF S. de R.L. de C.V.	12	185	34
Poza Rica - Atotonilco - Santiago	Ductos de Altiplano, S.A. de C.V.	14	285	35
Frontera EUA - Ciudad Juárez	Pemex - Logística (SHM)	8	35	24
Cactus - Guadalajara	Pemex - Logística (SNGLP)	20	1539	240
		Total	**2,044**	**333**

Source: CRE as of February 12, 2020

Mexican LPG transportation and storage infrastructure are two areas that are most in needs of modernization due to the inefficient extended truck transportation system widely used in Mexico today.

The current state of the LPG infrastructure and the expected future market environment, it is necessary to develop a strategy to increase transportation and storage capacity in the southeast of Mexico and the main consumption areas. This would guarantee the supply of LPG and increase transportation flexibility.

Refined petroleum products

According to the Statistical Record of December 2019, published by SENER, in recent years the demand for fuels in the country has been increased, as well as a marked decrease in the national supply, derived from the reduction in processing of crude from the National Refining System (SNR). Consequently, Mexico has a substantial dependence on refined imported products. The future demand for gasoline will grow, regardless of the gradual incorporation of a vehicle fleet for hybrid or electric use. There is no real certainty in the short term of the increase in domestic production, so the dependence on refined imported products will continue to be important.

The percentage of use of refineries as of December 2019:

Cadereyta	28%
Madero	52%
Minatitlán	30%
Salamanca	38%
Salina Cruz	33%
Tula	37%
Total SNR	**40%**

According to the December 2019 Statistical Report of petroleum products, the average supply of gasoline until December 2019 was 811 Kbpd, made up by 604 Kbpd of imports and 204 Kbpd of national production. Imports represent slightly more than double national production, reflecting the dependence of the national market on imports.

Considering until December 2019, the annual average demand for gasoline showed an increase of 13Kbpd, compared to 2018. The central region represents the largest consumption area, while the Southeast of the country is the area with the lowest demand for fuel.

In relation to diesel, the average supply for 2019 was 392 Kbpd, with 262 Kbpd of import and 130 Kbpd of national production. December 2019 imports and productions compared with the same period in 2018, a slight trend is observed in the increase in production and decrease in imports. The average demand for diesel for 2019 was 376 Kbpd.

The air transportation sector consumes all of the jet fuel in the country. For 2019, jet fuel demand was maintained compared to 2018 and, on average for 2019, the jet fuel supply was 87 Kbpd. Imports for 2019 represent 58% of the offer.

In the period of 2011-2019, the demand for jet fuel has increased abruptly as a result of the global market economic growth and dynamism of the national tourism sector; this increase has been covered with imports. For 2019, the demand for this oil was approximately 87 Kbpd. The main demand area for jet fuel in the country corresponds to the central region, while the Gulf area of the country is the one with the least demand (1.3%).

Projected demand for oil products 2018-2032

According to SENER's 2018-2032 planning exercise estimates, oil production is expected to double towards the end of the period and demand will increase by 22%. The refining capacity during the analysis period will continue to be insufficient, therefore the production of distillates will continue to be in deficit; however, the current gap in the trade balance will decrease.

For 2032, a 48% decrease in petroleum imports and 54% in exports is estimated, compared to 2018.

Gasoline demand is expected to remain above national production. In 2032, the current deficit is estimated to show a decrease of 38%. Throughout the estimation period, gasoline imports will represent an annual average of 55% of domestic demand.

Regarding the trade balance of diesel, it is estimated that, from the year 2020, significant quantities of diesel for export will be registered. It is until 2028 that it is estimated that these exports would stop being made.

From 2018 to 2020, domestic diesel production is less than national demand, so imports will continue, but at a lower level than in previous years. Compared to 2018, imports will decrease 57% at the end of the prospective year, 2032.

In the case of jet fuel, production and internal demand during the 2018-2032 period, will grow 8% and 61%, respectively. However, even if the production of this fuel increases, it will not be enough to satisfy the consumption of the air sector. Which will require imports to meet demand.

Storage and Transportation of refined petroleum products

Prior to the provisions of the energy reform, Pemex Logística (PLOG), was the only company authorized to produce, transport, store and sell refined products.

The storage and transportation capacity of PLOG is shown in the following table:

Pemex Logística Infrastructure

Storage Terminals	73
Marine Storage Terminals	5
Port facilities	10
Oil Pipelines	5,259 km
Multi-Product Pipelines	8,883 km

Note: Does not include the LPG infrastructure.
Source: SENER with information of CRE and Pemex

The distribution logistics of refined petroleum products has its middle point in the storage terminals, from which finished product is sent to its retail locations to the public. This activity is carried out by trucks and is known as last mile transportation. This way, fuel is supplied to more than 12,000 gas stations and existing end users throughout the country.

As shown in the following table, Mexico has an operational storage capacity in maritime terminals of 8,589 thousand barrels distributed in the terminals of Pajaritos, Tuxpan, Madero, Salina Cruz and Guaymas. Of this domestic maritime terminals capacity, 77% is concentrated in the Gulf region, in the ports of Pajaritos and Tuxpan.

Marine Storage Terminals per region, October 2018

Region	TM	Nominal Capacity (barrels)	Operating Capacity (barrels)	Share of operating capacity (%)	Number of tanks
Northeast	Madero	450,000	364,259	4	12
Gulf	Pajaritos	4,805,000	4,370,333	51	42
South	Salina Cruz	1,479,000	1,119,888	13	25
Gulf	Tuxpan	2,525,000	2,200,770	26	27
Northwest	Guaymas	750,000	534,164	6	13
	Total	10,009,000	8,589,414	100	119

Source: SENER with information of CRE

The operational storage capacity of Pemex Logística's 73 storage terminals is summarized in the following table:

Region	Nominal Capacity (barrels)	Operating Capacity (barrels)	Number of tanks
Central	3,345,000	2,399,278	86
Gulf	1,168,500	798,676	67
Northeast	1,958,500	1,418,284	84
Northwest	4,023,000	2,917,095	110
Northern	1,270,000	952,432	43
Western	3,350,000	2,398,206	104
Southern	804,500	566,272	52
Southeastern	693,500	521,376	26
Total	16,613,000	11,971,619	572

Note: storage capacity of gasoline, diesel, fuel oil, jet fuel and contaminated product, among others, is considered
Source: SENER with information of CRE

Pipeline infrastructure for refined petroleum products

The transportation of refined petroleum products is one of the most important activities within the value chain of these products and is carried out through the pipeline network of Pemex Logística, which consists of 8,883 kilometers and a total operating capacity of 4,095 Kbpd. In 2017, 76% of the total volume of refined petroleum products was transported through pipelines.

Pemex Logística has six systems distributed in eight statistical regions of the country, with the Southern-Gulf-Central-Western system is the largest, with a length of 4,962 kilometers, it allows the flow of oil from the Gulf of Mexico to the Center of the country and the Bajío, as well as to the Pacific through the Istmo of Tehuantepec. The second is the Northern Zone system, with 3,152 kilometers, it has three cross-border pipelines for fuel imports. The remaining systems add 770 kilometers.

Pipeline transportation systems

#	System	Length (Km)	Nominal Capacity (barrels/day)	Operating Capacity (barrels/day)
1	Southern-Gulf-Central-Western Zone	4,961	3,479,200	3,272,200
2	Northern Zone	3,152	632,600	573,300
3	Guaymas	249	55,000	53,000
4	Rosarito	223	51,000	50,000
5	Topolobampo	223	68,000	68,000
6	Progreso	75	80,000	78,000
	Total	8,883	4,365,800	4,094,500

Source: SENER with information of CRE

These systems consist of a total of 85 pipelines, classified as: 66 multi-product and bidirectional pipelines, 5 fuel oil pipelines, 5 jet fuel pipelines, 3 regular gasoline pipelines, 3 diesel pipelines and 3 premium gasoline pipelines.

New projects in storage, transportation and distribution terminals for refined petroleum products:

Following the energy reform and the consequent opening of private sector commercialization and infrastructure development, various projects have been initiated to increase competitiveness in the market. Private investment has great advantages for the infrastructure development, given that for several years, Pemex has not built terminals or transportation pipelines for these products.

Based on the document "New Petroleum Product Storage, Distribution and Transportation Projects 2018" published by SENER on March 1, 2019, there are 70 new petroleum storage, distribution and transportation projects are contemplated with a total estimated capacity of 45.5 million barrels and that represent a total estimated investment of USD$4,483 million.

The following table shows the distribution of the 70 storage infrastructure projects as well as the nominal capacity and estimated investment:

State	# of projects	Nominal Capacity (Kbp)	Estimated investment (million of Dollars)
Aguascalientes	1	224	45
Baja California	4	2,425	348
Chiapas	1	25	1
Chihuahua	2	130	13
Ciudad de México	1	3	0.2
Colima	4	3,382	344
Durango	2	1,320	72
Estado de México	7	6,170	230
Guanajuato	1	675	19
Hidalgo	3	1,590	206
Jalisco	2	650	40
Michoacán	2	2,275	404
Nuevo León	5	2,870	387
Puebla	2	870	107
Querétaro	2	1,178	199
San Luis Potosí	2	625	263
Sinaloa	1	1,000	150
Sonora	5	1,459	12
Tabasco	1	600	46
Tamaulipas	11	5,119	780
Veracruz	9	12,927	769
Yucatán	2	461	47
Total	**70**	**45,977**	**4,483**

Source: SENER New Petroleum Products Storage, Distribution and Transportation Projects *2018*

Among the new refined petroleum storage projects in the country, the Company is in the process of developing or constructing seven of them, with a nominal storage capacity of 8.0 million barrels.

In the case of pipeline transportation, six new projects are forecasted, with an operating capacity of 400 Kbpd and an estimated investment of USD$2,751 million:

#	Corporate Name	Pipeline	Operating Capacity (Million of bpd)
I	Howard Energy Partners	Frontera con Texas - Nuevo Laredo	90
II		Nuevo Laredo, Tamaulipas - Monterrey	
III	Invex	Tuxpan, Veracruz - Tula, Hidalgo	120
IV	TC Energy, Sierra Oil & Gas y TMM	Tuxpan, Veracruz - México Centro	90
V	Monterra Energy	Tuxpan, Veracruz - Tula, Hidalgo	100
VI	New Burgos Pipeline	Edinburg, Texas - Terminal de Burgos, Tamaulipas	N/D
TOTAL			**400**

Source: SENER New Petroleum Products Storage, Distribution and Transportation Projects (March 2019).

New storage and pipeline transportation projects are distributed across Mexico as shown below:

In order to supply the country's population, the refined petroleum products produced or imported are transported from their point of origin, which can be a refinery, a maritime terminal or an importation point, to the storage terminals to supply gas stations.

Public storage policy

Currently, the country has approximately three days of inventories of gasoline, jet fuel and diesel.

The objective of the Public Policy of Minimum Petroleum Product Storage, published by SENER, seeks to stimulate the development of infrastructure that offers greater energy security. With the last update of this Public Policy, of December 6, 2019, a homogeneous national goal was established, from July 1, 2020 to 2025, so that marketers and distributors maintain a minimum of 5 days for gasoline and diesel, 1.5 days for jet fuel stored at airports and / or airfields and an additional 1.5 days as monthly average, located in any other storage terminal in the national territory.

The Mexican Power Generation Sector

Previous to the energy reform, private participation was only permitted in non-public service activities, such as IPP and Self-Supply. As a result of the energy reform, the private sector in Mexico, subject to certain regulations, is allowed to participate in most of the electrical industry production chain. The private sector may participate in the construction and operation of power plants, commercialization of electricity, competing in the wholesale market and/or directly supplying the production sector. Although transmission and distribution of electric energy are controlled by the Mexican state, the private sector can participate in these activities through service contracts or through associations. Electricity retail (for small and medium size customers) will remain chiefly attended by the CFE, while qualified users (large customers with demand greater than 1 MW) may purchase electric energy from any power generator through a regulated wholesale electricity market. According to the CFE 2018 Annual Report, during 2018, CFE customers increased to 43.4 million, thus maintaing a growth profile similar to previous years. The Medium and Great Industrial tariff sectors kept their predominant role in consumption (MWh) and sales (revenues in Mexican pesos).

At the end of December 2018, according to the National Electric System Development Program, electricity generation reached 317,278 GWh, a 2.5% increase from the previous year. Regarding clean and renewable sources, hydroelectric sources predominated with a share of 61% , followed by wind sources (23%) and solar reached a 4%. In comparison to 2017, the share of solar sources accounted for 62,3% of the total increase in installed capacity in 2018. In terms of the total generation installed capacity, CFE's power plants accounted for 59.2% private sector 21.6%, and IPPs 19.2%.

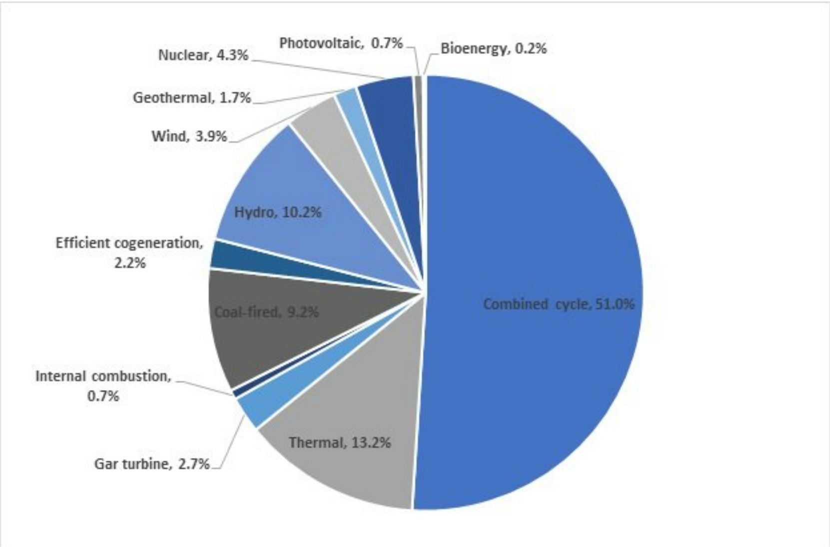
As of January 2019, the CRE has authorized 1,399 power generation permits, of which 821 were granted under the previous power generation permit law and 578 were granted under the new law (163 from CFE), thus reflecting the high interest in the Mexican electricity market. The increase in generation capacity has stimulated investments in the transmission lines and substations.

The following table depicts gross CFE's electricity generation and electricity received from IPPs and private participants in 2018 (GWh):

Technology/source of energy	2014	2015	2016	2017	2018
Hydro	38,875	30,858	30,847	31,903	32,436
Geothermal	6,000	6,331	6,150	6,041	5,375
Wind	7,189	8,991	10,295	10,451	12,434
Photovoltaic	83	45	151	349	2,175
Bioenergy	341	362	408	587	599
Sum of clean and renewable	**52,488**	**46,588**	**47,852**	**49,331**	**53,019**
Nuclear	9,677	11,577	10,567	10,883	13,555
Efficient cogeneration	2,634	3,519	4,310	5,892	6,964
Sum of clean non-renewable	**12,312**	**15,096**	**14,877**	**16,775**	**20,519**
Total clean energy	**64,800**	**61,684**	**62,729**	**66,105**	**73,538**
%	**23.11**	**21.44**	**21.02**	**21.37**	**23.18**
Combined cycle	139,350	144,624	150,597	159,553	161,973
Thermal	37,682	39,713	40,795	43,594	41,730
Gas turbine	3,422	6,301	8,183	7,594	8,565
Internal combustion	1,499	1,740	1,915	1,967	2,127
Coal-fired	33,613	33,599	34,208	30,557	29,345

Source: SENER with data from CFE, CRE, CENACE (PRODESEN 2019-2033)

The following chart shows power generation by technology source in 2018 (Total: 317,278 GWh):



Source: SENER with data from CENACE (PRODESEN 2019-2033)

As mentioned before, previous to the energy reform, private sector could also participate in cogeneration, self-supply, importing, exporting and small-scale energy production (i.e. less than 30 MW of electricity generation for sale to CFE or exports). Every energy generation project with a generation capacity of 0.5MW or greater requires a permit from the CRE. These contracts are known as "Legacy Contracts" as they are regulated under the previous law. These contracts have the option of maintaining benefits and obligations of the previous law or to migrate totally or partially to the new law. The following table shows installed capacity by type of permit until December 2018 (MW):

Regional Control Management	CFE	IPP	SS	COG	SP	GEN	TOTAL
Central	7,815		58	185		391	8,449
Oriental	10,488	2,586	2,346	1,638		332	17,390
Western	8,661	495	1,179	215	13	763	11,326
Northwest	3,701	528	552	17		141	4,939
North	2,506	1,640	157	25	17	1,105	5,450
Northeast	4,800	6,113	3,341	593		1,617	16,464
Peninsular	915	1,261	71	13		76	2,336
Baja California	1,842	783	90			195	2,910
Baja California Sur	684				55		739
Muelegé	98						98
TOTAL	**41,510**	**13,406**	**7,794**	**2,686**	**85**	**4,619**	**70,101**

SS: Self-supply, COG: Co-generation, SP: Small-scale Producers, GEN: Wholesale market Generators
Source: SENER with data from CENACE

The following table shows the evolution of energy production, as well as the participation of clean energy for the next 14 years (2019-2033):

Year	Electricity Generation (GWh)	Clean Energy (GWh)	Clean Energy (%)
2019	327,965	87,400	26.6
2020	340,162	107,374	31.6
2021	350,432	117,236	33.5
2022	362,099	118,521	32.7
2023	368,365	123,350	33.5
2024	379,159	133,175	35.1
2025	389,998	137,815	35.3
2026	401,262	144,055	35.9
2027	412,482	150,361	36.5
2028	424,801	157,258	37.0
2029	437,448	164,548	37.6
2030	450,036	171,821	38.2
2031	462,739	179,141	38.7
2032	476,606	187,242	39.3
2033	490,047	105,316	39.9

Source: PRODESEN 2019 - 2033

By 2017, the government had conducted 3 long-term auctions for the wholesale electricity market, through which the CENACE awarded 20,6 million CELs, 19.8 million MWh of electricity and 1.8 GW of power, accounting for a total investment of USD$9,000 million between 2016 and 2020. The awarded contracts have a length of 15 years for those related to power and electricity and 20 years for those of CELs. Generation plants under this scheme will help accomplish the national goals of 35% share of clean energy in 2024.

In January 2019, the SENER, under the official document SENER100/2019/075, requested the cancellation of the fourth long-term auction. Later, and since November 2019 and under the SENER100/2019/890, the auctions have been suspended and their resumption are subject to SENER's consideration.

Regarding to the CELs, in October 2019, an official statement published through the Official Journal of the Federation modified the rules and guidelines that establishes the criteria for CELs awarding and requirements. As a result, the spectrum of electric generation plants subject to generate CELs incremented, thus increasing the CELs supply. The Judicial Power of the Federation granted some suspensions to these measurements in response to various requests from different wholesale market stakeholders.

Sources of renewable energy

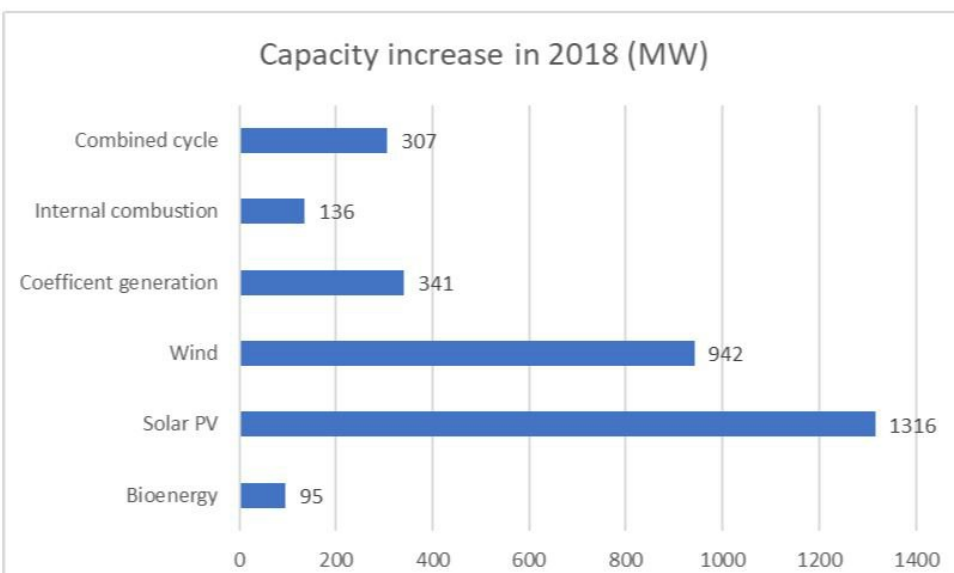
The 1992 energy sector reform allowed for a first time the participation of private sector in the development and operation of power plants using renewable sources. However, the use of renewable energies has stagnated in comparison to fossil fuels. This is possible due to the lack of an integral structure that solve the different existing obstacles, such as the complex use of soil permits, the insufficient transmission infrastructure and cost advantages that prevented the CFE from buying electricity at higher prices.

In recent years, Mexico has been doing efforts to develop and promote the consumption of non-fossil origin fuels in order to advance in the development of a more diversified energy mix. The 2015 LTE has as objective to regulate the use of sustainable energy as well as obligations related to clean energy and the reduction of polluting emissions released into the atmosphere from the electric industry. This law positioned Mexico as the second country worldwide, just behind the UK, in adopting mandatory policies in terms of climate change. Well-positioned private companies can benefit from these trends will be able to post major growth levels as the country's electric energy requirements continue to grow and the country adopts a clean technology regime.

In the long run, renewable energy sources may help balance the national electricity mix and reduce its dependency on high-volatility price resources. The LTE mandates that, by 2021, at least 30% of the electricity should be generated by clean sources, and by 2024 it should reach 35%. Additionally, as the government implements the necessary incentives and regulations, the aforementioned may create new investment opportunities.

Mexico has a wide variety of renewable energy sources, including wind, geothermal and hydroelectric sources. The country is particularly rich in wind and solar resources. The Mexican Wind Power Association (AMDEE) estimated a total investment of around USD$6,900 million since 2004, resulting in a capacity of 3,527 MW and expects this capacity to reach 12,000 MW between 2020 and 2022.

By the end of 2018, the generation capacity in Mexico (from CFE, IPPs and the rest of participants) reached 70,053 MW, thus representing a 3.1% growth in comparison to 2017 (67,958 MW). The following chart illustrates the distribution of this capacity growth by technology. As observed, the renewable sources (i.e. wind and solar) held the biggest share.



Source: PRODESEN 2019 - 2033

Concerning the energy reform, certain obligations from the use of clean energy became applicable to the participants in the electric energy market. The Clean Energy Certificates (CELs) are issued to "clean energy generating companies". The electric energy generators may receive a clean energy credit for each MWh generated in clean energy plants. These certificates will be traded through the wholesale electricity market, long-term bilateral contracts and through the spot market. Obtaining these certificates became mandatory starting on 2018. The Ministry of Energy established that at least 5% of energy used must come from clean energy sources and the deficit must be compensated with CELs. In addition, the Ministry of Energy has established that by 2020, 2021 and 2022 at least 7.4%, 10.9% and 13.9% of energy must come from clean energy sources and the deficit be compensated with CELs.

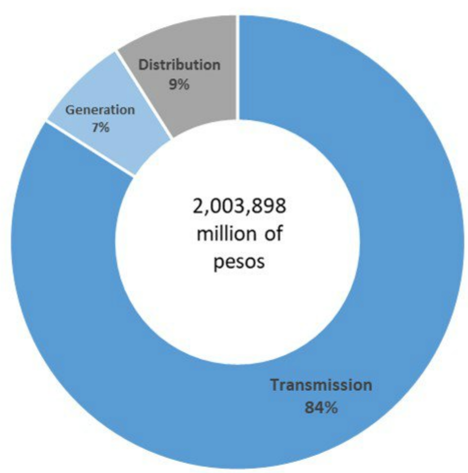
Additionally, the LTE opened the possibility for large consumers to sign voluntary contracts with the Ministry of Energy, through the National Commission for Efficient Energy Use, to reduce intense energy usage in their activities. The LTE has also created a voluntary certification mechanism known as "Excellence in Energy Efficiency" to identify and promote products that allow sustainable and efficient energy use.

The growth of the national natural gas and electric energy sectors

The SENER and the CENACE estimate that electricity demand will continue to grow by an annual average of 3.1% between 2018 and 2032. As a result, the present infrastructure is insufficient to meet the country's future requirements for electricity supply, consequently, the expansion of gas pipeline systems and energy storage infrastructure will be necessary. To meet these needs, new generation capacity of 56 GW will be required, as well as major investments in transmission and distribution. An average annual investment of USD$7.0 billion per year is expected.

The following graph shows the estimated annual investment through 2032, in millions of Mexican pesos.

Transmission	Distribution	Generation
1,692,368	173,615	137,915



Source: SENER

According to the Natural Gas Prospect for 2018-2032, in 2018 the demand for natural gas was 7.6 MMcfd. By 2032, the demand for natural gas will be 9.9 MMcfd, which represents an increase of 30.3% from 2017.

In addition, during the next 14 years, national electric energy demand is forecasted to reach a compound annual growth rate of 3.2%, and the maximum demand in the interconnected system is expected to grow 3.2% nationally, 3.4% in Baja California Norte and 3.6% in Baja California Sur.

The increased use now poses a challenge to Mexico. The Company feels that the construction of new gas pipeline infrastructure, the construction of a new capacity for importing natural gas, and/or the expansion of the current capacity are indispensable to the country's short- and medium-term economic development, and that in the final analysis they create opportunities for the players in this industry.

The Company foresees that the introduction of natural gas infrastructure will foster the growth of new industries and will represent an opportunity for additional gas pipeline expansion and the diversification of its customer base.

Industry Outlook

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

The Company anticipates that current macroeconomic dynamics in Mexico will create significant opportunities for growth in the energy infrastructure sector over the next several years as demand for energy resources continues to grow.

New estimates for the business sector where IEnova operates could be issued by the entities and authorities mentioned in this section.

Regulatory Outlook

In Mexico, both the natural gas and power sectors are regulated and include a high level of participation by the Mexican government. In the power segment, until the amendment of the legal framework for the regulation of the Mexican energy sector, the Mexican Federal Electricity Commission was a decentralized agency of the Mexican government and was responsible for all planning activities relating to the Mexican power grid and for generating, transmitting, distributing and selling electricity in Mexico. As a result of such amendment, the Mexican Federal Electricity Commission is now an independently-managed company that is 100% owned by the Mexican Government. In addition, under the new legal framework the Mexican government, through the newly created CENACE, has exclusive control over the Mexican power grid and all related planning activities. CENACE also serves as an independent system operator of the Mexican wholesale electricity market.

In the natural gas segment, Pemex together with its subsidiaries, including Pemex TRI, has also become an independent company that is 100% owned by the Mexican Government. The amendment of the legal framework for the regulation of the Mexican energy sector was intended primarily to allow Pemex to focus on profitable exploration and production activities while attracting private investment, and to allow Pemex to stimulate the energy industry in oil and gas as well as power and utilities.

The legislative changes that took place in Mexico in the 1990s created significant investment opportunities for the private sector from 1995, when regulatory reform allowed private sector participation in the natural gas midstream (storage and transportation) and downstream (retail distribution) sectors.

In the power segment, since the nationalization of the Mexican electricity industry in 1960 until 1992, the Mexican Federal Electricity Commission had been solely responsible for power generation in Mexico. The 1992 reforms and 1997 legislation allowed IPPs to build and operate power generation plants for self-consumption or to export the electricity generated or sell it to the Mexican Federal Electricity Commission under long-term agreements at fixed prices. IPPs operate under long-term (typically 25-year) build-own-operate contracts. A majority of IPPs receive their natural gas supply from the Mexican Federal Electricity Commission under long-term contracts that match their operating term. The recently enacted Mexican Law for the Electricity Industry allows the private sector to generate and market electricity, subject to the receipt of a permit under a regulated open market. See "Legal Framework and Taxation."

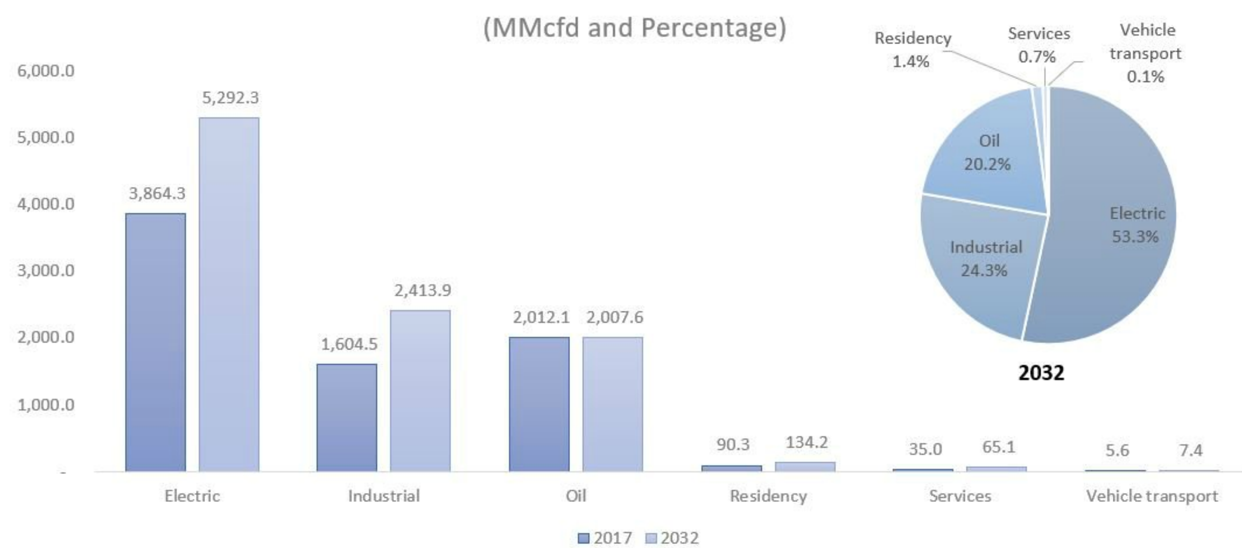
Natural Gas and Power Demand Outlook

The CFE power plants generated 54.2% of the electricity in 2018. The IPPs generated 30.1% and the remaining was contributed by private electricity generators such as self-supply, cogeneration, small production, exports, own continuous use, power plants with generator permits. Compared to 2017, the generation capacity of the CFE, the IPPs and the rest of the licensees reached a growth of 3.1% due to various additions in technology types, highlighting solar photovoltaic. The electricity generated in 2018 reached 317,278GWh, which electricity generation through combined cycles remained as the predominant with 51% of generation.

Based on the expected progress in the generation of electrical energy, in 2032 the demand for natural gas is estimated to be 9,921 mcfd, which will represent an increase of 30.3% compared to 2017. The electricity sector will continue to lead the national demand, derived from continuous use of natural gas associated with the conversion of electricity generation plants, progress in installation projects for combined cycle power plants and the expansion of the infrastructure of the gas pipeline network.

By 2032 the electricity sector estimated will consume 53.3% of the total demand for natural gas, which will correspond to a volume of 5,292 MMcfd.

The following image shows the demand by sector for 2017 and the estimate for 2032:



Source: SENER with information from the Mexican Petroleum Institute (Gas Natural Prospective 2018-2032)

Natural gas consumption will go from 3,864 MMcfd to 5,292 MMcfd in 2032, which will mean an increase of 36.9% associated with the expected evolution of the installed capacity of combined cycle power plants and turbines that will be operating within the following years study, according to the Prospective of Natural Gas 2018-2032.

Natural Gas Supply Outlook

Despite its formidable gas reserves and its geographical location in a part of the world with vast reserves, due to the lack of infrastructure for natural gas transportation and its relatively low levels of extraction, imports are expected to continue to represent almost 50% of the country's demand. As the result of the increased demand for natural gas, the National Pipeline System (which prior to the recent energy reforms was controlled by Pemex TRI) has proved limited in its capacity, posing a major threat of interruption of the supply of natural gas to consumers.

Competition Outlook

In general terms, the Mexican energy industry is highly concentrated in a few key players that account for a significant portion of each market segment. In the natural gas pipeline market, the four largest companies control more than 80% of the market. The Company controls 38% of the total market (in terms of design capacity).

The Competition

The Gas Segment

The Gas Pipeline Business

The Company's main competitors in the natural gas pipeline business are TC Energy, Kinder Morgan, Engie, Fermaca, Simsa and Grupo Carso. These competitors could participate in the development of projects that compete with those the Company is seeking to develop and participate in bidding processes that could be carried out by a government entity.

The LNG Regasification Industry

At present, the LNG Terminal faces no competition since its full capacity is consigned to long-term contracts that generate income for the Company whether or not the customers deliver shipments of LNG. In the event that the Company should have available storage capacity at the LNG Terminal, the Company will have to compete in order to attract customers wishing to supply gas in northern Mexico and in the United States. Presently, the only other regasification terminals on the west coast of North and South America are Manzanillo LNG (owned by KOGAS, Mitsui and Samsung), in the state of Colima; LNG Mejillones (owned by Engie and Codelco) in Chile, and LNG Quintero (property of BG Group, ENAP, Endesa Chile and Metrogas), also based in Chile. These terminals serve markets in which the Company does not compete.

The Natural Gas Distribution Industry

The key competitors to the distribution business of the Company are the LPG distributors that furnish that product directly to their customers –generally in trucks– for its storage on their own property. While the cost of natural gas that the distribution business passes on to the clients is based on its price in the international market, the price of the LPG with which the Company competes has recently been decontrolled to adapt to the market price. The natural gas that the distribution business offers competes with LPG not only in terms of price bus also in terms of safety, convenience and environmental impact. Unlike LPG, natural gas is lighter than air and, therefore, can disperse more easily, reducing the risk of explosion. In addition, since the Company furnishes an uninterrupted supply of natural gas to customers when they require it, and unlike LPG, the use of natural gas does not require customers to store it, the Company feels that the customers view its product as more convenient than LPG. Finally, since natural gas burns more cleanly than LPG and does not discharge sulfur oxides or particles, the Company feels that customers also view its product as a more environmentally friendly alternative to LPG. Despite these advantages, many potential customers continue using LPG due to the cost involved in outfitting their homes or businesses to use natural gas.

Apart from the above, since the twelve-year exclusivity period for the distribution territories expired in 2011 and the recent creation of the unique geographical area, which will allow natural gas distributors to expand their networks in any part of the Mexican territory, the Company could face strong competition from other natural gas distributors.

The Company’s ability to compete in the natural gas distribution market is also subject to limitations due to the regulation of this activity. For example, in order to obtain a favorable opinion from the Mexican Antitrust Commission (COFECE) for the permits the Company required for the operation of the Rosarito pipeline system, the Company agreed to sell the ECOGAS Mexicali distribution system. The Company assumed this obligation in 2000 and has tried in good faith to meet this requirement. However, various economic drawbacks have made it difficult to disincorporate the distribution assets of Mexicali, which has been made known to COFECE.

Refined petroleum products

Among the new refined petroleum storage projects in the country, the Company is in the process of developing or constructing seven refined petroleum products storage projects, of which, four are maritime and three in-land storage terminals, with a nominal storage capacity of approximately 8 million barrels. Like the Company, other companies such as Grupo Simsa, Grupo Mexico, Vopak, among others are developing their own infrastructure to guarantee efficiency in the national refined petroleum logistics.

The Electric Energy Segment

The Company is currently competing in different energy generation segments as described below:

Solar Parks

The Company's main competitors in the solar park business are Enel, Engie and X-elio. These competitors could participate in the development of projects that compete with those that the Company seeks to develop and participate in bidding processes that could be carried out by any government or private entity.

Wind Parks

The company competes directly with other generators and marketing companies who serve in the same regional markets where it operates in Mexico and United States. These competitors may include government owned energy-producing companies, local dealers with their own generating capacity and other private companies dedicated to electric energy generation and marketing.

In Mexico, the major wind generation competitors are: Enel, Acciona, Cúbico, and Iberdrola. The Company's project, Ventika, is not exposed to market prices as its capacity and generation are practically fully contracted.

In California, USA, the Company competes with different developers such as: Terra-Gen, Salka-Energy, Pattern Energy Group, Iberdrola Renewables.

The key elements comprising competition are price, availability, terms of service, flexibility and reliability. The supply and demand for electric energy are affected by the performance of the economy in general, conservation measures, legislation, environmental regulations, weather conditions and the expansion of generation capacity, among other factors.

Combined Cycle

Regarding the TDM operation, it actively participates in the California wholesale electricity market. This is a system that allows purchases-sales mainly through day-ahead offers and the imbalance in real-time transactions; It is also possible to achieve short, medium or long-term negotiation, generally in the form of financial transactions. In this market, the principles of supply and demand are used to establish the price, until the necessary electricity demand is met, and considering the characteristics of the electrical transmission network and its associated equipment. TDM's main competitors in the California electricity market are: NextEra, Calpine, Pacific Gas and Electric Company and Saavi, among others.

ix) Corporate Structure

IEnova is a holding Company and direct or indirect owner of following subsidiaries:

a. **Gas Segment**

Company / Subsidiary	Ownership percentage (%)
Ecogas México, S. de R.L. de C.V.	100.00
IEnova Gasoductos México, 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
Energía Costa Azul, S. de R.L. de C.V.	100.00
IEnova Marketing, S. de R.L. de C.V.	100.00
Ductos e Infraestructura Marina, 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 Energéticos 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 Servicios Corporativos y de Administración, S. de R.L. de C.V.	100.00
Ductos y Energéticos del Norte, S. de R.L. de C.V.	100.00
IEnova Infraestructura Marina Holding, B.V.	100.00
IEnova Gasoductos Holding, LLC	100.00
Sempra Ecogas Holdings, LLC	100.00
TAG Norte Holding, S. de R.L. de C.V. [1]	0.00011
TAG Pipelines Norte, S. de R.L. de C.V. [2]	0.00011
Infraestructura Marina del Golfo, S. de R.L. de C.V.	40.00
IEnova Petroleum Liquids Holding, B.V.	100.00
Gasoductos Servicios Corporativos, S. de R.L. de C.V.	100.00
IEnova Gas, S. de R.L. de C.V.	100.00
IEnova Petrolíferos Holding, S. de R.L. de C.V.	100.00
IEnova Petrolíferos III, S. de R.L. de C.V.	100.00
IEnova Petrolíferos IV, S. de R.L. de C.V.	100.00
IEnova Petrolíferos V, S. de R.L. de C.V.	100.00
IEnova Petrolíferos VI, S. de R.L. de C.V.	100.00
ESJ Renovable III, S. de R.L. de C.V.	100.00
Servicios DGN de Chihuahua, S.A. de C.V.	100.00
Servicios Energía Costa Azul, S. de R.L. de C.V.	100.00
Gasoductos Ingeniería, 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
ECA LNG Holdings, B. V.	50.00
ECA Operator Holding, B.V.	50.00

b. **Power Segment**

Company / Subsidiary	Ownership percentage (%)
Termoeléctrica de Mexicali, S. de R.L. de C.V.	100.00
Termoelectrica US, LLC	100.00
Controladora Sierra Juárez, S. de R.L. de C.V.	100.00
IEnova Ventika Holding, B.V.	100.00
IEnova Ventika Holding II, B.V.	100.00
IEnova Ventika México, S. de R.L. de C.V.	100.00
IEnova Ventika México II, S. de R.L. de C.V.	100.00
Ventika, S.A.P.I. de C.V.[3]	100.00
Ventika II, S.A.P.I. de C.V.[4]	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.	100.00
Ienova Mistream Holding, B.V.	100.00
Energía Sierra Juárez, S. de R.L. de C.V.[5]	0.0018
Energia Sierra Juarez 2, US, LLC	100.00
Energía Sierra Juárez 2, S. de R.L. de C.V.	100.00
Energía Sierra Juárez Holding, S. de R.L. de C.V.	100.00
Servicios ESJ, S. de R.L. de C.V.	50.00
ESJ Energy 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.[6]	100.00
Servicios Termoeléctrica de Mexicali, S. de R.L. de C.V.	100.00
Central Fotovoltaica Border Solar Norte, S. A. de C.V.[7]	100.00
Don Diego Solar Netherlands, B. V.	100.00
IEnova Infraestructura Petrolera, S.A.P.I. de C.V.	100.00
IEnova IGP, S.A.P.I. de C.V.	100.00
IEnova Suministro Calificado, S. de R.L. de C.V.	100.00

c. **Corporate Segment**

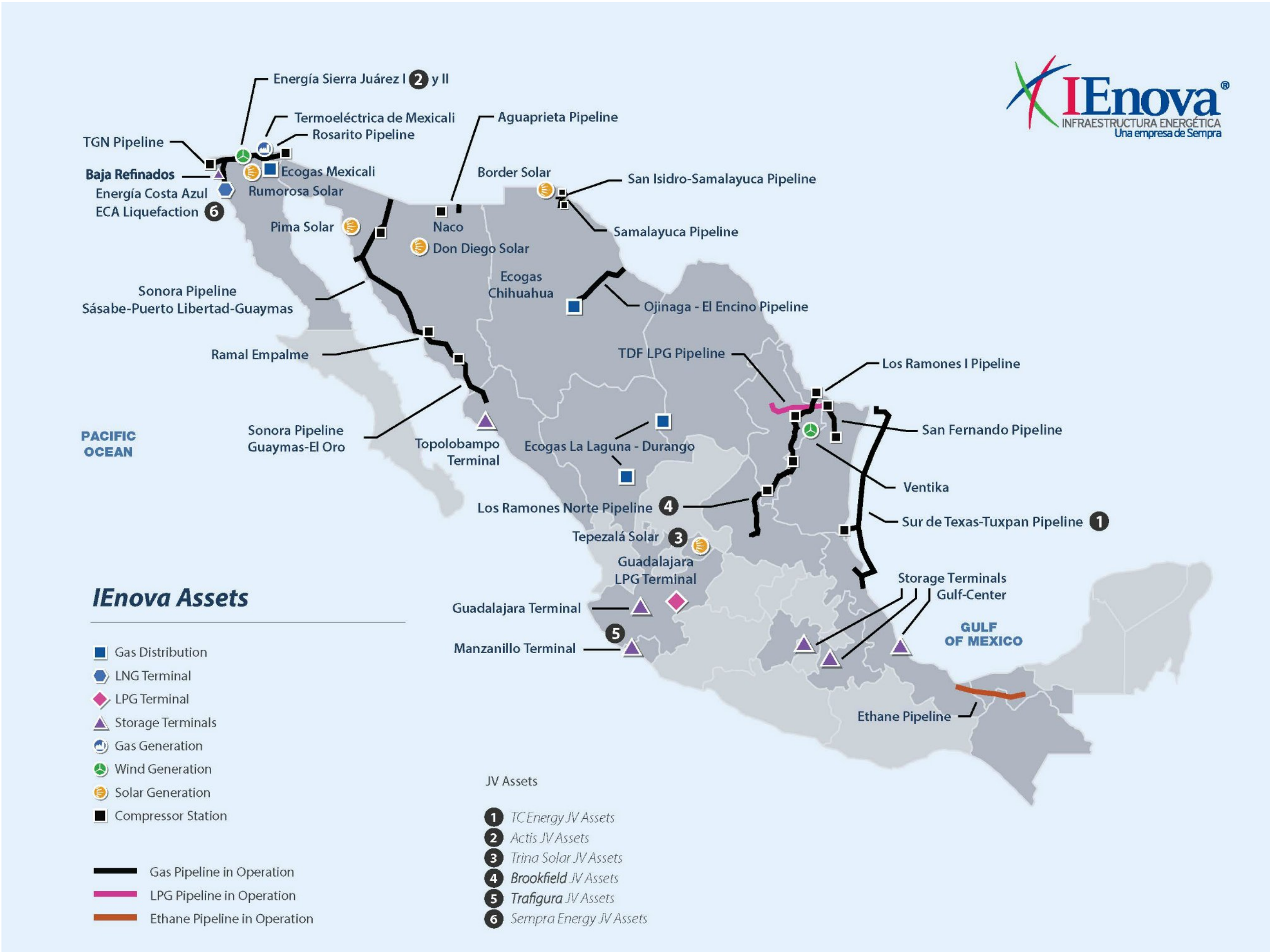
Company / Subsidiary	Ownership percentage (%)
IEnova Holdco, S. de R. L. de C. V	100.00
Fundación IEnova, A.C.	100.00
Inmobiliaria IEnova, S. de R. L. de C. V.	100.00

1. IEnova owns 0.00011% through its subsidiary Ductos y Energéticos del Norte, S. de R.L. de C.V, 99.99978% are pledged in a trust in Deutsche Bank México and the remaining shares are owned by external companies.
2. Ídem

3. All shares are pledged in a trust in Banamex, the subsidiary IEnova Ventika México, S. de R.L. de C.V., is trustor and trustee in second place of 70% of such shares, the subsidiary Ventika Energy B.V. is trustor and trustee in second place of 30% of such shares. Series "C" shares exist for self-supply of energy. Cemex, DeAcero, Oxxo, among others, own this kind of shares.
4. All shares are pledged in a trust in Banamex, the subsidiary IEnova Ventika México II, S. de R.L. de C.V., is trustor and trustee in second place of 70% of such shares, the subsidiary Ventika Energy B.V. is trustor and trustee in second place of 30% of such shares. Series "C" shares exist for self-supply of energy. Cemex, DeAcero, Oxxo, among others, own this kind of shares.
5. IEnova owns 0.0018% through its subsidiary Controladora Sierra Juárez, S. de R.L. de C.V., the remaining shares are pledged in a trust in CI Banco.
6. Series "C" shares exist for self-supply of energy. DeAcero, Liverpool, Scotiabank, Autlán, IEnova's subsidiaries, among others, own this kind of shares.
7. Series "BN" shares exist for self-supply of energy. Scotiabank, Autlán, IEnova's subsidiaries, and others own this kind of shares.

x) **Description of the Company's main assets**

The following map shows the location of the Company's main assets:



Gas Segment

Gas segment includes (1) the Company's pipelines and storage business, composed of natural gas, ethane and LPG pipelines, as well as LPG storage (2) the Company's LNG business, which owns and operates an LNG storage and regasification terminal, purchases LNG and sells natural gas to its customers, and also currently participates in the development of a LNG liquefaction project and (3) the storage of refined products, in which the Company develops systems for the receipt and storage of liquids, mainly gasoline and diesel; and (4) the natural gas distribution business, which distributes natural gas to more than 132,000 residential, commercial and industrial customers in northern Mexico. A more detailed description of each of the businesses within gas segment follows.

Pipeline and Storage Business

Overview

The Company's pipeline business owns and operates systems for receiving, transporting, compressing and delivering natural gas, LPG and ethane, including more than 2,900 km of natural gas pipelines, 224 km of ethane pipelines, 190 km of LPG pipelines, thirteen natural gas compression stations with an aggregate of over 688,900 horsepower, and an 80,000 bl LPG storage facility near Guadalajara. These assets are located in the states of Baja California, Chiapas, Chihuahua, Durango, Jalisco, Nuevo León, Sinaloa, Sonora, San Luis Potosí, Tabasco, Tamaulipas and Veracruz.

The Company's current pipeline assets include the Rosarito pipeline system, the TGN pipeline, the Aguaprieta Pipeline, the Naco Compression Station, the Sonora Pipeline, the Ojinaga–El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme Lateral pipeline, the San Fernando pipeline, Samalayuca pipeline, Los Ramones I pipeline, TDF LPG pipeline, Guadalajara LPG terminal, Ethane pipeline and through joint ventures, Los Ramones Norte pipeline and the South of Texas – Tuxpan pipeline.

The Company's natural gas pipeline assets have an aggregate design transportation capacity of over 16,400 MMcfd (171.0 MMThd). The ethane pipeline has a design transportation capacity of approximately 52 MMcfd (0.6 MMThd) in the first segment, approximately 152 MMcfd (1.8 MMThd) in the second segment, both as ethane gas, and approximately 106,000 bpd (3.1 MMThd) in the third segment as ethane liquid. The Company's LPG pipeline has a design transportation capacity of 34,000 bpd (1.9 MMThd).

The majority of the Company's pipelines, compression stations and storage facilities have long-term fixed- capacity contracts with leading industry players, including Shell, Gazprom, CFE, Saavi Energía, TC Energy and CENAGAS, as assignee of Pemex TRI.

Pipelines Firm Transportation Services Agreements

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

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

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

Pipeline and LPG storage assets

The following table contains a summary of natural gas, ethane and LPG assets in operations or under construction, as of December 31, 2019, including those in which the Company participates through a joint venture.

Assets	% share	Length of system (km.)	Design capacity (MMcfd)	% of long-term capacity contracted (1)	Installed compression (in HP)	Date Commercial Operations Begun
Natural Gas Transportation						
Rosarito Pipeline System	100%	302(2)	1,434(2)	82%(9)	32,760 (14)	August 2002
TGN Gas Pipeline	100%	45	940	100%	9,600	June 2000(3)
Aguaprieta Pipeline	100%	13	200	25%(10)	N/A	November 2002
Naco Compression Station	100%	N/A	90	100%	14,300	September 2001
Sonora Pipeline (Sasabe - P. Libertad - Guaymas) (Guaymas - El Oro)	100%	835	770 510	100%	44,400-33,300 and 33,300(5)	December 2014 May 2017(4)
San Fernando Pipeline	100%	114	1,460	100%	90,000	November 2003
Samalayuca Pipeline	100%	37	400	50%	14,300(13)	December 1997
Los Ramones I Pipeline	100%	116	2,100	100%	123,000	December 2014
Ojinaga – El Encino Pipeline	100%	220	1,356	100%	N/A	June 2017
Los Ramones Norte Pipeline(6)	50%	452	1,420	100%	123,000	February 2016
San Isidro – Samalayuca Pipeline	100%	23	1,135	100%	71,000	March 2017
South Texas–Tuxpan Pipeline (7)	40%	800	2,600	100%	100,000	September 2019
Empalme Lateral Pipeline	100%	20	226	100%	N/A	June 2017
Ethane Transportation						
Ethane pipeline	100%	224	52/152/106,000 bpd (11)	100%	N/A	December 2015
LPG Transportation						
TDF Pipeline	100%	190	34,000 bpd(8)	100%	N/A	December 2007
LPG Storage						
LPG Guadalajara Terminal	100%	N/A	80,000 bpd	100%	N/A	December de 2013

(1) This reflects the percentage of capacity contracted, which depending on the contract, may be expressed in volume or a heating value (such as BTUs). Although the Company sometimes shows design capacity and contracted capacity figures in both units of volume and heating capacity in order to facilitate comparisons of the different gas segment businesses, in view of the slight differences arising when these figures are converted, some of the figures shown in this Report may not coincide exactly with the percentage of contracted capacity.

(2) The Rosarito Pipeline comprises three segments with different lengths, diameters and transportation capacities, as described below. The capacity of 1,434 mmcfd are referred to the volume can be transported in the system considering the two reception points.

(3) The TGN pipeline includes an expansion that began operation in February 2008.

(4) The Sásabe-Puerto Libertad-Guaymas section of Sonora pipeline began commercial operations in December 2014 and the Guaymas-El Oro segment began commercial operations in May 2017. The Guaymas-El Oro segment of the Sonora pipeline has been out of service since August 23, 2017. See "Risk Factors-Risks Relating to the Company's Business and the Company's Industry-Natural disasters, accidents, acts of terrorism or criminality could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, prospects and/or the market price of its securities."

(5) Compression stations under design.

(6) Joint venture with Brookfield.

(7) In construction through IMG, the joint venture with TC Energy.

(8) In barrels of LPG. The figures for TDF from LPG pipelines represent 34,000 bpd of design capacity for transportation in the pipeline and an additional capacity of 40,000 bl in the delivery terminal connected at the west end of the pipeline.

(9) In 2018, Rosarito Pipeline had more than 97% of its capacity under the firm base reservation.

(10) 25% of the contracted long-term capacity. If additional, non-long-term contracts are included, the contracted capacity of the Aguaprieta Pipeline is 65%.

(11) Approximately 52 MMcfd (0.6 MMThd) in the first segment, approximately 152 MMcfd (1.8 MMThd) in the second segment, both as ethane gas, and approximately 106,000 bpd (3.1 MMThd) in the third segment as ethane liquid.

(12) Includes La Jovita compression station.

(13) Includes Gloria a Dios compression station, COD October 2001.

Rosarito Pipeline system

The Rosarito Pipeline system in Baja California is comprised of three pipelines of approximately 302 km in aggregate length, as well as two compression stations with an aggregate a capacity of 32,500 horsepower. This fully bi-directional system starts at an interconnection point with the North Baja Pipeline's, an affiliate company of TC Energy system at the Mexico–U.S. border and ends at the Company's interconnection point with TGN pipeline, in the south of the city of Tijuana. The system's bi-directional capability allows the Company to use natural gas supplies from either the U.S. domestic natural gas market or from its LNG Terminal. The three pipelines comprising this system include the Rosarito Mainline, the LNG Spur and the Yuma Lateral:

- *Rosarito Mainline.* This system was completed in 2002 to supply natural gas from the United States to several power plants and industrial customers in Baja California, and it is comprised of a 30-inch diameter pipeline with a length of approximately 225 km, it has a capacity of 534 MMcfd (5.6 MMThd).

- *LNG Spur.* This system was completed in 2008 and delivers regasified LNG from the Company's LNG terminal into the Rosarito Mainline for delivery to power plants and industrial customers in Mexico and the pipeline systems in the United States. This system is comprised of a 42-inch diameter pipeline with a length of approximately 72 km and a capacity of 2,600 MMcfd (27.0 MMThd).

- *Yuma Lateral.* This system was completed in 2010 to supply the power generation market in Arizona, and it is comprised of a 12-inch diameter pipeline with a length of approximately five km and a capacity of 190 MMcfd (2.0 MMThd).

The Rosarito Pipeline system includes a 30,000 horsepower Algodones compression station installed on the Rosarito Mainline in Algodones, Baja California, which increases the system's capacity but does not directly generate revenue. The Rosarito pipeline system includes a 2,500 horsepower La Jovita compression station, which is currently in operation. It is located at the LNG Spur interconnection point.

The Company has entered into 14 firm transportation services agreements with the Rosarito pipeline system's customers, for 3,777 MMcfd (34 MMThd) or 97% of the system's installed capacity (including compression). The following table contains a summary of the principal terms of the firm transportation services agreements with the Rosarito pipeline system's key customers:

Customer	Purpose	Execution Date	Term	Contracted Capacity(1)	Remaining Contract Length
IEnova Marketing (a subsidiary of the Company)(2)	Transportation of Natural Gas from an interconnection point between TGN pipeline and Rosarito Mainline to an interconnection point between Rosarito Mainline and North Baja Pipeline system.	February 15, 2002 (4)	20 years	190 MMcfd maximum daily quantity	4 years
IEnova Marketing (a subsidiary of the Company)(2)	Transportation of Natural Gas from an interconnection point between Rosarito Mainline and North Baja Pipeline system to an interconnection point with TGN pipeline.	February 15, 2002 (4)	20 years	210 MMcfd maximum daily quantity	4 years
Shell	Transportation of Natural Gas from the LNG Terminal to an interconnection point with Rosarito Mainline	June 19, 2008	20 years	1,164 MMcfd maximum daily quantity	10 years
Gazprom	Transportation of Natural Gas from the LNG Terminal to an interconnection point with Rosarito Mainline and from an interconnection point between TGN pipeline and Rosarito Mainline to an interconnection point to an interconnection point between Rosarito Mainline and North Baja Pipeline system.	April 14, 2009	20 years	142 MMcfd maximum daily quantity	10 years
Termoeléctrica de Mexicali (a subsidiary of the Company)(3)	Transportation of Natural Gas from an interconnection point between Rosarito Mainline and North Baja Pipeline system to an interconnection point with Termoeléctrica de Mexicali	February 26, 2002	20 years	100 MMcfd maximum daily quantity	4 years
Saavi	Transportation of Natural Gas from an interconnection point between Rosarito Mainline and North Baja Pipeline system to an interconnection point near Las Palmas, Mexicali, Baja California.	February 28, 2002	26 years	135 MMcfd maximum daily quantity	9 years
IEnova Marketing (a subsidiary of the Company)(2)	Transportation of Natural Gas from the LNG Terminal to an interconnection point with Rosarito Mainline	May 1, 2008	20 years	1,307 MMcfd maximum daily quantity	9 years

(1) In certain cases, the contracted capacity presented in this table may exceed the system's design capacity due to connection or other limitations in the different components of the Rosarito pipeline system.

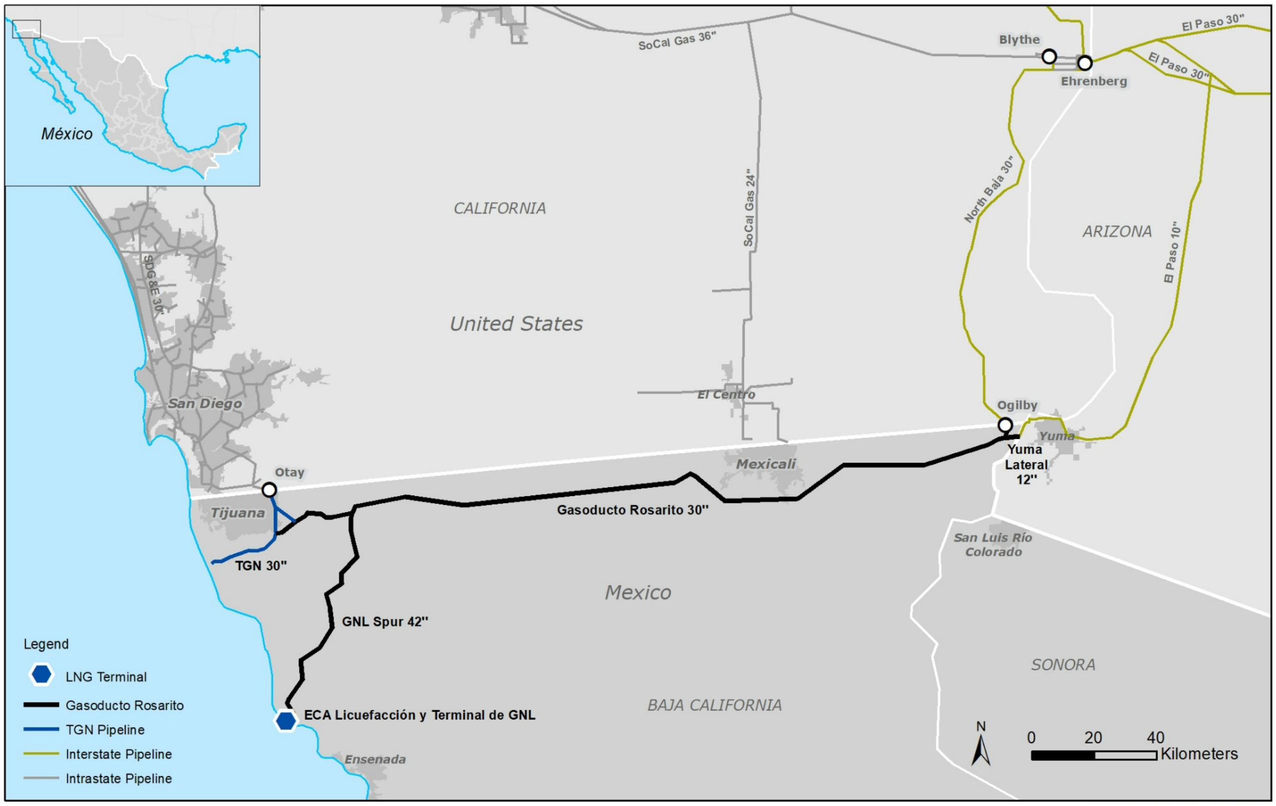
(2) The Company's indirect controlling shareholder Sempra Energy has provided credit support in respect of IEnova Marketing's obligations under its contracts with the Rosarito pipelines system in an aggregate amount of USD$125.8 million. IEnova Marketing currently utilizes its contracted capacity

to transport natural gas it provides to its customers and to the CFE's 1,300 MW Presidente Juárez power plant. See "– Gas Segment – LNG Business – LNG and Natural Gas Purchase and Sale Operations."

(3) The Company's indirect controlling shareholder Sempra Energy has provided credit support in respect of Termoeléctrica de Mexicali's obligations under this contract in the amount of USD$29.4 million. Termoeléctrica de Mexicali currently utilizes its contracted capacity to transport gas for operation of its generators.

(4) The last modification agreement to the initial contract is April 1, 2014. The contract expires in 2022.

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



GasoductoRosarito 2/25/2020

TGN Pipeline

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

The customers of the TGN pipeline contract the full amount of the system's design capacity on a firm basis. The following table contains a summary of the principal terms of the firm transportation services agreements with the TGN pipeline's key customers:

Customer	Purpose	Execution Date	Term	Contracted Capacity	Remaining Contract Length
Shell	Transportation of natural gas from an interconnection point with the Rosarito Mainline in Tijuana, Baja California to an interconnection point with SDG&E's pipeline system in Otay Mesa, California.	June 19, 2008	20 years	400 MMcfd (maximum daily quantity)	10 years

IEnova Marketing (a subsidiary of the Company)(1)	Transportation of natural gas from an interconnection point with the Rosarito Mainline in Tijuana, Baja California to an interconnection point with SDG&E's pipeline system in Otay Mesa, California and an interconnection point with the Presidente Juárez power plant in Rosarito, Baja California.	May 1, 2008	20 years	540 MMcfd (maximum daily quantity)	10 years

(1) The Company's indirect controlling shareholder Sempra Energy has provided credit support in respect of IEnova Marketing's obligations under this contract in the amount of USD$45.6 million. IEnova Marketing currently utilizes its contracted capacity to transport natural gas it provides to the CFE's 1,300 MW Presidente Juárez power plant. In addition, under the contract with the CFE, IEnova Marketing is reimbursed for the portion of the contracted capacity related to transportation to the Presidente Juárez power plant.

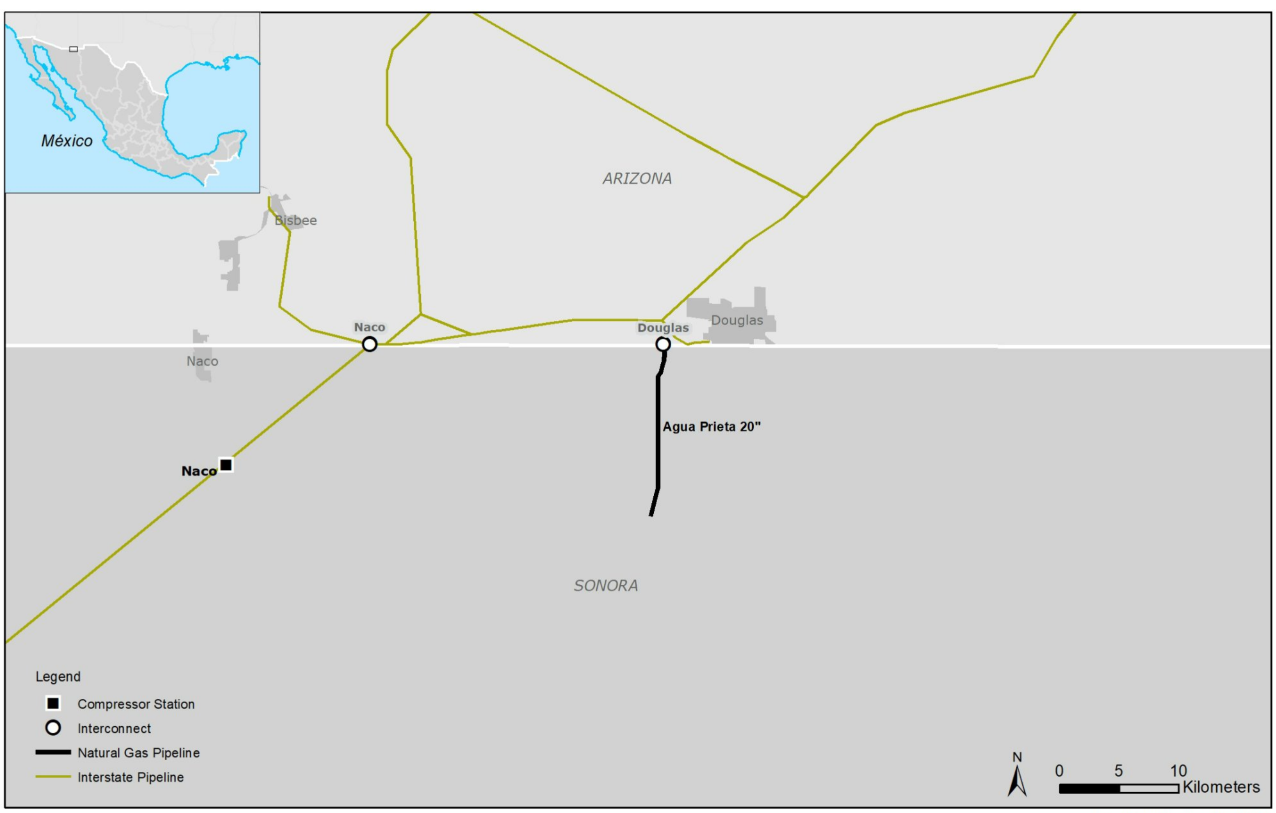
Aguaprieta Pipeline

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

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% 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, in October 2013 the Company signed two firm contracts with El Paso Marketing, one on June 2002 and the second on October 2013, with a duration of twenty five and six years respectively for 50 MMcfd and 2 MMcfd.

This system was built contemplating the possible construction by the CFE of two additional energy generating plants in the same territory (one of them being Agua Prieta II).

The map on the following page shows the route followed by the Aguaprieta Pipeline and the location of the Naco Compression Station:



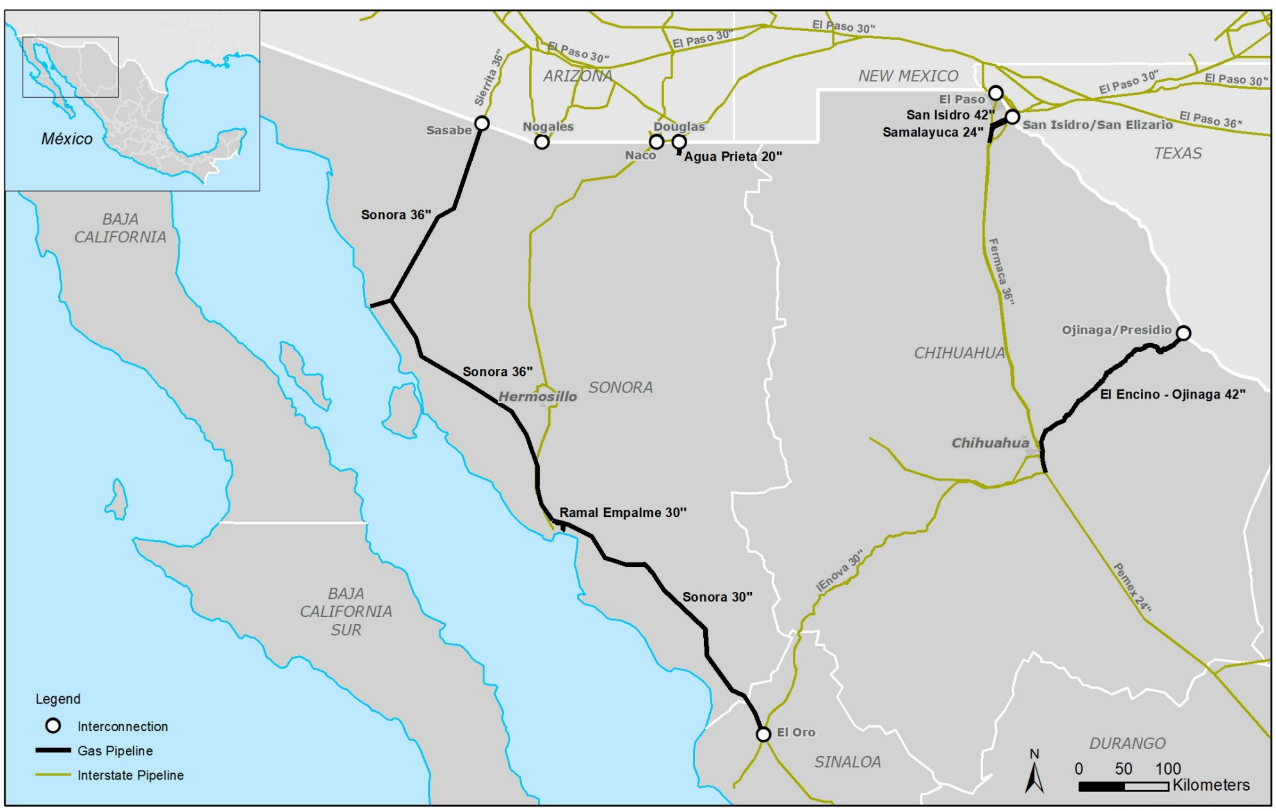
<u>Naco Compression Station</u>

The Company's Naco compression station consists of a 14,340 horsepower compressor installed on CENAGAS's Naco–Hermosillo natural gas pipeline in Naco, Sonora. The Company has in place a compression services agreement with CENAGAS as an assignee of Pemex TRI under which CENAGAS has 90 MMcfd (0.9 MMThd) of compression services or 100% of the system's design capacity contracted on a firm basis until 2021. CENAGAS pays the Company a monthly fixed fee under this agreement, regardless of actual compression services provided. The fee is adjusted annually for inflation. This agreement expires in 2021 but can be renewed for an additional five-year period at CENAGAS's option. If the agreement is terminated as a result of an event of f*orce majeure*, CENAGAS may purchase the compression station at the greater of (1) book value plus an agreed markup or (2) fair market value (as determined by an independent appraiser). The location of this compression station is shown in the map above.

<u>Sonora Pipeline</u>

In October and November 2012, the Company entered into two natural gas transportation service agreements with the CFE. Pursuant to these agreements, the Company built the Sonora pipeline in the states of Sonora and Sinaloa, which is approximately 835 km in length. This system is comprised of an approximately 505 km, 36-inch pipeline segment with a capacity of 770 MMcfd (8.0 MMThd), and an approximately 330 km, 30-inch pipeline segment with a capacity of 510 MMcfd (5.3 MMThd). For further information regarding the Guaymas - El Oro segment of the Sonora pipeline, see "Risk Factors-Risks Relating to the Natural disasters, accidents, acts of terrorism or criminality could materially adversely affect the Company's business, financial condition, results of operations, cash flows, prospects and/or the market price of its securities." The CFE is the only customer of these pipelines under 25 and 35-year U.S. Dollar-denominated take-or-pay firm basis capacity agreements. In addition, the system has no material agreements with other customers on interruptible basis.

The following map shows the location of this system:



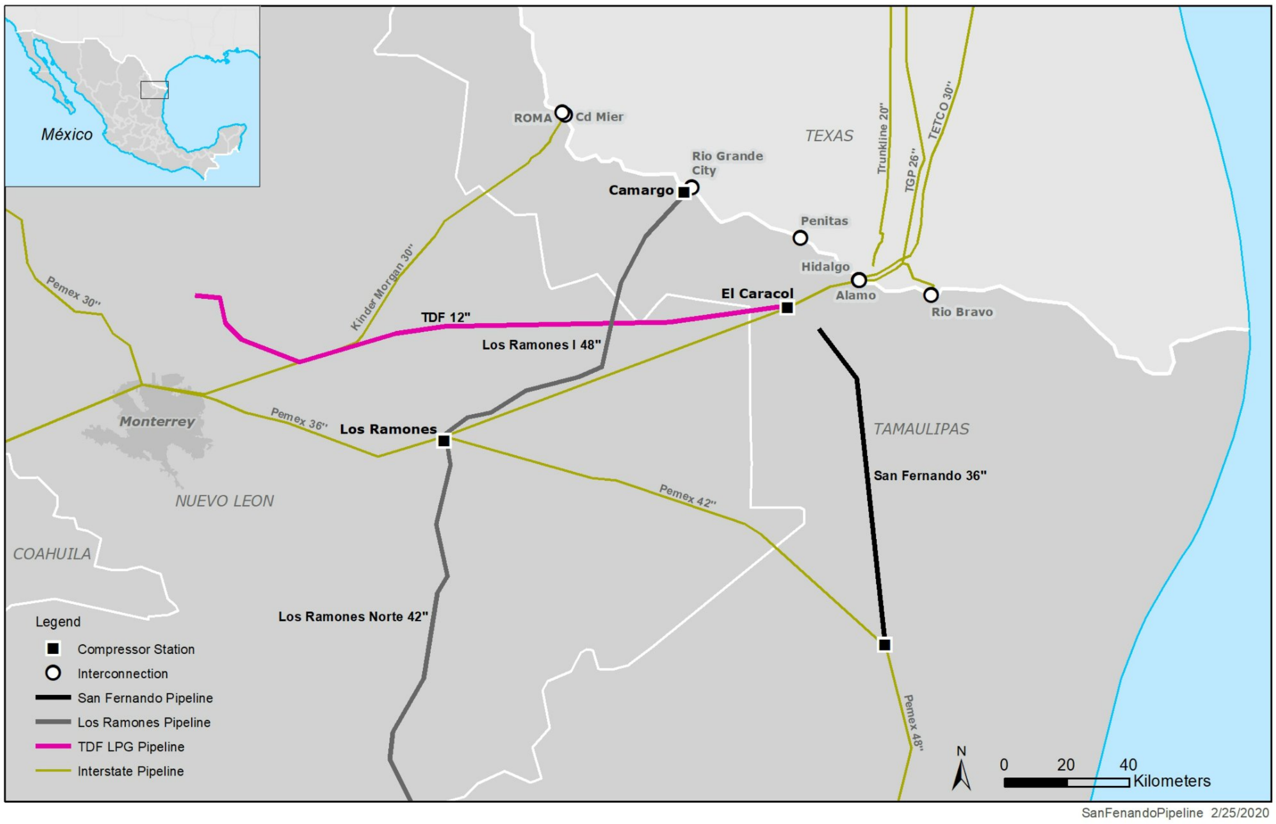
<u>San Fernando pipeline</u>

San Fernando pipeline consists of approximately 114 km of 36-inch diameter pipeline and two compression stations with an aggregate of 95,670 horsepower. Its transportation capacity (including compression) is 1,000 MMcfd (10.4 MMThd). The pipeline runs from the El Caracol compression station in Reynosa, Tamaulipas to the Los Indios compression station in

San Fernando, Tamaulipas. This bi-directional pipeline increases the capacity and improves the reliability of CENAGAS natural gas system.

The San Fernando pipeline's sole customer, CENAGAS, has 100% of the system's designed transportation capacity, contracted on a firm basis. CENAGAS also uses the extra compression capacity on this pipeline pursuant to an interruptible transportation services contract. The firm transportation services agreement with CENAGAS has a declining fee structure over the life of the contract. It has an initial term of 20 years beginning in 2003 but is extendable for a five-year period at the CENAGAS's option.

The following map shows the routes of the San Fernando pipeline system, as well as TDF pipeline:



Samalayuca pipeline

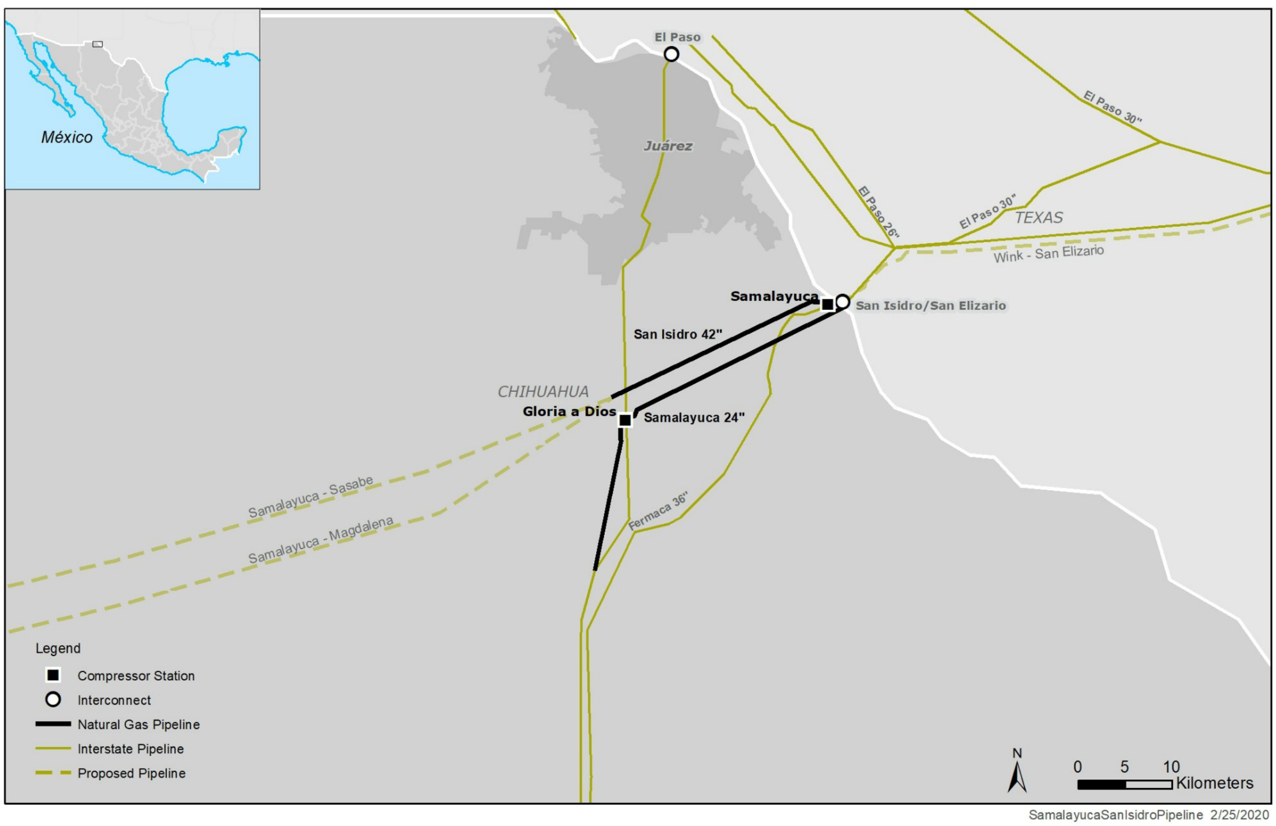
Samalayuca Pipeline consists of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMthd) and the Gloria a Dios compression station with a capacity of 14,300 horsepower. This gas pipeline came into operation in 1997 and its compression station 4 years later. This was the first private natural gas transportation system in Mexico. The pipeline runs from Ejido San Isidro, Chihuahua, to the electricity generation plants Samalayuca I and Samalayuca II of the CFE and to the Gloria a Dios compression station, which is interconnected to the 16-inch-diameter gas pipeline belonging to CENAGAS that goes from Ciudad Juárez to Chihuahua.

The firm transport service contracts signed with the users of the Samalayuca Pipeline represent a capacity of 200 MMcfd and includes 60 MMcfd (0.6 MMthd) contracted by CFE for the firm compression service at Gloria a Dios compression station. This contract was executed in November 2011 and has an initial term of 20 years but may be extended for an additional term of five years at the option of the CFE.

The following table sets forth certain characteristics of the Samalayuca pipeline's firm transportation services agreements:

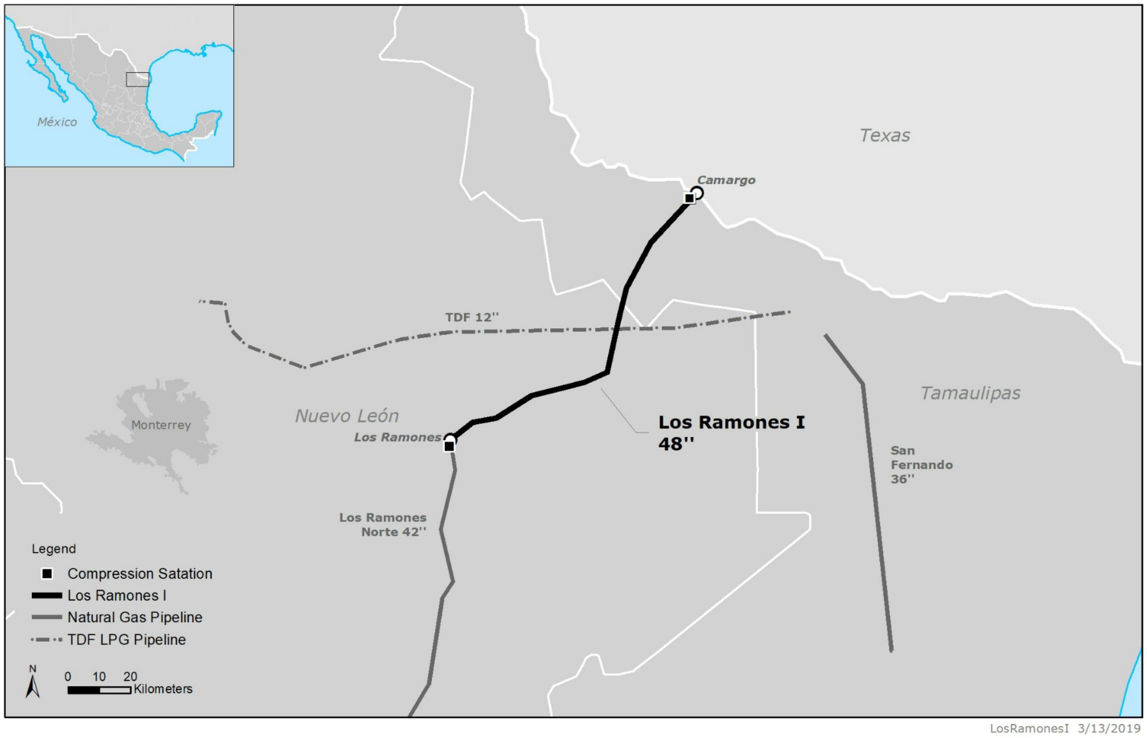
Customer	Purpose	Execution Date	Term	Contracted Capacity	Remaining Contract Length
CFE	Transportation of natural gas from an interconnection point located in the Ejido San Isidro, at the border crossing of the state of Chihuahua with the United States to various interconnection points with the CFE's Samalayuca I, Samalayuca II and Chihuahua III	December 31, 2013	Evergreen	100 MMcfd maximum daily quantity	Evergreen
Pemex TRI	Transportation of natural gas from an interconnection point located in the Ejido San Isidro, at the border crossing of the state of Chihuahua with the United States to the interconnection point with the CENAGAS	December 11, 2009	Evergreen	40 MMcfd (maximum daily quantity)	Evergreen
CFE	Transportation of natural gas from an interconnection point located in the Ejido San Isidro, at the border crossing of the state of Chihuahua with the United States to Gloria a Dios Compression Station.	February 15, 2001	20 years	60 MMcfd maximum daily quantity	2 years

The following map shows the route of the Samalayuca pipeline:



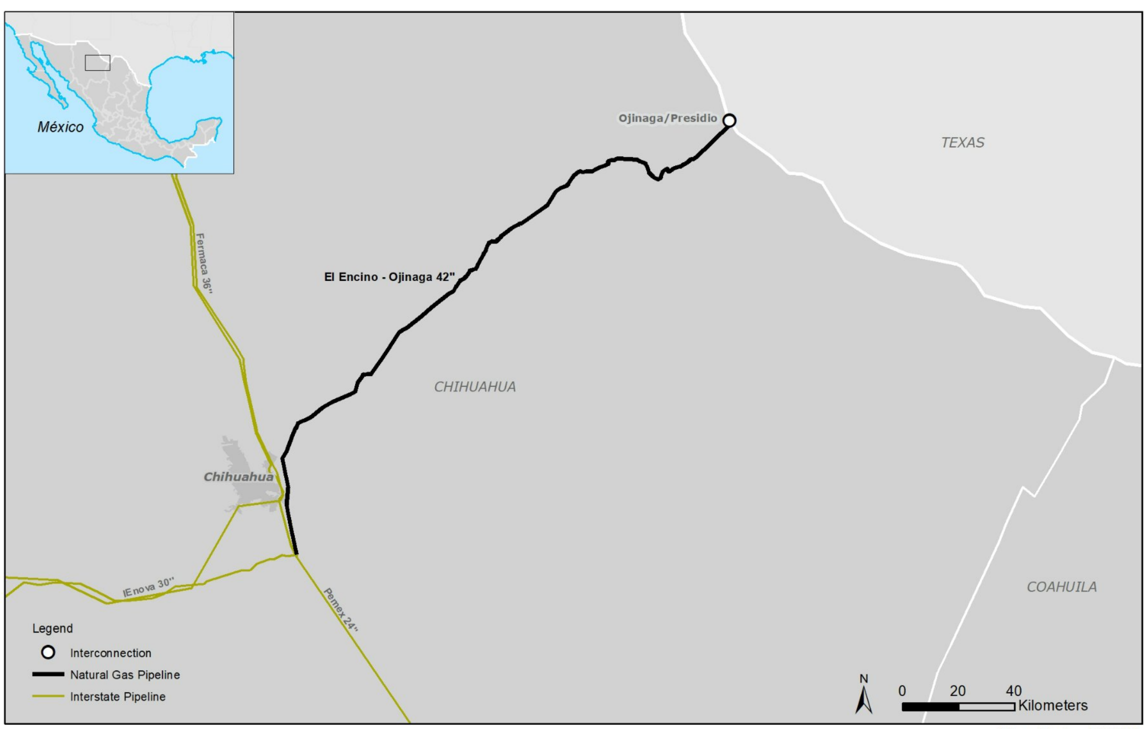
Los Ramones I pipeline

This pipeline system, which began commercial operations in December 2014, is comprised of approximately 116 km of 48-inch diameter pipeline with a design transportation capacity of 2,100 MMcfd (21.8 MMThd). It transports natural gas from the northern portion of the state of Tamaulipas bordering the United States to the interconnection points with the Los Ramones Norte Pipeline and the national gas pipeline system in Los Ramones in the State of Nuevo León. This system also includes two compression stations that began commercial operations in December 2015 (the Frontera station, located near Camargo City, Tamaulipas, with approximately 82,000 horsepower and the Ramones station, located near Los Ramones, Nuevo León, with approximately 41,000 horsepower). CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline under a 25-year firm transportation services agreement. The following map shows the route of Los Ramones I pipeline:



Ojinaga–El Encino Pipeline

In December 2014 the Company entered into a firm transportation services agreement with the CFE, for the construction and operation of a 42-inch pipeline with an approximate length of 220 km and a design capacity of 1,356 MMcfd (14.1 MMThd) to transport natural gas from Ojinaga to El Encino in the State of Chihuahua. The CFE is the sole customer of this system under a 25-year firm transportation services agreement. The system commenced operations in June 2017. The following map shows the location of the Ojinaga–El Encino pipeline:

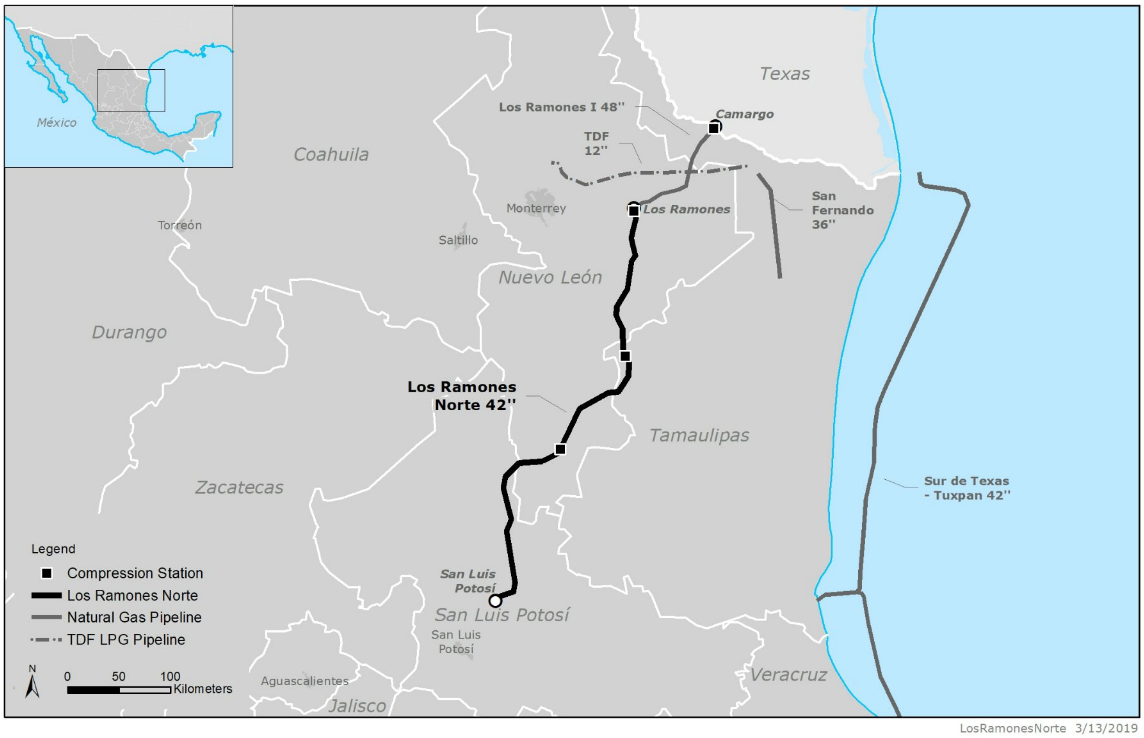


Los Ramones Norte pipeline

In March 2014, DEN entered into a shareholders' agreement to set up a joint venture, which is referred to as the TAG Norte joint venture, for the construction and operation of the Los Ramones Norte pipeline project. In the same month, the TAG Norte joint venture executed a 25-year natural gas firm transportation services agreement with Pemex TRI to construct and operate an approximately 452 km, 42-inch diameter pipeline with a design transportation capacity of 1,420 MMcfd (14.8 MMThd) and two compression stations. This pipeline connects with the Los Ramones I pipeline and the Los Ramones Sur pipeline in San Luis Potosí. CENAGAS, as assignee of Pemex TRI, is the sole customer of this pipeline.

Through DEN, the Company has a 50% interest in the TAG Norte joint venture, Brookfield has the remaining 50%, each joint venture partner has a right of first refusal and a tag-along right in the event another partner desires to transfer its interest to a third party.

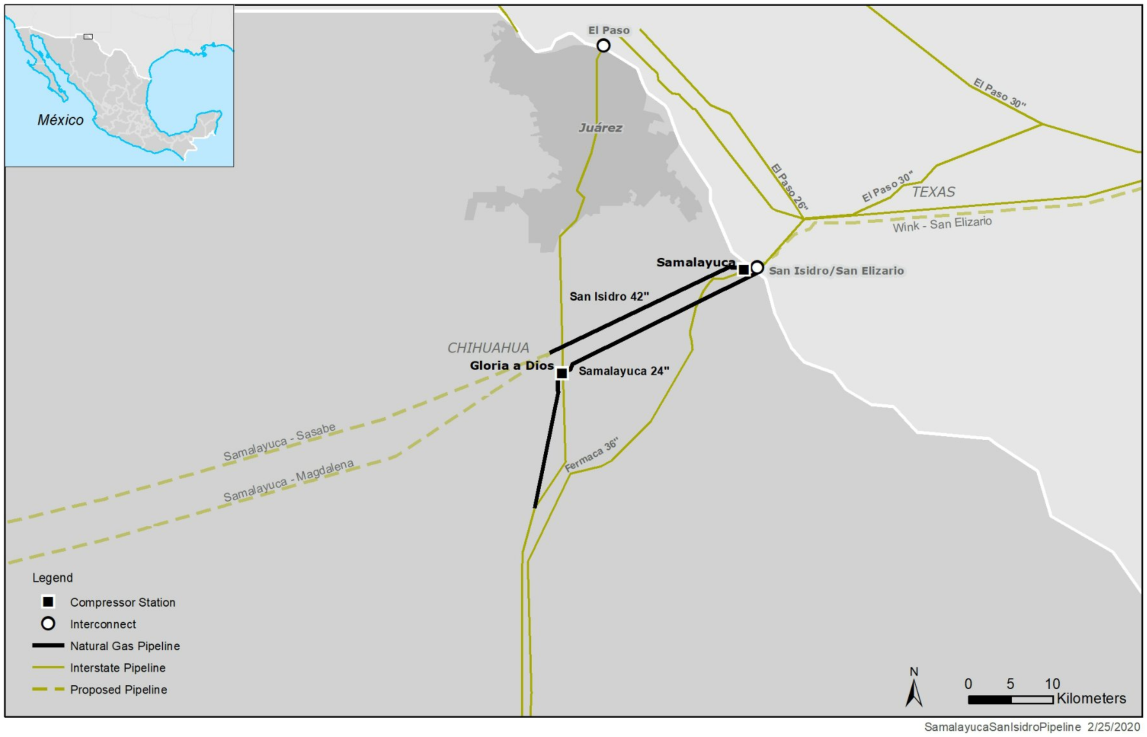
The following map shows the location of Los Ramones Norte pipeline:



San Isidro–Samalayuca Pipeline

In July 2015, the Company was awarded with a 25-year firm transportation services agreement with the CFE for the construction and operation of a pipeline with an approximate length of 23 km, an installed capacity of 1,135 MMcfd (11.8 MMThd), a 46,000 horsepower compression station and a distribution header with a capacity of 3,000 MMcfd (31.2 MMThd), which will serve as an interconnection point for several other pipeline systems. The CFE will be the sole customer of this system under the firm transportation services agreement. The system, located in Ciudad Juárez, Chihuahua, started operations in March 2017.

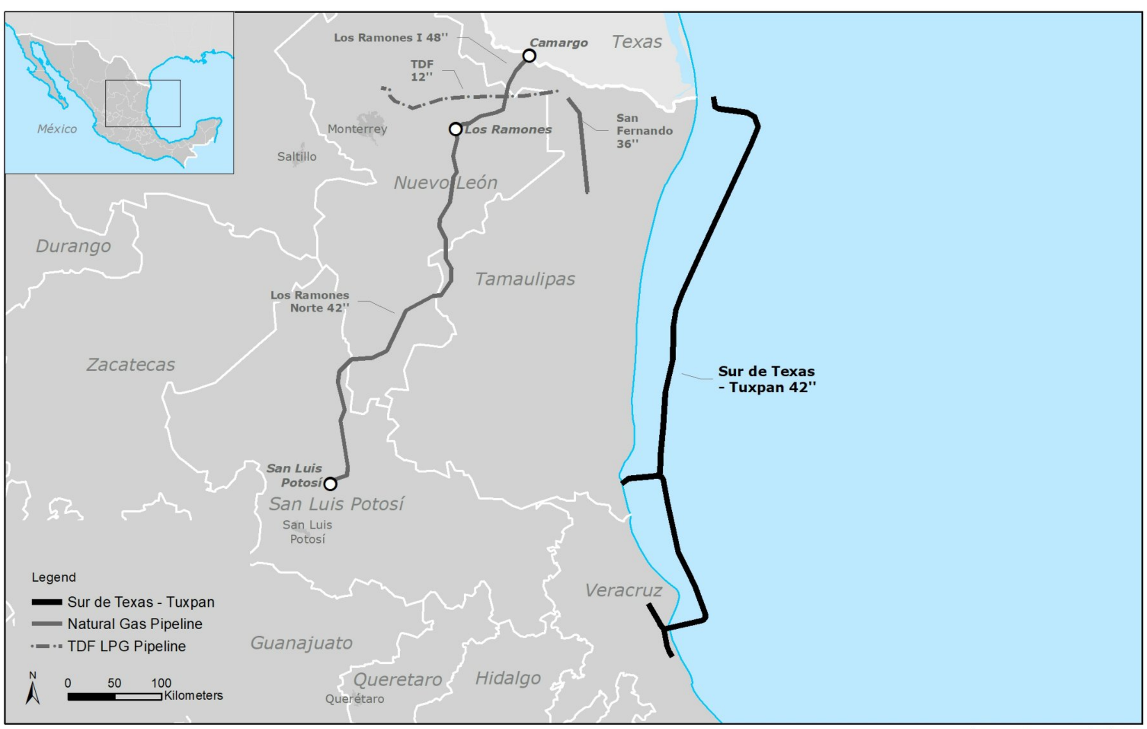
The following map shows the route of the San Isidro–Samalayuca pipeline:



<u>*South of Texas – Tuxpan pipeline*</u>

In June 2016, the Company, through IMG entered into a 25-year agreement with the CFE to provide natural gas transportation services. Pursuant to this agreement, IMG is responsible for the development, engineering, procurement, construction, operation and maintenance of a 42-inch natural gas pipeline with capacity of 2,600 MMcfd (27 MMThd), that runs approximately 800 kilometers. In September 2019, the pipeline started operations under an agreement with the CFE, through which it is established a new rate structure and the contract term is extended to 35 years.

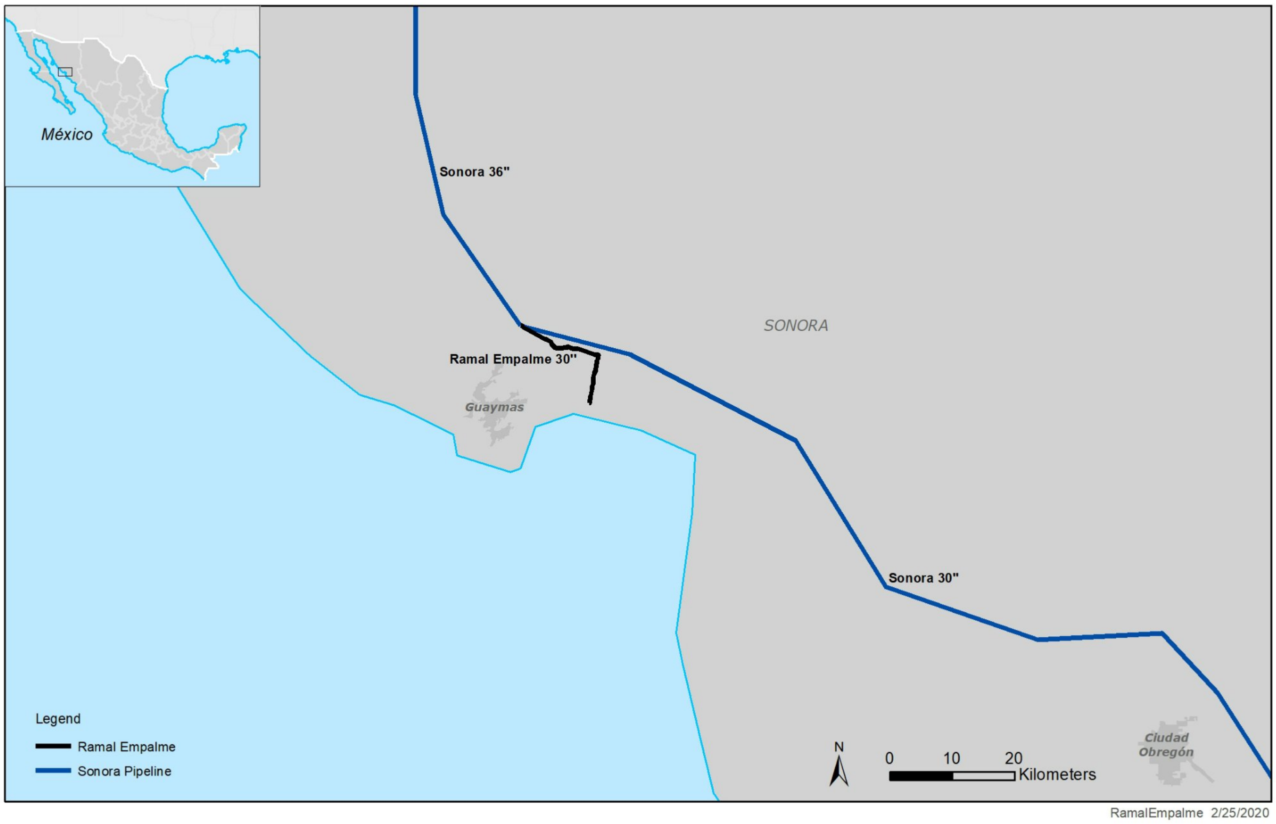
The following map shows the route of the South of Texas—Tuxpan pipeline:



Empalme Lateral Pipeline

In May 2016, the Company was awarded a natural gas pipeline from the CFE for the Empalme Lateral in the State of Sonora. This 20-inch natural gas pipeline with a capacity of 226 MMcfd (2.4 MMThd) runs approximately 20 km between Empalme and Guaymas, where it interconnects with the Sonora pipeline project. It was developed and built by the Company pursuant to a 21-year firm transportation services agreement entered into between the Company and the CFE. The Company is responsible for the operation and maintenance of the pipeline. Empalme Lateral pipeline started commercial operations on June 2017.

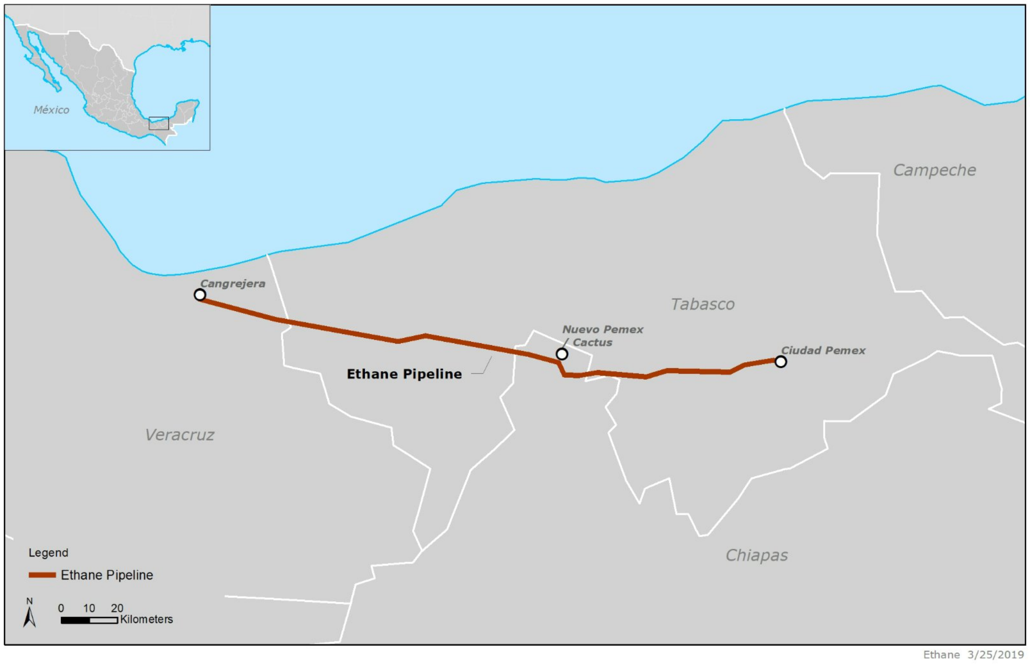
The following map shows the route of the Empalme Lateral pipeline:



Ethane Pipeline

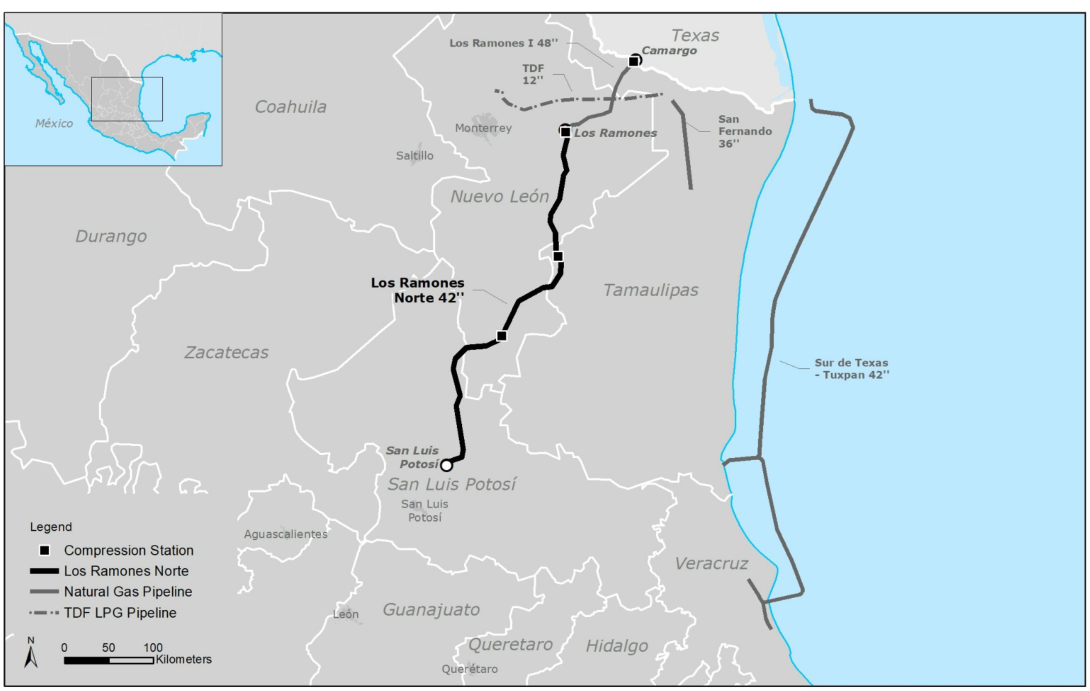
The Ethane pipeline, which supplies ethane from the Pemex processing plants located in the states of Tabasco, Chiapas and Veracruz to an ethylene and polyethylene plant located in the state of Veracruz, consists of an approximately 224 km pipeline comprised of three segments. The first segment has a design transportation capacity of up to approximately 52 MMcfd (0.6 MMThd), the second segment of up to approximately 152 MMcfd (1.8 MMThd) both as ethane gas, and the third segment of up to approximately 106,000 bpd (3.1 MMThd) as ethane liquid. The first segment of this pipeline began commercial operation in January 2015, the second segment began commercial operation in July 2015 and the third segment began commercial operation in December 2015. Pemex TRI is the sole customer of this pipeline under a 21-year U.S. Dollar-denominated take-or-pay capacity agreement, which is indexed to inflation.

The following map shows the route of Ethane Pipeline:



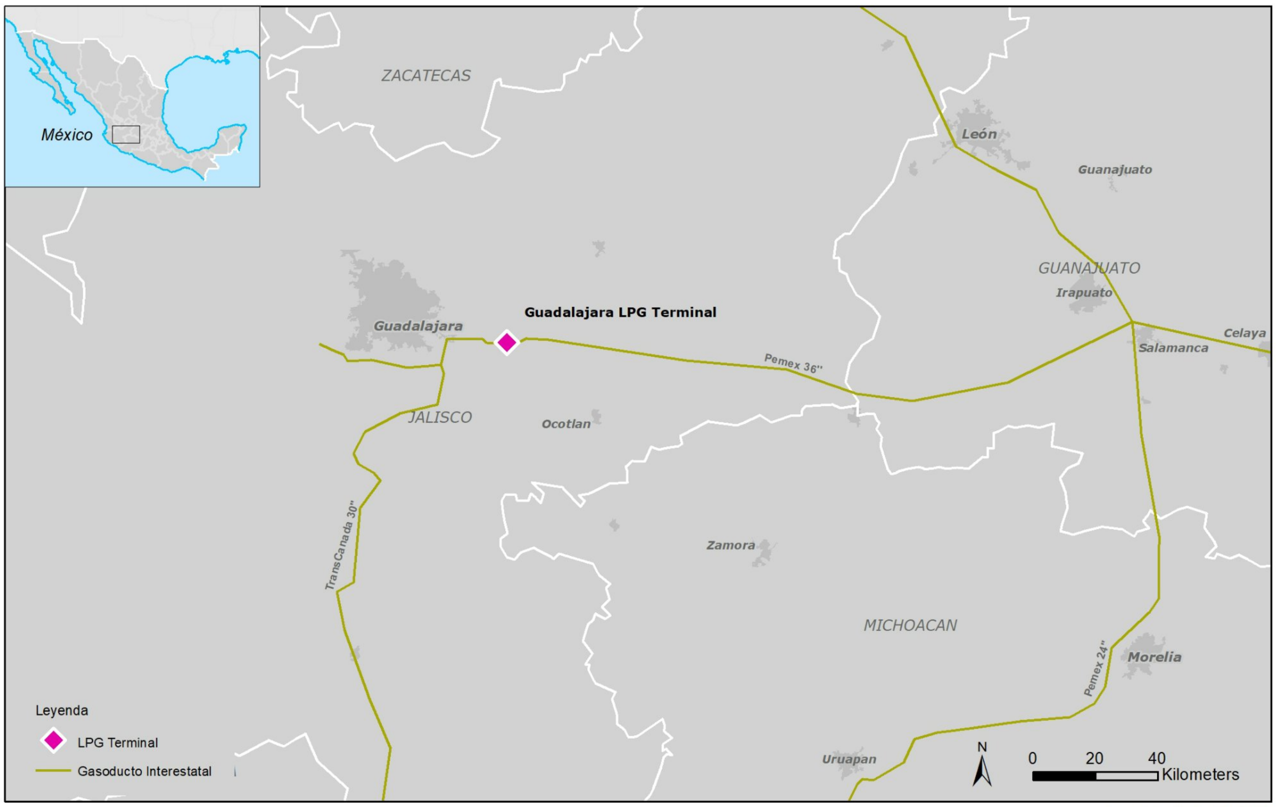
TDF LPG Pipeline

The TDF pipeline system consists of approximately 190 km of twelve-inch diameter pipeline with a design transportation capacity of 34,000 bpd (1.9 MMThd) of LPG, a pumping station near the pipeline's point of reception and a delivery facility with two storage tanks, with a combined capacity of 40,000 bpd (2.2 MMTh). This pipeline, which was the first private LPG pipeline in Mexico, runs from Pemex TRI's Burgos LPG production area in the state of Tamaulipas to a delivery facility near the city of Monterrey in the state of Nuevo Leon. This pipeline is operated by Pemex TRI under an operation and maintenance agreement. The existing firm transportation services agreement with the TDF pipeline's sole customer, Pemex TRI, contracts 30,000 bpd (1.6 MMThd) of aggregate average daily quantity, which is equal to the system's design transportation capacity, on a firm basis. The initial term of the agreement expires in 2027, but may be extended for a five-year period at Pemex TRI's option. The following map shows the route of the Los Ramones I, Los Ramones Norte and TDF Pipeline:



Guadalajara LPG Terminal

The LPG storage facility near Guadalajara, Jalisco consists of four storage tanks, each with a capacity of 20,000 bl (1.1 MMTh), ten loading bays and an interconnection to Pemex TRI's separately-owned LPG pipeline system. The facility was completed in December 2013 and replaced an LPG storage facility owned by Pemex TRI that was located within Guadalajara. The facility is operated by Pemex TRI and serves the Jalisco market. The Company has entered into an LPG Storage Services Agreement with Pemex TRI, pursuant to which the Pemex TRI contracts the full capacity of the terminal. Under the terms of this agreement, Pemex TRI pays a fixed monthly fee, regardless of the facility's use and a variable fee based upon its actual monthly use of the terminal services. This agreement has a 15-year term and expires in 2028. The following map shows the location of the Guadalajara LPG Terminal:



GuadalajaraLPG 2/25/2020

LNG Business

Overview

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

The second operation is IEnova Marketing, the Company's subsidiary that has contracted 50% of the capacity of the Company's LNG terminal. This subsidiary has contracted to purchase LNG, which it stores in LNG terminal until it is regasified and used to serve its customers, including the CFE's Presidente Juárez power plant and the Company's Termoeléctrica de Mexicali power plant as well as other consumers.

LNG Terminal

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

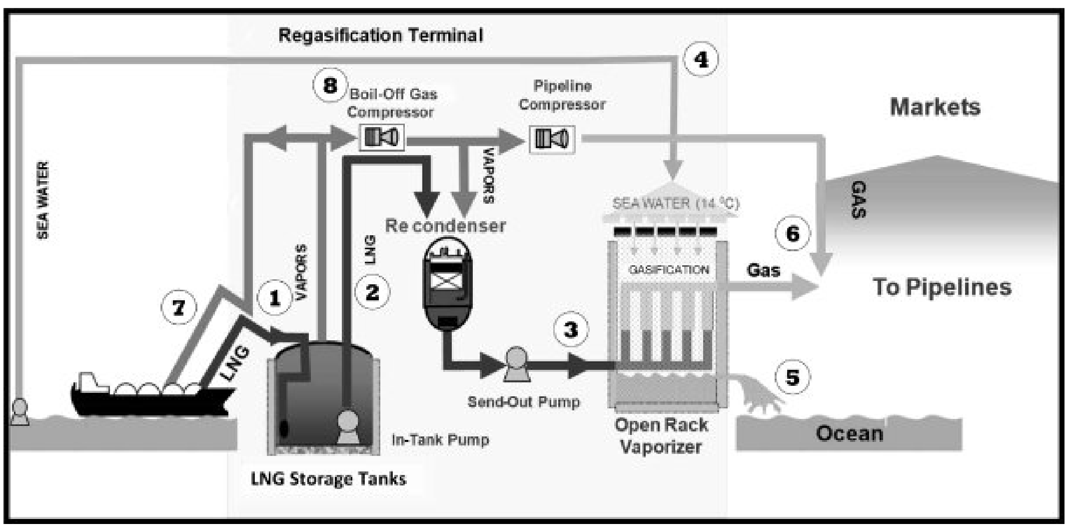
The Company's LNG terminal consists of:

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

The Company's LNG terminal has firm natural gas send-out capacity of 1,300 MMcfd (13.5 MMThd). The Company's LNG terminal can also be expanded to accommodate an additional marine berth and two additional LNG storage tanks in the future.

Operation of The Company's LNG Terminal.

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



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

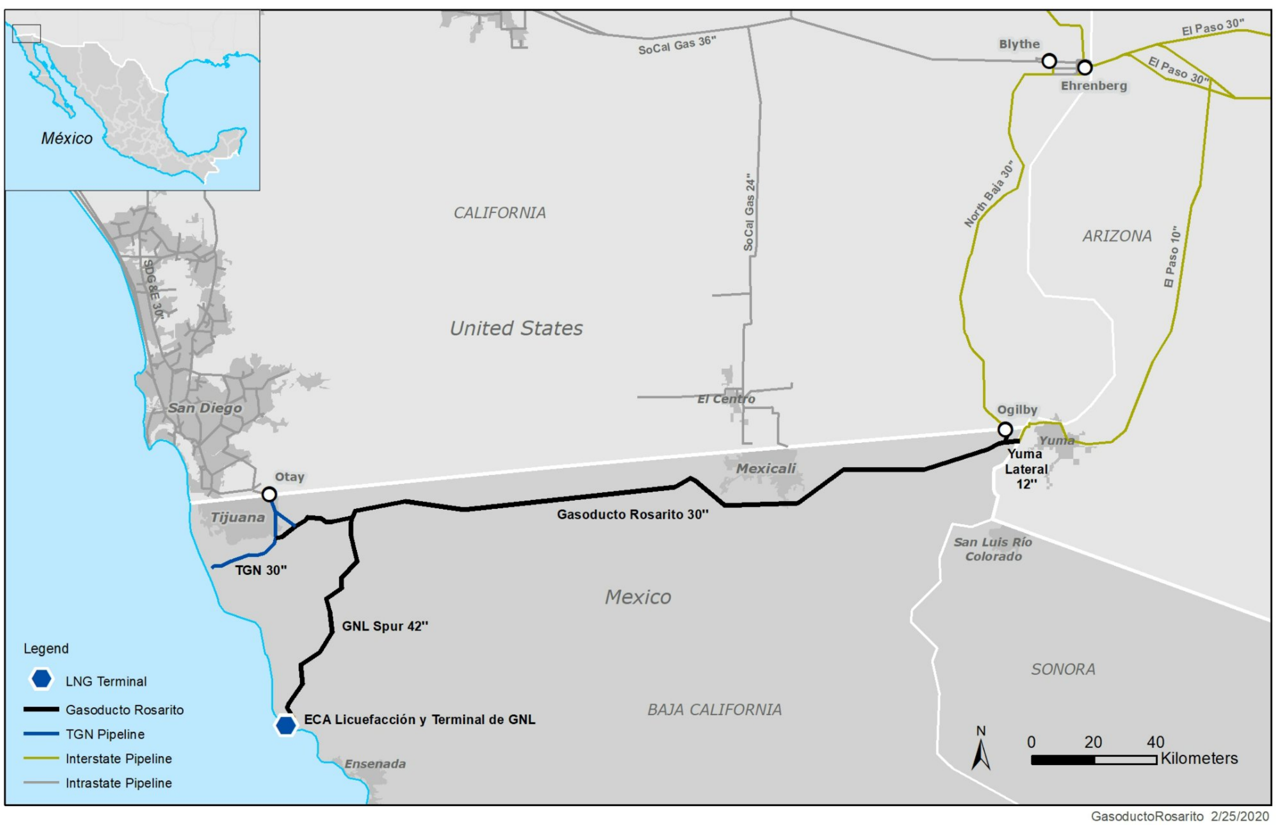
All electricity required for the operation of the Company's LNG terminal is generated on-site through five gas-fired combustion turbine generators, which are powered by a small amount of natural gas resulting from boil off and/or regasification, which all of the Company's customers provide to the Company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

Internal temperature of the Company's LNG storage tanks.

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

Location

The following map shows the location of the Company's LNG terminal, ECA Liquefaction project and the natural gas pipeline systems to which it is connected:



ECA Liquefaction Project

ECA LNG project is a natural gas liquefaction project that is expected to be develop, built and operate on land adjacent to the LNG Terminal "Energía Costa Azul" and LNG is expected to be marketed mainly to Asian and potentially domestics from 2024. The phase 1 would be developed by IEnova and Sempra LNG through a joint venture in which each company hold a 50% equity interest.

The ECA LNG project is being developed in two phases. The first phase "ECA Liquefaction Mid-Scale" has natural gas pipeline reception facilities, natural gas treatment, a single train with a natural gas liquefaction capacity of approximately 3 Mtpa and interconnections to the storage tanks of the LNG Terminal. The second phase "ECA Liquefaction Large-Scale" through multiple liquefaction trains will have a total capacity of at least 9 Mtpa, both phases adding at least capacity of 12 Mtpa . Both phases have the majority of permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In January and March 2019, ECA LNG received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with and without a free trade agreement with the United States. The Company is currently in the process of obtaining the Mexican export permit for first Phase.

Due that Phase 1 for its operation requires only part of the existing infrastructure, we anticipate that, between 2024 and 2028, this liquefaction activities may coexist with the existing reception, storage and regasification of LNG without affecting the availability to render the services required under the existing contracts with companies unrelated to the liquefaction activity. See "Regulatory, Permits and Environmental Matters - Natural Gas Marketing Permit, LNG Export Permit, Natural Gas Liquefaction Permit."

Project Status

For the first phase, the ECA LNG executed preliminary LNG sell-supply agreements with clients. As part of the agreements, the first phase clients requested the right to acquire a minority equity interest in the first phase for up to 30% jointly. We believe that selling a minority equity interest to clients would be positive for the Company, as it aligns the interests in the project's long-term success. Consequently, both our participation and Sempra LNG may be diluted to 70% (e.g. IEnova 35%, Sempra 35%).

The first phase project is in an advanced stage of development having (i) obtained certain key permits in Mexico and the United States; (ii) executed preliminary agreement with the first phase clients; and (iii) finalized key aspects regarding the engineering and design including the selection of the contractor for the execution. The Company anticipates will be in position to make a final investment decision with regard to such phase and its related projects, once it has: (i) obtained all the remaining permits (mainly the permit to export natural gas and other local land movement and construction permits); (ii) executed the final LNG purchase agreements of with the first phase clients. The Company expects to make this final investment decision during the second quarter of 2020, beginning commercial operations in 2024 and operating for at least 20 years backed by contracts with first phase clients. In February 2020, the Company entered into a contract with TechnipFMC for the engineering, procurement and construction of ECA LNG Phase 1.

To receive natural gas for its liquefaction, the first phase train must be interconnected to the Company's transportation pipelines. Once the natural gas has been liquefied, LNG will be transfer from the project to the Energía Costa Azul Terminal to be stored and then loaded onto tankers for sale and export. To avoid shortage of natural gas supply in the region, the Company plans the construction and operation of a pipeline of at least thirty inches in diameter and approximately 220 kilometers in length starting at the border between the United States and Mexico in Baja California and finishing at the interconnections with one of Company's existing pipelines, ending in the measurement station inside the terminal at Energia Costa Azul where the project will be built. This new pipeline would run in parallel with another Company's pipeline, which provides services to customers in Baja California. If the Company determine to develop the first phase of this project, the Company expect that this new pipeline would be start operation before at Liquefaction project.

The second phase of the ECA LNG is in an early stage of development, although progress has been made, specifically in obtaining certain key permits. In order to develop the second phase the Company would need to identify new and existing pipelines needed to supply the natural for liquefaction. In addition, the second phase of the project would require the use of one or two of the tanks currently in use by the ECA. Consequently, the second phase would not be able to begin operations until after the customer contracts in place for the ECA expire in 2028 or they are earlier terminated early by agreement with the existing customer of the ECA. IEnova and Sempra LNG intend to continue working for the development of the second phase which, if developed, would require additional investments in natural gas liquefaction trains and pipelines.

Location

The ECA LNG project will be on land adjacent to the LNG Terminal. See "Description of our Main Assets - Location of LNG Terminal."

Refined products storage

The refined products storage business develops systems for the receipt and storage of petroleum products and other liquids, mainly gasoline, diesel and jet fuel in the states of Baja California, Colima, Puebla, Sinaloa, Veracruz, Valle de Mexico and Jalisco. Currently, the Company has four marine and three in-land terminals in process of construction or development, with a storage capacity of approximately 8 million barrels, with the possibility of expansion.

All the contracts the Company currently has, were executed with large customers in the industry of refined products: BP, Chevron, Marathon, Trafigura and Valero. These storage contracts are long-term, U.S. Dollar-denominated on firm basis and conventional, independently that each terminal will have a regulated tariff determined by CRE.

In these contacts, financial guarantees from the customers were included, additionally, according to the regulation, the customers will be subject to the General Storage Service Terms and Conditions in each terminal.

The following table shows a summary of the projects included in the refined products storage of the Company as of December 31, 2019, including those in which the Company participates in a Joint Venture:

Storage terminal	Ownership %	Storage capacity in bl	Capacity % contract long term	Estimated start date of operations
Veracruz	100%	2,100,000	100%	First semester 2020
Puebla	100%	650,000	100%	First semester 2020
Valle de México	100%	650,000	100%	First semester 2020
Baja Refinados	100%	1,000,000	100%	First semester 2021
Topolobampo	100%	1,000,000	100%	First semester 2021
Manzanillo	54%	2,180000	100%	First semester 2021
Guadalajara	100%	To be defined	To be defined	To be defined

Veracruz Terminal

The Veracruz Terminal is currently under construction. Commercial operation is expected to begin during first semester of 2020. The terminal is located in the New Port of Veracruz. In 2017, the Company won the competition for a marine terminal for the receipt, storage and delivery of hydrocarbons in the New Port of Veracruz. The customer of this terminal is Valero, who contracted all of the terminal capacity.

The terminal has a nominal storage capacity of 2.1 million barrels, in twelve storage tanks, for the storage of regular gasoline, premium gasoline, diesel, jet fuel, filtered jet fuel and MTBE (Methyl *tert*-butyl ether) as an oxygenate. The terminal will be able to deliver by tanker trucks and train.

To increase the competitiveness of the Veracruz Terminal, the Company signed a lease agreement, with the API Veracruz land, for the development of a railway yard which will allow the customer to move a greater quantity of product compared to tank trucks and at prices considerably less. The product output by rail will serve as product input for the Puebla and Valle de México Terminals.

Puebla Terminal

The Puebla terminal is in the construction stage, the Company expected start of operation will take place in the first semester of 2020. The Puebla Terminal is one of the destinations of the products coming from the Veracruz terminal and will have a storage capacity of 650,000 barrels in nine tanks. The terminal will handle gasoline, premium gasoline, diesel and filtered jet fuel. The terminal will receive product by train and deliver product by trucks.

The capacity is fully contracted by Valero, who intends to supply areas near Puebla with product from this terminal.

Transloading activities began in March 2020, consisting of the transfer of refined products from railcars to trucks. It is estimated to move an approximate of 5,000 to 10,000 barrels per day. The transloading activities will conclude once the Puebla Terminal begins operations.

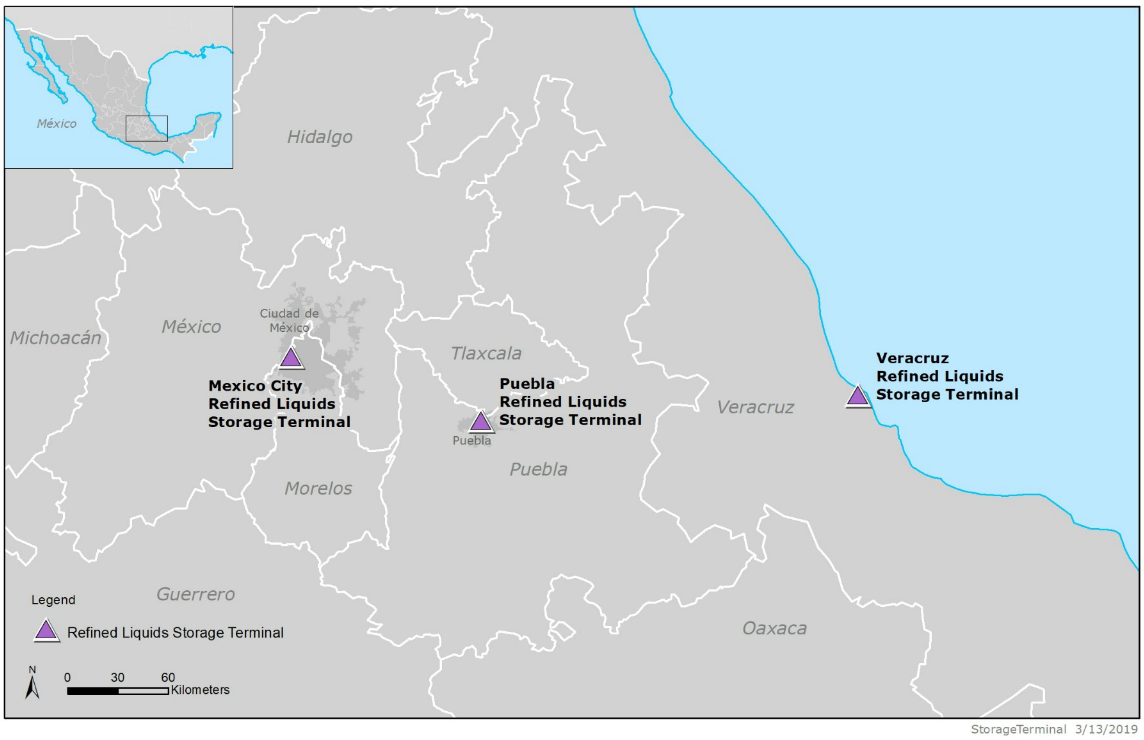
Valle de Mexico Terminal

The Valle de Mexico terminal is in the construction stage, the Company expected start of operation will take place in the first semester of 2020. The Valle de Mexico Terminal is the second of two destinations for the products coming from the Veracruz terminal. It will have a storage capacity of 650,000 barrels in nine tanks. The terminal will handle gasoline, premium gasoline, diesel and filtered jet fuel. The terminal will receive product by train and deliver product by trucks.

The capacity is fully contracted by Valero, who intends to supply the metropolitan areas of the Valle de Mexico.

The investment for the Veracruz, Puebla and Valle de Mexico terminals is between USD$590 million - USD$640 million

The following map shows the locations of the Veracruz, Puebla and Valle de Mexico terminals:

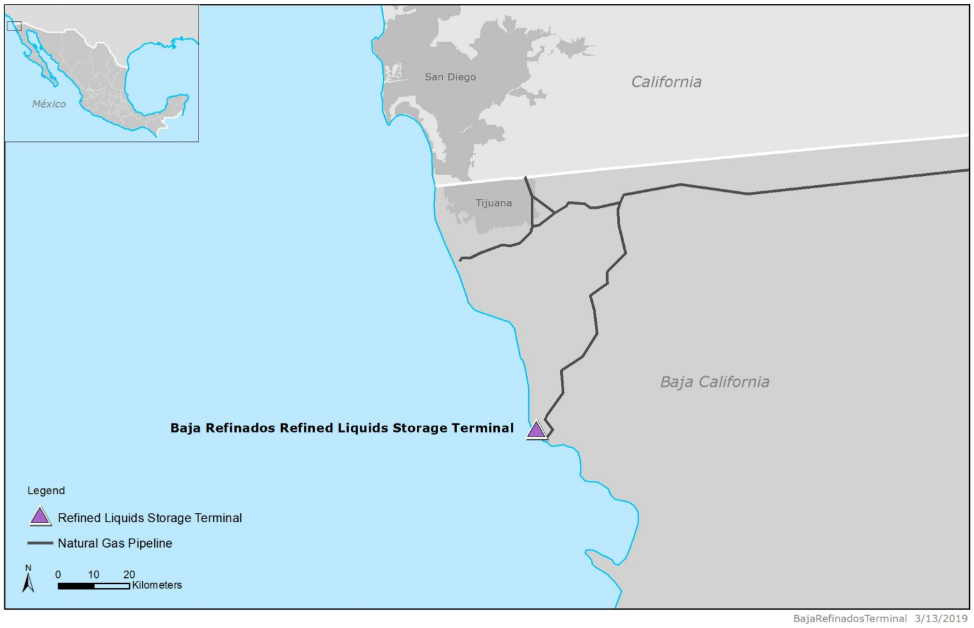


Baja Refinados Terminal

The Baja Refinados terminal is located in Ensenada, Baja California, within La Jovita Energy Center, near the LNG Energía Costa Azul. This terminal is under construction, and it will receive refined products through a marine buoy (Single Mooring Point, SPM) for the unloading of petroleum products. The installation of ten storage tanks is planned, with delivery by truck. The project has direct access to the Pacific Ocean, where the buoy will be located 1.5 km from the coast to receive the various products. The capacity of the terminal is approximately 1 million barrels, with an expansion capacity additional.

This terminal has two storage services customers: a subsidiary of Chevron and a subsidiary of BP for 100% of the capacity. Both firm storage capacity contracts are long-term and dollar-denominated. The destination of the products will be Tijuana, Rosarito, Ensenada, Tecate and Mexicali. Commercial operation is estimated for the first semester 2021 with an investment of approximately USD$130 million.

The following map show the location of Baja Refinados terminal:

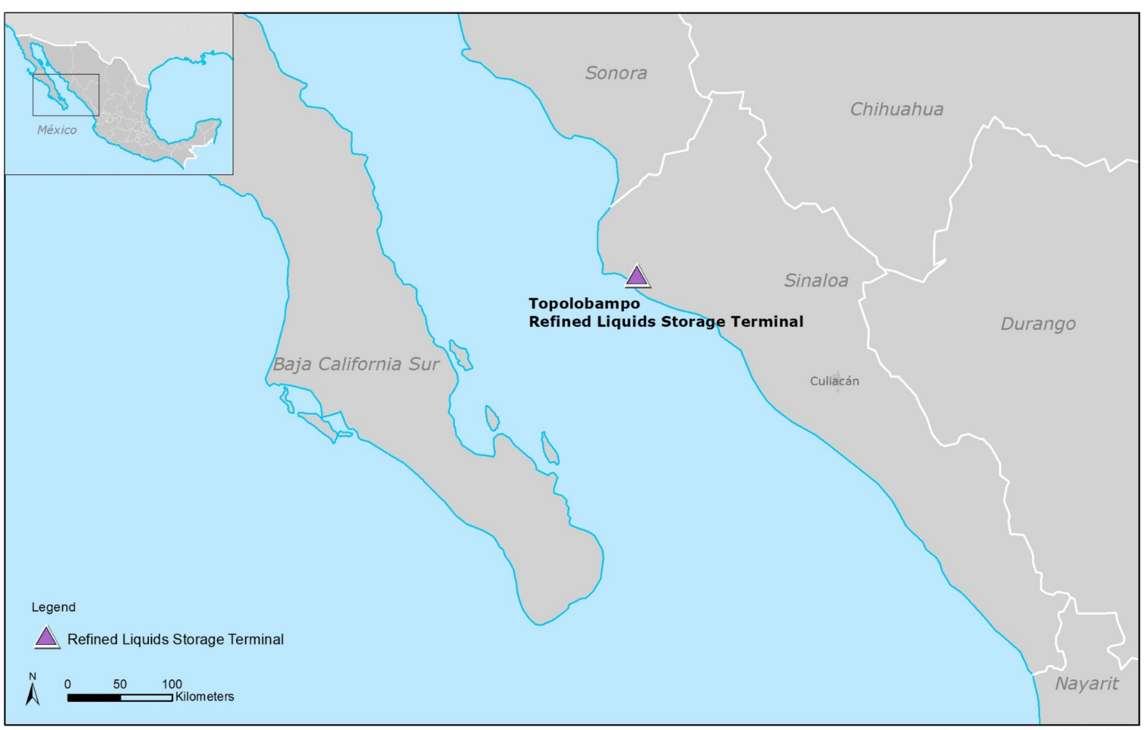


Topolobampo Terminal

Topolobampo terminal will receive refined products via tanker. It will have a dock for unloading products and dock-side facilities for storage in a tank farm and delivery by truck. The products will be distributed by truck to the cities north of Sinaloa and/or south of Sonora. The project is located in the municipality of Ahome, Sinaloa, within the API Topolobampo, 24 km west of Mochis Sinaloa. It will have a storage capacity of 1 million barrels, with the possibility of expansion.

This terminal has two petroleum product storage service customers, a subsidiary of Chevron and a subsidiary of Marathon for the 100% of the capacity. The contracts are long-term, Dollar-denominated, and firm. Commercial operation is expected in the first semester of 2021 with an investment of approximately USD$150 million.

The following map shows the location of Topolobampo terminal:

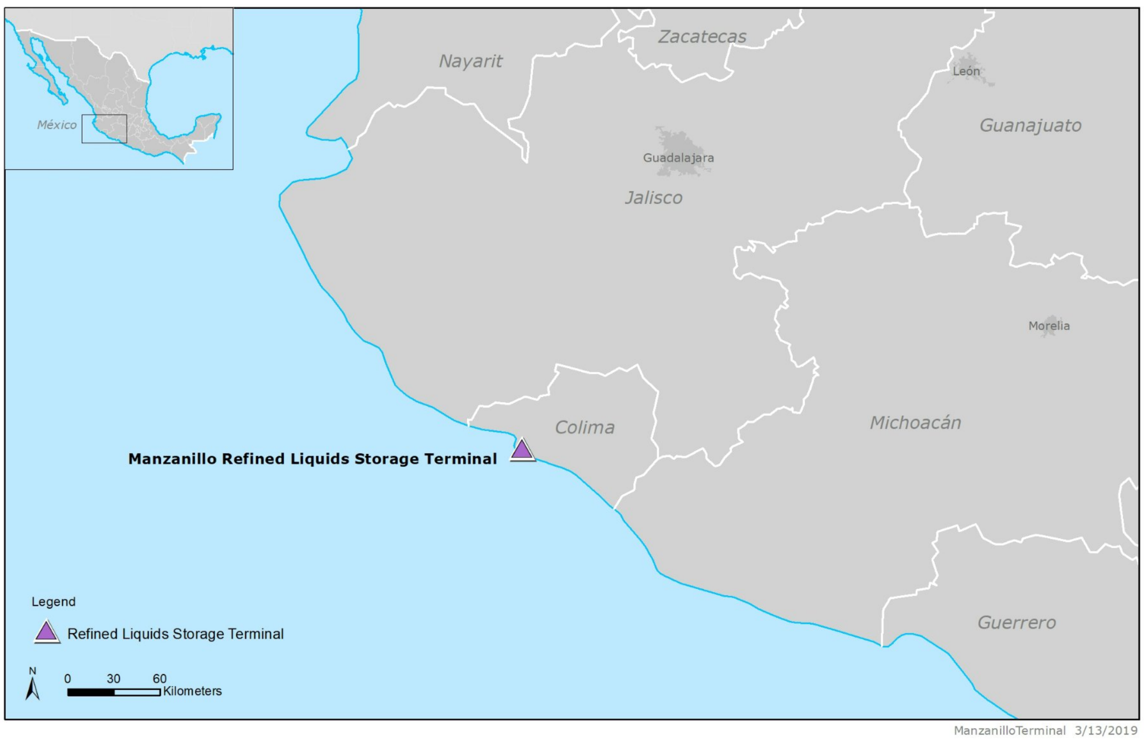


Manzanillo Terminal

In September 2018, IEnova acquired from Trafigura the 51% of the company that holds certain permits and lands where, subject to obtaining the remaining permits and other conditions, a terminal will be built in Manzanillo, Colima. IEnova and Trafigura signed an association contract to develop, build and operate the terminal. IEnova, will have control of the total implementation of the project, including the completion of the stage of obtaining permits, contracting with additional clients, detailed engineering, procurement, construction, financing, operation and maintenance of the terminal. The purpose is that the Company's customers can supply fuel to the consumption centers near Manzanillo, Colima and Guadalajara, Jalisco, which is the second largest consumer center in the country. In its initial stage, the terminal is expected to have a storage capacity of approximately 2.2 million barrels. The products will be received through a maritime buoy and delivery from the terminal via tanker trucks and rail.

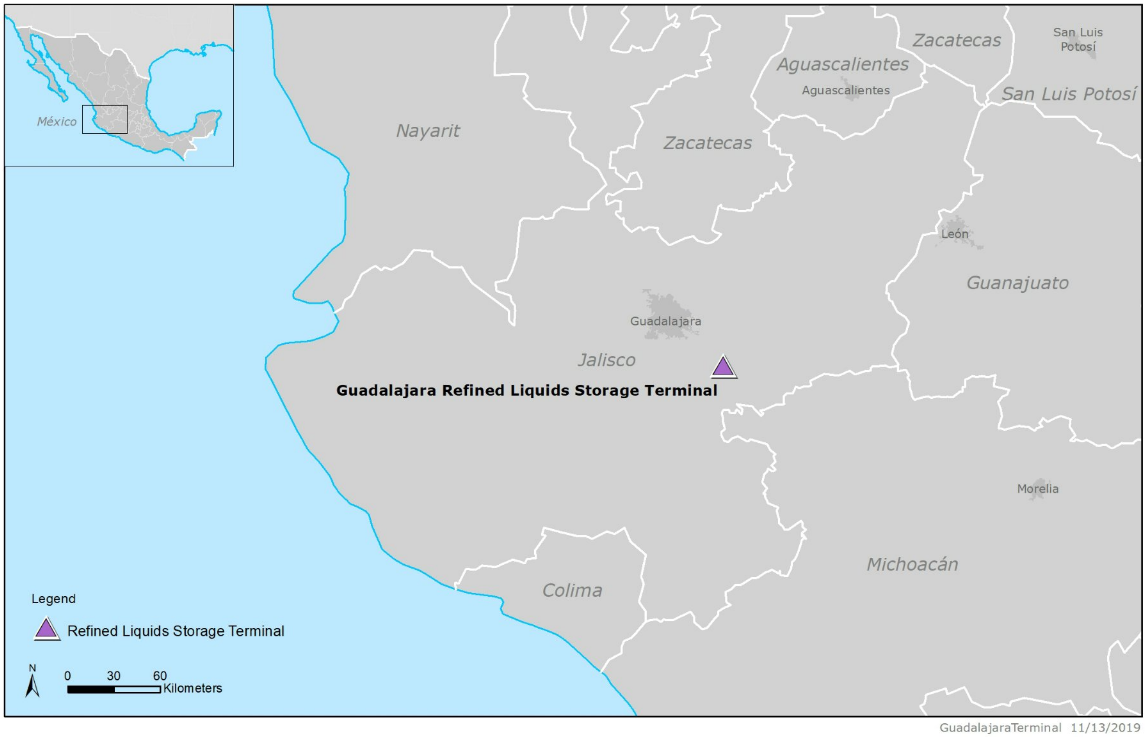
The terminal has three clients for the storage service: a subsidiary of the BP company, a subsidiary of Trafigura and a subsidiary of Marathon, for 100% of the capacity. The contracts are long-term, dollar-denominated, and firm bases. The estimated investment for the project is of USD$285 million and its commercial operation start is expected in the first semester of 2021.

The following map shows the location of Manzanillo Terminal:



Guadalajara Terminal

The Guadalajara terminal is under development and will be connected to the Manzanillo Terminal via rail. This terminal has an agreement with BP plc for 290,000 barrels of capacity and is in the process of obtaining additional clients to be able to define and announce the total storage capacity, final investment and expected date to begin operations. The following map shows the location of the Guadalajara terminal:



Terms of the Company's DEN joint Venture Agreement with Pemex TRI

In November 2017, the Company completed the acquisition of the remaining 50% of the capital stock of DEN, which was owned by Pemex TRI. With this acquisition, IEnova holds 50% of TAG Pipelines Norte company.

Corporate structure of TAG Norte, the joint venture with Brookfield

In March 2015 DEN, Pemex TRI and TETL (currently owned by Brookfield) signed an agreement (the "TAG Pipelines Norte Contract") for their participation in TAG Pipelines Norte and the Los Ramones Norte Pipeline. During the second quarter of 2019, Blackrock sold its participation to Brookfield, as a result, the Company and Brookfield hold 50% of the capital stock each. Following is a description of the most important terms of the TAG Norte Contract:

a. Voting rights. The partners shall have one vote for each peso of capital they have paid into the corporation. The quorum for convening a shareholders' meeting is 50%, and the decisions on general issues will be adopted by an affirmative vote of at least 50% of the paid-in capital, while extraordinary issues such as the approval of modifications in the bylaws shall be approved by an affirmative vote of at least 75% of the paid-in capital.

b. Management: The board of directors will comprise six regular members and their alternates. Each partner representing at least 16.5% of the paid-in capital shall have the right to appoint a member of the board of directors. If at any time, any partner should acquire more than 50% of TAG Norte's paid-in capital, then the board of directors shall comprise five members, with the remaining partners, holding 17% of the paid-in capital, may appoint a member. The quorum for convening a meeting of the board of directors is 50% of its members. Its decisions will be adopted by a simple affirmative vote of its members. However, with regard to such extraordinary issues as the modification of the annual budget, the signing of contracts contemplating payment obligations of more than one million dollars, et al, a 75% affirmative vote of the members will be required.

c. Transfer of shares: Any assignment, transfer or attachment of shares requires prior written consent, unless it involves a transfer in favor of a related party or permitted assignee and there has been no change in the final beneficiary. In addition, each partner shall have the right of first refusal for the purchase of the shares that another partner wishes to transfer to third parties.

d. Issues regarding the subsidiary: The issues agreed to by TAG Norte will be adopted in the same sense as with TAG Pipelines Norte.

Corporate structure of IMG, the joint venture with TC Energy

The relations between the partners of the joint venture with TC Energy are governed by (i) IMG's bylaws and (ii) the agreements between the Company and TC Energy. Following is a summary of the key terms of those bylaws and of the agreement between the partners:

a. Shareholders and voting rights. Under the agreement between the partners, the partners have the right to one vote for each peso they have contributed to IMG's paid-in capital. However, it has been agreed that certain issues may be approved only by (i) unanimous vote, (ii) a super majority (66 and 2/3%) or (iii) a simple majority (more than 50%) of IMG's subscribed and paid-in capital.

b. Management. The management of IMG is the responsibility of a board of directors comprising five members. TC Energy has the right to appoint three members and their respective alternates, while the Company has the right to appoint two members and their respective alternates. If at any time the configuration of the holding of IMG's paid-in capital should change, an adjustment will be carried out in the number of members corresponding to the distribution of IMG's paid-in capital. TC Energy shall have the right to appoint the president and the secretary (a non-member) of the board of directors. It has been generally agreed that certain issues may be approved only by (i) unanimous vote, (ii) a super majority (66 and 2/3%) or (iii) a simple majority (more than 50%) of the members of the board of directors.

c. Procedure for the resolution of disputes. In the event of a dispute, said dispute shall be submitted (i) to the executives of the partners appointed for this purpose by each of the partners, and (ii) if no agreement is reached, to arbitration in Mexico City pursuant to the rules of the International Chamber of Commerce and applicable Mexican law.

d. Transfer of shares. With certain exceptions such as sales between affiliates, any sale, assignment, transfer or attachment of the shares of a member is subject to the right of first refusal of the remaining member to purchase the shares that the other member wishes to transfer to third parties.

e. Cost/risk behavior. Both the Company and TC Energy have agreed to share between them, pursuant to their respective holdings in IMG, the financial obligations of the joint venture in connection with the performance of the project.

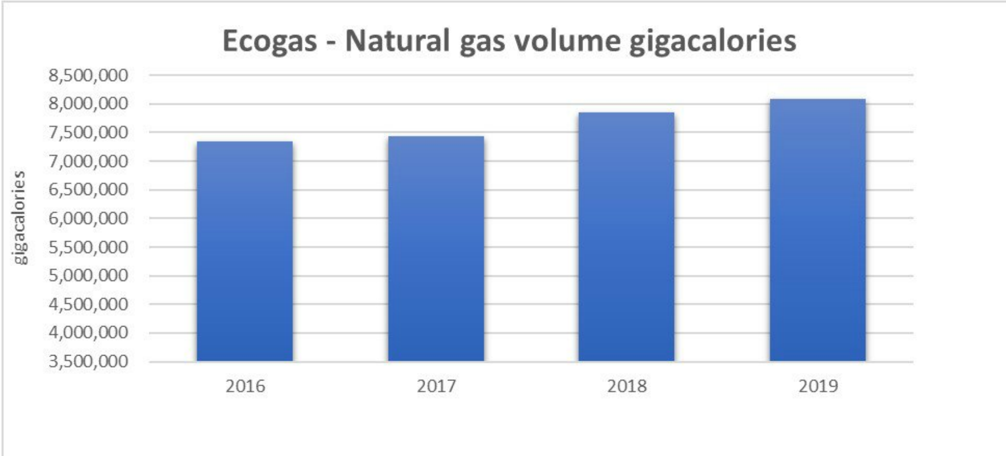
f. Supervisory and Maintenance Services. The parties have agreed that an affiliate of TC Energy will assume the supervisory and maintenance obligations of the project.

Natural Gas Distribution Business

Overview

The Company's subsidiary ECOGAS was awarded the first distribution permit given to a private company to build and operate a natural gas distribution system in Mexico under the 1995 natural gas regulation. Through its approximately 4,138 km of pipelines, as of December 31, 2019 the ECOGAS distribution system served more than 132,000 residential, commercial and industrial customers in northern Mexico, with operations in the distribution zones of Mexicali, Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna–Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).

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

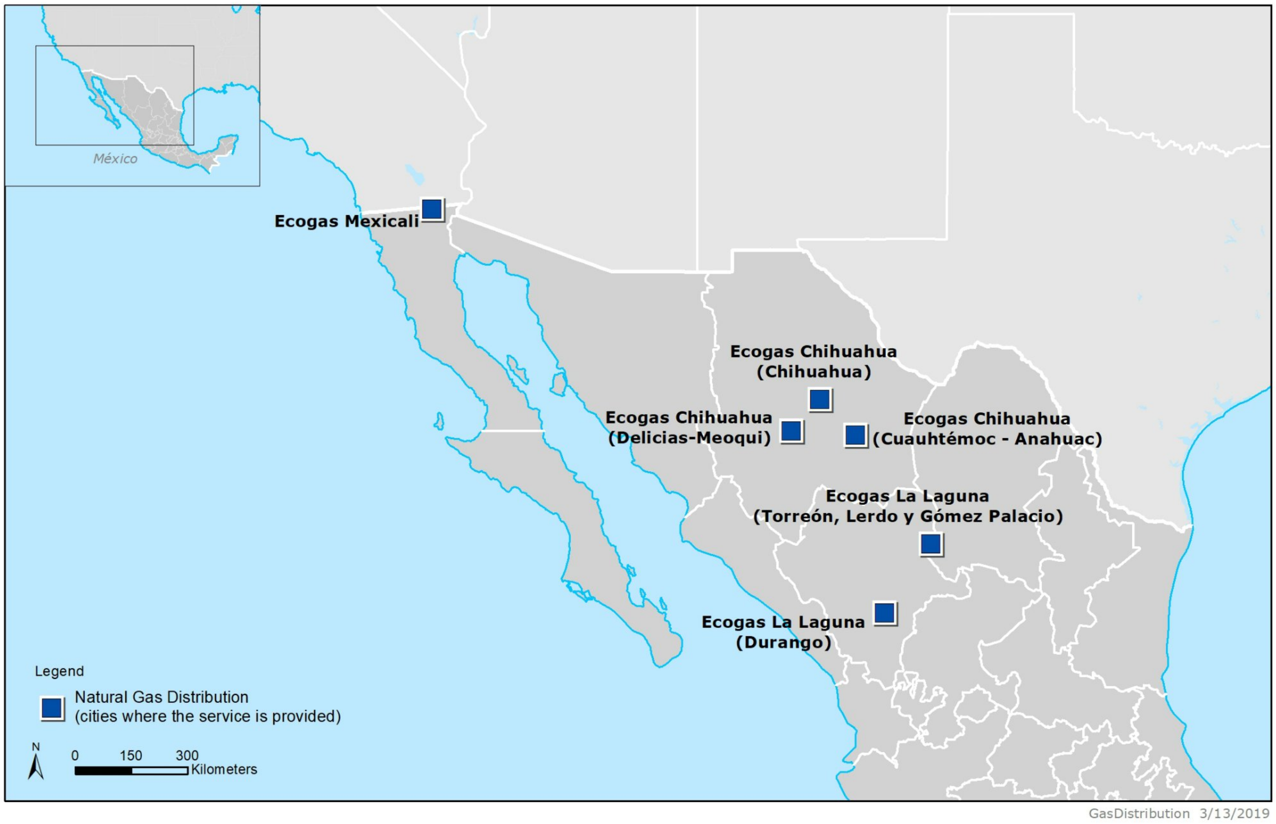


The natural gas distribution business includes the following key activities:

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

The Company's revenues are derived from service and distribution fees charged to its customers through monthly invoices. The purchase price the Company pays for natural gas is based on international price indexes and is passed through to its customers. However, the Company enters into hedging transactions with respect to these prices to reduce potential volatility in the price for natural gas that its customers ultimately pay. The service and distribution fees charged by the ECOGAS system are regulated by the CRE, which performs a review of rates every five years and monitors prices charged to end-users. The latest review by the CRE concluded o 2016 with the rate cases approval for Mexicali, La Laguna - Durango and Chihuahua. The current structure of natural gas prices minimizes the market risk to which the Company is exposed, as the rates are adjusted regularly based on inflation or fluctuations in foreign exchange rates. The adjustments for inflation include cost components incurred both in Mexico and the United States, so that United States costs can be included in the final rates.

The following map shows the location of each of the distribution areas serviced by ECOGAS distribution: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).



The following table contains a summary of the principal characteristics of the ECOGAS service areas as of December 31, 2019:

	Mexicali	Chihuahua	La Laguna-Durango	Total
Length of pipelines (km)	587	2,380	1,171	4,138
Number of customers:				
Residential	16,538	76,627	35,203	128,368
Commercial/industrial	451	2,322	1,243	4,016
Throughput (MMcfd):				
Residential	451	3,601	820	4,872
Commercial/industrial	28,039	34,724	11,593	74,356

Natural Gas and the Company's Market Opportunity

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

Natural Gas Customer Arrangements

The Company's residential customers are substantially all the customers (96.7% in terms of number of accounts), and contribute 41.53% of the profit margin of the distribution business as of December 31, 2019. The Company does not typically enter into long-term agreements with residential customers, and such customers pay the rates for distribution services that are established by the CRE. The Company invoices these customers on a monthly basis, and their service can be terminated by them or the Company at any time.

The commercial and industrial customers together account for approximately 3.03% of customers (in terms of number of accounts), but are responsible for approximately 93.9% of systems' aggregate throughput volume and over 58.47% of the distribution business profit margin as of December 31, 2019. The Company has entered into long- term supply agreements with certain of these customers; while the CRE sets the maximum rate the Company can charge for distribution service, the Company may negotiate a rate that is at a discount to the maximum authorized rate, in exchange for a long-term obligation from these customers to purchase contractual minimum volumes. In certain cases, customers are required to provide the Company with guarantees in the form of letters of credit or cash deposits.

Power Segment Overview

The company's power segment includes projects already under operation, under construction and under development, conformed by a natural gas combined cycle plant, four wind parks and four photovoltaic parks. The power segment's operations is described as follows.

Natural Gas Fired Power Generation Business

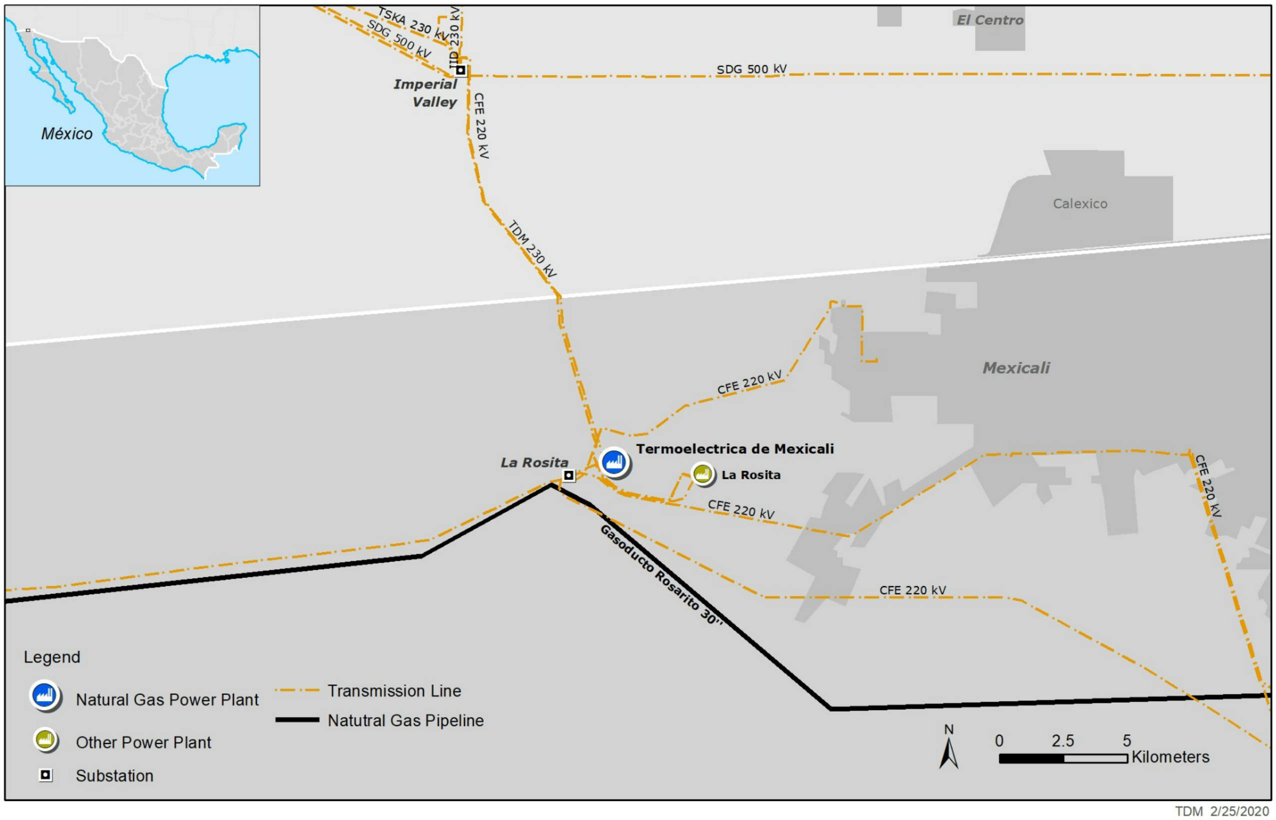
Termoeléctrica de Mexicali

The Company owns and operates Termoeléctrica de Mexicali power plant, a combined-cycle power generation plant with a 625 MW capacity, fed with natural-gas and located in the city of Mexicali, Baja California. It started commercial operation in June 2003 and its location allows it to access both the United States and Mexican electricity grids. The power plant is connected to the Gasoducto Rosarito pipeline system, which allows it to receive regasified LNG from the Company's LNG terminal as well as gas supplied from the United States on the North Baja pipeline.

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

The plant is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the grid controlled by the California Independent System Operator in the Imperial Valley substation and is capable of providing energy to a wide range of potential clients in California, U.S. While the entire output of the plant is currently sold to the U.S. grid, the physical interconnection may be modified to fully or partially supply production to CFE, based on studies elaborated by CENACE and subject to obtaining necessary permits.

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



Termoeléctrica de Mexicali, Key Agreements

Power Purchase Agreements

The Company is party to an energy management services agreement with Sempra Gas & Power Marketing, LLC (SGPM), regarding the electricity generated at the Company's Termoeléctrica de Mexicali power plant. Pursuant to this agreement, SGPM acts as a company agent to market and serve as scheduling coordinator for the Company's electricity sales and performs other related administrative, hedging and U.S. regulatory support tasks on the Company's behalf. Under this agreement, the company will pay SGPM a commission based on the service levels provided to the Company's Termoeléctrica de Mexicali power plant (among other factors, scheduled or commercialized energy volumes), and shall reimburse SGPM any expenses incurred thereto in connection with the provided services.

Natural Gas Purchase Agreement

IEnova Marketing, a Company's subsidiary, supplies Termoeléctrica de Mexicali with the natural gas that it requires for its operation.

Wind Power Generation Business

Energía Sierra Juárez

The Company developed and built the initial phase of Energía Sierra Juárez Wind Park, located along mountain ridges in the Sierra de Juárez Mountains in Baja California - one of the regions with the strongest wind resources on the west coast of North America. Initial phase started operations in June 2015 and it's located near the U.S border, 112 km from San Diego, California in the U.S. Energía Sierra Juárez has interconnects to San Diego Gas & Electric East County substation, through a dedicated cross-border transmission line; it could also potentially connect directly with the Mexican power grid.

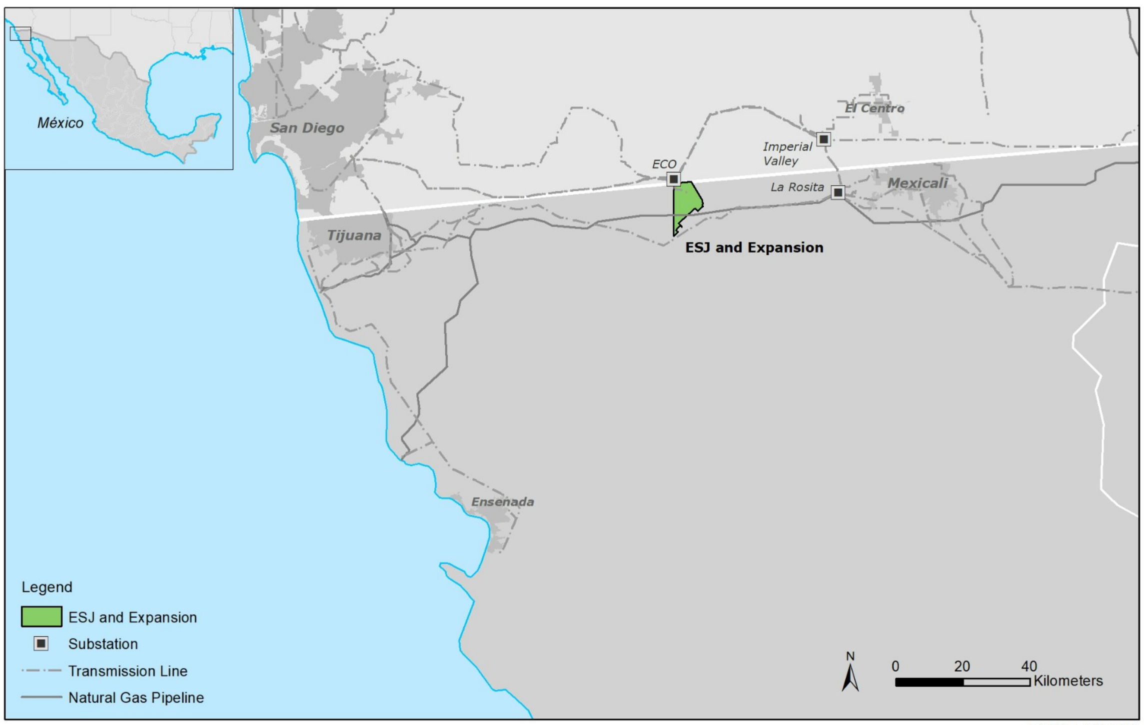
The initial phase of Energía Sierra Juárez includes 47 wind turbine generators of 3.3MW each, resulting in a total capacity 155 MW. The total of the electricity generated from the initial phase of Energía Sierra Juárez is entirely sold to

SDG&E pursuant to a 20-year power purchase agreement. In July 2014, the Company sold 50% of its initial phase to some affiliates of Actis.

In November 2017, the Company executed a 20-year power purchase agreement with San Diego Gas & Electric Company, through a new wind power generation facility that will be located in the vicinities of the initial phase of Energía Sierra Juárez. This second phase of the project will have a 108 MW capacity and an investment of approximately USD$150 million. The development of this project is subject to the receipt of regulatory approvals, as well as the attainment of diverse authorizations from creditors and partners. The second phase is under development and is expected to begin its commercial operations during 2021.

The Company considers that utility companies located in California are prime potential customers for the power generated by this project, and if the Company obtains additional permits it has the potential to also sell this power in the Mexican wholesale market. California is one of the regions in the United States with most political support for renewable power generation development, with a legislated target for renewable energy generation of 33% of retail sales by 2020 and 100% by 2045. Mexico is also politically supportive of renewable energies, particularly wind sources.

The following map shows the approximate location of Energía Sierra Juárez wind power generation facilities:



Energía Sierra Juárez Key Agreements

<u>Power Purchase Agreement</u>

The whole of the electricity generated from the initial phase of this project is supplied to SDG&E pursuant to a supply agreement entered into April 2011. The agreement has 20 years term from the date of the Company´s first delivery of electricity, and provides establishes a fixed tariff per megawatt-hour, with adjustments for "time-of-day" factors.

<u>Sale of Partnership Interest Agreement</u>

In April 2014, the Company entered into an equity purchase and sale agreement with InterGen pursuant to which the Company sold a 50% of its holdings in the first phase of the Energía Sierra Juárez project to InterGen, thereby creating a 50/50 joint venture. The Company accounts for this joint venture under the equity method. As a condition to the sale of this equity interest the Company and InterGen entered into the joint venture agreements described as follows. During 2018, Actis acquired Intergen's equity interests, making it the new partner of this project. In addition, the joint venture assumed the remaining obligation to the Company on a previous intercompany loan to Energía Sierra Juárez project, which by December 31, 2019, has been fully amortized according to its terms and conditions.

Project Financing Agreement

In June 12, 2014, Energía Sierra Juárez, S. de R. L. de C. V., entered into a USD$239.8 million project financing facility. The project financing facility was entered into with a group of five banks: Mizuho Bank, as coordinating lead arranger, the NADB as technical and modeling bank, and NAFIN, NORD/LB and SMBC as lenders. Use of resources was project construction.

Upon completion of the initial phase of the project in 2015, this financing arrangement became an 18-year loan. Pursuant to the terms of the agreement, this loan matures on June 30, 2033 and is repayable in bi-annual installments on June 30 and December 30 of each year) beginning on December 30, 2015. The loan accrues interest at a rate equal to the six-month LIBOR plus the margins specified in the following table:

Period	**Margin Over LIBOR**
June 2014 – June 2015	2.375%
June 2015 – June 2019	2.375%
June 2019 – June 2023	2.625%
June 2023 – June 2027	2.875%
June 2027 – June 2031	3.125%
June 2031 – June 2033	3.375%

The loan outstanding balance as of December 31, 2019, was USD$194.8 million. Additionally, under the same loan agreement, there were outstanding letters of credit totaling USD$29.4 million. From time to time, the Company raises different options to finance and refinance operations related to Energía Sierra Juárez in the banking and capital markets.

ESJ Corporate Structure, the Company's joint venture with Actis

In July 2014 the Company and InterGen entered into two joint venture agreements. These agreements govern the Company's relationship with InterGen as it relates to the management of the Company's joint venture and respective financial rights and obligations. In addition, these agreements set forth the agreed upon budget for the development of the initial phase of the project and the procedure for the approval of future development budgets. During 2018, Actis acquired Intergen's equity interests, making it the first new partner of this project through its subsidiary Saavi Energía.

The following is a summary of the material terms of the joint venture agreements between the Company and Actis as they relate to the corporate governance of the joint venture.

a. Management. The joint venture is managed by a board of managers composed of four representatives (two appointed by each member). The board of managers may appoint officers to manage the affairs of the joint venture. Certain decisions may only be approved with the affirmative vote of either 55% or 75% of the members' equity participation by value.

b. Dispute Resolution Mechanism. If a deadlock between the members cannot be resolved following senior management negotiations and mediation, either member may be authorized by the joint venture agreements to offer to sell all of its equity interest or to purchase all of the other member's equity interest. Disputes not relating to matters requiring a 55% or 75% vote, which cannot be resolved through reasonable negotiations between the senior management of the parties, are resolved through binding arbitration.

c. Distributions. The joint venture agreements provide that any cash not required to service debt or otherwise pay the costs of the joint venture will be distributed to the members according to the credit agreement.

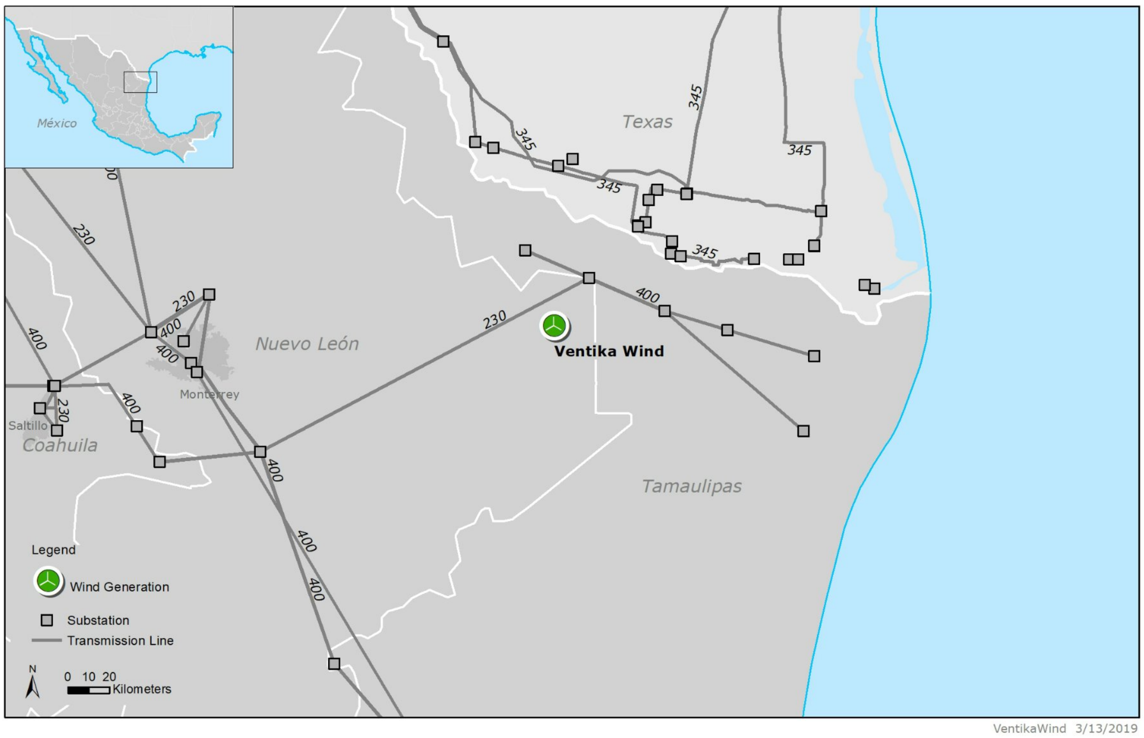
d. Transfers of Interests in the Joint Venture. The members may transfer their equity interests and interest in loans made by the members to the joint venture, provided that such member must transfer its entire interest to a single party if it effects any transfer, and provided that the transferee must become a party to the joint venture agreement. In addition, each member has a right of first refusal in the event the other member desires to transfer its interest to a third party.

Ventika

Ventika was acquired in December 2016 and its located in the State of Nuevo León, approximately 56 km from the U.S. border. It includes two neighboring wind parks (Ventika I and Ventika II) each with 42 WTG of 3MW (126 MW per park), totaling a capacity of 252 MW. Both Ventika I and Ventika II operate as a single park and located in Nuevo León.

The whole capacity of Ventika is compromised to private companies under long-term power purchase agreements denominated in U.S. Dollars.

The following map shows the location of Ventika:



Ventika Key Agreements

Power Purchase Agreement

Ventika has power supply agreements that, when considered jointly, constitute agreements to purchase 100% of the estimated capacity of the wind parks for 20 years beginning April 2016. Such agreements have been executed with subsidiaries, affiliates and related parties of FEMSA, CEMEX, FCA, DeAcero and Tecnológico de Monterrey. The agreements are denominated in U.S. Dollars at fixed prices, with an annual adjusted increment at 2.5%.

The main characteristics of the power purchase agreements (PPAs) that Ventika maintains are that (i) provided that Ventika delivers the power to CFE's substation, each counterparty has the obligation to consume pre-agreed minimum amounts or energy, and a failure to do so requires such counterparty to cover the respective tariffs (take-or-pay); (ii) any surplus amount to the agreed amounts under the power supply agreements may be acquired by the counterparts at a discount rate, or may be directly supplied to CFE at market prices; (iii) include pre-arranged Dollar denominated tariffs; and (iv) subject to various rules, conditions and specific situations for each agreement, the counterparts to such agreements may not terminate them without breach by Ventika, and if they do terminate such counterparts would be contractually obligated to pay to Ventika, termination payments on the amounts established in such financings, and the minimum purchase obligations agreed in the relevant contract that are pending exercise and payment.

CFE requires capacity payments to industrial and commercial energy users. As an incentive to the self- generators, CFE credits the capacity payments made to the energy self-generation facilities and that do not use CFE's capacity. Under the power supply agreements, each counterparty shall undertake such capacity payments to Ventika.

Since the point of interconnection is the sale point, under the interconnection agreement with CFE, transmission and interconnection services of electricity that Ventika collects are equal to those collected by CFE for these.

Operation and Maintenance Agreement

Since November 2018, the Operator, an affiliate of Nordex, provides Ventika with operation and maintenance services for a 5-year term, automatically renewed for equal periods until reaching 20 years of services. Through these agreements, the Operator guarantees the availability of each wind park within the limits established in such agreements and for the effective term of each agreement. According to these agreements, the Operator renders operation and management services to Ventika that are standard for these kind of projects, and the Operator is obligated (within the limits of each agreement) to operate the wind parks in accordance with applicable law and with the different permits and authorizations that apply to each project, including contracts and rights of use of land, Ventika's operational plans and instructions, interconnection contracts, and other applicable contracts and documents. The Operator is responsible for obtaining the necessary personnel for the performance of its services. Before November 2018, the aforementioned services were provided by an affiliate of Acciona. The obligations of the Operator under these contracts are guaranteed by Nordex, for up to the limits agreed upon in each contract and in the relevant guarantee.

The payment mechanism includes an annual fee that is adjusted depending on the availability of the wind parks. This benefit-sharing mechanism is an incentive for the Operator to increase the availability of the parks compared to the one guaranteed in the agreements. The penalty for Nordex is the payment of unearned income due to the lack of the guaranteed availability, for up to a maximum of the annual payment for operation and maintenance, as agreed in such contract. The monitoring and control of each turbines operations is carried out through the SCADA system while the routine maintenance is carried out by Nordex's staff.

Asset Management Agreement

Ventika and CEMEX agreed to modify the asset management services agreement's scheme by outsourcing an affiliate of IEnova to provide management services. Since January 2019, the Company has been handling management and monitoring of assets, inventory, accounts receivable and other assets and services; as well as assuring compliance of Ventika's key agreements, including those derived from engineering, procurement and monitoring or supervision of construction issues; maintenance and operation, financing, communication and managing financial aspects with creditors, etc.

Credit Agreement, project finance

For the construction and start of operations of the wind parks, each Ventika I and Ventika II obtained a senior project finance loan for the total aggregate amount of USD$485 million. The creditor banks are: NADB, Banobras, NAFIN, Bancomext, and Santander. As of December 31, 2019, the balance is USD$419.5 million.

As a result of the Transaction, payment obligations for each financing remain with each of Ventika I and Ventika II, respectively, although Controladora Sierra Juárez shall assume certain rights and obligations in accordance with the different financing documents, in direct substitution of the Minority Shareholders and Fisterra, as hereinafter detailed.

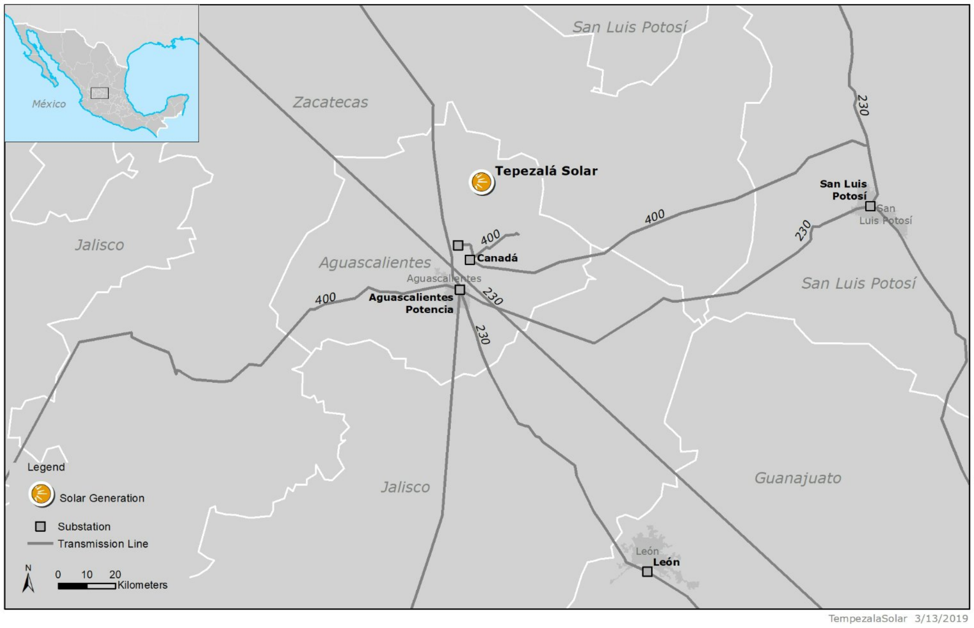
All the outstanding capital stock of Ventika I and Ventika II, as well as substantially all of their assets, guarantee the payment obligations under Ventika I and Ventika II financing. The financing is subject to the project finance method and neither the company nor Controladora Sierra Juárez have assumed a direct payment obligation to the lenders. The company guarantees the debt service payment through credit letters, as of December 31, 2019 total amount in credit letters was at USD $25.2 million.

Solar Power Generation

Tepezalá Solar

In January 2017, the Company announced the execution of a 20-year power purchase agreement and two 15-year power purchase agreements with the CFE, for the sale of the energy generated by the 100 MW_{AC} Tepezalá Solar project to be located in the state of Aguascalientes. The agreements include 20 years for the clean energy certificates and 15 years for the capacity and electricity. The Tepezalá Solar project was developed and constructed by the Company in association with Trina Solar. Trina Solar will have a 10% minority interest in the project. Trina Solar is a company dedicated to the production of photovoltaic solar panels and optimization of solar energy systems. Tepezalá Solar commercial operations began during the fourth quarter of 2019.

The following map shows the location of Tepezalá Solar:



Rumorosa Solar

In January 2017, the Company announced the execution agreements with the CFE, for the sale of the energy products generated by the 41 MW_{AC} Rumorosa Solar project located in the State of Baja California near the Energía Sierra Juárez wind park. The agreements include 20 years for the clean energy certificates and 15 years for the energy. The project began commercial operations in the second quarter of 2019.

The following map shows the location of Rumorosa Solar:

Pima Solar

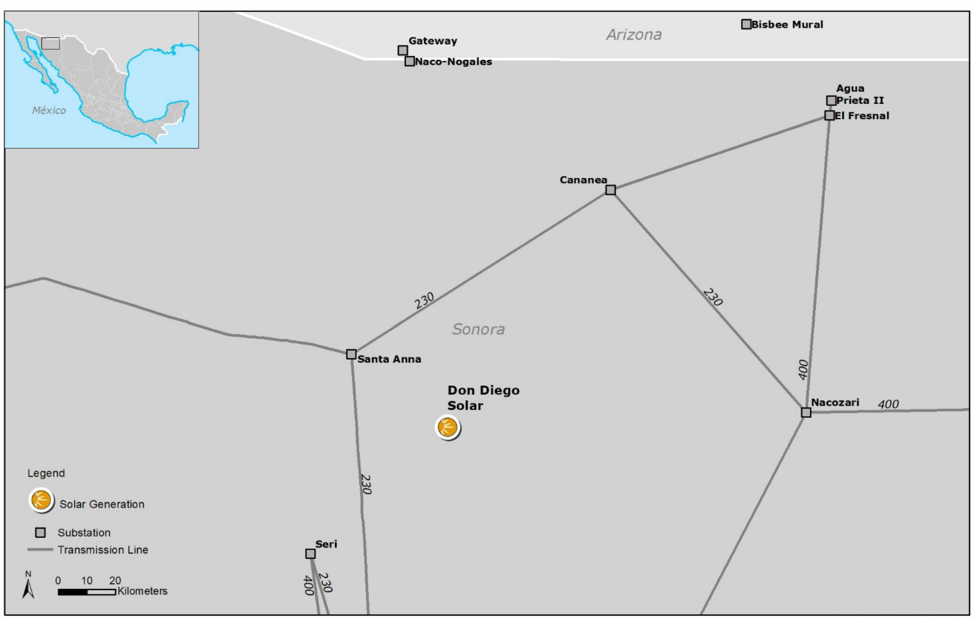
In March 2017, the Company announced the execution of a 20-year contract with DeAcero to supply energy, clean energy certificates and capacity from a new photovoltaic solar power plant, located in Caborca, Sonora. The company developed, constructed and operates the 110 MW_{AC} Pima Solar project and its commercial operations began the first quarter of 2019.

The following map shows the location of Pima Solar:

Don Diego Solar

In February 2018, the Company announced a new solar power plant that will be located in the municipality of Benjamin Hill in the state of Sonora. The plant will have the capacity to supply energy, under long-term agreements, to Liverpool, Autlan and Scotiabank. The company will develop, construct and operate Don Diego Solar project, with a capacity of 125 MW_{AC}. Commercial operation is expected to begin during the first semester of 2020 with an estimated investment of USD$130 million.

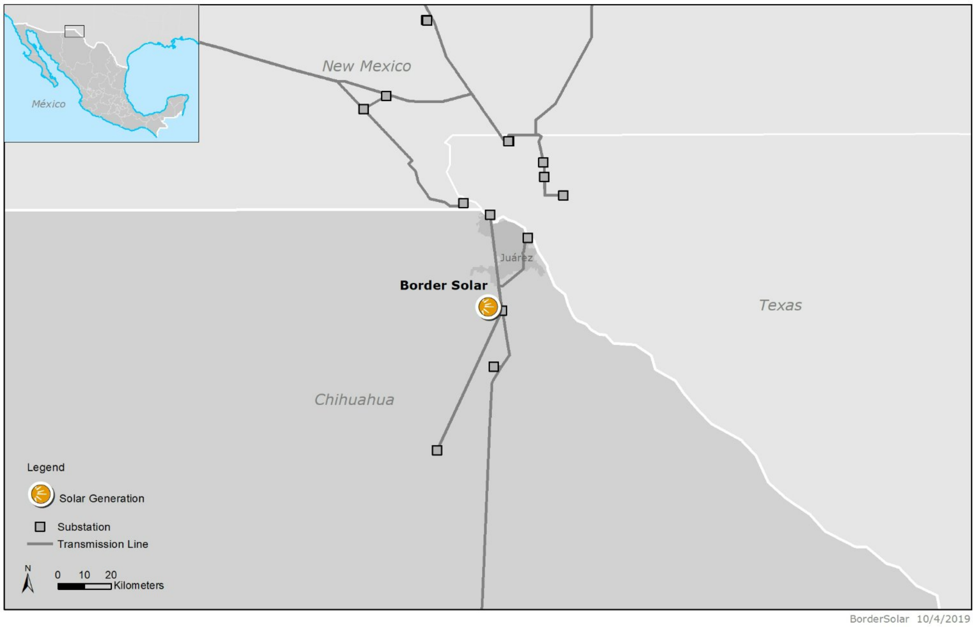
The following map shows the location of Don Diego Solar:



Border Solar

In October 2019, the Company announced a new solar power plant located in Ciudad Juárez, in the state of Chihuahua. The plant will have capacity to supply Liverpool, Circle K, GCC and Envases Universales. The Company will develop, construct and operate Border Solar project, with a capacity of 150 $MW_{AC.}$ The beginning of commercial operations is expected to happen during the second semester of 2020 with an estimated investment of USD$USD160 million.

The following map shows the location of Border Solar.



Real Property and Land-Use Rights

Gas Segment

Pipelines Business

The real property of the Company's pipelines business falls mainly into three categories: (1) easements (*servidumbres de paso*) contracted with private and communal landowners (*ejidos* or *comunidades*); (2) permits acquired from federal, state and municipal government entities for road crossings, rail road crossings, water body crossings and use of any other state-owned land and/or infrastructure; and (3) leases, usufructs and/or owned properties, used mainly to install above-ground facilities such as main line valves, metering stations and compression stations. The Company believes it holds satisfactory title to those portions of the land it owns. The Company has leased properties for many years without any material known challenge relating to the title to the land upon which these assets are located, and the Company believes that the Company has satisfactory leaseholds estates to such land. Except as described under "Legal, Administrative and Arbitration Proceedings", the Company has no knowledge of any material challenge to the underlying title of any material lease, easement, right-of-way, permit or usufruct held by it, and the Company believes that it has satisfactory title to all of its material leases, rights-of-way, permits and usufructs.

Liquefied Natural Gas Business

The LNG terminal is located on approximately 450 hectares of land owned in a relatively remote, previously undeveloped area of the Baja California coast. The terminal's marine facilities include a single jetty and dock with provision to install a second jetty and dock. The marine facilities have been approved by the CRE to accept LNG ships that have a capacity of 70,000 m^3 to 217,000 m^3 (16.0 MMTh to 49.7 MMTh). A portion of this land has been leveled and graded for the potential expansion of the facility to include two additional LNG storage tanks. The Company also holds a 30-year concession for the occupation and use of federal maritime terrestrial zone adjacent to its property, which is subject to periodic renewals. The concession title covers a jetty and berth, among other infrastructure ancillary to the LNG terminal. The Company is currently facing certain lawsuits related to the real property on which the Company's LNG terminal is located. See "– Legal, Administrative and Arbitration Proceedings – *Matters on ECA*."

Natural Gas Distribution Business

The real property of the natural gas distribution business principally consists of easements, rights-of-way, permits, licenses and leases from governmental authorities or private property owners. The pipelines of the natural gas distribution system typically run along public roads and in such instances the Company pays the local municipality for the right to maintain and operate the Company's distribution system along such roads. Where the pipelines of the distribution system enter the property of the Company's customers, the Company has easements allowing the Company to access their property, as well as to maintain and operate the distribution system. In the case of La Laguna – Durango and Chihuahua distribution zones, the Company also leases some rights-of-way from Pemex. Approximately 96% of the total length of the Company's pipelines network is underneath public roads. The Company believes that the Company has satisfactory title to all of its material easements, rights-of-way, permits, licenses and leases. In addition, the Company leases an aggregate of approximately 17,600 meters of office and commercial space in Chihuahua, Torreón and Mexicali.

Refined Products Storage Business

For the Veracruz marine liquid storage terminal, the Company was granted, through a 20-year assignment of concession rights belonging to API Veracruz, an approximate area of 12 hectares with 300 meters of land next to the coast, to develop, build and operate a Marine terminal for the receipt, storage and delivery of hydrocarbons. Additionally, the Company entered into a lease agreement with the same API of Veracruz for the development of a railway yard for the exit of hydrocarbons from the Terminal.

The Company was granted a partial assignment contract of concession rights for 9.7 hectares of land surface and 1.9 of coast surface by the Port Authority Integral of Topolobampo, in Sinaloa, for the development of a marine hydrocarbon storage terminal.

Additionally, the Company will develop three in-land terminals for the storage and delivery of hydrocarbons, which will be located in Guadalajara, Puebla and Valle de México. For the Puebla terminal, the Company acquired land for the project through 20-year term usufructs, with two additional 20-year periods extensions, with an option to purchase on agrarian lands *(ejido)*. For the Valle de Mexico terminal, the Company has acquired most of the land for the project through private purchase and through 20-year term usufructs, with extensions up to 20 years. Regarding the Guadalajara terminal, IEnova acquired land with an approximate area of 40 hectares.

The Baja Refinados marine terminal will be located within the La Jovita Energy Center, 23 km north of Ensenada, B.C. The project is acquiring approximately 27 hectares through purchase, leases and easements for the development.

Regarding the marine terminal for reception, storage and delivery of refined products in Manzanillo, Colima, the Company executed a contract with Trafigura for 50% of the initial storage capacity and the Company acquired 51% of the equity of the company whose subsidiary owns approximately 87 hectares of land for where the terminal will be built.

Finally, the LPG Storage terminal, which is currently operating, is located on approximately 44 hectares of land owned by the Company, which is located in the municipality of Zapotlanejo, Jalisco.

Power Segment

The Company's Termoeléctrica de Mexicali power plant owns approximately30.6 hectares of real property located approximately 15 km west of Mexicali, Mexico and five km south of the Mexico–U.S. border. The plant and ancillary assets, including the sewage-water treatment plant, are located on property owned by the Company. The Company also holds rights of way obtained from the U.S. Bureau of Land Management with respect to the property upon which the generation tie-line runs into the United States to connect the power plant to the Imperial Valley substation. The Company holds title to various permits and agreements relating to certain rights-of-way for the aqueduct that services the power generation plant, including those for the occupation and crossing of public lands.

With respect to the Energía Sierra Juárez wind project, who's the initial phase started operations in June 2015, the Company entered into a lease agreement in November 2006 with agrarian lands (*ejido)*, when the first phase was built. The contract has an initial term of 30 years and each provides for extensions of up to 30 additional years.

The Energía Sierra Juárez expansion of the wind power generation facility for the electric supply for San Diego & Electric Company under the power purchase agreement executed by Energía Sierra Juárez 2 U.S., LLC on November 16, 2017, is planned to develop within the previously leased ejido area and on an adjacent lot of 78 hectares, which has already been leased.

With respect to the Ventika wind power generation facilities, the land use rights were negotiated directly with the owners of 7,200 hectares where the plant is located and the required areas for substations and access roads. Land use rights include the right of passage with an indefinite term, as well as usufruct with a validity of 20 years, which are subject to subsequent renewal, according to current legal conditions.

Regarding solar projects, the Company developed Tepezalá Solar power project located in Aguascalientes, for which the Company has entered into various leases for approximately 334 hectares with agrarian lands *(ejido)*. The company has negotiated the right of way for the transmission line and the access roads are contracted. All of these leases have an initial term of 20 years and each provides for four extensions of 5 years each.

For the development of Don Diego Solar project located in Benjamin Hill, Sonora, the company leased 498 hectares from a private party. This lease has an initial term of 20 years and provides for extensions of up to 10 additional years.

The Rumorosa Solar project located in Mexicali, Baja California near the Energía Sierra Juárez wind power generation facility, has land use rights by means of usufructs for approximately 135 hectares with an initial term of 20 years with two extensions of up to 20 years each, and rights-of-way for 8.3 hectares with an initial term of 30 years with extensions for up to 30 additional years, in agrarian lands *(ejido)*.

Regarding Pima Solar, the Company has leased approximately 580 hectares with an initial term of 20 years with extensions of up to 20 additional years. It has also contracted rights-of-way for 15 hectares for an indefinite time in the municipality of Caborca, Sonora.

Finally, in August 2018, IEnova acquired Border Solar with a usufruct area of 578 hectares for 20 years, extendable for 20 more years, for the development of the park, and around 0.6 hectares of easements, acquired indefinitely, in Juarez City Chihuahua.

Except for the instances described in section ""Legal, administrative and arbitration proceedings", the Company believes it has satisfactory leasehold estates to such lands. The Company has no knowledge of any material challenge to the underlying title of any of its material leases, easements, rights-of-way, permits or usufructs, and the Company believes that it has satisfactory title to all of its material leases, rights-of-way, permits and usufructs.

Insurance

The Company's projects under construction and operating assets are covered by insurance under policies that the Company believes are comparable with those maintained by other companies engaged in similar businesses and protect the integrity of the people, communities, environment and property of the Company based on regulatory compliance and best international practices.

For both stages, construction and operation, the Company considers at least the following policies insurance: (1) General and Environmental Civil Liability Insurance against third parties for physical injuries, property damage and sudden and spontaneous contamination; (2) Vehicle Liability Insurance against third parties for physical injuries and goods' damages caused by the vehicle operation, leased or third-party vehicles used by Company employees during the performance of their duties; and (3) Property Insurance that covers the replacement value of all real and personal property belonging to the Company and including coverage against losses caused by the breakdown of equipment, earthquake, fire, explosion, hydrometeorological phenomena, terrorism as well as the delay in startup and interruption of business as a result of said eventualities.

All insurance policies are subject to the terms, conditions, limits, exclusions and deductibles accepted in the industry and which are similar to those applicable to other companies in the energy sector. The Company has several insurance programs guaranteed by insurance companies and local and international reinsurers with an investment grade credit rating on a global scale.

xi) Legal, Administrative and Arbitration Proceedings

The Company may become involved in litigation and administrative proceedings relating to claims arising from 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 the business, financial condition or results of operations of the Company:

a. *Administrative Appeal (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 (jointly, "Castro* and *Valdez"),* and Monica Fabiola Palafox ("Palafox"), acting individually filed *administrative appeals* 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 appeals 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 the rulings to be null and void 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 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 a Collegiate Circuit Court in the Federal District, a motion against the ruling whereby the TFJFA ordered the admittance of the motion filed by *Valdéz.* 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 Valdéz 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 improperly issued and without considering the existing property rights of such property. In September 2011, a definitive hearing on the subject was held, where the plaintiffs offered evidence to extend their claim. The judge did not admit the evidence, and before issuing the judgment, the plaintiffs filed a constitutional claim against the refusal of the judge to the admittance of the evidence. The action of the judge is suspended by the constitutional claim, and, the constitutional trial cannot continue until the Court serves notice of the civil claim to the other defendants, which has not happened. The Company deems that the claim is unfounded.

After several adjourned hearings, on June 9, 2015, the parties were duly notified of these proceedings. On that same date, the hearing was held, during which the disputed issues were set and the evidence of all the parties was offered. Given the amount of evidentiary material, the Court reserved the right of study and assessment thereof to subsequently set a new date for the 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 communication number 122/2019, dated March 29, 2019, for allegedly not having fully covered various approvals and licenses 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 issued on March 29, 2019, is being fought through a nullity claim 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 Banco Santander (Mexico) 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) and the Mexican Ministry of Energy (Secretaria de Energia) related to the Environmental Impact Assessment and the Social Impact Assessment, respectively, from one of the liquefaction projects of the Company in ECA. On August 2018, the Bajamar's Leading Resort through Banco Santander. Institución de Banca Multiple Grupo Financiero Santander, Institucion Fiduciaria as Fiduciary of the Trust 53153-0, representing the community of Colonos de Baja Mar with residence in Ensenada, B.C. filed a lawsuit of indirect *amparo* before a District Court against the Environmental Impact Assessment and the Social Impact Assessment from one of the 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 that without suspending the procedure, no final resolution would be issued on the authorization of the works construction and/or operation of the project from which the claimed acts derive.

The incidental hearing that was scheduled for October 23, 2018, was postponed until January 28, 2019. ECA filed a complaint against the order granting the temporary suspension.

CAPITAL STOCK

xii) Shareholders' equity

Shareholders	Number of Shares	As of December 31, 2015, 2014 and 2013 (in Mexican pesos) Fixed Capital	Variable Capital	Total	Total equity (in thousands of U.S. Dollars)
Semco Holdco, S. de R. L. de C. V.	935,913,312	50,000	9,359,083,120	9,359,133,120	$ 618,752
Public investors	218,110,500	-	2,181,105,008	2,181,105,008	144,197
	1,154,023,812	50,000	11,540,188,128	11,540,238,128	762,949

At a general partners' meeting held February 15, 2013, the then partners in the company approved a Ps.1.00 increase in equity for its payment by Sempra Energy Holdings XI, B.V., a subsidiary of Sempra Energy, toward an increase in its equity interest in the Company, as well as the Company's transformation from a limited partnership into a limited liability, variable stock corporation. See Note 1.2.1 to the Company's audited financial statements included elsewhere in this report. As a result of these actions, on February 15, 2013 all partnership interests in the Company were exchanged for shares of stock that were allocated as follows:

Shareholders	Shares Class I	Class II	Total
Sempra Energy Holdings XI, B.V.	4,990	935,908,31	935,913,30
Sempra Energy Holdings IX, B.V.	10	-	10
	5,000	935,908,31	935,913,31

The Company's capital is divided into shares of common stock issued in registered form, no par value, of which Class I shares represent the fixed portion of the Company's capital and Class II shares represent the variable portion of the Company's capital. The imputed value of the Company's shares is Ps.10.0 per share.

On March 6, 2013, Sempra Energy Holding XI B.V. subscribed a capital increase in Semco Holdco, S. de R.L. de C.V., or Semco, a subsidiary of the Company's indirect controlling shareholder, Sempra Energy, thereby increasing its equity interest in Semco. Sempra Energy Holding XI B.V. agreed to pay for such capital increase in kind in the form of a number of shares of the Company's stock to be determined based on the offering price per share in a global offering of the Company's shares and assuming the registration of the Company's shares with the Mexican Securities Registry. On the offering date, on which the registration of the Company's shares with the Mexican Securities Registry became effective, Sempra Energy Holding XI B.V. transferred to Semco all of the shares of the Company's stock then held by it, and Semco became the Company's direct controlling shareholder.

On March 21, 2013, the Company placed a Global Offering of shares. Through the Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Mexican pesos per share. The offering included an over-allotment option of up to 28,449,196 shares. The value of this Global Offering was USD$520.7 million ($6.4484 billion Mexican pesos).

On March 27, 2013, the initial purchasers and the Mexican underwriters exercised in full their over-allotment options for an aggregate purchase price of USD$78.1 million (Ps.$967 million), which correspond to 28,449,196 shares at a placement price of Ps$34.00 each.

At an extraordinary shareholders' meeting held September 14, 2015, the Company's shareholders approved a Ps.$3.3 billion increase in the Company's capital through the issuance of new shares.

On October 7, 2016, the Extraordinary General Shareholders Meeting authorized to increase IEnova capital stock in the amount of 380'000,000 million ordinary, registered Class II, single Series, shares with a theoretical value of $10.00 Ps. per share, which may be freely subscribed and which were offered and placed in full in the Company's further public offering.

On October 13, 2016, IEnova fixed the primary public offering price of the 380'000,00 registered ordinary Class II shares of the common stock in $80.00 Ps per share.

Semco Holdco, S. de R.L. de C.V., the company's main shareholder, subscribed 83,125,000 shares in the October 2016 public offering, at the placement price.

The following chart shows the current composition of the capital stock:

		As of December 31, 2019 (Mexican Pesos)			
Shareholders	**Number of shares**	**Fixed capital**	**Variable capital**	**Total**	**Total equity (in thousands of US Dollars)**
Semco Holdco, S. de R. L. de C. V.	1,019,038,312	50,000	10,190,333,120	10,190,383,120	$ 751,825
Public investors	510,365,500	-	5,103,655,010	5,103,655,010	203,414
	1,529,403,812	50,000	15,293,988,130	15,294,038,130	$ 955,239

Semco Holdco, S. de R.L. de C.V., is controlled indirectly by Sempra Energy, an American controlling company domiciled in San Diego, California, which is dedicated to the energy industry and is listed in the New York Stock Exchange under ticker symbol "SRE". It is not controlled or under the significant control of any entity according to the terms defined in the LMV.

DIVIDENDS AND DIVIDEND POLICY

xiii) Dividends

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

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

The Company's indirect controlling shareholder has the power to determine matters related to the payment of dividends. See "Risk Factors –Risks Relating to the Company's shares and Other Securities Issued by the Company – There can be no assurance that the Company will be able to pay or maintain cash dividends."

During the three-year period ended December 31, 2019, 2018 and 2017, the Company paid dividends on three occasions:

- On November 14, 2019, in the amount of USD$220.0 million;
- On August 21, 2018, in the amount of USD$210.0 million; and
- On August 15, 2017, in the amount of USD$200.0 million.

xiv) Foreign Exchange Restrictions and Other Limitations Affecting the Holders of the Company's Securities

To the best of the Company's knowledge, there are no exchange controls or limitations or difficulties imposed by foreign laws that limit the exercise of rights of foreign holders not resident in Mexico.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

a) Selected Financial Information

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

Investors should read this information in conjunction with the financial information included in the annexes. It is important to note that there are certain factors or events that can cause the Information presented is not indicative of the future performance of the Company, described in the section called: "Risk Factors - Risks related to forward-looking statements." Also, there are factors that can significantly affect the comparability of the financial information presented, so this section should be read in conjunction with the section: "Risk Factors - Risks related to activities and the Company's industry - Changes in International Financial Reporting Standards could have as result of material impacts on the Issuer's internal processes, business operation, financial situation and the fulfillment of its contractual obligations ".

The Company derived the consolidated statements of income data for the years ended December 31, 2019, 2018 and 2017 and the consolidated statements of financial position data as of December 31, 2019, 2018 and 2017 from its audited financial statements included elsewhere in this report.

The financial statements for the fiscal years 2018 and 2017 have been re-presented to reflect the financial results of the Termoeléctrica de Mexicali power plant under continuing operations as a result of the decision of our management to suspend the sale of that plant in the second quarter of 2018. In addition, the financial statements for the fiscal year ended December 31, 2018, reflect the impacts of adopting the new revenue accounting principle (*IFRS 15*), as described in Note 29 to audited financial statements. Likewise, the financial statements for the nine months ended September 30, 2019 reflect the adoption of the new leasing accounting principle (IFRS 16), as described in Note 38 to our financial statements of such period.

Consolidated Statements of Profit

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2019	**2018**	**2017**
Revenues	1,379,256	1,368,555	1,222,905
Cost of revenues	(391,093)	(385,791)	(331,846)
Operating, administrative and other expenses	(210,325)	(214,519)	(202,982)
Depreciation and amortization	(155,799)	(137,157)	(119,020)
Impairment of Termoeléctrica de Mexicali	—	—	(63,804)
Interest income	45,665	27,449	22,808
Finance cost	(132,849)	(122,879)	(73,501)
Other gains (losses), net	25,619	8	(40,900)
Profit before income taxes and share of profits of joint ventures	**560,474**	**535,666**	**413,660**
Income tax expense	(132,558)	(143,064)	(104,163)
Share of profits of joint ventures, net of income tax	39,769	37,984	44,677
Profit for the year	**467,685**	**430,586**	**354,174**

Consolidated Statements of Financial Position

(in thousands of U.S. Dollars)	As of December 31,		
	2019	**2018**	**2017**
Assets			
Current assets:			
Cash and cash equivalents	57,966	51,764	38,289
Trade and other receivables, net	139,407	153,649	94,793
Assets held for sale	—	—	148,190
Other current assets(1)	268,208	258,528	233,741
Total current assets	**465,581**	**463,941**	**515,013**
Non-current assets:			
Due from unconsolidated affiliates	744,609	646,297	493,887
Finance lease receivables	921,270	932,375	942,184
Deferred income tax assets	89,898	80,853	97,334
Investments in joint ventures	625,802	608,708	523,102
Property, plant and equipment, net	4,637,962	4,086,914	3,729,456
Intangible assets	180,867	190,772	190,199
Goodwill	1,638,091	1,638,091	1,638,091
Other non-current assets(2)	248,426	120,646	34,593
Total non-current assets	**9,086,925**	**8,304,656**	**7,648,846**
Total assets	**9,552,506**	**8,768,597**	**8,163,859**
Liabilities and Stockholders' equity:			
Short-term debt	1,235,379	870,174	262,760
Due to unconsolidated affiliates	24,471	310,696	544,217
Liabilities held for sale	—	—	62,522
Other current liabilities(3)	333,682	264,761	184,418
Current liabilities	**1,593,532**	**1,445,631**	**1,053,917**
Non-current liabilities			
Long-term debt	1,818,331	1,675,192	1,732,040
Due to unconsolidated affiliates	233,597	75,161	73,510
Deferred income tax liabilities	565,957	566,892	551,614
Other non-current liabilities(4)	383,852	251,971	236,191
Total non-current liabilities	**3,001,737**	**2,569,216**	**2,593,355**
Total liabilities	**4,595,269**	**4,014,847**	**3,647,272**
Stockholders' equity			
Common stock	955,239	963,272	963,272
Additional paid-in capital	2,342,883	2,351,801	2,351,801
Treasury shares	0	(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**
Total stockholders' equity and liabilities	**9,552,506**	**8,768,597**	**8,163,859**

(1) Other current assets include current finance lease receivable, due from unconsolidated affiliates, taxes receivables, natural gas inventories, derivative financial instruments, current carbon allowances, other current assets and restricted cash.

(2) Other non-current assets include derivative financial instruments, non-current carbon allowances, other non-current assets and restricted cash.

(3) Other current liabilities include trade and other payables, income tax liabilities, derivative financial instruments, other current liabilities, provisions, other taxes payable, current carbon allowances and other non-current liabilities.

(4) Other non-current liabilities include non-current carbon allowances, provisions, derivative financial instruments, employee benefits and other non-current liabilities.

Other Financial and Operating Data

(in thousands of U.S. Dollars)	Year ended December 31,		
	2019	**2018**	**2017**
Acquisitions for property, plant and equipment	613,624	392,073	224,816
IEnova EBITDA	**777,838**	**768,245**	**688,077**
IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**
Profit for the period	467,685	430,586	354,174
IEnova Adjusted EBITDA by business segment:			
Gas segment	752,991	716,007	663,023
Power segment	188,015	160,790	103,673
Corporate	(2,834)	(431)	(8,056)
Profit by segment:			
Gas segment	449,115	445,259	463,483
Power segment	89,907	65,357	(34,316)
Corporate	(71,337)	(80,030)	(74,993)

IEnova EBITDA and IEnova Adjusted EBITDA

The Company considers that "IEnova EBITDA" and "IEnova Adjusted EBITDA" provide a reasonable measure of comparison in business performance, derived from the nature of the excluded items. The Company uses "IEnova EBITDA" and "IEnova Adjusted EBITDA" for internal financial planning purposes, analysis and reporting to the Board of Directors. IEnova EBITDA and IEnova Adjusted EBITDA, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

The definition of IEnova EBITDA is profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) Impairment of Termoeléctrica de Mexicali (3) financing cost, net, (4) other gains (losses), net, (5) income tax expense, (6) share of profits of joint ventures, net of income tax.

The Company defines IEnova Adjusted EBITDA as IEnova EBITDA plus Joint Ventures (JV) EBITDA adjustment.

The Company defines the JV IEnova EBITDA adjustment as its share of the profit from joint ventures, after adding back or subtracting, as the case may be, its share of: (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, and (4) income tax expense.

	Year ended December 31,		
(in thousands of U.S. Dollars)	**2019**	**2018**	**2017**
Gas segment	611,861	626,797	610,828
Power segment	167,059	141,879	85,305
Corporate	(1,082)	(431)	(8,056)
IEnova EBITDA	**777,838**	**768,245**	**688,077**
JV EBITDA Adjustment	160,334	108,121	70,563
IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**

Selected Financial Quarterly Information

(thousands of USD$, except data per share)	Three months ended December 31, 2019	2018
Revenues	$ 326,865	$ 345,903
Profit before income tax and share of profits of joint ventures	158,978	96,754
Profit for the period	143,741	88,622
Earnings per share	$ 0.09	$ 0.08

In the fourth quarter of 2019, revenues were USD$326.9 million, compared with USD$345.9 million in the same period of 2019. The decrease of USD$19.0 million was mainly due to the revenue deferment at the Guaymas - El Oro pipeline and lower revenue at Termoeléctrica de Mexicali power plant due to lower prices and volume, partially offset by higher revenue at Ventika.

In the fourth quarter of 2019, profit before income tax and share of profits of joint ventures was USD$159.0 million, compared with USD$96.8 million in the same period of 2018. The increase of USD$62.2 million was mainly due to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, lower financing cost and higher Ventika operational results, partially offset by the revenue deferment at the Guaymas - El Oro pipeline. The exchange rate effect is offset in Share of Profits of Joint Ventures.

In the fourth quarter of 2019, profit was USD$143.7 million, or USD$0.09 per share, up 62 percent from USD $88.6 million, or USD$0.08 per share, in the same period of 2018. The increase of USD$55.0 million, or USD$0.01 per share, was mainly due to non-cash exchange rate effects, the start of operations of the South Texas - Tuxpan pipeline and higher operational results at Ventika, partially offset by the revenue deferment at the Guaymas - El Oro pipeline.

b) Financial Information by Business Segment

Segment Information

Below is a presentation of the Company's financial information by business segment, which is derived from the Company's Audited Financial Statements.

Products and Services from Which Reportable Segments Derive Their Revenues

The Company operates in the energy sector. The Company is organized into two operating segments, Gas and Power. The amounts identified as Corporate correspond to IEnova as a holding company.

- Gas segment, which includes natural gas, LPG and ethane pipelines, as well as LNG, LPG and refined products storage, and sell and distribution of natural gas; and

- Power segment, which includes the electricity generation at the natural gas-fired combined cycle power plant, wind power generation facilities and photovoltaic solar power plants.

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

In February 2016, the Company's board of directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant (TDM). As a result, beginning in 2016, the results of the TDM power plant were reclassified and included in consolidated financial statements under discontinued operations, net of income tax. In June 2018, the board of directors determined to end such sale process, therefore, its financial results were again reclassified in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and are currently presented as continuing operations in consolidated financial results. In order to provide a meaningful comparison, for purposes of this Report, the Company re-presented its historical consolidated financial statements for the fiscal year ended December 31, 2017 to reflect the financial results of the TDM power plant under continuing operations. See note 12 to Company's audited financial statements, included elsewhere in this Report.

Consolidated Domestic and Export Revenue

(in thousands of U.S. Dollars)	**Years ended December 31,**		
	2,019	**2,018**	**2,017**
Domestic Revenue	1,177,069	1,152,768	1,079,157
Export Revenue	202,187	215,787	143,748
Total Revenue	**1,379,256**	**1,368,555**	**1,222,905**

Results of Operations by Business Segment

Segment Revenues

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

(in thousands of U.S. Dollars)	Years ended December 31,		
	2019	**2018**	**2017**
Gas	1,054,218	1,058,535	991,690
Power	323,131	308,244	229,356
Corporate	1,907	1,776	1,859
Total segment revenue	**1,379,256**	**1,368,555**	**1,222,905**

Segment Profit

(in thousands of U.S. Dollars)	Years ended December 31,		
	2019	**2018**	**2017**
Gas	449,115	445,259	463,483
Power	89,907	65,357	(34,316)
Corporate	(71,337)	(80,030)	(74,993)
Total segment profit	**467,685**	**430,586**	**354,174**

The utility per segments is the measurement reported for the purpose of the assignment and evaluation of the revenues of the segment resources.

Assets and Liabilities by Segment

(in thousands of U.S. Dollars)	Years ended December 31,		
	2019	**2018**	**2017**
Assets by segment:			
Gas	7,030,018	6,705,011	6,425,446
Power	1,654,192	1,356,815	1,170,970
Corporate *	868,296	706,771	567,443
Consolidated total assets	**9,552,506**	**8,768,597**	**8,163,859**
Liabilities by segment:			
Gas	1,306,150	1,066,774	1,031,448
Power	690,230	655,386	652,502
Corporate	2,598,889	2,292,687	1,963,322
Consolidated total liabilities	**4,595,269**	**4,014,847**	**3,647,272**

* Corporate Segment. Management have decided to reclassify retrospectively the amounts of USD$39.7 million in assets and USD$0.8 million in liabilities as of December 31, 2017, related to Liquid Terminals included in Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 1.3.3.).

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.

Other Information by Segment

(in thousands of U.S. Dollars)	Property, plant and equipment Years ended December 31, 2019	2018	2017	Accumulated depreciation Years ended December 31, 2019	2018	2017
Gas	4,191,996	3,777,923	3,569,528	(716,867)	(616,526)	(510,744)
Power	1,402,750	1,150,247	686,195	(265,568)	(232,776)	(24,885)
Corporate	39,572	19,685	18,881	(13,921)	(11,639)	(9,519)
	5,634,318	**4,947,855**	**4,274,604**	**(996,356)**	**(860,941)**	**(545,148)**

(in thousands of U.S. Dollars)	Depreciation and amortization Years ended December 31, 2019	2018	2017	Additions to Property, plant and equipment Years ended December 31, 2019	2018	2017
Gas	108,438	100,794	86,182	396,834	218,811	205,452
Power	42,137	34,228	31,049	247,123	222,384	8,373
Corporate	5,224	2,135	1,789	20,127	1,550	3,237
	155,799	**137,157**	**119,020**	**664,084**	**442,745**	**217,062**

(in thousands of U.S. Dollars)	Interest income Years ended December 31, 2019	2018	2017	Finance (cost) income Years ended December 31, 2019	2018	2017
Gas	2,360	2,105	813	(7,024)	(12,074)	3,371
Power	571	804	963	(19,395)	(23,631)	(25,573)
Corporate	42,734	24,540	21,032	(106,430)	(87,174)	(51,299)
	45,665	**27,449**	**22,808**	**(132,849)**	**(122,879)**	**(73,501)**

(in thousands of U.S. Dollars)	Share of profits for joint ventures, net of income tax Years ended December 31, 2019	2018	2017	Income tax (expense) benefit Years ended December 31, 2019	2018	2017
Gas	36,916	34,158	41,094	(80,421)	(107,875)	(97,340)
Power	3,987	3,826	3,583	(20,295)	(22,861)	(3,972)
Corporate	(1,134)	—	—	(31,842)	(12,328)	(2,851)
	39,769	**37,984**	**44,677**	**(132,558)**	**(143,064)**	**(104,163)**

Revenue by Type of Product or Services

The following is an analysis of the Company's revenue by type of product or services:

(in thousands of U.S. Dollars)	**Years ended December 31,**		
	2019	**2018**	**2017**
Transportation of gas	472,597	483,458	438,277
Power generation	311,193	307,039	229,934
Sale of natural gas	260,838	258,966	176,334
Other operating revenues (a)	154,510	133,646	156,306
Storage and regasification capacity	113,337	112,923	109,837
Natural gas distribution	66,781	72,523	112,217
	1,379,256	**1,368,555**	**1,222,905**

Other operating revenues

IEnova Marketing received payments from Sempra LNG International Holdings LLC ("SLNGIH") and Sempra Natural Gas related to the losses and obligations incurred in the amount of USD$102.1 million, USD$98.5 million and USD$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, transferring indemnity obligations under the deed of indemnity from SLNGIH back to Sempra Natural Gas by executing the Third Amended and Restated LNG Sale and Purchase Agreement (LNG SPA) between IEnova Marketing and Sempra Natural Gas.

c) Material Financing Arrangements

Revolving Loan Agreement with SMBC (Revolving Credit Facility)

On August 21, 2015, IEnova as a debtor, entered into a revolving credit line of up to USD$400.0 million with a syndicate group of four banks including Santander, MUFG, The Bank of Nova Scotia and SMBC. The revolving credit has the following characteristics:

- U.S. Dollar-denominated.
- Twelve-month term, with an option to extend up to five years.
- Financing to repay and cancel the previous loans contracted in 2014 with Santander and SMBC, as well as to finance working capital and for general corporate purposes.

Restructuring of credit agreement and new credit agreement

On December 22, 2015 the Company entered into an amended agreement in connection with the existing unsecured revolving credit agreement with Banco Nacional de México, SMBC, as Administrative Agent, and the financial institutions party thereto, as Lenders. It agreed to increase the amount of the line of credit under the credit agreement to a maximum aggregate amount of USD$600 million from the previously authorized maximum of USD $400 million. See note 22 to the Company's audited financial statements included elsewhere in this report.

Withdrawal of credit line. In July 2016, the Company withdrew USD$380 million of such credit line to be used for working capital and general corporate purposes. In December 2016 the Company withdrew USD$375 million to finance a portion of Ventika's acquisition and for general corporate purposes.

On November 3, 2016, the Company entered into a second amendment agreement in connection with the revolving credit mentioned above, whereby it agreed to increase the amount of the credit line under the credit agreement to a maximum aggregate amount of USD$1,170 million. On December 31, 2016 USD$200 million of this revolving credit was paid.

In February 2019, the Company executed a revolving credit agreement of USD$1,170 million, it entered into an amendment agreement to (i) increase the amount of the credit line under the Credit Agreement to USD$1,500 million, (ii) extend the term thereof from August 2020 to February 2024 and (iii) include JP Morgan and Credit Agricole to the lenders' syndicate.

As of December 31, 2019, the amount of available unused credit is USD$606 million.

The Company's obligations under the loan agreement include, among others, the following: deliver to the lenders the Company's unaudited quarterly and audited annual financial statements; give notice to the lenders of any Material Event (as defined in the agreement) that could have a Material Adverse Effect (as defined in the agreement); to comply with its obligations under the Mexican Securities Market Law; to maintain such assets as are necessary to conduct the Company's business; to maintain insurance coverage on its material assets; to take such actions as may be necessary for obligations under the agreement to rank at least *pari passu* with other unsecured debt; to refrain from entering into any merger or consolidation, or into liquidation or dissolution; and to refrain from transferring or authorizing the transfer of more than 10% of the Company's Total Assets (as defined in the agreement), with certain exceptions set forth in the agreement.

Revolving Credit Facility with The Bank of Nova Scotia

On September 23, 2019, the Company entered into a revolving credit agreement with The Bank of Nova Scotia ("BNS") for up to US$280 million. The purpose of the credit facility is to finance working capital of the Company, investments and for general corporate purposes. This credit facility has a 2-year term and an interest rate of three-month LIBOR plus 54 basis points. As of December 31, 2019, the Company has borrowed under this facility in full.

Multilateral Facility

On November 19, 2019, the Company signed a credit agreement with the IFC, member of the World Bank Group and NADB. The amount of the loan was $200 million, the proceeds from the credit facility to finance and/or refinance the construction of IEnova's portfolio of solar power projects. The loan calls for semiannual amortization beginning on June 15, 2022 and ending in November 2034 for a total of 15 years. The loan bears interest at LIBOR 6 months plus 225 basis points. On November 20, 2019, the Company entered into a floating-to-fixed interest rate swaps for 100 percent of the loan. The Company receives LIBOR and pays a fixed interest rate of 1.7775%

Working capital Credit Line with Scotiabank

On April 11, 2019, the Company entered into a revolving credit agreement with Scotiabank for up to USD $100 million. This credit facility accrues interest at a one-month LIBOR rate or the 28-day Mexican Interbank Equilibrium Rate ("TIIE") plus 30 basis points. The term is three years. The Company may borrow in U.S. dollars or Mexican pesos for up to one year. As of December 31, 2019, there were no borrowings outstanding thereunder.

Public Offering of CEBURES

On February 14, 2013, the Company issued two series of Notes in an aggregate principal amount of Ps.$5.2 billion (USD$408 million, based on the exchange rate of Ps. $12.7364 to USD$1.00 published by the Banco de México on February 12, 2013, which is the date of execution of the foreign currency swaps discussed below).

It issued a series of 10-year, 6.30% Notes in the principal amount of Ps.$3.9 billion (USD$306 million) and a series of 5-year floating-rate Notes in the principal amount of Ps.$1.3 billion (USD$102 million) that accrue interest at the TIIE rate plus 30 basis points. The Company paid the 5-year series at maturity on February 8, 2018.

The Company used a portion of the proceeds from the sale of both series of Notes, or approximately USD $405 million, to repay approximately USD$356 million in outstanding indebtedness with affiliates and for general corporate purposes, including financing its working capital requirements and the development of new pipeline projects.

The Company's obligations under the Notes include, among others, the following: comply in all material respects with the Company's reporting and disclosure obligations under the Mexican Securities Market Law, and refrain from entering into any merger or consolidation except where (i) the entity resulting from such merger or consolidation expressly agrees to assume the Company's obligations under the Notes and (ii) such merger or consolidation does not give rise to an Acceleration Event (as defined in the certificates representing the Notes).

On February 15, 2013, the Company entered into certain swap agreements to hedge its exposure to interest rate changes and to the Company's Mexican peso-denominated obligations under the Notes. These included the following:

(a) A swap agreement pursuant to which the Company replaced the fixed, Mexican peso-denominated interest rate on the Company's 10-year Notes due in 2023 with a fixed, U.S. Dollar-denominated rate. The weighted average rate in U.S. Dollars through this swap was 4.12%.

(b) A swap agreement pursuant to which the Company replaced the floating, Mexican-peso denominated interest rate on the five-year Notes due in 2018 with a fixed, U.S. Dollar-denominated rate. The weighted average rate in U.S. Dollars through this swap was 2.65%.

The aggregate notional value of these swap agreements is USD$408.3 million (Ps.$5.2 billion).

These agreements have been designated as cash flow hedges.

On February 8, 2018, the Company fully paid Ps. $1.3 billion related to the second series, of CEBURES.

Senior Notes international private placement

In December 2017, the Company completed the issuance of USD$840 million of International Senior Notes, comprised of USD$300 million aggregate principal amount of the Company's 3.75% due 2028 and USD$540 million aggregate principal amount of the Company's 4.88% Senior Notes due 2048.

The Senior Notes received an investment grade rating from Fitch (BBB+), Moody's (Baa1) and Standard & Poor's (BBB). The Company used the net proceeds of approximately USD$807 million from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

The Senior Notes were offered and sold in a private placement to qualified institutional buyers in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"). The Company did not register the Senior Notes in Mexico or United States. The Senior Notes were registered in the Singapore Exchange Securities Trading Limited.

IEnova Pipelines, formerly Gasoductos de Chihuahua, Long Term Credit Agreements

On December 5, 2013, IEnova Pipelines entered into a USD$490 million credit agreement with BBVA, MUFG, Mizuho and Nord LB, for the purpose of financing the Los Ramones I gas pipeline project. The financing was contracted for a term of 13.5 years, with quarterly capital amortizations, yield an interest equivalent to a LIBOR rate of 90 days plus 200 to 275 basis points. This financing is guaranteed with collection rights for certain GdC projects. The cash provisions of this loan began in 2014.

As of December 31, 2019, the outstanding debt amounts to approximately USD$249.7 million, with the following breakdown of creditor banks:

Creditor		**12/31/2019**
BBVA	$	124,831
MUFG		49,932
Mizuho		19,013
Norinchukin		18,436
NordLB		37,449
	$	**249,661**

On January 22, 2014, IEnova Pipelines contracted financial instruments to hedge interest rate risk on total credit, exchanging LIBOR rate for a fixed rate of 2.63%.

As part of the obligations deriving from the credit, the following clauses must be complied with during the life of the loan:

Maintain a minimum stockholders' equity during the term of the loan, in the amounts indicated below:

GdC	USD$ 450 million
Gasoducto San Fernando	USD$ 130 million
Ducto TDF	USD$ 90 million

Maintain interest coverage ratio of at least 2.5 to 1 on a consolidated basis (EBITDA on interest), for the payment of interest.

As of the date of this Report, the Company has complied with these obligations.

Project financing for the Ventika project

On April 8, 2014, Ventika and Ventika II entered into a project finance loans for the construction of the wind projects with five banks: Santander as administrative and collateral agent, the NADB, and Banobras, Bancomext and NAFIN 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), starting on December 15, 2016. The credit facilities bear interest as follow:

Bank	**Maturity date**	**Applicable Interest rate**
Santander	15/03/2024	LIBOR + applicable margin
Banobras	15/03/2032	LIBOR + applicable margin
NADB	15/03/2032	Fixed rate + applicable margin
Bancomext	15/03/2032	Fixed rate + applicable margin
NAFIN	15/03/2032	Fixed rate + applicable margin

As of December 31 2019, the outstanding debt is USD$419.5 million with the following breakdown:

Creditor	12/31/2019
Santander	74,708
Banobras	83,858
NADB	130,445
Bancomext	65,223
NAFIN	65,223
	$ 419,457

Interest Rate Swaps. In order to mitigate the impact of interest rate changes, Ventika and Ventika II entered into four interest rate swaps with Santander and Banobras that allow Ventika and Ventika II to have almost 92% of the above-mentioned credit facilities fixed. The swap contracts allow the Company to pay a fixed interest rate of 2.94 percent and 3.68 percent respectively, and to receive variable interest rate (3-month LIBOR).

Loan Agreements with unconsolidated affiliates

On March 2, 2015 the Company entered into a USD$90 million loan agreement and a USD$30 million loan agreement with its unconsolidated affiliates Inversiones Sempra Latin America Limitada and Inversiones Sempra Limitada, respectively, each maturing in nine months, subject to extension for an additional four-year period. Under its corresponding agreement, each loan accrued interest at the rate of 1.98% *per annum*, payable on a quarterly basis. On December 15, 2015, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2016 and the interest rate was reduced to 1.75% *per annum.* On December 15, 2016, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2017. Under its corresponding agreement, each loan accrued interest at the rate of 1.75% *per annum*, payable on a quarterly basis. On December 15, 2017, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2018. Under its corresponding agreement, each loan accrued interest at the rate of LIBOR plus 63 basis points *per annum*, payable on a quarterly basis. On November 30, 2018, the Company fully paid principal and interest accrued on the loan of USD$90 million; in addition, on the same date, the loan of USD$30 million was partially paid, leaving a remaining balance of USD$10.8 million. On December 15, 2018 the Company entered into an amendment to the loan agreement, where the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 102.4 points payable on a quarterly basis. On October 9, 2019, the Company fully repaid the principal and accrued interests of the USD$10.8 million loan.

On December 22, 2015, the Company entered into a 12-month, USD$219.6 million revolving loan agreement with Sempra Energy Holding XI B.V. This loan accrued interest at equal to LIBOR plus 0.17%, payable on a quarterly basis. On August 1, 2016 the Company repaid USD$120.5 million of this credit facility, including corresponding interest. In October 2016, with the proceeds from the follow-on equity offering, the Company repaid the outstanding balance of USD$99.5 million.

On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount of USD $800.0 million with Sempra Global, in order to finance the acquisition of the remaining 50% of IEnova Pipelines, formerly Gasoductos de Chihuahua. The agreed term was two months and the monthly-paid interest rate was LIBOR plus 110 basis points. In October 2016, the company paid the principal and accrued interests with the net resources from the follow-on equity offering.

On September 26, 2016, IEnova entered into a USD$350 million unconsolidated affiliate loan with Semco Holdco, in order to finance the acquisition of the remaining 50% of IEnova Pipelines, formerly Gasoductos de Chihuahua. The agreed term was two months and the monthly-paid interest rate was LIBOR plus 110 points. In October 2016, this loan was capitalized, increasing the participation of Semco in the Company.

On December 27, 2016, IEnova entered into two related party revolving credit facilities for USD$20.0 million with POC and USD$70.0 million with ISLA. The credit facilities are U.S. Dollar denominated and have a twelve-month term with an option to extend up to four years in order to finance working capital needs and general corporate purposes. On December 15, 2017, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 15, 2018. Under its corresponding agreement, each loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated into a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. Also, on December 15, 2018, the Company signed an amendment with ISLA modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 102.4 basis points, and it is payable on a quarterly basis. On November 30, 2018, the Company repaid in full the principal and accrued interest on the US$70 million loan. On September 24, 2019, the Company repaid in full the principal and accrued interest on the US$20 million loan.

On March 17, 2017, the Company entered into an amendment to the SOT Suisse loan agreement, pursuant to which the maturity date was extended for seven years. The applicable interest rate is LIBOR plus 180 basis points and interest is payable on a quarterly basis. As of December 31, 2019, the outstanding balance is USD$38.5 million. As of November 9, 2018, SOT Suisse transferred all rights and obligations of the loan agreement to Sempra Energy International Holdings N.V. becoming the new lender of the Company. Its applicable interest rate is LIBOR plus 137 basis points, and interest is payable on a quarterly basis.

On March 21, 2017, the Company entered into a loan agreement with ISL for the amount of USD$85 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 60 basis points and interest is payable on a quarterly basis. On March 21, 2018, the Company entered into an amendment to the loan agreement, pursuant to which its maturity date was extended to March 21, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On March 21, 2019, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to November 29, 2019. The loan accrued interest at LIBOR plus 80 basis points that is payable on a quarterly basis. On October 9, 2019, the Company fully repaid the principal and accrued interests of the loan.

On April 27, 2017, the Company entered into a loan agreement with POC for the amount of USD$19 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 60 basis points and interest is payable on a quarterly basis. On April 27, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to December 15, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points, and it is payable on a quarterly basis. Moreover, the Company consolidated into a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the loan.

As of June 1, 2017, ISLA merged with ISL, which is the entity that remains after the merger, the conditions of the agreements between ISL and IEnova remain the same.

On June 26, 2017, the Company entered into a loan agreement with POC for the amount of USD$21 million, in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 70 basis points and interest is payable on a quarterly basis. On June 26, 2018, the Company entered into an amendment to the loan agreement, pursuant to which its maturity date was extended to December 15, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the loan.

On August 23, 2017, the Company entered into a loan agreement with SEH for the amount of USD$132.8 million in order to finance working capital needs and general corporate purposes. The loan term is six months. The applicable interest rate was LIBOR plus 61 basis points and interest is payable on a quarterly basis. On February 6, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to August 22, 2018. On the maturity date the Company fully repaid accrued interest and principal.

On September 29, 2017, the Company entered into a loan agreement with POC for the amount of USD$21 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 70 basis points and interest is payable on a quarterly basis. On September 28, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to December 15, 2018. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the loan.

On December 28, 2017, the Company entered into a loan agreement with POC for the amount of USD$21 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 63 basis points and interest is payable on a quarterly basis. On December 15, 2018 the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the loan.

On January 16, 2018, the Company entered into a loan agreement with ISL for the amount of USD$70 million in order to finance working capital needs and general corporate purposes; with maturity date on December 15, 2018. The applicable interest rate was LIBOR plus 63 basis points and interest is payable on a quarterly basis. On September 30, 2019, the Company partially repaid USD$33.5 million, which has an outstanding balance of US$36.5 million. On October 9, 2019 the Company repaid in full the remaining USD$36.5 million principal and accrued interest of the USD $70 million loan

On November 30, 2018, the Company entered into a revolving loan agreement with Sempra Global for the amount up to USD$320 million in order to finance working capital needs and general corporate purposes; with maturity date on August 21, 2020. The applicable interest rate is LIBOR plus 90 basis points and interest is payable on a quarterly basis. As of December 31, 2019, the Company has not made any disbursement on the credit facility.

As of December 31, 2019, 2018 and 2017, and as of the date of this report, the Company was in compliance with its payment obligations under each of the loans described above.

See "Liquidity and Capital Resources – Outstanding Indebtedness."

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

Investors should read the information below together with the Company's audited financial statements as of and for the years ended December 31, 2019, 2018 and 2017, as well as the other financial information included elsewhere in this report. The Company's audited financial statements were prepared in accordance with IFRS as issued by the IASB.

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

The Company's business Segments

The Company's assets are divided between two business segments:

- Gas segment, which includes natural gas, LPG and ethane pipelines, as well as LNG, LPG and refined products storage, and sell and distribution of natural gas; and

- Power segment, which includes the electricity generation at the natural gas-fired combined cycle power plant, wind power generation facilities and photovoltaic solar power plants.

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

In February 2016, the Company's board of directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant (TDM). As a result, beginning in 2016, the results of the TDM power plant were reclassified and included in consolidated financial statements under discontinued operations, net of income tax. In June 2018, the board of directors determined to end such sale process, therefore, its financial results were again reclassified in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and are currently presented as continuing operations in consolidated financial results. In order to provide a meaningful comparison, for purposes of this Report, the Company re-presented its historical consolidated financial statements for the fiscal year ended December 31, 2017 to reflect the financial results of the TDM power plant under continuing operations. See Note 12 to Company's audited financial statements, included elsewhere in this Report.

Mexican Economic Environment

Substantially all of the Company's operations are located in Mexico. As a result, the Company's business, financial condition and results of operations depend on and may be affected by the general condition of the Mexican economy, over which the Company has no control.

According to the International Monetary Fund. Mexico's GDP in constant prices 2013 base, changed by -0.1%, 2.1% and 2.1%, respectively, in 2019, 2018 and 2017.

DEN Acquisition

In November 2017, the Company completed the acquisition of the remaining 50% of the capital stock of DEN owned by Pemex TRI. The transaction value is USD$547 million, comprised of (i) the price paid for the assignment of DEN's capital stock and the liquidation of certain shareholder loans of USD$258 million, and (ii) the proportional amount of Los Ramones Norte pipeline project financing of USD$289 million. This debt will not be consolidated on the Company's financial statements. As a result of the acquisition, the Company increased its indirect participation in Los Ramones Norte pipeline from 25% to 50%. From time to time, the Company analyzes different options to finance and refinance operations related to the Los Ramones Norte gas pipeline in the capital banking markets.

Factors Affecting the Company's results of Operations

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

Revenues

Revenue generated by each of the Company's businesses is affected by the following factors:

- The Company's businesses are subject to regulation and permitting requirements of federal, state and local governmental entities in Mexico. Although certain rates the Company charges customers for certain services are not regulated, many prices, fees and rates the Company charges customers in gas and power segments require approval from the Mexican Energy Regulatory Commission. Accordingly, the Company cannot unilaterally modify these prices, fees and rates, which restricts the Company's operational flexibility. The Mexican Energy Regulatory Commission adjusts regulated rates periodically in accordance with applicable regulations, and the Company has no control over these adjustments. Although the established prices, fees and rates are generally based on costs, the Company's profit could decrease if it is unable to raise prices or rates to keep up with costs.

- The Company depends on a limited number of customers with whom the Company has entered into long-term agreements. These agreements are, in general, subject to:

  - Early termination provisions for the failure of a party to perform its obligations under the agreement or in the event of insolvency of any of the parties;

  - Suspension or termination provisions for *force majeure* events beyond the control of the parties; and

  - Substantial limitations of remedies for other failures to perform by any of the parties, including limitations on damages to amounts that could be substantially less than those necessary to provide full recovery of costs for breach of the agreements; and

  - If the Company is unable to collect payments from customers under these agreements for any of these reasons or otherwise, the Company's revenue could decrease.

- The Company's LNG terminal's primary revenue stream is generated through long-term firm storage services agreements with its third-party customers, Shell and Gazprom, as well as with the subsidiary IEnova Marketing, which purchases LNG for storage and regasification at the Company's LNG terminal. Each of the customers must pay for its full contracted LNG storage capacity, natural gas send-out capacity and nitrogen facility capacity regardless of whether it actually delivers LNG to the terminal. IEnova Marketing generates revenues by purchasing LNG for storage and regasification in the Company's LNG terminal and selling natural gas that is consumed by the Mexican Federal Electricity Commission at its Presidente Juárez power plant, by the Company's Termoeléctrica de Mexicali power plant and by other consumers pursuant to natural gas supply contracts covering 100% of its LNG terminal natural gas send-out capacity. IEnova Marketing also generates revenues from payments it receives to the extent its LNG supplier, the Company's U.S. affiliate Sempra Natural Gas, does not deliver LNG to IEnova Marketing pursuant to a long-term LNG supply contract. Relatively high prices for LNG in Asian markets, together with low natural gas prices in Mexico and the United States, have reduced the number of expected shipments of LNG cargoes to IEnova Marketing by Sempra Natural Gas. Accordingly, the Company also depends on revenue derived from these payments. Under a long-term supply contract with Sempra Natural Gas, the payments made by Sempra Natural Gas to IEnova Marketing have been sufficient to compensate IEnova Marketing for the storage and transportation costs incurred by IEnova Marketing resulting from Sempra Natural Gas' failure to deliver required LNG cargoes. See "Related Party Transactions and Conflicts of Interest".

- The price of natural gas is subject to market conditions beyond the Company's control. The Mexican Energy Regulatory Commission requires natural gas distributors to pass the cost of natural gas through to their customers without obtaining a margin from the sale of natural gas. As a result, the cost of natural gas effectively offsets the amount of revenue from natural gas sales. However, the profit margin obtained by natural gas distributors, including the natural gas business, is derived from natural gas distribution fees and other related services. Accordingly, total revenue for the natural gas distribution business is impacted by market swings in natural gas prices and the Company's customers' preference for natural gas relative to other energy sources, such as LPG, and the profit derived from distribution fees and other related services can decrease in response to decreases in overall demand for natural gas.

- Customer demand in gas and power segments is also impacted by seasonality in the United States market, and with respect to natural gas distribution, general economic conditions in Mexico. See "– Mexican Economic Environment." Lower customer demand due to seasonality or unfavorable economic conditions could lower the Company's revenue and profits.

- The markets and pipelines to which the Company delivers natural gas and LPG typically establish minimum quality specifications for the delivered natural gas and LPG. These specifications can vary by pipeline or markets. If the quality of natural gas or LPG that the Company delivers fails to meet the applicable product quality specifications, the pipeline or market may refuse to accept all or a part of the delivery or may invoice the Company for the costs to handle the non-conforming products. In those circumstances, the Company may be required to find alternative markets for the delivery or stop accepting non-conforming product into the Company's pipelines, which could reduce the Company's through-put volumes or revenue.

- The Company may use financial derivative instruments in the ordinary course of the Company's business. The Company uses these instruments for hedging purposes. However, they are not reflected as hedges in the Company's financial statements because they do not qualify for hedge accounting due to certain technical requirements. The Company does not hedge the entire exposure to market price volatility of its assets or contract positions, and the hedging will vary over time. Unanticipated changes in market prices for energy-related commodities can result from multiple factors, including weather conditions, seasonality, changes in supply and demand, transmission or transportation constraints or inefficiencies, availability of competitively priced alternative energy sources and commodity production levels. If the Company does not hedge its exposure to market price volatility or the Company's contract positions correctly, the Company could incur losses.

- The ECOGAS natural gas distribution business benefited from a 12-year period of exclusivity with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. Accordingly, the Company could face competition from other distributors of natural gas in all of the distribution zones.

Cost of Natural Gas

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

- The Company's results are affected by energy prices, including market prices for natural gas, LNG, electricity, LPG and petroleum. If the Company's customers or suppliers fail to fulfill their obligations under their contracts with it, the Company may be required to enter into alternative arrangements to honor underlying commitments by making purchases from other suppliers at then-current market prices.

- The Company's LNG business is also impacted by worldwide LNG market prices. High LNG prices in markets outside the market in which the Company's LNG terminal operates have resulted and could continue to result in lower than expected deliveries of LNG cargoes to the Company's LNG terminal, which could increase the Company's costs if it does not receive expected LNG cargo deliveries from third parties under existing supply agreements and are instead required to obtain LNG in the open market at prevailing prices. Any inability to obtain expected LNG cargoes could also impact the Company's ability to maintain the minimum level of LNG required to keep the Company's LNG terminal in operation. LNG market prices also affect the Company's LNG marketing operations, through which the Company must purchase natural gas in the international market to meet its contractual obligations to deliver natural gas to the Company's customers, which could have an effect on its profit.

- Currently, the ECOGAS natural gas distribution business relies on two affiliate companies, IEnova Marketing and SoCalGas, for the supply of natural gas that the Company distributes to its customers. If any of these key suppliers fails to perform and the Company is unable to obtain supplies of natural gas from alternate sources, the Company could lose customers and sales volume, and in some cases, it could be exposed to commodity price risk and volatility.

Effects of Currency Exchange Rates on Income Tax Expense

Exchange rate fluctuations and Mexican inflation can result in significant fluctuations in the Company's income tax expense. The Company has U.S. Dollar-denominated receivables and payables that are subject to Mexican currency exchange rate movements for Mexican income tax purposes. The Company also has deferred income tax assets and liabilities that are denominated in Mexican pesos, which are translated to U.S. Dollars for financial reporting purposes. In addition, the Company adjusts its monetary assets and liabilities for Mexican inflation for purposes of determining the Mexican income tax expense. See Note 24.7 to the Company's audited financial statements, included elsewhere in this report.

Under IFRS, the Company is required to remeasure property, plant and equipment at each reporting period using the period-end Mexican peso exchange rate and change in inflation rate for the Company's U.S. Dollar functional currency subsidiaries. The impact from this period-end conversion for property, plant and equipment can result in significant fluctuations in the Company's income tax expense and deferred income tax balances. See Note 25.1 to the Company's audited financial statements, included elsewhere in this report.

Tax Reform

The tax legislation in Mexico has undergone various modifications, so there is no guarantee that the legal regime, including, but not limited to, tax matters will not be modified in the future. Among the changes and considerations we have the following:

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. On December 31, 2018 was published in the Official Gazette, the Decree of tax incentives for the Northern Border Region ("The Decree"), which will enter into force from January 1, 2019 and has 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.

a. In December 31, 2018, the Decree of fiscal stimulus for the Northern Border Region (The Decree) was published in the Official Gazette of the Federation, which will be effective as of January 1, 2019 and will be valid for two years, 2019 and 2020.

The purpose of the Decree is to strengthen the economy in the country's northern border, stimulate and encourage investment, promote productivity and contribute to the creation of employment. This Decree establishes fiscal incentives in Income Tax (ISR) and Value Added Tax (VAT), applicable to those who have their fiscal domicile, branches or establishments in the northern border region. The fiscal incentives consist of the following:

1. A tax credit for the equivalent of one third of Income Tax (ISR) for the year or provisional payments related to income obtained in the region, except those derived from intangible assets and digital commerce.

2. A 50% reduction in the Value Added Tax (VAT) for the sale of goods, provision of services and temporary use or enjoyment of goods delivered materially or services provided in the region, except sale of real estate and intangibles and the supply of digital content.

Market Risks Associated with the Power Plant

The results related to the Termoeléctrica de Mexicali power plant could be affected by market conditions, as it is currently operates through direct offers in the wholesale energy market in California (CAISO). Termoeléctrica de Mexicali currently sells its capacity in medium-term and large-term markets and its power mainly in short-term market. Energy revenues depend directly from market conditions at the time of sale, so the Company's projections may have variations due to::

- the amount or timing of revenue it may receive from power sales;
- the operating income, that is, differential between the cost of operations and power sales revenue;
- the effect of competition from other suppliers of power;
- regulatory actions or changes that may affect market behavior;
- the demand for power in markets served by Termoeléctrica de Mexicali relative to available supply; or
- the availability of transmission to accommodate the sale of power.

Several of the wholesale markets supplied by merchant power plants have experienced significant price declines due to excess supply renewable in periods in low demand. Termoeléctrica de Mexicali's results could be adversely affected if it is unable to sufficiently sell its output at prices that would require the Company can obtain a reasonable profit. The Company manages risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak energy sales and capacity, daily and hourly spot market sales of energy and ancillary services, and longer-term structured transactions. The Company uses these measures to improve the certainty of the profit and/or reduce the risk to the decrease of income or losses; however, it cannot provide assurance regarding the implementation of these risk management measures or how successful such implementation may be, and entering into long-term contracts could be difficult or unattractive.

i) Results of Operations for the Years Ended December 31, 2019, 2018 and 2017

The following table sets forth the Company's profit for the years ended December 31, 2019, 2018 and 2017, and the change from the prior period. Segment profit is presented after the elimination of intercompany transactions.

(in thousands of U.S. Dollars, except the percentages)	Year ended December 31,			Change		Change	
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
Revenues	1,379,256	1,368,555	1,222,905	10,701	0.8 %	145,650	11.9 %
Cost of revenues	(391,093)	(385,791)	(331,846)	(5,302)	1.4 %	(53,945)	16.3 %
Operating, administrative and other expenses	(210,325)	(214,519)	(202,982)	4,194	(2.0)%	(11,537)	5.7 %
Depreciation and amortization	(155,799)	(137,157)	(119,020)	(18,642)	13.6 %	(18,137)	15.2 %
Impairment of Termoeléctrica de Mexicali	—	—	(63,804)	—	n.s.	63,804	n.s.
Interest income	45,665	27,449	22,808	18,216	66.4 %	4,641	20.3 %
Finance cost	(132,849)	(122,879)	(73,501)	(9,970)	8.1 %	(49,378)	67.2 %
Other gains (losses), net	25,619	8	(40,900)	25,611	n.s.	40,908	n.s.
Profit before income taxes and share of profits of joint ventures	560,474	535,666	413,660	24,808	4.6 %	122,006	29.5 %
Income tax expense	(132,558)	(143,064)	(104,163)	10,506	(7.3)%	(38,901)	37.3 %
Share of profits of joint ventures, net of income taxes	39,769	37,984	44,677	1,785	4.7 %	(6,693)	(15.0)%
Profit for the year	467,685	430,586	354,174	37,099	8.6 %	76,412	21.6 %

Profit for the year

The following table sets forth the Company's profit by reportable segment for the years ended December 31, 2019, 2018 and 2017, and the change from the prior period. Segment profit is presented after the elimination of intercompany transactions.

(in thousands of U.S. Dollars, except the percentages)	Year ended December 31,			Change			
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
Profit for the year							
Gas segment	449,115	445,259	463,483	3,856	0.9 %	(18,224)	(3.9)%
Power segment	89,907	65,357	(34,316)	24,550	37.6 %	99,673	(290.5)%
Corporate	(71,337)	(80,030)	(74,993)	8,693	(10.9)%	(5,037)	6.7 %
Total profit for the year	467,685	430,586	354,174	37,099	8.6 %	76,412	21.6 %

<u>Gas Segment</u>

In 2019, gas segment profit increased USD$3.9 million, or 0.9%, compared to 2018, mainly due to non-cash exchange rate effects and lower financing cost, partially offset by the revenue deferment at the Guaymas - El Oro pipeline and higher depreciation expense.

In 2018, gas segment profit decreased USD$18.2 million, or 3.9%, compared to 2017, mainly due to higher finance cost and higher income tax expense.

Power Segment

In 2019, power segment profit increased by USD$24.6 million, or 37.6% compared to 2018, due to higher operational results at the Termoeléctrica de Mexicali power plant and Ventika, and the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities.

In 2018, excluding the impairment charge, power segment profit increased by USD$35.9 million compared to 2017, due to higher operational results at Termoeléctrica de Mexicali power plant and its major scheduled maintenance in 2017.

Corporate

In 2019, corporate loss decreased by USD$8.7 million or 10.9% compared to 2018 mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures, and lower financing cost partially offset by higher income tax expense.

In 2018, corporate loss increased by USD$5.0 million compared to 2017, mainly due to higher finance cost, offset by effects of exchange rate.

Revenues

The following table sets forth the Company's revenues by reportable segment for the years ended December 31, 2019, 2018 and 2017, and the change from the prior period. Segment revenues are presented after the elimination of intercompany transactions.

(in thousands of U.S. Dollars, except the percentages)	**Year ended December 31,**			**Change**			
	2019	**2018**	**2017**	**2019 vs 2018**		**2018 vs 2017**	
Revenues							
Gas segment	1,054,218	1,058,535	991,690	(4,317)	-0.4%	66,845	6.7 %
Power segment	323,131	308,244	229,356	14,887	4.8%	78,888	34.4 %
Corporate	1,907	1,776	1,859	131	7.4%	(83)	(4.5)%
Total revenues	1,379,256	1,368,555	1,222,905	10,701	0.8%	145,650	11.9 %

Gas Segment

In 2019, gas segment revenues decreased by USD$4.3 million - equivalent to 0.4% - compared to 2018, mainly due to USD$23.3 million from revenue deferment at the Guaymas - El Oro pipeline, partially offset by USD$9.0 million from natural gas higher volume, net of lower price, and USD$6.8 million primarily from higher natural gas distribution rates.

In 2018, gas segment revenues increased by USD$66.8 million - equivalent to 6.7% - compared to 2017, mainly due to USD$31.9 million from higher volume sold of natural gas, USD$11.5 million from the acquisition of Ductos y Energéticos del Norte, USD$6.9 million one-time natural gas distribution rates true-up from prior years at ECOGAS Mexicali, USD$ 6.3 million from higher natural gas distribution rates and USD$4.6 million from higher transportation and storage rates.

Power Segment

In 2019, power segment revenues increased by USD$14.9 million - equivalent to 4.8% - compared to 2018, mainly due to USD$11.1 million from the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities, and USD$5.7 million from Ventika primarily due to availability guarantee.

In 2018, power segment revenues increased by USD$78.9 million - equivalent to 34.4% - compared to 2017, mainly due to USD$70.5 million from higher volumes and prices at Termoeléctrica de Mexicali power plant, and USD $9.0 million from higher power prices at Ventika.

Corporate

In 2019, revenues generated in the corporate segment were in line compared with the same periods in 2018 and 2017, respectively.

Cost of revenues

The following table sets forth the Company's cost of revenues by reportable segment for the years ended December 31, 2019, 2018 and 2017, and the change from the prior period. Cost of revenues is presented after the elimination of intercompany transactions.

(in thousands of U.S. Dollars, except the percentages)	**Year ended December 31,**			**Change**			
	2019	**2018**	**2017**	**2019 vs 2018**		**2018 vs 2017**	
Cost of revenues							
Gas segment	274,652	259,860	230,331	14,792	5.7 %	29,529	12.8%
Power segment	116,441	125,931	101,515	(9,490)	(7.5)%	24,416	24.1%
Total cost of revenues	391,093	385,791	331,846	5,302	1.4 %	53,945	16.3%

Gas Segment

In 2019, gas segment cost of revenues increased by USD$14.8 million - equivalent to 5.7% - compared to 2018, mainly due to higher volume, net of lower cost of natural gas.

In 2018, gas segment cost of revenues increased by USD$29.6 million - equivalent to 12.8% - compared to 2017, mainly due to higher volumes sold of natural gas.

Power Segment

In 2019, power segment cost of revenues decreased $9.5 million - equivalent to 7.5% - compared to 2018, mainly due to lower natural gas cost at Termoeléctrica de Mexicali power plant.

In 2018, power segment cost of revenues increased by USD$24.4 million - equivalent to 24.1%- compared to 2017, mainly due to higher natural gas volume at the Termoeléctrica de Mexicali power plant.

Operating, administrative and other expenses

In 2019, operating, administrative and other expenses were USD$210.3 million compared with USD$214.5 million in 2018. The decrease of USD$4.2 million was mainly due to the adoption of the new lease accounting standard IFRS 16 in 2019 and a one-time effect of a new long-term maintenance and service agreement at Termoeléctrica de

Mexicali power plant, partially offset by expenses related to the start of operations of Pima, Rumorosa and Tepezala Solar power generation facilities and the delay in the start of operations of Tepezala.

In 2018, operating, administrative and other expenses were USD$214.5 million, compared to USD$203.0 million in 2017. The increase of USD$11.5 million was mainly due to the 2017 start of operations of new pipelines, other corporate general expenses, and maintenance expenses at Termoeléctrica de Mexicali power plant, partially offset by its scheduled major maintenance in 2017.

Depreciation and amortization

In 2019, depreciation and amortization was USD$155.8 million, compared with USD$137.2 million in 2018. The increase of USD$18.6 million was mainly due to the adoption of the new lease accounting standard IFRS 16 in 2019, the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities, and Termoeléctrica de Mexicali power plant depreciation, which resumed in the second quarter of 2018 after management formalized the decision to no longer hold it for sale.

In 2018, depreciation and amortization were USD$137.2 million, compared to USD$119.0 million for 2017. The increase of USD$18.2 million was mainly due to the 2017 start of operations of new pipelines and the resumption of Termoeléctrica de Mexicali power plant depreciation.

Impairment of Termoeléctrica de Mexicali power plant

The asset value indicated by the Termoeléctrica de Mexicali power plant sale process was determined to be lower than its carrying value, resulting in a non-cash after-tax impairment charge of US$63.8 million in 2017.

Finance (costs) income

In 2019, net financing cost was USD$87.2 million compared with USD$95.4 million in 2018. The decrease of USD$8.2 million was mainly due to higher interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline, partially offset by the adoption of the new lease accounting standard IFRS 16 in 2019.

In 2018, financing cost, net was USD$95.4 million, compared to USD$50.7 million for 2017. The increase of USD$44.7 million was mainly due to a higher corporate debt balance and higher interest rates, partially offset by higher interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline.

Other gains (losses)

In 2019, other gains were USD$25.6 million, compared with other gains of USD$0.0 million in 2018. The variance of USD$25.6 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures.

In 2018, other gains were USD$0.0 million, compared to other losses of USD$40.9 million in 2017. The variation of USD$40.9 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures.

Income taxes

In 2019, income tax expense was USD$132.6 million compared with USD$143.1 million in 2018. The decrease of USD$10.5 million is primarily due to the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso and the effect of tax incentives, partially offset by the exchange rate on monetary assets and liabilities.

In 2018, income tax expense was USD$143.1 million compared to USD$104.2 million in 2017. The increase of USD$38.9 million is primarily due to higher profit before taxes and the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant and equipment at our U.S. Dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate, partially offset by the effect of exchange rate and inflation on monetary assets and liabilities.

Share of profits of joint ventures, net of income taxes

In 2019, our share of profit of joint ventures, net of income tax, was USD$39.8 million compared with USD $38.0 million in 2018. The increase of USD$1.8 million is mainly due to the South Texas – Tuxpan pipeline start of operation, offset by its foreign exchange rate effects primarily related to a peso-denominated shareholder's loan. The foreign exchange rate effects are offset in Other Gains (Losses), net.

In 2018, the Company's share of profits of joint ventures, net of income tax, were USD$38.0 million, compared to USD$44.7 million in 2017. The decrease of USD$6.7 million is mainly due to the loss in the South Texas – Tuxpan pipeline from foreign exchange rate effects primarily related to a peso-denominated shareholder's loan, partially offset by the increased ownership of Los Ramones Norte pipeline. The foreign exchange rate effects are offset in Other (Losses) Gains, net.

IEnova Adjusted EBITDA

The following table sets forth the IEnova Adjusted EBITDA by reportable segment for the years ended December 31, 2019, 2018 and 2017, and the change from the prior period. Segment IEnova Adjusted EBITDA is presented after the elimination of intercompany transactions.

(in thousands of U.S. Dollars, except the percentages)	Year ended December 31,			Change			
	2019	**2018**	**2017**	**2019 vs 2018**		**2018 vs 2017**	
IEnova Adjusted EBITDA							
Gas segment	752,991	716,007	663,023	36,984	5.2%	52,984	8.0%
Power segment	188,015	160,790	103,673	27,225	16.9%	57,117	55.1%
Corporate	(2,834)	(431)	(8,056)	(2,403)	n.s.	7,625	n.s.
Total IEnova Adjusted EBITDA	938,172	876,366	758,640	61,806	7.1%	117,726	15.5%

For the Company's definition of IEnova EBITDA and IEnova Adjusted EBITDA, an explanation of why the Company presents it and a discussion of its limitations, see "Selected Financial Information". A reconciliation from Profit for the period to IEnova EBITA and IEnova Adjusted EBITDA is shown below:

(in thousands of U.S. Dollars)	Year ended December 31, 2019	2018	2017
		(unaudited)	
IEnova EBITDA reconciliation			
Profit for the period	467,685	430,586	354,174
Depreciation and amortization	155,799	137,157	119,020
Impairment of Termoeléctrica de Mexicali	—	—	63,804
Financing cost, net	87,184	95,430	50,693
Other losses (gains), net	(25,619)	(8)	40,900
Income tax expense	132,558	143,064	104,163
Share of (profits) of joint ventures, net of income tax	(39,769)	(37,984)	(44,677)
(1) IEnova EBITDA	**777,838**	**768,245**	**688,077**
JV IEnova EBITDA Adjustment reconciliation			
Profit for the period	39,769	37,984	44,677
Depreciation and amortization	14,426	6,350	6,276
Financing cost, net	65,908	34,576	30,087
Other (gains) losses, net	26,561	(3,238)	(16,888)
Income tax expense	13,670	32,449	6,411
(2) JV EBITDA Adjustment	**160,334**	**108,121**	**70,563**
(1+2) IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**

ii) Financial Condition, Liquidity and Capital Resources

Overview

Historically, the Company has generated, and expects to continue generating, positive cash flow from operations. The Company's principal capital needs are for working capital, capital expenditures related to maintenance, expansions and acquisitions, and debt service. The Company's ability to fund its capital needs depends on its ongoing ability to generate cash from operations, the terms of its financing arrangements, and its access to capital markets. The Company believes that its future cash from operations, together with its access to debt financing and the equity capital markets, will provide adequate resources to fund the Company's operating activities, capital expenditures, acquisitions and new business development activities.

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

Cash flows from operating activities consist primarily of inflows from revenue and outflows for costs of revenues and increases in working capital needed to grow the Company's business. Cash flows used in investing activities represent investments in property, plant and equipment required for the Company's growth, in expansion and maintenance, and in acquisitions. Cash flows from financing activities are primarily related to changes in loans from unconsolidated affiliates to grow the Company's business, repayments of indebtedness with cash from operations, refinancing transactions and payments of dividends.

The Company expects that its cash flows from operations, as well as its capacity for future borrowings, will be sufficient to finance the liquidity requirements for the foreseeable future. The Company is also subject to certain capital requirements imposed by governmental agencies on the Company's regulated pipelines and natural gas distribution businesses.

Liquidity

The Company is a holding company. As a result, the Company's ability to meet its obligations depends primarily on the earnings and cash flows of its subsidiaries and investments in joint ventures, and the ability of those subsidiaries or joint ventures to pay dividends or distribute other amounts to the Company.

Capital Resources and Use of Proceeds

	Year ended December 31,		
(in thousands of U.S. Dollars)	**2019**	**2018**	**2017**
Net cash provided by operating activities	706,654	624,986	586,234
Net cash (used in) investing activities	(655,003)	(628,113)	(969,456)
Net cash (used in) generated by financing activities	6,637	(33,975)	406,584
Cash and cash equivalents at the end of the year	91,502	78,047	94,109

Operating Activities

In 2019, net cash provided by operating activities was USD$706.7 million, compared with USD$625.0 million in 2018, mainly due to changes in working capital, partially offset by higher income tax payments.

In 2018, net cash provided by operating activities were USD$625.0 million, compared to USD$586.2 million in 2017, mainly due to higher operational results and lower income tax paid, partially offset by changes in working capital.

Investing Activities

The Company maintains financial resources sufficient to meet its financial commitments related to capital expenditures and other investing activities and those of its subsidiaries.

In 2019, net cash used in investing activities was USD$655.0 million, mainly due to capital expenditures of USD $613.6 million primarily related to the solar and liquid terminal projects, and the funding of USD$49.1 million in the ECA liquefaction project and USD$15.8 million South Texas - Tuxpan pipeline, partially offset by USD$18.7 million interest payment from the shareholder's loan granted to South Texas – Tuxpan pipeline.

In 2018, net cash used in investing activities were USD$627.1 million, mainly due to capital expenditures of USD $456.4 million primarily related to the new solar and liquid terminal projects and the funding of USD$174.9 million in the South Texas – Tuxpan pipeline.

In 2017, net cash used in investing activities were USD$970.5 million, mainly due to USD$578.1 million to fund the South Texas – Tuxpan pipeline and capital expenditures of USD$253.0 million mainly related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, Empalme lateral pipeline and Veracruz marine terminal project, and USD$147.6 million for the acquisition of an additional 25 percent of Los Ramones Norte pipeline, net of cash available at the closing date.

The USD$258.5 million price paid for the assignment of Ductos y Energéticos del Norte's capital stock and the liquidation of certain shareholder loans is comprised of USD$164.8 million cash and the liquidation of certain shareholder loans of USD$95.8 million as shown in the cash flow from financing activities, minus value added tax of USD$2.1 million. The cash available at the closing date was USD$17.2 million.

Financing Activities

In 2019, net cash provided by financing activities was USD$6.6 million, mainly due to USD$510.0 million of net proceeds from bank financing, partially offset by a dividend payment of USD$220.0 million, USD$133.8 million of interest paid, USD$112.4 million net of loans with unconsolidated affiliates, USD$27.4 million of lease payments and USD$9.8 million of share repurchases.

In 2018, net cash used in financing activities were USD$34.0 million, mainly due to USD$242.0 million in net repayments of loans from unconsolidated affiliates, a dividend payment of USD$210.0 million, the five-year CEBURES payment at maturity of USD$102.1 million and interest paid of USD$85.0 million, partially offset by USD$612.4 million in net borrowings against credit facilities.

In 2017, net cash provided by financing activities were USD$406.6 million, due to USD$807.4 million of international senior note offerings, net of expenses, USD$331.2 million in net borrowings from unconsolidated affiliates, USD$360.5 million net bank loan payments, a dividend payment of USD$200.0 million, payment to Pemex TRI loan of USD$95.8 million as part of the acquisition of an additional 25% of Los Ramones Norte pipeline, and interest paid of USD $75.6 million.

Purchase of Company's own shares

From time to time, the Company acquires its own shares using the resources assigned to it by its shareholders. At the ordinary general meetings of shareholders of the Company held on June 14, 2018, and April 30, 2019, respectively, the constitution of fund to purchase own shares was approved, for a maximum amount of up to USD$250 million considering the Company's profits as of December 31 of 2018 and 2019, respectively.

The following table contains information about the shares acquired by the Company in 2018 and 2019, prior to the date of publication of this report, through the program established for that purposes.

Period	No. of shares purchased	Average price paid per Share (Mexican pesos)	Amount available for the purchase of own shares under the program (Mexican pesos)	Amount available for the purchase of own shares under the program (U.S. Dollars)
November 2018	500,000	69.79	5,121,578,000	248,300,228
December 2018	1,500,000	72.79	5,012,387,750	242,820,383
February 2019	1,600,000	71.08	4,898,653,570	236,924,745
May 2019	150,000	78.26	4,741,261,000	249,386,594
June 2019	450,000	72.23	4,708,758,400	247,690,968
July 2019	400,000	70.23	4,680,666,520	246,217,559
August 2019	20,000	70.45	4,679,257,520	246,144,030
	4,620,000			

Summary of Relevant Financial Position Data

(in thousands of U.S. Dollars)	As of December 31, 2019	2018	2017
Finance lease receivable, current	11,354	9,809	8,126
Finance lease receivable, non-current	921,270	932,375	942,184
Property, plant and equipment	4,637,962	4,086,914	3,729,456
Intangible assets	180,867	190,772	190,199
Goodwill[1]	1,638,091	1,638,091	1,638,091
Total assets	**9,552,506**	**8,768,597**	**8,163,859**
Current liabilities	1,593,532	1,445,631	1,053,917
Non-current liabilities	3,001,737	2,569,216	2,593,355
Total liabilities	**4,595,269**	**4,014,847**	**3,647,272**
Total liabilities and equity	**4,957,237**	**4,753,750**	**4,516,587**

[1] During the last quarter of 2017, the Company received additional information on the Ventika deferred tax amount after the acquisition date; as a result, the Company decreased goodwill by USD$13.7 million. See note 13 to the audited financial statements of the Company, included in this Report.

In 2018 and 2019, property, plant and equipment increased mainly due to the capital expenditures related to solar and liquid projects.

In 2019, total liabilities increased mainly due new long-term debt.

In 2018, total liabilities increased mainly due net borrowings against credit facilities.

In 2017, the liabilities increased by USD$840 million mainly due to the Senior Notes offering.

Financial Ratios

	As of December 31, 2019	2018	2017
Current assets/current liabilities	0.3 times	0.3 times	0.5 times
Total liabilities/total assets	48%	46%	45%
Total liabilities/stockholder's equity	93%	84%	81%
Days of sales in accounts receivable	41 days	47 days	29 days

Outstanding Debt

Historical

(in thousands of U.S. Dollars)	As of December 31, 2019	2018	2017
Short-term debt	1,238,085	871,432	199,395
Short-term debt with unconsolidated affiliates	—	267,778	510,009
Long-term debt with unconsolidated affiliates	233,597	75,161	73,510
Short-term debt related to CEBURES	—	—	102,000
Long-term debt related to CEBURES	306,000	306,000	306,000
Long-term bank debt (includes Senior Notes)	1,705,790	1,512,875	1,572,551

On February 14, 2013, the Company issued two series of Notes in an aggregate principal amount of Ps.5.2 billion (USD$408 million, based on the exchange rate of Ps.$12.7364 to USD$1.00 published by the Banco de México on February 12, 2013, the date in wich the discussed exchange rate swap agreements were executed), for sale in connection with a public offering in Mexico for a series of 10-year, Notes with a fixed interest rate of 6.30% in the principal amount of Ps.$3.9 billion, and a series of 5-year, floating-rate Notes in the principal amount of Ps.$1.3 billion which accrue interest at the TIIE rate plus 30 basis points. The Company used a portion of the proceeds from the sale of both series of Notes, or approximately USD$408 million, to repay approximately USD$356 million in outstanding indebtedness with affiliates and to finance the purchase of property, plant and equipment. On February 8, 2018, the Company paid Ps.$1.3 billion related to the second issuance of CEBURES.

On March 2, 2015 the Company entered into a USD$90 million loan agreement and a USD$30 million loan agreement with its unconsolidated affiliates Inversiones Sempra Latin America Limitada and Inversiones Sempra Limitada, respectively, each maturing in nine months, subject to extension for an additional four-year period. Under its corresponding agreement, each loan accrued interest at the rate of 1.98% *per annum*, payable on a quarterly basis. On December 15, 2015, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2016 and the interest rate was reduced to 1.75% *per annum.* On December 15, 2016, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2017. Under its corresponding agreement, each loan accrued interest at the rate of 1.75% *per annum*, payable on a quarterly basis. On December 15, 2017, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 16, 2018. Under its corresponding agreement, each loan accrues interest at the rate of LIBOR plus 63 basis points *per annum*, payable on a quarterly basis. On November 30, 2018, the Company fully paid principal and interest accrued on the loan of USD$90 million; in addition on the same date, the loan of USD$30 million was partially paid, leaving a remaining balance of USD$10.8 million. On December 15, 2018, the Company entered into an amendment to the loan agreement, where the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 102.4 points payable on a quarterly basis. On October 9, 2019, the Company fully repaid the principal and accrued interests of the USD$10.8 million loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated March 2, 2015, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company transfers its rights for the benefit of a creditor.

On August 21, 2015 the Company entered into a five-year term, USD$400 million revolving credit facility loan agreement with a duration of 5 years with SMBC, Santander, The Bank of Tokyo and Bank of Nova Scotia, in order to finance working capital needs, investments and general corporate purposes. Under its corresponding agreement, each loan accrues interest at the rate of LIBOR plus 90 basis points *per annum*, payable on a quarterly basis. On December 2015, the Company entered into an amendment to the revolving credit facility loan agreement to increase the available amount to USD$600 million. In November 2016, the Company entered into an amendment to the revolving credit facility loan agreement to increase the available amount from USD$600 million to USD$1,170 million. On February 2019, the Company entered into an amendment agreement to the existing revolving credit facility of USD$1,170 million to (i) increase the amount of the credit line to USD$1,500 million, (ii) extend the term thereof from August 2020 to February 2024, (iii) include JP Morgan and Credit Agricole to the lenders' syndicate. As of December 31, 2019, the available, or unused amount of the revolving credit facility loan is USD$606 million.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated August 21, 2015, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Obligations to report

- Provide financial information in accordance with the provisions of the contract.

Positive Covenants

- Notify to the administrative agent of any breach, claim, complaint or procedure before a government authority or any event that could trigger a material adverse effect.
- Maintain in force all the authorizations, licenses and concessions that are required in the ordinary course of business.
- Maintain the necessary insurance in relation to your assets.
- Maintain control over its subsidiaries.

Negative Covenants

- Refrain from making or permitting any major or material change in the line or nature of its businesses.
- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company defaults on its obligations under the credit line.

On December 27, 2016, IEnova entered into two related party revolving credit facilities of USD$20.0 million with POC and USD$70.0 million with ISLA. The credit facilities are U.S. Dollar denominated, have a twelve-month term, with an option to extend up to four years in order to finance working capital needs and general corporate purposes. On December 15, 2017, the Company entered into an amendment to each of these loan agreements, pursuant to which their maturity date was extended to December 15, 2018. Under its corresponding agreement, each loan accrues interest at LIBOR plus 63 basis points, and interest is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with PPC, for a total amount of USD$102 million; with the characteristics described above. On November 30, 2018, the Company fully repaid the principal and accrued interest of the USD$70 million loan. On September 24, 2019, the Company fully repaid the principal and accrued interests of the USD$ 102 million loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated December 27, 2016, mentioned above It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On March 17, 2017, the Company entered into an amendment to the SOT Suisse loan agreement, pursuant to which the maturity date was extended for seven years. The applicable interest rate is LIBOR plus 180 basis points, payable on a quarterly basis. As of December 31, 2019, the outstanding balance is USD$38.5 million. As of November 9, 2018, SOT Suisse transferred all rights and obligations of the loan agreement to Sempra Energy International Holdings N.V. becoming the new lender of the Company. Its applicable interest rate is LIBOR plus 137 basis points payable on a quarterly basis.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated March 17, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On March 21, 2017, the Company entered into a loan agreement with ISL for the amount of USD$85 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 60 basis points, and interest is payable on a quarterly basis. On March 21, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to March 21, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On March 21, 2019, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to November 29, 2019. The loan accrued interest at LIBOR plus 80 basis points that is payable on a quarterly basis. On October 9, 2019, the Company fully repaid the principal and accrued interests of the loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated March 17, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On April 27, 2017, the Company entered into a loan agreement with POC for USD$19 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 60 basis points, and interest is payable on a quarterly basis. On April 27, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to December 15, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On December 15, 20108, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the USD$ 102 million loan.

As of June 1, 2017, ISLA merged with ISL, which is the entity that remained after the merger. The conditions of the agreements between ISL and IEnova remain the same.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated April 27, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On June 26, 2017, the Company entered into a loan agreement with POC for the amount of USD$21million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 70 basis points, and interest is payable on a quarterly basis. On June 26, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to December 15, 2018. The loan accrued interest at LIBOR plus 63 basis points that is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the USD$ 102 million loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated June 26, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On August 23, 2017, the Company entered into a loan agreement with SEH for the amount of USD$132.8 million in order to finance working capital needs and general corporate purposes. The loan term is six months. The applicable interest rate is LIBOR plus 61 basis points, and interest is payable on a quarterly basis. On February 6, 2018, the Company entered into an amendment to the loan agreement, pursuant to which their maturity date was extended to August 22, 2018. On the maturity date the Company fully repaid accrued interest and principal.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated August 23, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.

- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On September 29, 2017, the Company entered into a US$21.0 million revolving credit facility with POC to finance working capital and for general corporate purposes. The credit facility has a twelve-month term with an option to extend the maturity by up to four years. The interest rate was LIBOR plus 70 basis points, payable quarterly. On September 28, 2018, the Company amended the initial agreements which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018. On December 15, 2018, we consolidated in one credit facility the totality of the POC debt for a total amount of US$102.0 million, which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2019, and the revision of the interest rate to LIBOR plus 90 basis points, payable quarterly. On September 24, 2019, the Company fully repaid the principal and accrued interests of the USD$ 102 million loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated September 29, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On December 14, 2017, the Company completed the issuance of USD$840 million of International Senior Notes, comprised of USD$300 million aggregate principal amount of the Company's 3.750% Senior Notes due 2028 and USD$540 million aggregate principal amount of the Company's 4.875% Senior Notes due 2048.

On December 28, 2017, the Company entered into a loan agreement with POC for the amount of USD$21 million in order to finance working capital needs and general corporate purposes. The loan term is twelve months, with an option to extend up to four years. The applicable interest rate is LIBOR plus 63 basis points, and interest is payable on a quarterly basis. On December 15, 2018, the Company signed an amendment with POC modifying the loan agreement, pursuant to which the maturity date was extended to December 15, 2019. Its applicable interest rate is LIBOR plus 90 basis points payable on a quarterly basis. Moreover, the Company consolidated on a single loan agreement all debt with POC, for a total amount of USD$102 million; with the characteristics described above. On September 24, 2019, the Company fully repaid the principal and accrued interests of the USD$ 102 million loan.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated December 28, 2017, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On January 16, 2018, the Company entered into a loan agreement with ISL for the amount of USD$70 million in order to finance working capital needs and general corporate purposes; with maturity date on December 15, 2018. The applicable interest rate is LIBOR plus 63 basis points and interest is payable on a quarterly basis. On December 15, 2018, the Company amended the initial agreement with ISL, which resulted in the extension of the maturity to December 15, 2019 and the interest rate being reset to LIBOR plus 102.4 basis points, payable quarterly. On September 30, 2019, the Company partially repaid this credit facility, which had an outstanding balance of US$36.5 million. On October 9, 2019, the Company fully repaid the principal and accrued interests of the loan.

On November 30, 2018, we entered into a US$320 million revolving credit facility with Sempra Global for working capital and general corporate purposes. The credit facility matures on August 21, 2020 and has an interest rate of LIBOR plus 90 basis points, payable quarterly. As of December 30, 2019, there were no borrowings outstanding thereunder.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated January 16, 2018 mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company is declared bankrupt
- If the Company defaults on its obligations under the credit line.

On April 11, 2019, the Company entered into a revolving credit agreement with Scotiabank for up to USD$100 million. This credit facility accrues interest at a one-month LIBOR rate or the 28-day Mexican Interbank Equilibrium Rate ("TIIE") plus 30 basis points. The term is three years. The Company may borrow in U.S. dollars or Mexican pesos for up to one year. As of December 31, 2019, there were no borrowings outstanding thereunder.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated April 11, 2019, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Obligations to reporting

- Provide financial information in accordance with the provisions of the contract.

Positive Covenants

- Maintain its assets in adequate conditions
- Notify the administrative agent of any event that could trigger a material adverse effect or any information that could result in a change to the list of beneficiaries.
- Notify the creditor of any claim, complaint or procedure before a government authority.
- Maintain in force all the authorizations, licenses and concessions that are required in the ordinary course of business.
- Maintain the necessary insurance in relation to their assets.
- Maintain control over its subsidiaries.

Negative Covenants

- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.
- Refrain from transferring any right in favor of any subsidiary or entity that has incurred in violations of the sanctions established in the credit agreement.
- Refrain from obtaining credits of the same type as that granted under the credit agreement.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company defaults on its obligations under the Credit line
- If the Company is declared into bankruptcy, dissolved or liquidated.
- If the company called Sempra Energy ceases to have more than 51% control over the Company.
- In the event that a material adverse effect is generated from any claim, lawsuit or procedure before a government authority.
- If any government authority assumes control of 20% or more of the Company's total assets.

On September 23, 2019, the Company entered into a revolving credit agreement with The Bank of Nova Scotia ("BNS") for up to US$280 million. The purpose of the credit facility is to finance working capital of the Company, investments and for general corporate purposes. This credit facility has an interest rate of three-month LIBOR plus 54 basis points. As of December 31, 2019, the Company has borrowed under this facility in full.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated September 23, 2019, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Obligations to report

- Provide financial information in accordance with the provisions of the contract.

Positive Covenants

- Notify to the administrative agent of any breach, claim, complaint or procedure before a government authority or any event that could trigger a material adverse effect.
- Maintain in force all the authorizations, licenses and concessions that are required in the ordinary course of business.
- Maintain the necessary insurance in relation to your assets.
- Maintain control over its subsidiaries.

Negative Covenants

- Refrain from making or permitting any major or material change in the line or nature of its businesses.
- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company defaults on its obligations under the credit line.

As of December 31, 2019, all of the Company's long-term debt to unconsolidated affiliates was owed to its indirect controlling shareholder or its subsidiaries. The Company's affiliate loans as of December 31, 2019, had maturities ranging from March 2024 and accrued interest at average annual rates ranging from 3.3% . See Note 6 to the Company's Audited Financial Statements, included in this Report.

On November 19, 2019, the Company entered into a USD$ 200 million credit facility with a 15 years duration, with the IFC, member of the World Bank Group, and NADB for the first loan certified under the Green Loan Principles that IFC has granted to a company in Mexico. The proceeds from the credit facility will be used to finance and/or refinance the construction of the portfolio of solar power projects of IEnova.

The following is a summary of the Company's reporting, positive and negative covenants under the credit agreement dated November 19, 2019, mentioned above. It is important to note that they are presented in an illustrative but not limiting manner.

Obligations to report

- Provide financial information in accordance with the provisions of the contract.
- Deliver reports related to the payment of applicable taxes.

Positive Covenants

- Report any noncompliance, claim, complaint or procedure before a governmental authority, any event that could trigger a material adverse effect or any information that could result in a change to the list of beneficiaries.
- Keep in force all the authorizations, licenses and concessions that are required for the construction, operation and maintenance of the project.
- Maintain the necessary insurance in relation to the Company's assets.
- Perform all necessary activities for the construction, operation and maintenance of the project, object of the credits.
- Allow access to its facilities and documentation in order to verify that the provisions of the contracts are being complied with.

Negative Covenants

- Refrain from making or permitting any major change in the line or nature of its businesses.
- Refrain from modifying its corporate purpose, spin off or merge with any other entity, or approve its liquidation, dissolution or transformation.
- Refrain from modifying its corporate structure.
- Refrain from participating in "sanctionable practices" in terms of the provisions of the contracts.

Causes of Early Termination

- If the Company does not make timely payments under the credit line.
- If the Company defaults on its obligations under the credit line.
- If the Company is declared bankrupt.
- If a substantial part of the Company's assets is subject to expropriation.

Tax Situation

As of December 31, 2019, the Company and its subsidiaries do not have significant tax debts.

Capital Expenditures

The Company expects to continue making investments in the Mexican energy infrastructure sector that generate stable cash flows and expand into related businesses to increase the Company's revenue and profitability. The Company intends to achieve this goal by pursuing a disciplined, targeted growth strategy, including:

- Investing in critical, essential and startegic infrastructure that allows the access to power in affordable prices for the Mexican consumers;
- Optimizing the existing assets;
- A larger diversification of its asset and client base; and
- Sustainable business model.

For the years ended, December 31, 2019, 2018 and 2017 the Company made capital expenditures of USD$ 613.6, USD$392.1 million and USD$224.8 million, respectively. These capital expenditures included mainly expenditures related to acquisitions of property, plant and equipment for the development of the solar, liquids terminals and pipeline projects.

The following table contains a breakdown of the Company's expected capital expenditures by business segment in the following three years, including capital expenditures in joint ventures:

Investment per segment	**2020**	**2021**	**2022**
(in millions of U.S. Dollars)			
Gas *	665	352	34
Electricity	150	11	12
Joint Ventures	64	11	—
Total Investment	**$ 879**	**$ 374**	**$ 46**

* Includes the investment in refined products storage facilities.

Contractual Arrangements

Historical

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table includes principal cash flows.

(in thousands of U.S. Dollars)	**Less than 1 year**	**1-3 years**	**3-5 years**	**5+ years**	**Total**
Due to unconsolidated affiliates	12,140	59,280	80,180	191,000	**342,600**
CEBURES	12,838	38,446	199,769	—	**251,053**
Bank loans	1,266,472	109,198	369,529	462,329	**2,207,528**
International debt Senior Notes	37,575	112,725	187,875	1,480,654	**1,818,829**
Multilateral Debt	356	7,415	30,298	173,016	**211,085**
Joint Ventures	585	1,756	2,927	12,946	**18,214**
Liabilities per leases	1,197	3,501	3,800	95,944	**104,442**
Derivative financial instruments	(33,429)	(30,421)	(152,585)	(33,621)	**(250,056)**
Total	1,297,734	301,900	721,793	2,382,268	**4,703,695**

In the ordinary course of business, the Company also enters into long-term supply arrangements with affiliates that are not reflected in the table above. In addition, in connection with the Company's transactions with derivative financial instruments, it is subject to the obligations described below under "– Quantitative and Qualitative Disclosures About Market Risk – Derivative Financial Instruments."

Off-Balance Sheet Arrangements

As of December 31, 2019, the Company did not have any off-balance sheet arrangements.

Quantitative and Qualitative Information Related to Market Risk

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 the Company's Audited Financial Statements, note 24, included in this Report.

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss in the same line as the hedged item affects profit or loss for derivatives that are economic hedges.

Embedded Derivatives

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

Own Use Exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial 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.

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 forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for permissible losses, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can qualify as held-for-trading, which is the case for derivative financial instruments. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

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.

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% confidence interval in its VaR calculations. The one-day 95% VaR number reflects the 95% probability that the daily loss will not exceed the reported VaR.

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

VaR History (95%, one day) by risk type	**As of December 31,**		
(in thousands of U.S. Dollars)	**2019**	**2018**	**2017**
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% 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 to the Company's Audited Financial Statements, included elsewhere in this Report.

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. Refer to Note 24.4 to the Company's Audited Financial Statements, included elsewhere in this Report.

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:

(in thousands of U.S. Dollars)	As of December 31, 2019	2018	2017
Monetary assets			
U.S. Dollar-functional currency subsidiaries	1,025,682	907,113	746,038
Mexican peso-functional currency subsidiaries	26,462	32,146	33,594
Monetary liabilities			
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 payable and provisions.

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

	As of December 31, 2019	2018	2017	Apr 11, 2020
One U.S. Dollar	$18.8452	$19.6829	$0.0197	$24.0388

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% increase and decrease in the U.S. Dollar against the Mexican peso. The sensitivity rate used to report foreign currency risk internally to key Company's management is 10%, which represents management's benchmark of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 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% 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%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.

(in thousands of U.S. Dollars)	U.S. Dollar-functional currency subsidiaries			Mexican peso-functional currency subsidiaries		
	2019	2018	2017	2019	2018	2017
Profit (loss)[i]	5,532	2,943	6,811	(916)	52	(453)
Other comprehensive income	—	—	—	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.

Interest Rate Risk Management

Interest rate swap contracts entered into by the Company's joint ventures

The joint venture with Actis entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings. See note 10.1.b to the Company's Audited financial Statements, included elsewhere in this Report.

The joint venture with Brookfield entered into swap contract that effectively hedges interest rate risk due to variable rate financings. See note 10.4.b to the Company's Audited Financial Statements, included elsewhere in this Report.

The fair value of derivative instruments is based on the market values iplace as of the date of the consolidated financial statements, which impacts investments in joint venture with debit to current earnings.

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

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 ECOGAS, depending on the type of service requested by the customer, different criteria are applied as follows:

Minor customers (residential customers for household consumption):

- Copy of official identification;
- Proof of residence or power of attorney from landlord, in case of rental residences;
- Personal references, (which are confirmed); and,
- Registration with tax agency for commercial customers with minor consumption.

Major customers (customers for industrial and commercial consumption):

- Power of attorney;
- Legal representative official identification;
- Copy of articles of incorporation;
- Proof of address; and

- Depending on consumption volume, a guarantee is required, which could include letter of credit, cash deposit, or promissory notes among others.

The oversight includes a monthly review of 100% of the balances of major customers by the credit and collection department to make sure that payments are made on a timely manner and to ensure that they 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.

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 to the Company's Audited Financial Statements, included elsewhere in this report, the Company had USD$892.5 million of unused lines of credits with banks.

iii) Internal Controls

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

The system of internal control over financial reporting is supported by ongoing audits, the results of which are reported to management throughout the year. In addition, the Company maintains reliable databases and has systems designed to generate key financial information in real time. These systems also allows the efficient preparation of the Company's financial reports.

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

The Company's system of internal control over financial reporting has the following primary goals:

- Issue reliable, timely and meaningful financial information;
- Delegate authority and assign responsibilities for achieving the system's goals and objectives;
- Establish proper business practices within the Company's organization; and
- Provide administrative control methods to help oversee and monitor compliance with the Company's policies and procedures.

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

e) Critical Accounting Estimates, Provisions and Reserves

Critical Accounting Judgments and Key Sources for Estimating Uncertainties

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 Audited 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, 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. See note 3.2 to the Company's Audited Financial Statements, included elsewhere in this Report.

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. See note 37 of the Audited Consolidated Statements included in this Report.

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.

Classification of its joint arrangements

The joint ventures 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.

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.

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. See note 13 of the audited consolidated statements of financial position included in this Report.

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.

Recoverability of deferred tax assets

As mentioned in note 25 of the Company´s Audited Statements included elsewhere in this report, 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.

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 Fair Value 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 Fair Value for IFRS purposes.

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 Fair Value 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 Fair Value estimate derived utilizing the Income Approach. It is noted that the derived Fair Value 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.

MANAGEMENT

a) Independent Auditors

Independent auditors are Galaz, Yamazaki, Ruíz Urquiza, S.C., members of Deloitte Touche Tohmatsu Limited, whose head office are located in Mexico City. The Company's independent auditors were selected by the Audit Committee and approved by Board of Directors on the basis of their expertise and service and quality standards in terms of article 16 of Rules for External Auditor.

Galaz, Yamazaki, Ruiz Urquiza, S.C., has been the Company's independent auditors since 1996. In the past three years they have not issued any qualified or negative opinion or abstained from issuing an opinion with respect to the Company's financial statements.

The Company's audited financial statements included in this report have been audited by Galaz, Yamazaki, Ruíz Urquiza, S.C. In addition, to auditing services, Galaz, Yamazaki, Ruiz Urquiza, S.C., provided other services that do not affect its independence as auditors

The expenses accrued in respect of the fees for services rendered by Galaz, Yamazaki, Ruiz Urquiza, S.C., to the companies that are part of the Company, amounted to USD$1.9 million during 2019. The detail of these amounts is as follows:

a. Audit services: mainly audit services of the annual financial statements and reviews of interim financial statements, for inclusion on the Mexican Stock Exchange and in Singapore by USD$1.4 million which represents 75% of the total fees.

b. Audit-related services: services related to the review of the information required by regulatory authorities or government, agreed financial reporting procedures not requested by legal or regulatory bodies, review of Corporate Social Responsibility in the reports of USD$0.1 million which represents 5% of the total fees.

c. Tax Services and Others: permitted services by the applicable independence regulation; essentially, they are tax assistance and other services, such as letters for Company's financing of USD$0.4 million, which represents 20% of the total fees.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

b) Related Party Transactions and Conflicts of Interest

The following is a description of relevant transaction which the Company has been a party to since January 1, 2017, and in which one or more of its directors, senior officers or their respective affiliates or family members, or its indirect controlling shareholder or its affiliates has had or will have a material direct or indirect interest. The Company believes that the terms of each such transaction and the consideration that the Company paid or received in connection therewith were comparable with the terms the Company would have obtained and the consideration the Company would have paid or received in an arm's length transaction with a third party.

In the ordinary course of business, the Company engages in a number of transactions with its indirect controlling shareholder and with companies that are owned or controlled, directly or indirectly, by its indirect controlling shareholder or its affiliates.

Intercompany Loan Agreements

Outstanding Loans from Related Parties as of December 31, 2019

The Company has revolving credit facilities in place with several affiliates of its indirect controlling shareholder as lenders. The Company may prepay all or part of the outstanding amount under each loan without penalty. The following table summarizes the key terms of these credit facilities as of December 31, 2019:

Lender	Loan Limit USD$ millions	Principal Outstanding USD$ millions	Interest Rate	Maturity Date
Sempra Energy International	50	38	LIBOR 137 bps	March 2024
TAG Norte Holding	155	155	5.74%	December 2029
TAG Pipelines Norte	35	35	LIBOR + 290 bps	December 2021
Sempra Global	320	0	LIBOR + 90 pbs	August 2020

Loan with Sempra Energy International Holdings N.V. (formerly Sempra Oil Trading)

As of January 1, 2013, the Company had a credit in its balance of USD$38.5 million with Sempra Oil Trading Suisse (SOT Suisse). The outstanding amount under the provisions of the loan as of December 31, 2019, is USD$38.5 million.

On March 17, 2017, the Company signed an amendment agreement with SOT Suisse in order to extend the loan for seven years. The applicable interest rate is LIBOR plus 180 basis points payable quarterly.

As of November 9, 2018, SOT Suisse transferred all rights and obligations of the loan agreement to Sempra Energy International Holdings N.V. becoming the new lender of the Company. Its applicable interest rate is LIBOR plus 137 basis points payable on a quarterly basis.

Loan with TAG Norte Holding

On December 16, 2019, Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN") entered into a $155 million U.S. Dollar-denominated affiliate credit facility with TAG Pipeline Norte, 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 %.

Loan with TAG Pipelines Norte

On December 19, 2017, the Company entered into a loan agreement with TAG for the amount of USD$35 million in order to finance working capital needs and general corporate purposes. The loan term is four years. The applicable annual interest rate is six-month LIBOR plus 290 basis points payable on a semi-annual basis.

Loan with Sempra Global

On November 30, 2018, the Company signed a loan agreement for a revolving credit facility for up to USD $320 million with Sempra Global, the funds of which will be used to finance working capital and general corporate purposes. The agreement expires on August 21, 2020 with an interest rate of LIBOR plus 90 basis point payable on a quarterly basis. As of December 31, 2019, the Company has not made any disbursements on this loan agreement.

Loans from Related Parties, fully repaid as of December 31, 2019

Loan with Inversiones Sempra Limitada

On March 2, 2015 the Company entered into a USD$90 million loan agreement with its unconsolidated affiliate, Inversiones Sempra Latin America Limitada maturing in nine months, subject to extension for an additional four-year period. Under its corresponding agreement, loan accrued interest at the rate of 1.98% per annum, payable on a quarterly basis. On December 15, 2015, the Company entered into an amendment, pursuant to which their maturity date was extended to December 15, 2016 and the interest rate was reduced to 1.75% per annum. On December 15, 2016, the Company entered into an amendment, pursuant to which their maturity date was extended to December 16, 2017. Under its corresponding agreement, each loan accrued interest at the rate of 1.75% per annum, payable on a quarterly basis. On December 15, 2017, the Company entered into an amendment, pursuant to which their maturity date was extended to December 16, 2018. Under its corresponding agreement, loan accrues interest at the rate of LIBOR plus 63 basis points per annum, payable on a quarterly basis. On November 30, 2018, the Company fully paid principal and interest accrued on the loan of USD$90 million. On November 30, 2018, the Company paid in full the principal and accrued interest of the US$90.0 million loan; on the same date, the Company partially repaid the US$30.0 million loan, which has an outstanding balance of US$10.8 million. On December 15, 2018, we amended the initial agreements, which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2019, and the revision of the annual interest rate to LIBOR plus 102.4 points, payable quarterly. On October 9, 2019, the Company fully repaid the principal and accrued interests of the USD$10.8 million loan.

On January 16, 2018, the Company entered into a loan agreement with ISL for the amount of USD$70 million in order to finance working capital needs and general corporate purposes; with maturity date on December 15, 2018. The applicable interest rate is LIBOR plus 63 basis points and interest is payable on a quarterly basis. On November 30, 2018, the Company fully repaid accrued interest and principal. On October 9, 2019, the Company fully repaid the principal and accrued interests of the loan.

On December 27, 2016, the Company entered into an unconsolidated affiliate U.S. dollar-denominated credit facility for an amount of US$70.0 million 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. The applicable interest rate is of 1.75% per annum, payable on a quarterly basis. On December 15, 2017, the Company amended the initial agreements which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018, and the revision of the interest rate to LIBOR plus 63 points, payable quarterly. On December 15, 2018, the Company amended the initial agreements with ISL which resulted in the extension of the term to provide that and the credit facility must be repaid in full by December 15, 2019, and the revision of the interest rate to LIBOR plus 102.4 points, payable quarterly. On November 30, 2018, the Company partially repaid the principal and accrued interests of the US$70 million loan, having a remaining balance of US$36.5 million.

On March 21, 2017, the Company entered into a US$85.0 million credit facility with ISL to finance working capital and for general corporate purposes. The credit facility initially had a twelve-month term, with an option to extend the maturity by up to four years and an interest rate of LIBOR plus 60 basis points, payable quarterly. On March 21, 2018, the Company amended the initial agreement to extend the credit term until March 21, 2019. On March 21, 2019, we amended the initial agreements which resulted in the extension of the term to provide that the credit facility must be repaid in full by November 29, 2019, and the revision of the interest rate to LIBOR plus 80 points, payable quarterly.

Effective June 1, 2017, ISLA was merged with and into ISL, with ISL surviving the merger. The conditions of the agreements between ISL and the Company remain the same.

On January 16, 2018, the Company entered into a US$70 million credit facility with ISL to finance working capital and for general corporate purposes. The credit facility initially had a maturity date was December 15, 2018 and an interest rate of LIBOR plus 63 basis points, payable quarterly. On December 15, 2018, the Company amended the initial agreement with ISL which resulted in extension of the term to provide that the credit facility must be repaid in full by December 15, 2019, and the revision of the interest rate to LIBOR plus 102.4 basis points, payable quarterly. On September 30, 2019, the Company partially repaid the US$ 70 million loan, which has an outstanding balance of US$36.5 million. On October 9, 2019, the Company fully repaid the principal and accrued interests of the USD$36.6 million loan.

Loan with Sempra Energy Holding XI B.V.

On August 23, 2017, the Company entered into a US$132.8 million affiliate credit facility with Sempra Energy Holdings XI BV ("SEH"), in order to finance working capital and for general corporate purposes. The facility had a six-month term. Interest on the outstanding balance was payable on a quarterly basis at three-month LIBOR plus 61 basis points per annum. On February 6, 2018, the Company entered into an amendment of the original loan in order to extend the loan until August 22, 2018. On the final payment date, the Company paid in full the principal and accrued interests of the loan.

Peruvian Opportunity Company Loans (POC)

On December 27, 2016, the Company entered into a revolving credit facility for the amount of US$20.0 million with POC, to finance working capital and for general corporate purposes. The credit facility has a twelve-month term, with an option to extend the maturity by up to four years. The credit facility was denominated in U.S. dollars. On December 15, 2017, we amended the initial agreements which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018, and the revision of the interest rate to LIBOR plus 63 points, payable quarterly.

On April 27, 2017, the Company entered into a US$19.0 million revolving credit facility with POC to finance working capital and for general corporate purposes. The credit facility had a twelve-month term, with an option to extend the maturity by up to four years. The interest rate was LIBOR plus 60 basis points, payable quarterly. On April 27, 2018, we amended the initial agreement which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018, and the revision of the interest rate to LIBOR plus 63 basis points, payable quarterly.

On June 26, 2017, the Company entered into a US$21.0 million revolving credit facility with POC to finance working capital and for general corporate purposes. The credit facility had a twelve-month term with an option to extend for the maturity by up to four years. The interest rate was LIBOR plus 70 basis points, payable quarterly. On June 26, 2018, we amended the initial agreement which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018, and the revision of the interest rate to LIBOR plus 63 basis points, payable quarterly.

On September 29, 2017, the Company entered into a US$21.0 million revolving credit facility with POC to finance working capital and for general corporate purposes. The credit facility had a twelve-month term with an option to extend the maturity by up to four years. The interest rate was LIBOR plus 70 basis points, payable quarterly. On September 28, 2018, we amended the initial agreements which resulted in the extension of the term to provide that the credit facility must be repaid in full by December 15, 2018.

On December 28, 2017, the Company entered into a US$21.0 million revolving credit facility with POC to finance working capital and for general corporate purposes. The credit facility has a twelve-month term with an option to extend the maturity by up to four years. The interest rate was LIBOR plus 63 basis points, payable quarterly.

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, we fully repaid the principal and accrued interests of the US $102 million loan.

Guaranties and Credit Letters

The Company's indirect controlling shareholder, Sempra Energy, provides credit support (including direct guaranties and letters of credit issued by third parties that are to be drawn on the account of Sempra Energy) for certain of the Company's obligations, including the following:

Obligor	Beneficiary of Guaranty/Letter of Credit	Secured Obligations	Maximum Amount USD$ millions
Termoeléctrica de Mexicali	Gasoducto Rosarito[1]	Firm transportation services agreement dated February 26, 2002	29.4
IEnova Marketing	Gasoducto Rosarito[1]	Interruptible transportation services agreement dated December 18, 2009	3.9
IEnova Marketing	Gasoducto Rosarito[1]	Firm transportation services agreement dated May 01, 2008	59.6
IEnova Marketing	Gasoducto Rosarito[1]	Firm transportation services agreement dated February 15, 2002	62.3
IEnova Marketing	Transportadora de Gas Natural de Baja California [1]	Firm transportation services agreement dated May 01, 2008	45.6
IEnova Marketing	Energía Costa Azul	Firm storage services agreement dated November 29, 2004	282
Energía Costa Azul	Shell	Firm storage services agreement dated April 17, 2009	unlimited
Energía Costa Azul	Gazprom	Firm storage services agreement dated April 17, 2009	unlimited

[1] Gasoducto Rosarito and Transportadora de Gas Natural de Baja California were merged with and into Gasoductos de Aguaprieta on August 1st, 2017.

Power Purchase Agreements

In January 2013 the Company entered into an electricity management agreement with its U.S. affiliate, Sempra Generation. Pursuant to this agreement, which is effective as of January 1, 2012, Sempra Generation has marketed and served as scheduling coordinator for the Company's electricity sales and performed other related administrative, hedging and U.S. regulatory support tasks on the Company's behalf. Under this agreement, the Company reimbursed Sempra Generation's expenses in connection with these services and paid Sempra Generation an annual energy services fee based on the level of service provided to the Company's Termoeléctrica de Mexicali power plant (depending on, among other factors, the amount of energy scheduled and sold by Sempra Generation). In 2016, this agreement was transferred to SGPM. In April 2018, the Company signed an addendum in which the electricity sale placement fee was eliminated. During the years ended December 31, 2019, 2018 and 2017 the Company paid SGPM an aggregate of USD$5.6 million, USD$6.8 million and USD$5.1 million, respectively, under this agreement. During the years ended December 31, 2019, 2018 and 2017 SGPM paid to the Company approximately USD$196.0 million, USD$182.0 million and USD$130.0 million, respectively, for the supply of electricity.

Natural Gas Purchase and Sale Agreement

In August 2015 the Company and Sempra Generation entered into a scheduling services agreement with Sempra Generation, an affiliate of the Company's indirect controlling shareholder. The agreement was assigned to SGPM on August, 2016. During the years ended December 31, 2019, 2018 and 2017 the Company paid to SGPM an aggregate of USD$2.4 million, USD$2.2 million and USD$1.9 million, respectively, for scheduling and coordination services provided.

Transportation Services Agreements

The Company has entered into a firm transportation services agreement with Southern California Gas Company, or SoCalGas, an affiliate of the Company's indirect controlling shareholder, whereby SoCalGas transports natural gas for the Company's distribution business from the United States to the Mexico–U.S. border near Mexicali. The Company pays for these transportation services based on applicable rate provisions filed with the California Public Utilities Commission. During the years ended December 31, 2019, 2018 and 2017 the Company paid approximately USD$2.6, USD$1.9 million and USD$1.3 million, respectively, for transportation services provided by SoCalGas Company pursuant to this agreement.

The Company has also entered into several agreements with SoCalGas for natural gas transportation services on the Rosarito pipelines system and TGN pipeline. These interruptible transportation services agreements renew monthly and may be terminated by either party upon 30 days' notice. For the years ended December 31, 2019, 2018 and 2017, the Company received USD$0.4 million, USD$0.7 million and USD$0.2 million, respectively.

LNG Purchase and Sale Agreement with Sempra Natural Gas

In January 2013, the Company's subsidiary IEnova Marketing signed an LNG purchase and sale agreement with Sempra Natural Gas. The contract will expire on August 20, 2029. Pursuant to the terms of this agreement, Sempra Natural Gas agreed to sell and IEnova Marketing agreed to purchase up to 8.2 million m^3 (1,880 MMTh) of LNG annually. To the extent that Sempra Natural Gas delivered to IEnova Marketing less than such amount of LNG, Sempra Natural Gas made payments to IEnova Marketing pursuant to this agreement to cover terminal and pipeline capacity fixed costs associated with each cargo not delivered.

In July 2015, the Company and Sempra LNG International Holdings, LLC entered into a deed of indemnity pursuant to which the payments owed to the Company in the event that Sempra Natural Gas fails to deliver to the Company 8.2 million of m^3 (1,880 MMTh) of LNG per year will be made by Sempra LNG International Holdings, LLC. On the same date, and in order to induce the Company to enter into this deed of indemnity, Sempra Global issued a guarantee pursuant to which it guaranteed the payment obligations of Sempra LNG International Holdings LLC under the deed of indemnity. The agreements reached in the indemnity agreement were terminated by means of a termination agreement dated January 1, 2018.

In August 2015, the Company made a second addendum for the original contract. While the material terms of the new agreement are substantially similar to those of the prior agreement, it does differ in two material respects. First, the new agreement provides that Sempra Natural Gas will make a limited number of LNG cargoes available to the Company for purchase each year for the express purpose of maintaining a sufficient volume of LNG in the Company's terminal such that the terminal can remain continuously operational. Second, the new agreement corrected unintended economic consequences that resulted in larger payments being made by Sempra Natural Gas to the Company under the prior agreement when the number of cargoes delivered annually under the prior agreement was substantially lower than had been anticipated when the prior agreement had been entered into.

In August 2018, the Company made a third addendum for the original contract. The general terms of the contract are maintained, however, a change was made in the mechanics to determine the adjustment to quarterly consumption, which is added or discounted from the monthly compensation.

During the years ended December 31, 2019, 2018 and 2017, IEnova Marketing paid Sempra Natural Gas approximately USD$228.6 million, USD$202.6 million and USD$190.0 million, respectively, for purchases of LNG under this agreement, and Sempra Natural Gas paid IEnova Marketing for indemnity purposes approximately USD $101.6 million, USD$100.3 million and USD$100.3 million, respectively.

Amended and Restated LNG Sale and Purchase Agreement with the Tangguh Partners

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

Service Agreements

The Company has contracted with various affiliates of the Company's indirect controlling shareholder for certain services provided to the Company in the ordinary course of the Company's business, including financial, marketing, commercialization, regulatory, engineering, technical and information systems services, as well as operational and management support. These agreements generally provide for reimbursement for expenses incurred plus a 5% to 7.5% markup and may be terminated by either party upon 30 days' notice. The following is a summary of these transactions:

Sempra U.S. Gas & Power provides software and IT services to the Company's corporate segment. During the years ended December 31, 2019, 2018 and 2017, the Company paid Sempra U.S. Gas & Power approximately USD $5.9 million, USD$5.4 million and USD$6.9 million, respectively, for these services.

Gas Control and Monitoring Agreements

The Company has entered into gas dispatch and transportation services agreements with Sempra Midstream, an affiliate of the Company's indirect controlling shareholder. Pursuant to these agreements, Sempra Midstream provides monitoring and gas control services, using electronic monitoring and control systems owned by us, in order to optimize pipeline capacity and operations and enable the Company to timely respond to operational events or emergencies affecting the Rosarito pipelines system, TGN pipeline, Aguaprieta pipeline and Naco compression station. The agreements were executed into on January 1, 2011 and terminated in April 2017. During the year ended December 31, 2017 the Company paid Sempra Midstream approximately USD$0.5 million for these services.

Other Related Party Transactions

The Company's indirect controlling shareholder and its affiliates pay fees to the Company for certain administrative services and for the use of the Company's facilities. During the years ended December 31, 2019, 2018 and 2017, the Company received approximately USD$1.8 million, USD$1.7 million and USD$1.7 million, respectively, for these services.

Sempra International provides the Company with professional services pursuant to various agreements with the Company's subsidiaries. During the years ended December 31, 2019, 2018 and 2017, the Company paid Sempra International approximately USD$4.7 million, USD$7.5 million and USD$6.2 million, respectively, for these services.

Agreements with Joint Ventures

On April 21, 2017, the Company entered into a revolving credit agreement for up to MXN$9,042 million with IMG (Infraestructura Marina del Golfo, S. de R.L. de C.V.) in order to finance capital expenditures and general corporate expenses for the construction of the South of Texas - Tuxpan pipeline. The term is five years and the loan accrues interest at 91-day TIIE plus 220 basis points payable on a quarterly basis. The accrued interest will be capitalized until the start of operations of the pipeline. On December 6, 2017, the Company increase the amount to $14,168 million pesos with IMG.

On December 15, 2014, Ductos y Energéticos del Norte, a subsidiary of the Company from November 2017, entered into an agreement with TAG Pipelines Norte for providing the operation and maintenance services to the facilities of the Los Ramones Norte pipeline, with a term of 25 years. In 2019, 2018 and 2017, the Company has revenue of approximately USD$23.1 million, USD$22.0 million and USD$22.2 million respectively, related to this contract.

On April 1, 2017, Gasoductos y Servicios Corporativos de Administración, a subsidiary of the Company, entered into an agreement with TAG Pipelines Norte for providing personnel services to the Los Ramones Norte pipeline. In 2018 and 2017, the Company received revenue of approximately USD$1.3 million and USD$1.6 million respectively, as a result of this operations. On October 31, 2018, this contract was terminated.

On January 13, 2019, Gasoductos y Servicios Corporativos de Administración, a subsidiary of the Company, entered into an agreement with TAG Pipelines Norte and TAG Norte Holding, for providing administrative services to the Los Ramones Norte pipeline. In 2019 the Company received revenue of approximately USD$2.5 million and USD $0.7 million respectively, related to this contract.

On September 30, 2013, CSJ, a subsidiary of the Company, entered into a revolving credit agreement facility with Energía Sierra Juarez for up to USD$50 million, which was increased to up to USD$200 million on March 21, 2014 in order to finance capital expenditures and general corporate purposes. The loan accrues interest at one-month LIBOR plus 637.5 basis points. As of December 31, 2018, the outstanding balance is USD$3.3 million. On February 14, 2019, ESJ paid in full the principal and interest on this loan.

For the development and operation of the ECA Liquefaction project, the Company will enter into contracts with its related parties, including Sempra LNG. All agreements between the Company and its related parties were subject to a review process in accordance with the Bylaws, the Company's policies and the applicable legislation. All of these agreements are still in the process of being negotiated, the corresponding corporate authorizations are in the approval process and some government authorizations necessary to implement the project are still pending.

c) Management and Shareholders

Pursuant to its bylaws, the Company is managed by a board of directors. The Company is subject to certain corporate governance and management rules established in its bylaws and the Mexican Securities Market Law, as discussed below. This discussion does not purport to be complete and is qualified by reference to the Company's bylaws and the applicable provisions of the Mexican Securities Market Law, the General Rules for Securities Issuers and the regulations issued by the Mexican Stock Exchange.

Board of Directors

The Company's board of directors consists of eleven members. Each director is appointed to serve for one year and may be reelected, but must remain in office until a successor has been appointed and taken office. Directors may be removed at any time by a decision of the Company's shareholders at a general shareholders' meeting. The members of the Company's board of directors are elected by the Company's shareholders. The Company's board of directors must hold a meeting at least once every three months and may hold extraordinary meetings at any time it may deem appropriate.

Under Mexican law, at least 25% of the members of the board of directors must be "independent" within the meaning assigned to such term in the Mexican Securities Market Law. The Company's bylaws provide for an alternate director to serve in place of an elected director if such director is unable to attend a meeting of the board of directors. The alternate members of the independent members must have the same character. The shareholders entitled to vote, who individually or jointly have (10) ten percent of the Company's capital stock, shall have the right to designate or revoke a member of the Board of Directors at the General Shareholders' Meeting.

The current members of the Company's board of directors were elected or reelected at the general ordinary shareholders' meeting, held on April 30, 2020.

The following table sets forth certain information regarding the current members of the Company's board of directors:

Name	Age	Gender	Title	First appointed
Carlos Ruiz Sacristán	70	Male	Chairman of the Board	July 2012
Tania Ortiz Mena López Negrete	50	Female	Director	January 2019
Randall L. Clark	51	Male	Director	April 2020
Dennis V. Arriola	59	Male	Director	April 2017
Peter R. Wall	48	Male	Director	April 2018
Faisel H. Khan	44	Male	Director	April 2018
Justin C. Bird	48	Male	Director	October 2017
E. Allen Nye Jr.	52	Male	Director	January 2019
Aarón Dychter Poltolarek	67	Male	Director*	March 2013
Alberto F. Mulás Alonso	58	Male	Director*	April 2017
José Julián Sidaoui Dib	66	Male	Director*	February 2017
Vanesa Madero Mabama	43	Female	Secretary (not a Director)	November 2019

*Independent director in terms of the Mexican Securities Market Law.

The following is a summary of the experience and principal business interests of the current members of the Company's board of directors:

Carlos Ruiz Sacristán. Mr. Ruiz is Chairman and Chief Executive Officer of Sempra North American Infrastructure Group and Executive Chairman of the Board of Directors of IEnova as of September 2018. Prior to his appointment, Carlos Ruiz Sacristán was IEnova's Chief Executive Officer and Chairman of the Board of Directors from 2012 to 2018 and member of the Board of Directors of Sempra Energy from 2007 to 2012. Carlos Ruiz Sacristán served as Mexico's Secretary of Communications and Transportation during the administration of Dr. Ernesto Zedillo Ponce de León from 1994 to 2000. Previously he served in various positions at the Central Bank (Banco de Mexico) from 1974 to 1988, the Ministry of Finance from 1988 to 1992, and Petróleos Mexicanos in 1994. Carlos Ruiz Sacristán holds a Bachelor's Degree in Business Administration from Anahuac University in Mexico City and a Master's Degree in Business Administration from Northwestern University in Chicago. Currently Mr. Ruiz is member of the Board of Directors of Southern Copper Corp, Banco Ve por más, S.A de C.V., Grupo Creatica, S.A. de C.V., member of the Technical Committee of Diego Rivera and Frida Kahlo Museum and a member of the Technical Committee Trust of Museo Nacional de Energía y Tecnología.

Tania Ortiz Mena López Negrete is a member of the board of directors since January 2019 and IEnova's Chief Executive Officer since September 2018. Prior to her appointment, she was Chief Development Officer, responsible for the company's business development and commercial areas from 2016 to 2018. Tania joined IEnova in 2000. She has held the positions of Manager, Project Director, Director for Government and Regulatory Affairs, Vice President of External Affairs and Vice President for Business Development and External Affairs. From 1994 to 1999 Tania worked for PMI, Pemex's international trading subsidiary, where she was responsible for the residual oil products international trading area. Tania holds a Master's Degree in International Relations from Boston University and a Bachelor's Degree from Universidad Iberoamericana in Mexico City. Tania is Board Member of Mexican Stock Exchange, Mexican Natural Gas Association, Board Member of the World Energy Council - Mexico Chapter, Member of Mexican Council for International Relations. From 2015 to 2016, Tania was President of the Board of Mexico's Natural Gas Association.

Randall L. Clark is a member of the Company's board of directors and senior vice president, chief human resources officer Sempra Energy. In this position, Clark is responsible for leading human resources functions, including compensation, health and welfare benefits, employee relations, executive/leadership development, talent acquisition, diversity and inclusion programs and corporate culture initiatives. In addition, Clark is responsible for human resource information systems, payroll and employee programs. Clark has served in various leadership and legal capacities at the Sempra Energy family of companies over the last 20 years. Most recently, he was chief human resources officer and chief administrative officer at San Diego Gas & Electric (SDG&E). As chief human resources and chief administrative officer, Clark was responsible for all SDG&E human resources and safety functions and was the senior officer over operations support and supply management. He has also previously served as Sempra Energy's deputy general counsel, vice president – human resources services, vice president – compliance and governance, vice president – corporate responsibility, vice president – corporate relations and its corporate secretary. Prior to Sempra Energy, Clark practiced law at Morrison & Foerster in Los Angeles and at Cooley Godward in San Diego. Clark is a member of several bar associations, the National Association of Corporate Directors, the Society for Corporate Governance, the Society for Human Resource Management and World at Work. He also serves as a trustee on the board of the La Jolla Playhouse, where he co-chairs the nominating committee and sits on the finance committee, and as a trustee on the board of Francis Parker School, where he chairs the audit committee and sits on the compensation, governance and executive committees. Clark graduated summa cum laude and holds a bachelor's degree from Pepperdine University, and graduated with honors from Duke University's School of Law.

Dennis V. Arriola. Dennis V. Arriola is a member of the Company's board of directors, executive vice president and group president, and chief sustainability officer for Sempra Energy. In his current role, Arriola oversees Sempra Energy's external affairs, communications, government relations, regulatory and international affairs activities, and corporate social responsibility. In addition, Arriola is responsible for the company's South American operations, its technology and innovation efforts, and has oversight over Sempra Energy's subsidiaries the Company, a publicly-traded company in Mexico, and PXiSE Energy Solutions, a company that develops, operates and markets next-generation power-grid management technology. Previously, he served as chairman, president and CEO of Southern California Gas Company (SoCalGas), one of Sempra's regulated California utilities. Arriola spent most of the past 25 years in a broad range of leadership roles for the Sempra companies. He served as president and chief operating officer of SoCalGas beginning in 2012, until he was promoted to CEO in 2014. From 2008 to 2012, Arriola left Sempra to work as executive vice president and chief financial officer for SunPower Corp., a Silicon Valley-based solar panel manufacturer. From 2006 to 2008, he was senior vice president and chief financial officer of both San Diego Gas & Electric and SoCalGas. Previously, Arriola also served as vice president of communications and investor relations for Sempra, and regional vice president and general manager of Sempra's South American operations. He first joined the company in 1994 as treasurer for Pacific Enterprises/SoCalGas. Arriola serves on the boards of directors for the California Business Roundtable (prior chairman of the board), California Latino Economic Institute and the San Diego Regional Economic Development Corporation (executive committee). Arriola also serves on the boards of directors for several Sempra business units, including Chilquinta Energía in Chile (chairman of the board) and Luz Del Sur in Peru (chairman of the board). He has been actively involved in the United Way's efforts to implement Linked Learning in association with the Los Angeles Unified School District. Arriola holds a bachelor's degree in economics from Stanford University and a master's degree in business administration from Harvard University.

Peter R. Wall. Peter Wall is a member of the Company's board of directors and senior vice president, controller and chief accounting officer for Sempra Energy. In this position, Wall is responsible for managing accounting operations, preparation and analysis of financial statements, financial reporting and accounting systems, in addition to coordinating external audits. Previously, from 2017 to 2018 he was vice president and chief financial officer for Sempra Energy's domestic infrastructure businesses, leading their accounting, finance, and risk and structuring groups. Prior, from 2015 to 2017, he was vice president and chief financial officer for Sempra U.S. Gas & Power. Wall served as assistant corporate controller at

Sempra Energy, where he led various teams overseeing technical accounting, planning and corporate accounting functions. Wall joined Sempra Energy in 2012, after a 14-year professional career at Ernst & Young LLP, where he worked with numerous multinational companies, including many in the power & utility sector. Wall is a certified public accountant and holds bachelor's and master's degrees in accounting from the University of Utah.

Faisel H. Khan. Faisel Khan is a member of the Company's board of directors and senior vice president of finance and investor relations for Sempra Energy and chief financial officer of Sempra LNG. Khan is responsible for communicating Sempra Energy's disciplined focus for delivering long-term shareholder value to the investment community, while providing oversight to Sempra Energy's risk management and treasury matters. In his role as chief financial officer of Sempra LNG, Khan oversees accounting and financial modeling. Previously, from 2018 to 2019, Khan was vice president of investor relations for Sempra Energy. Khan previously was a managing director for Citigroup in New York, covering the natural gas, pipeline, midstream, refining and master limited partnership industries. Khan was ranked as one of the top financial analysts in the natural gas sector for 11 consecutive years by the Institutional Investor Survey. Prior to joining Citigroup in 2005, Khan worked for six years at Credit Suisse First Boston, first in investment banking and, later, as an equity research analyst following the integrated pipeline, merchant power and gas distribution industries. Khan holds bachelor's degrees in engineering and economics from the University of Pennsylvania.

Justin C. Bird. Justin Bird is a member of the Company's board of directors and Chief Executive Officer of Sempra LNG. In this role, Bird is responsible for the marketing and commercial development of Sempra's five LNG projects. Bird led the continued development of the LNG projects in his prior position as chief development officer for Sempra North American Infraestructure. Previously, Bird was vice president and gas infrastructure special counsel for Sempra Energy. In this position, he led Sempra Energy's response to regulatory and litigation activity related to the operation of SoCalGas' Aliso Canyon natural gas storage field. From 2014 to 2016, Bird served as vice president, compliance and governance and corporate secretary for Sempra Energy, where he directed the company's ethics and compliance programs and also acted as chief governance officer and corporate secretary. From 2012 to 2014, Bird was director of project finance for Sempra Energy, where he managed the successful $7.4 billion financing of Cameron LNG, the proposed liquefaction export terminal in Hackberry, Louisiana, as well as several other significant financings. From 2004 to 2012, Bird held positions as counsel, senior counsel and principal attorney, working on a wide range of business transactions for Sempra Energy and its subsidiaries. Prior to joining the company in 2004, he was an attorney at Latham & Watkins LLP, where he specialized in energy project development and finance. Mr. Bird serves as a board member of the Corporate Director's Forum, which provides board-focused peer networking and director education in corporate governance. Mr. Bird holds a bachelor's degree in accounting from Arizona State University, where he graduated summa cum laude, and a law degree from the University of Pennsylvania, where he was a member of the school's Law Review.

E. Allen Nye, Jr. has served as a member of Company's board of directors and Chief Executive Officer of Oncor Electric Delivery Company, LLC since March 9, 2018. From January 2011 until March 2018, Mr. Nye served as Senior Vice President, General Counsel and Secretary, and in such role was responsible for overseeing all of Oncor's legal and compliance matters. In January 2013 his responsibilities were expanded to include oversight of all regulatory and governmental affairs activity of Oncor. From June 2008 until joining Oncor, Mr. Nye practiced law as a partner in the Dallas office of Vinson & Elkins LLP, where he focused on representation of regulated energy companies before state and federal government agencies, including the PUCT, the State Office of Administrative Hearings and the FERC. Prior to Vinson & Elkins, Mr. Nye was a partner in the law firm of Hunton & Williams LLP (now known as Hunton Andrews Kurth LLP) from January 2002 until May 2008.

Aarón Dychter Poltolarek. Dr. Dychter is a member of the Company's board of directors and the President and Founder of ADHOC Consultores Asociados, S.C., providing consulting services in infrastructure, transportation and energy investment projects. From December 1994 to December 2006, Dr. Dychter was Undersecretary of Transportation in the Mexican Ministry of Communications and Transportation. In that capacity, he led privatization processes for railways and airports in Mexico, as well as the creation of the first suburban train system for Mexico City. Previously, he held various positions at the Mexican Ministry of Finance and Public Credit, the Mexican Ministry of Programming and Budget and the Mexican Ministry of Energy. He served as Chairman of the Mexican National Steering Committee for the Normalization of Ground Transportation (*Comité Consultivo Nacional de Normalización del Transporte Terrestre*), member of the board of directors and Deputy Chairman of the Nominating and Compensation Committee of Grupo Aeroportuario del Sureste, member of the board of directors of Grupo Aeroportuario del Centro Norte, Grupo Aeroportuario del Sureste, Grupo Aeroportuario Centro Norte, Grupo Aeroportuario del Pacífico, Grupo Aeroportuario de la Ciudad de México. He currently is a member of the board of directors of Grupo OCUPA and Traxion. Dr. Dychter is a graduate of Universidad de las Américas in Mexico and holds a Master's Degree and a Ph.D. in Economics from George Washington University.

Alberto F. Mulás Alonso. Alberto Mulás was appointed member of the Company's board of director in April 2017. From January of 2014 to December of 2016, Mr. Mulás establised and was the head of the Banco Itaú-BBA office in Mexico. Previously, from 2003 to 2013, he was in charge of CREsCE Consultores, a consulting firm, specialized in corporate aspects, finance, strategy and corporate governance. During 13 years, Alberto Mulás was involved in the investment banking activities with Donaldson Lufkin & Jenrette (from 1999 to 2001) and with Lehman Brothers (from 1992 to 1996) and previously collaborated with JP Morgan and Bankers Trust Company. From 2001 to 2003, he served in the Mexican Federal Government during the administration of President Vicente Fox, where he was in charge of the design, structuring and implementation of the national housing policy, the incorporation of the National Housing Commission (*Comisión Nacional de Vivienda*) and Federal Mortgage Company (*Sociedad Hipotecaria Federal*). Alberto Mulás serves in the board of directors of publicly traded and family companies, as independent member. Alberto Mulás has advised multilateral entities such as the International Monetary Fund, the Interamerican Development Bank and the World Bank. Alberto Mulás holds a Chemical Engineer degree from Universidad Iberoamericana, where he graduated with honors and holds a master's degree (MBA) from the University of Pennsylvania (1987).

Jose Julian Sidaoui Dib. Mr. Sidaoui was appointed member of the Company's board of director in February 2017. Currently, he is an advisor and independent director of several financial institutions in the country and abroad. Previously, Mr. Sidaoui worked at the World Bank and Banco de Mexico, an institution he joined in 1979. There, he held various positions in the Economic and Operations area of Central Banking, where he was General Manager for more than 10 years. In December 1994, he was appointed Undersecretary of Finance and Public Credit. In 1997, he returned to the Banco de México to serve as Deputy Governor for two consecutive terms until 2012. Dr. Sidaoui has published several articles on structural change, exports, financial markets, public finances, monetary policy and corporate governance, and best practices in Central Banking. He has participated in various working groups of the International Bank for Payments and has been professor of Economics. He holds a PhD in Economics from George Washington University, a master's degree from the University of Pennsylvania and a degree in economics from the University of the Americas, Puebla.

Board of Directors, composition by gender: 91% male and 9% female.

Faculties of the Board of Directors

The Board of Directors is the Company's legal representative and is authorized to take any action, as a collegiate body, in connection with the Company's operations not expressly reserved to its shareholders.

The Board of Directors has the faculty, among other matters to:

- Approve the Company's and its subsidiaries general strategy;
- Authorize, with the prior opinion of the audit and corporate practices committees: (1) any transaction with related parties, subject to very limited exceptions, (2) the appointment and removal of the Chief Executive Officer and other relevant senior managers, as well as to determine their functions and remuneration; (3) the Company's internal control and internal audit guidelines and those of its subsidiaries; (4) the Company's financial statements and those of its subsidiaries, (5) unusual or non-recurring transactions and any transactions or series of related transactions during any calendar year that involve (a) the acquisition or sale of assets with a value equal to or exceeding 5% of the Company's consolidated assets or (b) the granting of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of the Company's consolidated assets, (6) the appointment of external auditors; and (7) policy of use and enjoyment of the assets of the Company and its subsidiaries, by the related parties.
- Call shareholders' meetings and acting on their resolutions;
- Create special committees and granting them powers and authority, with the exception of those that, by law, or under the Company's bylaws are expressly reserved to the shareholders or the Company's Board of Directors;
- Submit the Chief Executive Officer's annual report to the general shareholders' meeting (which includes the Company's audited annual financial statements) and a report about the accounting policies and criteria used for the preparation of the Company's financial statements;
- Issue an opinion on the price of Company share placements by means of Global Offerings;
- Approve the policies related to disclosure of information;

- Determine the measures to be adopted in the event that irregularities are detected; and
- Exercise the Company's general powers in order to comply with its corporate purpose, among others.

The meetings of the Board of Directors will be validly convened and held if a majority of its members are present; and its resolutions will be valid if approved by a majority of the members present, unless the Company's bylaws require a higher number of votes. The Chairman of the Board of Directors has a tie-breaking vote. Notwithstanding the above, at any time the shareholders may override a decision made by the Board.

Meetings of the Board of Directors may be called by (1) 25% of the board members, (2) the Chairman of the Board of Directors, (3) the Chairman of the Audit Committee or the Corporate Practices Committee, or (4) the Secretary to the Board of Directors.

The Securities Market Law imposes a duty of diligence and loyalty on the directors.

The members of the board during meetings must abstain from participating and voting on matters in which they might have a conflict of interest with the Company, without this affecting the necessary quorum for that particular meeting.

The members of the Board of Directors and the Secretary to the Board of Directors, would breach their duty of loyalty and be liable for damages to the Company and, if applicable, its subsidiaries if they have a conflict of interest and they vote or make a decision with respect to the Company's or its subsidiary's assets or if they fail to disclose any conflict of interest they may have unless confidentiality duties prevent them from disclosing such conflict.

Committees of the Board of Directors

The Board of Directors has established an audit committee and a corporate practices committee to provide particular focus on the oversight of important aspects of the Company's transactions.

Audit Committee

The Securities Market Law requires issuers to have an audit committee, which must be comprised of at least three independent members appointed by the Board of Directors.

The current audit committee members are Aaron Dychter Poltolarek as President, Jose Julian Sidaoui Dib and Alberto F. Mulás Alonso who were ratified by the ordinary general meeting of Company shareholders on April 30, 2020. The Company considers that all members of its audit committee are independent and are experts in the terms of the Securities Market Law.

The audit committee has the faculty, among other matters to:

- Submit recommendations to the Board of Directors with respect to the appointment or removal of external auditors;
- Supervise the external auditors' work and to analyze their reports;
- Analyze and supervise the preparation of the Company's financial statements;
- Submit to the Board of Directors a report about the Company's internal controls and their suitability;
- Request information from the relevant officers of the company when it deems it necessary;
- Assist the Board of Directors in the preparation of a report on the operations and activities in which the Board of Directors has participated, in accordance with the Securities Market Law;
- Report any irregularities it may detect to the Board of Directors;
- Receive and analyze proposals and observations made by shareholders, advisors, relevant senior managers, external auditors or third parties, and adopt the necessary measures based on these recommendations or observations;
- Call shareholders' meetings;
- Ensure that transactions with related parties comply with applicable laws;

- Oversee the implementation by the Chief Executive Officer of resolutions taken by the shareholders' meetings or the Board of Directors in accordance with the instructions issued by each of these bodies; and
- Provide an annual report of its activities to the Board of Directors.

The chairman of the audit committee has the responsibility of preparing an annual report about the activities of the committee for submission to the Board of Directors. This report must include at least: (1) the status of the Company's internal control and internal audit systems, and where relevant, any deviations and deficiencies they may present, as well as aspects that should be improved, considering the external auditors' and independent experts' reports; (2) the results of any preventive and corrective measures taken based on results of investigations of non-compliance with operating or financial policies, (3) the evaluation of the external auditors, (4) the main results from the review of the Company's financial statements and those of its subsidiaries, (5) the description and effects of changes to accounting policies, (6) the measures adopted as a result of observations made by shareholders, directors, relevant members of the senior management and third parties related to accounting, internal controls, and internal or external audits, (7) follow-up of the implementation of resolutions taken at shareholders' and the Board of Directors' meetings; (8) observations with respect to the performance of relevant directors and officers; and (9) the remuneration paid to relevant directors and senior managers.

Corporate Practices Committee

The current members of the Corporate Practices Committee are Alberto F. Mulás Alonso as President, Jose Julián Sidaoui, Aaron Dychter Poltolarek and Dennis V. Arriola, who were appointed and ratified, respectively by the ordinary general meeting of shareholders on April 30, 2020. In accordance with the provisions of the Securities Market Law, the majority of the members of the Corporate Practices Committee are independent because the Company's indirect controlling shareholder owns at least 50% of the Company's equity. Jose Julián Sidaoui, Alberto F. Mulás and Aaron Dychter Poltolarek are the independent members. The Company believes that all members of its Corporate Practices Committee are independent and at least one of its members is a financial expert in terms of the Securities Market Law.

The Corporate Practices Committee has powers including:

- To assist the Board of Directors in the approval of the policies and guidelines for the execution of transactions with related parties and in reviewing that those transactions between related parties that are in turn subject to the cross-share regulation, in terms of the article 83 of the Hydrocarbon Law, fully comply with the provisions of said article and the applicable policies of the Company;
- To verify that those transactions between related parties that are in turn subject to the cross-share regulation, in terms of Article 83 of the Hydrocarbon Law, fully comply with the provisions of said article and the applicable policies of the Company;
- To provide opinions and make recommendations to the Board of Directors;
- To provide assistance to the Board of Directors in the preparation of reports on the main accounting and information guidelines used in the preparation of financial information;
- To advise the Board of Directors on the appointment of the Chief Executive Officer and other relevant senior managers, as well as to determine their responsibilities and remuneration;
- To advise the Board of Directors on the preparation of reports for the annual shareholders' meeting;
- To request and obtain opinions and recommendations from independent experts;
- To provide opinions on transactions with related parties; and
- To call shareholders' meetings.

The Chairman of the Corporate Practices Committee is responsible for preparing an annual report to the Board of Directors with respect to: (1) observations regarding the performance of relevant senior managers; (2) transactions with related parties, describing the main characteristics of significant transactions, (3) the remuneration paid to relevant advisors and members of senior management; and (4) granting permission to advisors or members of the senior management to take advantage of business opportunities.

Senior Officers

The following table sets forth certain information regarding the Company's senior officers:

Name	Age	Gender	Title
Carlos Ruiz Sacristán	70	Male	Chairman of the Board and Executive President
Tania Ortiz Mena López Negrete	50	Female	Chief Executive Officer
Manuela Molina Peralta	47	Female	Chief Financial Officer
Juan Rodríguez Castañeda	55	Male	Chief Natural Gas Operating Officer
Abraham Zamora Torres	51	Male	Chief Corporate Sustainability and Affairs Office
Jesús Córdoba Domínguez	59	Male	Chief Engineering and Construction Officer
Carlos Barajas Sandoval	51	Male	Chief Power and Storage Operating Officer
René Buentello Carbonell	51	Male	General Counsel and Chief Compliance Officer
Carlos Mauer Díaz Barriga	48	Male	Chief Development Officer
Roberto Rubio Macías	47	Male	Vice President, Controller
Jorge Molina Casellas	50	Male	Vice President of Commercial
Luis Miguel Osio Buch	35	Male	Director of Investor Relations and Merge and Acquisitions

The following is a summary of the experience and principal business interests of current the Company's officers:

Carlos Ruiz Sacristán. See "Board of Directors" of this Report.

Tania Ortiz Mena López Negrete See "Board of Directors" of this Report.

Manuela Molina Peralta. Manuela ("Nelly") Molina is the Company's Chief Financial Officer since July 2017. Previously, she served as Vice President of Finance from 2010 to 2017. Before joining the Company, she served as Vice President of Finance at El Paso Corporation in Mexico from 2001 to 2010. Before joining El Paso Corporation (Mexico), Ms. Molina was General Manager of Kinder Morgan (Mexico) at the first natural gas distribution company in Hermosillo, Sonora, from 1997 to 2001. In 2015, Ms. Molina was national president of the Mexican Institute of Finance Executives (*Instituto Mexicano de Ejecutivos de Finanzas*), and she is currently chairman of the Issuers Committee of the Mexican Stock Exchange and board member of the International Chamber of Commerce Mexico. Ms. Molina was an independent board member of the New Mexico City Airport Project. She is also a board member and founder shareholder of NatGas Querétaro. Ms. Molina holds a Bachelor's Degree in Accounting from the Universidad de Sonora and a Master's Degree in Finance from the Instituto Tecnológico de Estudios Superiores de Monterrey.

Juan Rodríguez Castañeda has been IEnova's Chief Natural Gas Operating Officer since September 2018. Previously he served as the Company's Chief Corporate Affairs & Human Resources officer from May 2016 to 2018 and Vice President of Corporate Affairs and Human Resources from 2014 to 2016. Before joining IEnova he worked for 10 years in the aviation sector, where he served as Chief Corporate & Industry Affairs Officer from 2013 to 2014, Chief Human Resources Officer from 2010 to 2013 in Aeromexico, Chief Executive Officer in SEAT, currently Aeromexico Servicios in 2010 and Chief Executive Officer in Aeromexpress currently Aeromexico Cargo from 2004 to 2010. Juan Rodríguez Castañeda also served in the Mexican Public Administration from 1988 to 2004 including posts within the Secretary of Finance and Public Credit, Secretary of Communication and Transportation (SCT), Pemex, as well as the Office of the Presidency, his most relevant positions were Chief of Staff for three Secretaries and General Coordinator of Planning at the Secretary of Communication and Transportation. Juan Rodríguez Castañeda holds a Bachelor's degree in Economics from Instituto Tecnológico Autónomo de México (ITAM).

Jesús Córdoba Domínguez has been IEnova's Chief Engineering & Construction Officer since May 2016. Previously he served as the Vice President of Engineering & Construction from 2012 to 2016 and Director of Operations and Transportation from 2010 to 2012. Jesús Córdoba worked for El Paso Corporation in Mexico as Project Manager for Subsidiaries from 2001 to 2010 and as Superintendent of Contracts with TC energy in Mexico from 1998 to 2001. Jesús has 37 years of experience in infrastructure project execution, including 18 year of experience in project management in the construction industry in Mexico. Jesús Córdoba has a bachelor Degree in Civil Engineering from the Universidad La Salle, specializing in project management.

Carlos Barajas Sandoval. Carlos Barajas has been Chief Power and Storage Operating Officer since September 2018. Previously he served as IEnova's Chief Operating officer from 2016 to 2018, Vice President of Operations from 2013 to 2016 and Vice President of Gas in 2013. Before joining IEnova, Carlos Barajas worked for LNG's Terminal in Altamira as General Director from 2007 to 2013; Director of Business Development for Shell Mexico from 2005 to 2007, Commercial Director for InterGen Mexico from 200 to 2005 and Commercial Manager for Energía Mayakan from 1997 to 2000. Carlos Barajas holds a Bachelor's Degree in Civil Engineering from the Instituto Politécnico Nacional in 1992 and a Master's Degree in Engineering from British Columbia University in 2000 and a Master's Degree in Business and Economics from the Universidad Anáhuac in 2007.

René Buentello Carbonell. René Buentello has been IEnova's General Counsel and Chief Compliance Officer since September 2018. Previously he served as Chief Legal Counsel from 2016 to 2018, Vice President and General Counsel from 2014 to 2016 and General Counsel from 2010 to 2014. René Buentello began his corporate lawyer career at the industrial division of Grupo Carso, where he served as Legal Manager at Grupo Nacobre and Grupo Aluminio and Alternate Secretary and Secretary, respectively, of the Board of Directors of those companies from 1990 to 2002, and later he joined Pemex, where he served in various positions in the transportation and logistical areas of Pemex-Gas and Pemex-Refining from 2002 to 2008. Subsequently, he served as Business Development Director at El Paso Corporation in Mexico from 2008 to 2010. René Buentello holds a law degree and graduate degrees in Economic and Corporate Law, Commercial Law and International Finance Law, all from the Universidad Panamericana.

Carlos Mauer Díaz Barriga serves as IEnova´s Chief Development Oficcer. In this role he is in charge of leading the energy infraestructure development initiatives of IEnova. Prior to this position, Carlos was vice President - South America for Sempra Energy. In that role, Mauer was responsible for Sempra´s investments in Chile and Peru as well as leading business developments efforts in the region. Mauer has also served as Vice president of the board of directors of Chilquinta Energia and Luz del Sur. Mauer joined Sempra in 2002 and has held various roles of increasing responsibility in the areas of business development, financial planning and asset management. He started his career in Sempra as commercial manager for Sempra Mexico. Mauer has extensive experience in the energy industry, especially in the gas and electric infrastructure segments in the US and Latin America. Earlier in his carrer, Mauer was involved in international trading operations of crude oil and petroleum products for Petroleos Mexicanos Internacional (PMI) based in Mexico City and London. Mauer has a degree in chemical engineering and management from Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM).

Abraham Zamora Torres. Abraham Zamora Torres has been IEnova´s Chief Corporate Affairs Officer since December 2018. Before joining IEnova he worked as Chief of Staff of the Minister of Foreign Affairs from 2017 to 2018, Chief Executive Officer in the National Bank of Public Works and Services (BANOBRAS) from 2015 to 2017, and Head of the Economic Productivity Unit at the Ministry of Finance and Public Credit from 2013 to 2015. From 2006 to 2013, Abraham served as Chief Corporate and Industry Affairs Officer at Aeromexico and as President of the National Air Transportation Association from 2011 to 2013. Between 1991 and 2004 he held several positions at Mexican Public Administration, including within the Ministry of Finance and Public Credit and the Ministry of Communications and Transportation. Abraham Zamora holds a bachelor´s degree in Economics from Instituto Tecnológico Autónomo de México (ITAM) and has two master degrees in Public Policy and Administration from Columbia University and Political Economy from University of Essex.

Roberto Rubio Macías. Mr. Rubio has been our Vice President Controller since May 2016. Before that, Mr. Rubio was our General Controller from 2012 to 2016. From 2011 to 2012, he was Foreign Investments Accounting Manager at Sempra Energy in San Diego, Internal Auditing Manager at Luz del Sur (a subsidiary of Sempra Energy in Lima, Peru) in 2011, Financial Reporting Manager at IEnova in Tijuana from 2007 to 2010, Controller of Termoeléctrica de Mexicali and Accounting Manager and Controller at Ecogas in Chihuahua. Prior to joining Sempra Energy in 2001, Mr. Rubio served as Administrative Manager at Denimtex from 1998 to 2001, Regional Administrative Supervisor at British American Tobacco from 1996 to 1998, and Senior Auditor at Galaz, Yamazaki, Ruiz Urquiza (Deloitte) in Chihuahua from 1993 to 1996. He has been registered as a certified public accountant with the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos*) since 2001. Mr. Rubio holds a Bachelor's Degree in Accounting from Universidad Autónoma de Chihuahua, and a Master's Degree in Business Administration from the Universidad Autónoma de Chihuahua. Mr. Rubio also holds a Master's Degree from Instituto Tecnológico y de Estudios Superiores de Monterrey, in Innovation for Business Development in 2017.

Jorge Molina Casellas. Jorge Molina has been the Company's Vice President of Commercial since May 2016. From 2012 to 2016, Mr. Molina acted as Business Director and has occupied managing positions in the commercial, finance, projects, regulation and operations areas and in various business units since joining the Company in 1997. Prior to joining us, Mr. Molina served as a financial advisor at Bancomer from 1993 to 1997. Mr. Molina holds a Bachelor's Degree in

Business Administration and a Master´s Degree in Corporate Finance from Centro de Enseñanza Técnica y Superior Campus Mexicali.

Luis Miguel Osio Buch is our Director of M&A and Investor Relations, a role he has held since May 2019. Before that, he was Head of M&A, participating in our most relevant and recent acquisitions. Mr. Osio joined us in 2013 as a manager in the Development and Investor Relations departments. Mr. Osio holds a Bachelor´s Degree in Financial Administration and a Master's Degree in Administration and Finance from the Instituto Tecnológico y de Estudios Superiores de Monterrey.

Senior officers, composition by gender: 83% male and 17% female.

Activities of Senior Officers

The role of the Chief Executive Officer and the other members of senior management is to focus their activities on increasing the value of the Company. The Chief Executive Officer and senior management may be held liable for damages to the Company, or to its subsidiaries if applicable, if : (1) they knowingly favor a certain shareholder or group of shareholders, (2) they approve transactions between the Company or its subsidiaries, with related persons without complying with the applicable legal disclosure requirements, (3) they take personal advantage from the use or enjoyment of the Company's or its subsidiaries' assets against company policy (or authorize third parties to do so); (4) they make inappropriate use of the Company's, or its subsidiaries,' non-public information, or (5) they knowingly disclose or reveal false or misleading information.

The Chief Executive Officer and the members of the senior management are required, under the Securities Market Law, to act for the Company's benefit and not that of a particular shareholder or group of shareholders. The main functions of the Chief Executive Officer include: (1) implementing the resolutions approved during shareholders' meetings and by the Board of Directors, (2) submitting the main strategies of the business to the Board of Directors for approval, (3) submitting proposals for internal control systems to the audit and corporate practices committees, (4) disclosing relevant information to the public, and (5) maintaining adequate accounting and internal control systems and mechanisms. The Chief Executive Officer and the members of the senior management are also subject to the same type of obligations as the directors.

As of the date of this report, none of the directors or executive officers of the Company is a holder of more than 1% of the Company's shares.

Business Address of the Company's Directors and Senior Officers

The business address for all members of the Company's Board of Directors and senior officers is Torre New York Life, Paseo de la Reforma No. 342, 24th floor, Colonia Juárez, C.P. 06600, Mexico City, México, Attention: Infraestructura Energética Nova, S.A.B. de C.V.

Family Relationships

There are no family relationships among the Company's directors and senior officers, or among the Company's directors and senior officers and the directors and senior officers of the Company's indirect controlling shareholder.

Labor Inclusion Policy

The Company does not have a labor inclusion policy; however the talent's attraction policy establishes that IEnova is governed by certain integrity standards, among which IEnova does not discriminate for any reason: sex, race, age, religious creed, political doctrine or social or physical condition or sexual orientation. This is how the Company recognizes the equality and dignity of people, respecting their freedom and privacy at all times. Compliance with the above is monitored by the Corporate Ethics Committee, headed by the Executive Vice President and General Counsel, and the Development, Equity and Diversity Committee chaired by the Executive Vice President of Corporate Affairs and Human Capital. The Company has a toll-free confidential telephone line and a Corporate Ethics Officer specialized in dealing with any type of situation that might occur in violation of established integrity standards.

Likewise, IEnova subscribes to the United Nations Global Compact in the field of human rights; this UN Global Compact asks companies to adopt, support and enact, within their sphere of influence, a set of fundamental values in the areas of human rights, labor standards, the environment and anti-corruption.

Legal Proceedings Involving the Company's Directors or Senior Officers

As of the date of this report, there are no judicial or administrative proceedings pending against any of the Company's directors and/or senior officers.

Compensation of the Company's Directors and Senior Officers

The aggregate amount of compensation paid by the Company to the members of the senior management for the years ended December 31, 2019, 2018 and 2017, was USD$13.5 million, USD$13.5 million and USD$10.7 million, respectively. The Company continuously reviews the salary, bonus and other compensation plans to offer competitive compensation arrangements for the management.

The Company's director compensation plan covers only independent, non-employee directors. Each of the Company's independent directors receives (i) an annual fee of USD$24,500, payable in four equal quarterly payments, (ii) an annual fee of USD$39,000 for their performance as board and committee members, payable in four equal quarterly payments and (iii) participates in the long-term incentive plan, for the equivalent amount of USD $ 46,500, said amount is referenced to the performance of the Company's shares and matures for payment one year after registration. Subject to such director continuing to exercise his or her duties as of the maturity date. Non independent directors do not receive any compensation for their services as directors or members of the audit or corporate governance committees.

The terms of this phantom stock compensation are determined by a committee of the Company's board of directors composed entirely of non-independent directors.

Also, as of December 31, 2019, 2018 and 2017 , the Company's accrued amount for pension, retirement or similar plans that correspond to members of the board, relevant directors and other related parties was USD2.5 million, USD$1.8 million and USD$1.7 million, respectively.

Executive Restricted Grants Plan

In addition to salary, members of the Company's senior management team annually receive time and performance based restricted grants. Performance-based grants are based upon the performance of the Company's stock and other performance metrics. Long-term executive restricted grants is determined according to Sempra Energy and IEnova stock price performance, and others metrics. The components subject to the Company's stock performance will be paid in cash and / or shares of Sempra Energy, as the case may be, after three years of having been granted and subject to the executive remaining in service on such date. the components subject to time, will be paid in thirds during the three years duration of each program. The restricted grants based on IEnova's shares, will be paid in cash.

Seniority Compensation Plan

Pursuant to Mexican Federal Labor Law, the Company grants seniority fees to employees under certain circumstances. These benefits consist of a one-time payment equivalent to twelve days of salary for each year of employment (based on the last salary of the employee, but not higher than twice the minimum legal wage). This fee is paid to all employees with 15 years or more of service and when the Company unilaterally severs employment.

Shareholding April, 2020

Shareholders with more than 10% of issuer's equity: Banco Nacional de México, SA, a member of Grupo Financiero Banamex ("Banamex"), is not a direct shareholder of the Company, Banamex as a brokerage firm acquires shares on behalf of other investors, entities or individuals, directly or indirectly, in this sense, Banamex held 28% of IEnova's shares outstanding, on behalf of various direct and / or indirect investors.

It is important to mention that as of the date of this Report, Banamex was the brokerage house with the most significant position of IEnova's shares, after Semco Holdco, S. de R.L. de C.V. the shareholder with 66.63% of IEnova's capital.

Shareholders with significant influence: none

Shareholders with control: Semco Holdco, S. de R.L. de C.V., 66.63%

Semco Holdco S. de R.L. de C.V., the shareholder of 66.63% of IEnova's equity, is controlled by Sempra Energy, an American holding company based in San Diego, California, dedicated to the energy sector and listed in the New York Stock Exchange under the ticker "SRE".

With the exception of the abovementioned, the Company is not under control or significative influence of any person, foreign government or entity, as such terms are defined in the Securities market law. Likewise, as of today, the Company does not have any commitment that could represent a change in the control of its shares.

d) The Company's Bylaws and Other Agreements

Set forth below is a description of the Company's capital stock and a brief summary of certain significant provisions of the Company's bylaws and Mexican law. This description does not purport to be complete and is qualified in its entirety by reference to the Company's bylaws and the relevant provisions of Mexican law.

General

The Company was incorporated on April 2, 1996 under the name "Enova de México, S.A. de C.V." and subsequently, on April 25, 2008, became a limited liability company (*sociedad de responsabilidad limitada*) organized pursuant to the Mexican Corporations Law and changed the Company's name to "Sempra Energy México, S. de R.L. de C.V." On December 3, 2008 the Company changed its name to "Sempra México, S. de R.L. de C.V." On February 15, 2013, the Company transformed into a variable capital stock corporation (*sociedad anónima de capital variable*), which transformation became effective on February 20, 2013. On March 1, 2013, the Company changed its name to "Infraestructura Energética Nova, S.A. de C.V." Through a unanimous resolution on March 6, 2013, the Company's shareholders approved amending and restating the bylaws to conform them to the provisions of the Mexican Securities Market Law applicable to public companies, to adopt the form of a variable capital publicly traded corporation (*sociedad anónima bursátil de capital variable*) and to change the name to "Infraestructura Energética Nova, S.A.B. de C.V." On October 7, 2016, the Twenty-eighth Clause of the articles of incorporation was amended in order to suppress the requirement to publish calls within the official period in the company's domicile or through any widely read newspaper in said place, and to include instead the publication through the Electronic system of Publications for Commercial Corporations of the Economics Ministry. A copy of the Company's amended and restated bylaws has been filed with the Mexican National Banking and Securities Commission and the Mexican Stock Exchange on May 26, 2017 and are available for review at www.gob.mx/cnbv and www.bmv.com.mx.

The duration of the Company's corporate existence is indefinite. The Company is a holding company and conduct all of its operations through its subsidiaries. The Company's main offices are located in Av. Paseo de la Reforma No. 342, 24th Floor, Col. Juárez, 06600, Mexico City. Phone number is +52 (55) 9138-0100 and its website is www.ienova.com.mx.

Capital stock

Because the Company is a variable capital stock corporation, the Company's capital stock must have a fixed portion and may have a variable portion. As of the date of this report the Company's issued and outstanding capital stock consists of 1,529,403,812 shares of a single series of common stock, nominative, with no par value, of which 5,000 are Class I shares representing the Company's fixed capital and 1,529,398,812 are Class II shares representing the Company's variable capital. In addition, as of the date of this Report, the Company does not have shares held in treasury. The Company's shares are not subject to any ownership restrictions and, accordingly, may be issued to and held by both Mexican and non-Mexican investors.

Changes in the Company's Capital Stock in the Past Three Years

In the last three years,, the only change in the Company's capital stock was approved at an ordinary shareholders' meeting on November 29, 2019, to cancel a total of 4,620,000 shares of our Class II, single series of common stock, ordinary, nominative, with no nominal value, representative of the variable part of the Company's capital which were acquired as a result of the operation of the Company's fund to repurchase shares. The subsequent capital stock reduction was in the amount of USD$46.2 million on its face, representing a capital stock reduction of 10 pesos for each share of common stock cancelled.

Voting Rights and Shareholders' Meetings

All of the Company's shares have full voting rights. Each share entitles the holder to one vote at any meeting of the Company's shareholders.

Pursuant to the Company's bylaws, the Company may hold ordinary or extraordinary shareholders' meetings. Ordinary shareholders' meetings are those which are called to discuss any matter that is not reserved for discussion at an extraordinary shareholders' meeting. The Company must hold an ordinary shareholders' meeting at least once each year, within the first four months following the end of the Company's fiscal year, to discuss, among other things, the approval of the financial statements, the report prepared by the board of directors on the financial statements, the appointment of members of the board of directors and the determination of the compensations of the members of board of directors.

Extraordinary shareholders' meetings are those which are called to discuss, among others, the following matters:

i) an extension of the duration of the Company's corporate existence;

ii) the Company's dissolution;

iii) an increase or decrease in the Company's capital stock;

iv) a change in the Company's corporate purpose or nationality;

v) any transformation, merger or spin-off involving us;

vi) any stock redemption or issuance of preferred stock;

vii) any redemption of the Company's shares using retained earnings;

viii) the issuance of bonds, debentures, obligations, debt or equity instruments, or other similar instruments;

ix) the cancellation of the registration of the Company's shares with the Mexican National Securities Registry or the delisting of the Company's shares from any stock exchange;

x) amendments to the Company's bylaws; and

xi) any other matter for which Mexican law or the Company's bylaws specifically require an extraordinary meeting.

Shareholders' meetings are required to be held in the same city as the Company's corporate offices, which are in Tijuana, Baja California. Shareholders' meetings may be called by the chairman of the Company's board of directors, the chairman of the audit committee, the chairman of the corporate governance committee, the secretary or a Mexican court of competent jurisdiction. In addition, any holder of at least 10% of the Company's outstanding capital stock has the right to request that the Company's board of directors, the audit committee or the corporate governance committee call a shareholders' meeting to discuss the matters indicated in the relevant request.

Notices of shareholders' meetings must be published in the Electronic System of Publications of Mercantile companies of the Ministry of Economy, at least 15 calendar days prior to the date of the meeting. Each notice must set forth the place, time and agenda for the meeting and must be signed by the person convening the meeting. From the date on which a notice is published until the date of the meeting, all relevant information regarding such meeting must be made available to the shareholders.

To be admitted to a shareholders' meeting, shareholders must submit evidence of the deposit of their stock certificates with a financial institution, brokerage firm or securities depositary, at least one day prior to the relevant meeting. The Company will then issue certificates that can be used to gain admission to the meeting. Shareholders may designate one or more authorized representatives with general or special powers and authority to represent them at a meeting, or appoint a representative using the proxy forms that the Company will make available during the 15-day period prior to each meeting.

Quorum

Ordinary meetings are legally convened on a first notice when at least 50% of the Company's outstanding shares are present or duly represented. Resolutions at ordinary meetings of shareholders pursuant to a first notice are valid when approved by the holders of the majority of the voting shares present at such meeting. At meetings called by a second notice, any number of shares represented at an ordinary meeting of shareholders constitutes a quorum and resolutions are valid when approved by the holders of a majority of the shares represented at the meeting.

Extraordinary shareholders' meetings and special shareholders' meetings are legally convened on a first notice when at least 75% of the Company's outstanding shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders pursuant to a first notice are valid when adopted by the holders of at least 50% of the Company's outstanding voting shares. At extraordinary shareholders' meetings called by a second or subsequent notice, meetings are legally convened when at least 50% of the Company's outstanding shares are present or duly represented. Resolutions at an extraordinary meeting of shareholders called pursuant to a second or subsequent notice are valid when adopted by the holders of shares representing at least 50% of the Company's outstanding voting shares

Approval from the holders of shares representing 95% of the Company's capital stock, whether voting or non-voting, is required to request to the Mexican Banking and Securities Commission that the registration of the Company's shares on the Mexican Securities Registry be canceled in accordance with the Mexican Securities Market Law and other applicable laws.

Dividends and Distributions

Typically, at an annual ordinary shareholders' meeting, the board of directors submits the Company's financial statements for the previous fiscal year to the shareholders for approval. Once shareholders approve the financial statements, they determine the allocation of the Company's net profits for the preceding fiscal year. By statute, prior to any distribution of dividends, the Company is required to allocate 5% of the Company's net profits to a legal reserve fund until the legal reserve fund equals 20% of the Company's paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts allocated to a reserve for the repurchase of shares. The remaining balance, if any, may be distributed as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been restored.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution. If and when the Company declares dividends, the Company will distribute through Indeval cash dividends for shares held through Indeval. Any cash dividends on shares evidenced by physical certificates will be paid upon surrendering to the Company the relevant dividend coupon registered in the name of its holder. See "Dividends and Dividend Policy."

Changes to The Company's Capital Stock

The fixed portion of the Company's capital stock may be increased or decreased by a resolution adopted by the Company's shareholders in an extraordinary shareholders' meeting, provided that the Company's bylaws are concurrently amended to reflect the increase or decrease in capital stock. The variable portion of the Company's capital stock may be increased or decreased by the Company's shareholders in an ordinary shareholders' meeting without the amendment of the Company's bylaws.

Increases or decreases in the fixed or variable portion of the Company's capital stock must be recorded in the Company's registry of capital variations, which the Company is required to maintain under the Mexican Corporations Law. The minutes of any shareholders' meeting where the Company's fixed capital is increased or decreased must be notarized and registered before the corresponding Public Registry of Commerce. New Shares cannot be issued unless the issued and outstanding Shares at the time of the issuance have been paid in full, except in certain limited circumstances.

Share Repurchases

The Company may choose to acquire the Company's own shares through the Mexican Stock Exchange on the following terms and conditions:

- The acquisition must be carried out through the Mexican Stock Exchange;
- The acquisition must be carried out at market price, unless a public tender offer or auction has been authorized by the Mexican Banking and Securities Commission;
- The acquisition must be carried out against the Company's stockholders' equity without adopting a reduction in capital stock, or against the Company's capital stock, and the shares so acquired will be held as treasury shares. No shareholder consent is required for such purchases;
- The amount of shares and the price paid in all share repurchases must be made public;
- The maximum amount to be spent in a fiscal year for the repurchase of shares must be determined by the Company's shareholders at their annual ordinary meeting;
- The Company may not be delinquent on payments due on any outstanding debt issued by the Company that is registered with the Mexican Securities Registry;
- Any acquisition of shares must be in conformity with the requirements of Article 54 of the Mexican Securities Market Law; and
- The Company must maintain a sufficient number of outstanding shares to meet the minimum trading volumes required by the stock markets on which the Company's shares are listed.

The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which the Company owns such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting.

Ownership of Capital Stock by Subsidiaries

The Company's subsidiaries may not, directly or indirectly, invest in the Company's shares, except for shares acquired as part of an employee stock option plan and in conformity with the Mexican Securities Market Law.

Redemption

In accordance with the Company's bylaws, shares representing the Company's capital stock are subject to redemption in connection with either (1) a reduction of capital stock, or (2) a redemption with retained earnings, which in either case must be approved by the Company's shareholders at an extraordinary meeting. In connection with a capital reduction, the redemption of shares must be made pro rata among the shareholders. In the case of a redemption with retained earnings, such redemption shall be conducted (a) by means of a tender offer conducted on the Mexican Stock Exchange at prevailing market prices, (b) pro rata among the shareholders, or (c) if the redemption is at a price different from the prevailing market price, shares to be redeemed shall be selected by lot.

Dissolution and Liquidation

In the event of the Company's dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up the Company's business and affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any liquidation proceeds.

Registration and Transfer

The Company's shares have been registered with the Mexican Securities Registry as required under the Mexican Securities Market Law and the regulations issued by the Mexican Banking and Securities Commission. Shares are evidenced by certificates issued in registered form, which are to be deposited with Indeval at all times. The Company's shareholders may only hold their shares in book-entry form through participants that have accounts with Indeval. Indeval is the holder of record in respect of all shares. Accounts may be maintained at Indeval by brokers, banks and other Mexican and non-Mexican financial institutions and other entities authorized by the Mexican Banking and Securities Commission to be participants at Indeval. In accordance with Mexican law, only persons listed in the Company's stock registry and holders of certificates issued by Indeval or by Indeval participants will be recognized as the Company's shareholders. Such shareholders may exercise rights in respect of those shares at meetings of shareholders or otherwise. Transfers of shares must be registered through book entries on the records of Indeval.

Preemptive Rights

Under Mexican law and the Company's bylaws, the Company's shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if the Company issues additional shares of capital stock, the Company's shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time periods set forth by the Company's shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 days following the publication of notice of the issuance in the Mexican Official Gazette and in a newspaper of general circulation in Mexico City.

Under Mexican law, shareholders cannot waive their preemptive rights in advance, and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share certificate. Preemptive rights will not apply to (1) shares issued by the Company in connection with mergers, (2) shares issued in connection with the conversion of convertible securities, the issuance of which was approved by the Company's shareholders, (3) shares issued in connection with the capitalization of items included in the Company's statement of financial position, (4) the resale by the Company of shares held in the Company's treasury as a result of repurchases of shares conducted by the Company on the Mexican Stock Exchange, and (5) shares to be placed in a public offering pursuant to Article 53 of the Mexican Securities Market Law, which permits the non-applicability of preemptive rights in connection with public offerings by existing public companies, if the issuance of those shares was approved at a general shareholders' meeting.

Certain Minority Protections

Pursuant to the Mexican Securities Market Law and the Mexican Corporations Law, the Company's bylaws include a number of minority shareholder protections. These minority protections include provisions that allow holders of at least 10% of the Company's outstanding shares entitled to vote (including voting in a limited or restricted manner):

a. to request that a shareholders' meeting be called;

b. to request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and

c. to appoint or revoke the appointment of one member of the Company's board of directors and one alternate member of the Company's board of directors.

The minority protections include provisions that also allow holders of at least 20% of the Company's outstanding share capital to oppose and file a petition for a court order to suspend any resolution adopted at a shareholders' meeting, provided that (1) the claim is filed within 15 days following the adjournment of the meeting at which the action was taken, (2) the challenged resolution violates Mexican law or the Company's bylaws, (3) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (4) the opposing shareholders deliver a bond to the court to secure payment of any damages that the Company may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder. However, these provisions have seldom been invoked in Mexico, and, as a result, it is uncertain how a competent court may enforce them.

The minority protections include provisions that also allow holders of at least 5% of the Company's outstanding shares to initiate an action for civil liabilities against some or all of the Company's directors in a shareholder derivative suit for the Company's benefit, for violations of their duty of care or their duty of loyalty, in an amount equal to the damages or losses caused to us. Such actions have a five-year statute of limitations.

Anti-Takeover Protections

The Company has included in its bylaws provisions intended to prevent changes in control. Generally, these provisions establish thresholds for carrying out a mandatory public tender offer lower than those described in "Public Offers" in the Section "Information on the Stock Market."

General

Subject to certain exceptions, the Company's bylaws provide that any person who, individually or together with other related persons, wishes to acquire the Company's shares or the beneficial ownership of the Company's shares, directly or indirectly, in one or more transactions, regardless of the time of each transaction or the percentage of shares maintained by such person individually or together with other related persons prior to the acquisition, that result in such person holding individually, or together with such other related persons, shares representing 10% or more of the Company's outstanding capital stock, must (1) obtain the prior written approval of the Company's board of directors before undertaking the transaction, and (2) where such acquisition would result in a 20% Interest, a 40% Interest or a change in the Company's control, fulfill additional requirements as set forth below.

The Company will not recognize the ownership of shares acquired without approval or in violation of the Company's anti-takeover provisions, nor will the Company record such shares in the Company's stock registry, even if the acquirer holds other shares of the Company's common stock. Furthermore, a person that is deemed to have acquired the Company's shares in violation of the Company's anti-takeover protections will not be able to vote such shares or exercise any corporate rights associated with them (other than dividend and other economic rights). In addition, a person that acquires shares in violation of the Company's bylaws is obligated to sell those shares through one or more transactions in the Mexican Stock Exchange within 90 days of the date on which such shares are acquired.

Except as provided in this section, there are no trusts or other mechanisms limiting the corporate rights of the Shares.

The foregoing, without prejudice to the acquirer's equity rights while the shares being acquired have not been disposed of.

Board Approvals

A potential acquirer must obtain the prior approval of the Company's board before undertaking any of the transactions described above. To obtain such approval, the potential acquirer must submit to the Company's board a written authorization request that contains certain details about the transaction, the acquirer and the source of the funds. If the Company's board of directors does not approve the request in the manner and within the time periods provided in the Company's bylaws, the authorization request will be deemed to be denied.

Mandatory Tender Offers in Connection with Certain Acquisitions

If the Company's board of directors authorizes an acquisition of the Company's shares that results in the acquisition of a 20% interest but less than a 40% interest, regardless of such authorization the acquirer must make a cash tender offer for the greater of (1) the percentage of the Company's outstanding shares that it is expected to acquire, or (2) 10% of the Company's outstanding shares, provided that such acquisition would not result in a 40% interest or a change of control. In the event that the Company's board of directors authorizes an acquisition that results in a 40% interest or a change of control, regardless of such authorization the acquirer must make a cash tender offer for 100% of the Company's outstanding shares at a price which cannot be lower than any of the following: (i) the book value of the Company's shares as reported on the last quarter approved by the Company's board of directors; (ii) the highest closing price of the Company's shares on the Mexican Stock Exchange during any of the 365 days preceding the date of the board resolution approving the acquisition; or (iii) the highest price paid for any shares, at any time, by the acquirer. Furthermore, all shareholders must be paid the same price for shares tendered in connection with the offer. The mandatory tender offer provisions of the Company's bylaws generally are more stringent than similar provisions contained in the Mexican Securities Market Law. The Company believes the provisions of the Company's bylaws are more protective of minority shareholders than the current Mexican Securities Market Law.

Exceptions

Certain transactions are exempt from the anti-takeover provisions of the Company's bylaws, including, among others, direct or indirect acquisitions or transfers through inheritance, acquisitions or transfers by a person or persons controlling us, such as the Company's indirect controlling shareholder, Sempra Energy (including transfers resulting in a change of control of the person or persons controlling us), acquisitions or transfers by us, the Company's subsidiaries, the Company's affiliates or any trust created by the Company or any of the Company's subsidiaries, or acquisitions or transfers authorized by the Company's board of directors or at a meeting of the Company's shareholders.

Registration of Changes in The Company's Anti-Takeover Provisions

Any amendment to the Company's anti-takeover protections must be registered with the Public Registry of Commerce.

Cancellation of the Registration of The Company's Shares With the Mexican Securities Registry

In the event of cancellation of the registration of the Company's shares with the Mexican Securities Registry, whether at the Company's request or by resolution of the Mexican Banking and Securities Commission, the Company's controlling shareholders will be required to conduct a tender offer to purchase all the outstanding shares of the Company's capital stock that are owned by the Company's other shareholders. Under Mexican law and the Company's bylaws, the Company's controlling shareholders are those who own a majority of the Company's outstanding shares or have the power or ability to determine the outcome of actions requiring approval by the Company's shareholders during a shareholders' meeting, appoint or remove a majority of the members of the Company's board of directors, managers or other similar individuals, or determine, directly or indirectly, the course of the Company's management, strategies or principal policies.

Under Mexican law and the Company's bylaws, if after the tender offer is completed there are still outstanding shares held by the general public, the Company's controlling shareholders will be required to create a trust for at least six months, into which they will be required to contribute funds in an amount sufficient to purchase, at the same price as the offer price, all of the outstanding shares held by those members of the general public that did not participate in the offer.

The offer price will be the higher of: (i) the weighted average trading price of the Company's shares on the Mexican Stock Exchange during the 30-day period preceding the offer or (ii) the book value of the Company's shares in accordance with the most recent quarterly report submitted to the Mexican Banking and Securities Commission and the Mexican Stock Exchange. The voluntary cancellation of the registration of the Company's shares will be subject to (a) the prior authorization of the Mexican Banking and Securities Commission and (b) the authorization of the holders of no less than 95% of the Company's outstanding shares during a general extraordinary shareholders' meeting.

Additional Matters

Variable Capital

The Company is permitted to issue shares representing fixed capital and shares representing variable capital. The issuance of variable-capital shares, unlike the issuance of fixed capital shares, does not require an amendment of the Company's bylaws, although it does require a majority vote of the Company's shareholders. A holder of variable capital shares that wishes to effect a total or partial withdrawal of such shares is required to give the Company written notice of such circumstance. If a notice of withdrawal is received prior to the last quarter of the fiscal year, the withdrawal becomes effective at the end of the fiscal year in which the notice was given. Otherwise, the withdrawal becomes effective at the end of the following fiscal year.

Forfeiture of Shares

As required by Mexican law, the Company's bylaws provide that non-Mexican shareholders will be treated like Mexican citizens with respect to shares held by them, with respect to the Company's property rights, concessions, participations and interests, and with respect to rights and obligations derived from any agreement between the Company and the Mexican government. Non-Mexican shareholders will be deemed to have agreed not to invoke the protection of their own government with respect to such matters, and the breach of such deemed agreement may result in the forfeiture to the Mexican government of such interest or participation. Mexican law requires that this provision be included in the bylaws of all Mexican corporations unless the bylaws prohibit ownership of shares by non-Mexican persons.

Conflicts of Interest

Pursuant to the Mexican Corporations Law, none of the Company's shareholders may participate in any deliberation of, or vote on, any business transaction in which its interest conflicts with ours. Violation of this law may result in the shareholder being liable for damages, but only if the transaction would have not been approved without the shareholder's vote.

Appraisal Rights

Pursuant to the Mexican Corporations Law, if the Company's shareholders approve a change in the Company's corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter will be entitled to withdraw its shares and receive the book value of such shares as set forth in the financial statements last approved by the Company's shareholders. This appraisal right may only be exercised within 15 days following the adjournment of the meeting at which the relevant change was approved.

e) Other Corporate Governance Practices

Code of Ethics: a personal responsibility

IEnova is the image of the behavior of its people, therefore each collaborator has the personal and continuous responsibility to ensure the exact fulfillment of an appropriate behavior.

The Code of Ethics covers general areas of legal and ethical principles for IEnova. Everyone is responsible for:

- Comply with all national and international laws, internal policies and company procedures.
- Maintain appropriate ethical behavior.
- Be alert to situations that could result in illegal actions, or in violation of the Code of Ethics or the procedures that support it.
- Report suspicions or violations of the Code of Ethics.

IEnova adheres at all times to the provisions of: (i) Universal Declaration of Human Rights, ii) Convention of the United Nations (UN) against Corruption; (iii) Convention of the Organization for Economic Cooperation and

Development (OECD) to Combat Bribery of Foreign Public Officials; (iv) US Foreign Corrupt Practice Act of 1977 (according to its reforms); (v) National Anti-corruption System and its applicable laws; (vi) General Law of Administrative Responsibilities and its secondary laws; (vii) Federal Law for the Prevention and Identification of Operations with Resources of Illegal Origin (Law against Money Laundering) of Mexico, and (viii) Federal Criminal Code of Mexico, hereinafter, "Anti-corruption Laws".

Therefore, IEnova requires that its employees complete the Corporate Ethics Training that includes, but is not limited to, the Anticorruption Laws mentioned above, when requested. They are expected to know and understand the meaning and requirements of the standards mentioned in the Code of Ethics, as well as their obligation to notify when they believe or suspect that there has been a violation of these or this Code.

Employees, regardless of their hierarchical level, who violate the Code of Ethics, the law or act in a manner contrary to current policies and procedures, will be subject to the corresponding disciplinary measures that, if they are classified as serious offenses according to law, could include the dismissal.

Employees who have additional staff are responsible for:

- Make sure that all their subordinates have full knowledge of the guidelines indicated here.
- To be an example in the fulfillment of laws and ethical norms, demonstrating integrity, honesty and respect in all its acts.
- Encourage an environment where employees have confidence to ask questions and report problems.
- Support employees who ask questions or comment on their concerns.

The precepts contained in this document are of general application for all employees and officers of the company without any distinction of position, position or title, so it will be understood that employees, officers, attorneys, managers and directors, including Directors and Members of the different IEnova Committees must comply at all times and conduct all their acts under the principles contained in this Code of Ethics.

Rules for Ethical Decision Making

To guide in the application of the Code of Ethics, each section of it contains questions and answers that help clarify certain specific situations.

The Code of Ethics cannot cover all situations that may arise in the course of our work. However, some procedures are established to elucidate these situations personally. Likewise, a consultation can be made with the Corporate Ethics Department or communicated to the help lines.

IEnova has a free and confidential telephone line and the Corporate Ethics Department. Complaints line 01-800-062-2107. Likewise, communications can be addressed to the confidential email: ienova@lineadedenuncia.com or on the website: lineadedenuncia.com/ienova. Both communication alternatives are exclusively dedicated to answering questions related to compliance with the Code of Ethics, the National Anticorruption System in Mexico, Anticorruption Laws, Corporate Ethics Policy, other Corporate Ethics issues, as well as receiving complaints about possible violations of these.

Additionally, there is also the Ethics and Compliance Telephone Line of the majority shareholder Sempra Energy, which is free and anonymous: 01-800-241-5689 or via the internet, you can access the site https://iwf.tnwgrc.com/ Sempra.

Standards of Integrity

1. Safety
2. Customer relations-public safety
3. A workplace free from discrimination and harassment
4. A violence-free workplace

5. No intimidation in the workplace
6. No use of illegal substances and alcohol
7. Confidentiality and privacy
8. Environmental protection
9. Community activities
10. Anti-corruption and anti-bribery
11. Participation in policy
12. Fair competition
13. Government relations
14. Acquisition of goods and services
15. Regulatory compliance
16. Business gifts and gratuities
17. Share trading
18. Conflicts of interest
19. Intellectual property
20. Internal business controls
21. Financial information
22. Payments and undue collections
23. The Company's assets
24. Information management
25. Foreign Corrupt Practices Law (FCPA)

Sustainability

The Company's sustainability strategy, which encompasses the areas of financial, social and environmental sustainability, is aimed at creating value for ourselves, the Company's shareholders, customers and employees, and the communities to which the Company belongs.

The Company has characterized itself for its commitment to operating in strict compliance with the law and the regulations for the Company's industry, which has allowed it to earn and retain the confidence of the Company's various groups of constituents.

The Company's achievements during 2019 in terms of sustainability are: publish since 2013 the Sustainability Report, with the following characteristics (GRI Standards, 30 indicators audited by Deloitte, Communication on progress (COP) report to UN Global Compact) and continue to be included in the Mexican Stock Exchange's Sustainability Index. In addition and for the fifth consecutive year, the Company attained *Great Place to Work* certification, and was recognized as a *Socially Aware Company* by the Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía*). For the second consecutive year, IEnova is part of the FTSE4Good Index Series, which selects companies with outstanding environmental, social and governance practices, measures against globally recognized standards.

Likewise, during 2015, Fundación IEnova, A. C. was incorporated to support organizations and programs that contribute to the well-being of the communities with which the Company operates, and to preserve the environment. During 2019, through IEnova foundation, the Company granted donations to 24 organizations with 35 projects to benefit communities in eleven states of Mexico.

These actions show IEnova's commitment with continuous improvement and with the implementation of high environmental operation, protection and preservation standards, working practices, corporate governance and social responsibility with the communities the Company operates in.

For further information on the Company's sustainability efforts, please see IEnova's 2019 Sustainability Report, available on May 31, 2020. www.ienova.com.mx

TRADING MARKET

a) Share Ownership Structure

Not applicable.

PERFORMANCE OF THE COMPANY'S SHARES ON THE MEXICAN STOCK EXCHANGE

b) Performance of The Company's Shares on the Mexican Stock Exchange

The Company's shares were first listed for trading on the Mexican Stock Exchange on March 27, 2013, under the symbol "IENOVA." Prior to that date, there had been no public market for the Company's shares.

On March 29, 2019, the closing price for the Company's shares on the Mexican Stock Exchange was Ps.78.01 per share. The following tables set forth the reported, high and low sales prices for the Company's shares on the Mexican Stock Exchange during the periods indicated. These prices constitute historical prices between financial intermediaries, do not include any commission and are not necessarily representative of prices in actual transactions. Since September 2, 2013, the Company's shares have been included in the Mexican Stock Exchange's Stock Price Quote Index (*Índice de Precios y Cotizaciones*).

5-year annual highs and lows:

Year	High	Low	Last	Average Trading Volume
2015	77.78	69.04	92.12	1,139,929
2016	90.61	67.22	90.33	2,659,053
2017	106.96	83.60	96.45	1,946,066
2018	98.71	70.55	73.27	1,826,468
2019	89.89	69.43	88.93	1,899,426

Source: IEnova, based on Bloomberg data. pesos per share

Quarterly highs and lows, last three years:

Year	Quarter	High	Low	Last	Average Trading Volume
2017	First	93.01	83.60	89.22	2,268,024
	Second	97.13	85.07	96.77	2,019,100
	Third	102.54	93.42	101.96	1,575,750
	Fourth	106.96	95.98	96.45	1,951,393
2018	First	98.71	88.66	88.92	1,799,719
	Second	93.37	78.07	88.64	2,231,754
	Third	94.02	85.46	92.99	1,314,469
	Fourth	92.75	70.55	73.27	1,957,907
2019	First	80.80	69.93	78.01	1,914,842
	Second	84.18	73.17	75.39	1,457,191
	Third	84.48	69.43	78.44	2,108,806
	Fourth	89.89	78.53	88.93	2,110,631

Source: IEnova, based on Bloomberg data. pesos per share

Monthly highs and lows, last six months:

Year	Month	High	Low	Last	Average Trading Volume
2019	October	85.38	78.53	85.03	3,243,805
	November	85.58	80.18	80.19	1,626,645
	December	89.89	80.32	88.93	1,387,937
2020	January	89.52	86.16	88.76	1,693,145
	February	91.23	85.62	85.62	1,643,874
	March	89.43	63.7	72.67	2,168,678

Source: IEnova, based on Bloomberg data. Pesos per share

According to the INDEVAL certificate, during April 2020, Semco Holdco is the only registered shareholder with 1,019,038,312 shares, the rest is placed among the investing public through stock brokers and/or trusts.

c) Market Maker

For the years 2017, 2018 and 2019 the Company did not have a market maker.

UNDERLYING ASSETS

Not applicable.

MANAGEMENT CERTIFICATION

April 30, 2020

We, Tania Ortiz Mena, Manuela Molina Peralta and René Buentello Carbonell, in our capacities of Chief Executive Officer, Chief Financial Officer, and General Counsel and Chief Compliance Officer of Infraestructura Energética Nova, S.A.B. de C.V, respectively, and in accordance with the provisions of Article 33, section I, paragraph (b) of the General Provisions Applicable to the Securities Issuers and Other Participants in the Securities Market, issued by the National Banking and Securities Commission, hereby declare the following:

The undersigned declare under oath that within the scope of our respective duties, we have prepared the information relating to Infraestructura Energética Nova, S.A.B. de C.V, contained in this Annual Report for the year ended December 31 2019, which, to the best of our knowledge and understanding, reasonably reflects the situation of the Company. We also declare that to the best of our knowledge, no information contained in this Annual Report has been omitted of falsified or may be misleading to investors.

____

Tania Ortiz Mena
Chief Executive Officer

____

Manuela Molina Peralta
Chief Financial Officer

____

Rene Buentello Carbonell
General Counsel and Chief Compliance Officer

EXHIBIT

**The English version is a translation of the original in Spanish and is for informational purposes only.
In case of a discrepancy, the Spanish original will prevail.**

The undersigned declares, under protest of truth, that the consolidated financial statements of Infraestructura Energética Nova, S.A.B. de C.V. and Subsidiaries (the "Issuer") as of December 31, 2019, 2018 and 2017 and for the years that ended on those dates, contained in this annual report, were audited on April 11, 2020, in accordance with the International Auditing Standards.

Likewise, I hereby declare that I had read the annual report and, based on its reading and scope of the audit work done, I am not aware of relevant errors or inconsistencies in the information that is included and whose source comes from the audited consolidated financial statements, indicated in the previous paragraph, or of information that has been omitted or falsified in this annual report, or that it contains information that could mislead investors.

However, the undersigned was not contracted to perform, and did not perform, additional procedures in order to express an opinion regarding the other information contained in the annual report that does not come from the audited consolidated financial statements.

Sincerely,

C.P.A. Omar Esquivel Romero
Representative and External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

C.P.A. Erika Regalado García
External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

The English version is a translation of the original in Spanish and is for informational purposes only.
In case of a discrepancy, the Spanish original will prevail.

To the Audit Committee of

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

With reference to article 39 of the general dispositions applicable to issuers and other stock market participants supervised by the National Banking Commission (the "commission") that contract financial statements external audit services (the "dispositions"), in our character of external auditors of the consolidated financial statements for the year ended December 31, 2019, 2018 and 2017 of Infraestructura Energética Nova, S.A.B. de C.V. (the "issuer"), we manifest:

I. We express our consent for the issuer to include in this annual report 2019, the External Audit Report
II. The foregoing, with the understanding that previously we make sure that the information contained in the Consolidated Financial Statements included in the 2019 annual report, as well as any other financial information included in said documents whose source comes from the aforementioned Consolidated Financial Statements or the Audit Report that we present coincides with the audited, in order that such information is made public.

Sincerely,

C.P.A. Omar Esquivel Romero
Representative and External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

C.P.A. Erika Regalado García
External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

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 April 11, 2020

Index to the notes to the consolidated financial statements

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
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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.

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.

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.

Deloitte.

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.

- 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
April 11, 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)

		Year ended December 31,		
	Notes	2019	2018	2017
		(Notes 1, 12)	(Notes 1, 12)	(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 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 joint venture 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 joint venture 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.

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 operates in the energy sector and is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Please refer to Note 28.).

The Gas segment develops, owns and operates, or holds interests in, natural gas, liquefied petroleum gas ("LPG"), ethane pipelines, storage facilities for LNG, transportation, distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. It also owns and operates a LNG terminal in Baja California, Mexico, for importing, storing and regasifying LNG.

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, owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine in Baja California, Mexico, owns a wind farm located in Nuevo Leon, Mexico, and holds interests in a renewable energy project in a joint venture in Baja California, Mexico. The renewable energy projects use the wind resources to serve customers in Mexico and in the U. S., respectively.

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.

1.3.1. Gas segment

The Company's 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. Servicios DGN de Chihuahua, S. A. de C. V. ("SDGN") provides administrative, and operational services to other affiliates of the group.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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.

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.

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.

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.

i. 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.).

j. *Marine pipeline.* In June 2016, IMG, the joint venture 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. Power segment

The Company's 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.

1.3.3. Corporate segment

The Corporate Segment holds interests in the transportation, storage, distribution, and regassification, holds investments and is developing projects for power generation facilities in Mexico. The Company develops marine and in-land terminals for the reception, storage and delivery of refined products. Based on the significant investment and impact on the Liquids Terminals, the chief decision makers have decided to reclassify retrospectively the amounts as of December 31, 2017, included from Liquid Terminals in to the Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 28.).

a. IEnova Holdco, S. de R.L. de C.V. is a holding company that invests in affiliated companies.

b. Fundacion IEnova, A. C., was established as a non-profit organization.

2. Significant accounting policies

2.1. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("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.

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 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

Company	Ownership percentage 2019
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
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 joint ventures

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

The results, assets and liabilities of the joint venture are incorporated in these Consolidated Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under the equity method, an investment in a joint venture is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and OCI of the joint venture.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net 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 joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, as a single asset, by comparing its recoverable amount (higher of value in use and 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 joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at 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 joint venture 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 joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that joint venture would be reclassified to profit 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 joint venture or an investment in a joint venture 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 joint venture, 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 joint ventures, non-realized profit and losses are eliminated at the Company's ownership percentage in the joint venture.

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 joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting 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 joint ventures 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 12/31/19	12/31/18	12/31/17	As of 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
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

	12/31/19	As of 12/31/18	12/31/17
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 Topolobambo marine terminals as part of lease accounting as lessee.

10. Investment in joint ventures

10.1. ESJ

The joint venture 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:

	12/31/19	As of 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
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 joint venture 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
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 joint venture 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 joint venture 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		For the period
	12/31/19	**12/31/18**	**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 joint venture 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

		As of 11/15/17
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 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)
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
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 forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for permissible losses, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can qualify as held-for-trading, which is the case for derivative financial instruments. 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.

	As of		
VaR History (95%, one day) by risk type	**12/31/19**	**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		
		As of	
	12/31/19	**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 joint ventures

As described in Note 10.1.b. the joint venture 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 joint venture 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 joint venture with a debit to current earnings.

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

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:

	Shares		
Shareholders name	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. Products and services from which reportable segments obtain their revenues

Information reported for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are described and presented in Note 1.3.

The following tables show selected information by segment from the Consolidated Statements of Profit and Consolidated Statements of Financial Position.

28.2. Segment revenues and profits

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

	Revenues Year ended		
	12/31/19	12/31/18	12/31/17
Gas	$ 1,054,218	$ 1,058,535	$ 991,690
Power	323,131	308,244	229,356
Corporate	1,907	1,776	1,859
Total revenue	$ 1,379,256	$ 1,368,555	$ 1,222,905

	Segment profit Year ended		
	12/31/19	12/31/18	12/31/17
Gas	$ 449,115	$ 445,259	$ 463,483
Power	89,907	65,357	(34,316)
Corporate	(71,337)	(80,030)	(74,993)
Total segment profit	$ 467,685	$ 430,586	$ 354,174

Segment profit is the measure reported for the purposes of resource allocation and assessment of segment performance.

28.3. Assets and liabilities by segment

	As of		
	12/31/19	12/31/18	12/31/17
Assets by segment:			
Gas	$ 7,030,018	$ 6,705,011	$ 6,425,446
Power	1,654,192	1,356,815	1,170,970
Corporate*	868,296	706,771	567,443
Consolidated total assets	$ 9,552,506	$ 8,768,597	$ 8,163,859
Liabilities by segment:			
Gas	$ 1,306,150	$ 1,066,774	$ 1,031,448
Power	690,230	655,386	652,502

	As of 12/31/19	As of 12/31/18	As of 12/31/17
Corporate*	2,598,889	2,292,687	1,963,322
Consolidated total liabilities	$ 4,595,269	$ 4,014,847	$ 3,647,272

**Corporate segment*

Management have decided to reclassify retrospectively the amounts of $39.7 in assets and $0.8 in liabilities as of December 31, 2017, related to Liquid Terminals included in Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 1.3.3.).

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.

28.4. *Other information by segment*

	Property, plant and equipment			Accumulated depreciation		
	As of 12/31/19	As of 12/31/18	As of 12/31/17	As of 12/31/19	As of 12/31/18	As of 12/31/17
Gas	$ 4,191,996	$ 3,777,923	$ 3,569,528	$ (716,867)	$ (616,526)	$ (510,744)
Power	1,402,750	1,150,247	686,195	(265,568)	(232,776)	(24,885)
Corporate	39,572	19,685	18,881	(13,921)	(11,639)	(9,519)
	$ 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 12/31/19	Year ended 12/31/18	Year ended 12/31/17	Year ended 12/31/19	Year ended 12/31/18	Year ended 12/31/17
Gas	$ 108,438	$ 100,794	$ 86,182	$ 396,834	$ 218,811	$ 205,452
Power	42,137	34,228	31,049	247,123	222,384	8,373
Corporate	5,224	2,135	1,789	20,127	1,550	3,237
	$ 155,799	$ 137,157	$ 119,020	$ 664,084	$ 442,745	$ 217,062

	Interest income			Finance (cost) income		
	Year ended 12/31/19	Year ended 12/31/18	Year ended 12/31/17	Year ended 12/31/19	Year ended 12/31/18	Year ended 12/31/17
Gas	$ 2,360	$ 2,105	$ 813	$ (7,024)	$ (12,074)	$ 3,371
Power	571	804	963	(19,395)	(23,631)	(25,573)
Corporate	42,734	24,540	21,032	(106,430)	(87,174)	(51,299)
	$ 45,665	$ 27,449	$ 22,808	$ (132,849)	$ (122,879)	$ (73,501)

	Share of profits of joint ventures			Income tax (expense) benefit		
	Year ended			Year ended		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	$ 36,916	$ 34,158	$ 41,094	$ (80,421)	$ (107,875)	$ (97,340)
Power	3,987	3,826	3,583	(20,295)	(22,861)	(3,972)
Corporate	(1,134)	—	—	(31,842)	(12,328)	(2,851)
	$ 39,769	$ 37,984	$ 44,677	$ (132,558)	$ (143,064)	$ (104,163)

28.5. Revenue by type of product or services

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

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
Transportation of gas	$ 472,597	$ 483,458	$ 438,277
Power generation	311,193	307,039	229,934
Sale of natural gas	260,838	258,966	176,334
Other operating revenues (a)	154,510	133,646	156,306
Storage and regasification capacity	113,337	112,923	109,837
Natural gas distribution	66,781	72,523	112,217
Total revenues	$ 1,379,256	$ 1,368,555	$ 1,222,905

Other operating revenues mainly conforms 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	
	12/31/19	12/31/18
Revenue from operations:		
Contracts with customers	$ 818,695	$ 866,426
Leases	190,281	161,584
Derivatives	81,721	69,617
Others - Sale of natural gas	176,271	171,206

	Year ended	
	12/31/19	12/31/18
Other revenue - Non IFRS 15	112,288	99,722
Total revenue	$ 1,379,256	$ 1,368,555

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	
	12/31/19	12/31/18
Power generation	$ 311,193	$ 307,039
Transportation of gas	308,347	341,464
Storage and regasification capacity	93,676	112,923
Natural gas distribution	74,277	78,657
Administrative services	31,202	26,343
Total revenue from contracts with clients	$ 818,695	$ 866,426
Obligations met:		
Over time	$ 818,695	$ 866,426

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)
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.

j. ***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.

k. ***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

l. ***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

m. ***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

n. ***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.

o. ***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

p. ***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

q. ***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

r. ***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		Year 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

s. ***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)

	Right of use assets	Lease liabilities
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. Change in reportable segments

The Company plans to reorganize its reporting segments to create new structure from the perspective of disclosing performance information. The change would not affect accounting policies and preparation basis of the financial information. This change would attend how the management plans to evaluate and review the performance of its business. Disclosure will be uniformly conducted in accordance with the new segments from fiscal 2020. The new reportable segments would be Gas, Power and Storage.

39.6. The continuity of the Company's business could be affected by measures implemented by Mexico´s governments and other countries to prevent the spread of contagious diseases among the population

During the first quarter of 2020, there has been an outbreak of Coronavirus (COVID-19), initiated in China in 2019, which has spread to other jurisdictions, including locations where IEnova does business (Mexico). The full extent of the outbreak, related business and travel restrictions and changes in behavior intended to reduce its spread are uncertain as of the date of the issuance of the consolidated financial statements as this continues to evolve globally.

IEnova is one of the first companies without governmental investment to enter the Energy Infrastructure business in Mexico as described in Note 1.3. 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 is a sector of essential economic interest in Mexico and the world. COVID-19 has not stopped the activity of the energy sector, although the demand for electricity, natural gas, gasoline and other fuels could decline. The extent of such decline will depend on how the pandemic evolves. Activity in the energy sector cannot be stopped: electricity, natural gas, gasoline and other fuels must continue to reach consumers. It is not expected that IEnova's operation will stop providing energy services.

In addition, many of the Company's gas transportation, storage, and power purchase agreements are "take or pay contracts". With this kind of contract the customer pays por reserved capacity regardless of its use. IEnova will continue to evaluate 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.

IEnova has sufficient liquidity to meet its financial obligations, service debt, and funding capital expenditures projects. As of March 31, 2020, the Company had approximately US$1 billion of liquidity (including cash and committed credit lines as described in Note 39.4).

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain. Given the speed and frequency of the continuously evolving developments with respect to this pandemic, the Company cannot accurately estimate the magnitude of the impact to its business, operations, liquidity, operating results or financial situation. Nevertheless, IEnova is working with its Board of Directors and management through crisis planning, effective communication, and cooperation to minimize the negative impact of the COVID-19 pandemic.

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 and subject to the approval of the Ordinary General Shareholders' Meeting and Board of Directors .

41. Main registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11550
  Ciudad de Mexico, Mexico.

* * * * * *

The English version is a translation of the original in Spanish and is for informational purposes only. In case of a discrepancy, the Spanish original will prevail.

With reference to the article 37 of the general dispositions applicable to issuers and other stock market participants supervised by the National Banking and Securities Commission (the "commission") that contract financial statements external audit services (the "dispositions"), in our character of external auditors of the consolidated financial statements for the year ended December 31, 2019, 2018 and 2017 of Infraestructura Energética Nova, S.A.B. de C.V., or the "issuer":

I. I declare I comply with the requirements stablished in articles 4 and 5 of the dispositions, as manifested in the attached document, that I am a public accountant with degree issued by the Public Education Ministry, with certificate issued by the Public Accountant Mexican Institute number 15319, issued on June 16, 2018. Likewise, I am registered in the "Admnistracion General de Auditoria Fiscal Federal del Servicios de Administracion Tributaria" ("AGAFF") 18536 issued on October 30, 2015. Additionally, Galaz, Yamazaki, Ruiz Urquiza, S.C. (the "firm") is registered under number AGAFF 7433.

II. We declare that since the date the external audit services are being provided, during the development of the external audit and until the issuance of the External Audit Report dated April 11, 2020, as well as the dates communicated and the opinions required by the article 15 of the dispositions, we comply with the requirements included in article 4 and 5 of the dispositions, as well, the firm is aligned to articles 6, 9 and 10, in relation to article 14 of the dispositions.

III. We declare that the firm has documented evidence of the implementation of the quality control system included in article 9 of the dispositions and participates in a program of quality evaluation aligned to the requirements included in article 12 of the dispositions.

Hereby, I inform I have 5 years as independent external auditor and I have realized the audit of Infraestructura Energética Nova S.A.B. de C.V.'s basic consolidated financial statements, and Galaz, Yamazaki, Ruiz Urquiza, S.C. has provided external audit services for 23 years to the issuer.

Through this document, I express my consent to provide the Commission with the information that it requires us to verify compliance with the aforementioned requirements.

Likewise, we are obliged to keep the information to comply with the requirements mentioned in this manifest, physically of trough images in digital format, in optical or magnetic media, for a minimum period of five years from the date the audit of the consolidated basic financial statements are concluded for the year ended December 31, 2019.

Sincerely,

C.P.A. Omar Esquivel Romero
Representative and External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

C.P.A. Erika Regalado García
External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

18 de febrero de 2020

Al Consejo de Administración de Infraestructura Energética Nova, S.A.B. de C.V.

Estimados Consejeros:

Con fundamento en lo dispuesto en el artículo 43 de la Ley del Mercado de Valores ("LMV") y el artículo IV.1 de los estatutos del Comité de Auditoría de Infraestructura Energética Nova, S.A.B. de C.V. (la "Sociedad") y sus subsidiarias ("Grupo IEnova"), en mi carácter de Presidente del Comité de Auditoria de la Sociedad (el "Comité"), me permito rendir, en representación del Comité, el informe anual de las operaciones y actividades llevadas a cabo por del Comité durante el ejercicio social concluido el 31 de diciembre de 2019.

Durante el ejercicio social 2019, el Comité mantuvo reuniones periódicas, en adición a las sesiones formales, con directivos relevantes, el auditor externo y el auditor interno de la Sociedad, para comentar las mejoras y las tendencias internacionales de la industria, así como mejores prácticas contables y de gobierno corporativo; después de haber escuchado las opiniones de las personas mencionadas, el Comité sesionó formalmente el 17 de febrero de 2019, el 29 de abril de 2019, el 22 de julio de 2019 y el 21 de octubre de 2019.

A lo largo de 2019, entre las prioridades asumidas por el Comité de Auditoría, cabe destacar las siguientes: i) fortalecer la función de Auditoría Interna y para lo cual se planteó con la administración la conveniencia de establecer un área específica encabezada por un profesional con la experiencia necesaria; ii) profundizar en el seguimiento de los temas fiscales, previendo los cambios implementados por parte del Gobierno Federal; iii) establecer un esquema de comunicación y coordinación con la contraparte de Sempra, a fin compartir experiencias y hallazgos; iv) procurar la atención debida y sistemática al tema de la administración de riesgos de la compañía; y, v) dar el seguimiento respecto de la instalación e implementación de SAP, considerando sus particulares complejidades.

February 18, 2020

To the Board of Directors of Infraestructura Energética Nova, S.A.B. de C.V.

Dear Board Members:

Pursuant to Article 43 of the Mexican Stock Market Law ("LMV") and Article IV.1 of the Bylaws of the Audit Committee of Infraestructura Energética Nova, S.A.B. de C.V. (the "Company") and its subsidiaries ("IEnova Group"), in my capacity as Chairman of the Audit Committee of the Company (the "Committee"), I deemed to render, on behalf of the Committee, the annual report of the operations and activities performed by the Committee during the fiscal year ended on December 31, 2019.

During the 2019 fiscal year, the Committee held periodic meetings, in addition to the formal sessions, with relevant officers, the external auditor and the internal auditor of the Company, in order to discuss the improvements and the international trends of the industry, as well as the best accounting practices and of corporate governance; after hearing the opinions of the above people, the Committee held formal sessions on February 17, 2019, April 29, 2019, July 22, 2019 and October 21, 2019.

During 2019, among the priorities assumed by the Audit Committee, it is worthwhile to point out the following: i) strengthen of the Internal Audit function and for which was proposed with the management of the Company the convenience of establishing a specific department leaded by a professional with the necessary experience; ii) deepen the follow up of the tax matters, foreseeing the changes implemented by the Federal Government; iii) establish a communication and coordination scheme with the Sempra counterpart, in order to share experiences and findings; iv) seek due and systematic attention to the company's risk management matter; and v) follow up the installation and implementation of SAP, considering its particular complexities.

Los principales acuerdos adoptados por el Comité, así como las opiniones favorables sobre los temas recomendados al Consejo de Administración de la Sociedad (el "Consejo"), en las sesiones celebradas durante el ejercicio social de 2019, fueron las siguientes:

i) Conocer y recomendar al Consejo la aprobación del nombramiento de la Sra. Erika Regalado como el socio responsable de la auditoría externa del Grupo IEnova (el "Auditor Externo"), en representación de la firma Galaz Yamazaki Ruiz Urquiza S.C. como firma de auditoría externa ("Deloitte"), a partir de febrero 2019 por los próximos cinco años; así como los honorarios profesionales de Deloitte para el año 2019, ya que se determinó que tanto el Auditor Externo como Deloitte llevaron a cabo sus funciones de manera adecuada.

ii) Aprobar los informes de actividades del Auditor Externo presentados al término de los tres primeros trimestres del 2019 e inclusive del cuarto trimestre de 2018, en los cuales el Auditor Externo concluyó que los Estados Financieros del Grupo IEnova presentaban su posición financiera conforme a las normas de auditoría externa en cumplimiento con la "Disposiciones de carácter general aplicables a las entidades y emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos" ("CUAE" o "Circular Única de Auditores Externos").

iii) El Auditor Externo informó al Comité el nombre y perfil de los miembros del equipo de trabajo que estaría llevando a cabo las auditorías del Grupo IEnova.

iv) Se presentó a Comité la política de la Sociedad sobre la contratación de los despachos de auditoría externa, incluyendo los servicios considerados como preautorizados.

v) Recomendar al Consejo la aprobación de los estados financieros, estados de resultados consolidados y balance general, conforme a las normas internacionales de información financiera ("IFRS"); asimismo, emitió la opinión favorable sobre los comunicados de prensa correspondientes a los resultados financieros de los tres primeros trimestres del 2019 e inclusive del cuarto trimestre del 2018, para ser presentados a la consideración del Consejo de Administración.

The main agreements adopted by the Committee, as well as the favorable opinions on the matters recommended to the Board of Directors (the "Board") in the meetings held during the 2019 fiscal year, were the following:

i) To meet and recommend to the Board the approval of the appointment of Ms. Erika Regalado as the partner responsible for the external audit of the IEnova Group (the "External Auditor") on behalf of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., as external audit firm ("Deloitte"), as of February 2019 and for the next five years; as well as the professional fees of Deloitte for the year 2019, since it was determined that both the External Auditor and Deloitte performed their duties adequately.

ii) To approve the activities reports of the External Auditor presented at the end of the first three quarters of 2019 and even of the fourth quarter of 2018, in which the External Auditor concluded that the Financial Statements of the IEnova Group presented its financial position in accordance with the external audit standards in compliance with the "General provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that hire external audit services of basic financial statements ("CUAE" or "*Circular Única de Auditores Externos*").

iii) The External Auditor informed the Committee the name and profile of the team members who will be performing the audits of IEnova Group.

iv) The Committee was informed about the Company's policy regarding the hiring of the external audit firms, including the preauthorized services.

v) To recommend to the Board the approval of the financial statements, consolidated income statements and balance sheet in accordance with international financial reporting standards ("IFRS"); likewise, issued a favorable opinion on the press releases corresponding to the financial results of the first three quarters of 2019 and even of the fourth quarter of 2018, to be presented for the consideration of the Board of Directors.

vi) El Comité estuvo de acuerdo en nombrar al Contador Público y *Certified Internal Auditor* Jimmy Zadigue como auditor interno de la Sociedad.

vii) Con el propósito de continuar con el fortalecimiento en el desempeño del Comité y hacer más eficaz su labor, se decidió que los proyectos de auditoría interna fueran conducidos en colaboración con los servicios de auditoría interna de Sempra, con el propósito de alinear metodologías, experiencias y criterios de los hallazgos de auditoría; adicionalmente, está buscando establecer un canal de comunicación eficiente, aprovechando la experiencia y recursos de Sempra.

viii) Aprobar los planes de auditoría interna para el 2020, así como el avance de las auditorías realizadas y sus hallazgos, los cuales se fueron resolviendo y concluyendo oportunamente conforme a las recomendaciones implementadas durante el ejercicio social 2019, ya que conforme a los hallazgos presentados estos no eran trascendentes.

ix) Se aprobaron los reportes presentados por el auditor interno, los cuales confirmaron que el sistema de control interno y la auditoría interna del Grupo IEnova funcionan de manera adecuada.

x) Conforme a la CUAE, las emisoras que contraten servicios de auditoría externa de estados financieros básicos se consideran servicios independientes ya que el Auditor Externo sólo emite recomendaciones a la Sociedad y ésta es quién toma las decisiones finales (los "Servicios Adicionales"); en este sentido, durante el ejercicio social 2019 se prestaron los Servicios Adicionales siguientes:

- Reportes de cumplimiento con el Servicio de Administración Tributaria.
- Proyectos financieros *Energizer* y *Thunder*.

xi) Con respecto a las denuncias recibidas por el Comité de Ética, no hubo ninguna relevante que requiriera atención especial o adicional al proceso determinado para la atención de las mismas; sin embargo, todos los casos de denuncia son presentados al Comité.

xii) Se revisó el proceso "Proceso de Compras hasta el Pago al Proveedor" respecto de todas las empresas del Grupo IEnova, así como el análisis de la revisión que realizó al respecto Pricewaterhouse

vi) The Committee agreed to appoint the Public Accountant and *Certified Internal Auditor* Jimmy Zadigue as internal auditor of the Company.

vii) In order to continue strengthening the Committee's performance and make its work more effective, it was decided that internal audit projects should be conducted in collaboration with Sempra's internal audit services, in order to align methodologies, experiences and criteria of the audit findings; additionally, is looking to establish an efficient communication channel, taking advantage of Sempra's experience and resources.

viii) To approve the internal audit plans for 2020, as well as the progress of the audits performed and their findings, which were resolved and concluded in accordance with the recommendations implemented during the 2019 fiscal year; since in accordance with the presented findings these were not transcendent.

ix) The reports submitted by the internal auditor were approved, which confirmed that the internal control system and the internal audit of the IEnova Group works properly.

x) In accordance with the CUAE, the issuers that hired external audit services of basic financial statements are considered independent services since the External Auditor only issues recommendations to the Company who takes the final decisions (the "Additional Services"); in this sense, during the 2019 fiscal year the following Additional Services were provided:

- Compliance reports with the Tax Administration Service.
- *Energizer and Thunder* financial projects.

xi) With respect to the complaints received by the Ethics Committee, there were no relevant complaints that required special or additional attention to the process determined for their attention; however, all complaints are presented to the Committee.

xii) It was reviewed the "Procure to Pay" process regarding all companies from IEnova Group, as well as the analysis of the review performed by Pricewaterhouse Cooper, and therefore the

Cooper, y por ello el Comité acordó reforzar el control interno sobre el proceso de pago.

xiii) Se revisaron las nuevas normas contables IFRS, sobre la contabilidad de los arrendamientos y sus efectos, vigentes desde inicios del 2019, y se hicieron las modificaciones pertinentes a las políticas contables de la Sociedad.

xiv) El Comité fue informado sobre los incentivos fiscales aplicables en el año 2019 y 2020 para las empresas con actividades en la zona fronteriza, los cuales prevén la reducción de una tercera parte del impuesto sobre la renta, sujeto al cumplimiento de ciertos requisitos.

xv) El Comité fue informado y dio seguimiento prioritario a los avances sobre la implementación del marco de Administración de Riesgos de la Sociedad, así como a las medidas de mitigación de riesgos correspondientes y recomendó de revisarlo al menos dos veces por año.

xvi) El Comité fue informado y dio seguimiento a la implementación del nuevo sistema *Enterprise Resource Planning*; el proveedor seleccionado fue SAP.

xvii) El Comité revisó y dio seguimiento a los contratos entre partes relacionadas aprobados previamente por el Comité y firmados en el cuarto trimestre de 2018 y durante los tres primeros trimestres del 2019; y aquellos contratos no relevantes firmados, fueron informados al Consejo. El Comité también fue informado sobre los pagos a otros créditos entre partes relacionadas. Como parte de esta temática, cabe destacar la revisión de más de veinte (20) contratos del Proyecto ECA-Licuefacción.

xviii) El Comité fue informado respecto del plan base de gastos de capital y de los financiamientos para 2019-2023 de la Sociedad bajo las normas IFRS y los parámetros crediticios y de deuda totales del plan mencionado.

xix) El Comité fue informado sobre la preparación del reporte anual de la Sociedad, el cual está obligada a presentarlo a la Bolsa Mexicana de Valores a más tardar el 30 de abril, cada año.

xx) El Comité fue informado sobre la actualización de diversos financiamientos, principalmente como los siguientes:

Committee agreed to strengthen internal control on the payment process.

xiii) It was reviewed the new IFRS accounting standards regarding the accounting of leases and their effects, into force from the beginning of 2019, and the pertinent amendments were made to the accounting policies of the Company.

xiv) The Committee was informed about the applicable tax incentives in 2019 and 2020 to the companies with activities in the border zone, which provide the reduction of the third part of the income tax, subject to the fulfilment of certain requirements.

xv) The Committee was informed, and priority followed up was given on the progress on the implementation of the Company's Risk Management framework, as well as to the corresponding risk mitigation measures and recommended to review it at least twice a year.

xvi) The Committee was informed and followed up on the implementation of the new *Enterprise Resource Planning* system; the appointed provider was SAP.

xvii) The Committee reviewed and followed up to the related parties’ contracts previously approved by the Committee and signed in the fourth quarter of 2018 and during the first three quarters of 2019; and those not relevant contracts signed, were informed to the Board. The Committee was also informed of the payments to other related parties’ loans. In this regard, it is important to point out the review of more than twenty contracts for the ECA-Licuefacción Project.

xviii) The Committee was informed about the capital expenditures base plan and the financing for 2019-2023 of the Company under IFRS standards and the total credit and debt parameters of the mentioned plan.

xix) The Committee was informed about the Company’s annual report preparation, which is bound to filed before the Mexican Stock Exchange no later than April 30, every year.

xx) The Committee was informed about the updating of several financings, mainly such as the following:

- El crédito revolvente de capital de trabajo;
- El financiamiento del Ducto Marino; y
- La firma del crédito revolvente con *The Bank of Nova Scotia*, aprobado previamente por el Consejo en Septiembre de 2019.

xxi) Por otro lado, el Comité acordó recomendar al Consejo la aprobación de los financiamientos siguientes:

- La ampliación del financiamiento de Energía Sierra Juárez, S de R.L. de C.V. para la expansión de la fase II;
- El financiamiento de Los Ramones Norte;
- Los créditos con *International Finance Corporation* ("IFC"), *North American Development Bank* ("NADBANK"), *Japan International Cooperation Agency* ("JICA") y *Overseas Private Investment Corporation* ("OPIC").

xxii) Se aprobó el plan de trabajo y calendario del Comité para 2020.

Se informa al Consejo que durante el ejercicio social de 2019 no hubo observaciones respecto del desempeño de los directivos relevantes de la Sociedad, ni se otorgaron dispensas por el Consejo de Administración en términos de lo establecido en el artículo 28, fracción III, inciso f) de la LMV.

Finalmente, en mi carácter de Presidente del Comité de Auditoría, en representación de dicho órgano, reitero a ustedes nuestro compromiso para llevar a cabo nuestras funciones en materia de auditoria en beneficio de una operación transparente y sustentable de la Sociedad, en términos de las disposiciones legales aplicables.

Este informe ha sido aprobado por unanimidad de los miembros del Comité.

- The revolving loan of working capital;
- The financing of the Marine Pipeline; and
- The signing of the revolving loan with *The Bank of Nova Scotia*, previously approved by the Board on September 2019.

xxi) In the other hand, the Committee agreed to recommend to the Board the approval of the following financings:

- The extension of the Energía Sierra Juárez, S de R.L. de C.V. financing for the expansion of phase II;
- The financing of Los Ramones Norte;
- The loans with *International Finance Corporation* ("IFC"), *North American Development Bank* ("NADBANK"), *Japan International Cooperation Agency* ("JICA") and *Overseas Private Investment Corporation* ("OPIC").

xxii) The work plan and calendar of the Committee for 2020 was approved.

It is hereby informed to the Board that, during the 2019 fiscal year there were no observations regarding the performance of the senior management of the Company, and no waivers were granted by the Board of Directors under the terms of Article 28, paragraph III, subparagraph f) of the LMV.

Finally, in my capacity as Chairman of the Audit Committee, on behalf of such Committee, I hereby reiterate our commitment to perform our audit duties for the benefit of a transparent and sustainable operation of the Company, in terms of the applicable laws.

This report has been unanimously approved by the members of the Committee.

Atentamente / Sincerely

DocuSigned by:

Aaron Dychter Poltolarek

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Aarón Dychter Poltolarek
Presidente del Comité de Auditoría / President of the Audit Committee
Infraestructura Energética Nova, S.A.B. de C.V.

18 de febrero de 2019

February 18, 2019

Al Consejo de Administración de Infraestructura Energética Nova, S.A.B. de C.V.

To the Board of Directors of Infraestructura Energética Nova, S.A.B. de C.V.

Estimados señores:

Dear sirs:

Con fundamento en lo dispuesto en el artículo 43 de la Ley del Mercado de Valores ("**LMV**") y el artículo IV.1 del Estatuto del Comité de Auditoria de Infraestructura Energética Nova, S.A.B. de C.V. (la "**Sociedad**"), en mi carácter de Presidente del Comité de Auditoria de la Sociedad (el "**Comité**"), después de escuchar las opiniones de los directivos que estimé pertinentes, me permito rendir, en representación del Comité, el informe anual sobre las operaciones y actividades del Comité, durante el ejercicio social concluido el 31 de diciembre de 2018.

Pursuant to Article 43 of the Mexican Stock Market Law ("**LMV**") and Article IV.1 of the Statute of the Audit Committee of Infraestructura Energética Nova, S.A.B. de C.V. (the "**Company**"), in my capacity as Chairman of the Audit Committee (the "**Committee**"), after hearing the opinion from the officers I deemed convenient, on behalf of the Committee, I hereby render the annual report on the operations and activities developed by the Committee during the fiscal year ended on December 31, 2018.

Durante el ejercicio social de referencia, el Comité sesionó en cuatro ocasiones, el 20 de febrero de 2018, 24 de abril de 2018, el 23 de julio de 2018 y el 22 de octubre de 2018. Se tuvieron reuniones previas, a cada sesión, con los auditores externos y el auditor interno de IEnova, para comentar mejoras y tendencias internacionales de la industria así como mejores prácticas contables. Las principales resoluciones adoptadas por el Comité en las sesiones celebradas en el ejercicio de 2018 fueron:

During the fiscal year in question, the Committee met 4 times, on February 20, 2018 April 24, 2018, on July 23, 2018 and on October 22, 2018. There were previous meetings with the external and internal auditors of IEnova to discuss improvements and international industry and accounting trends and best practices. The main resolutions adopted by the Committee in the meetings held in the year 2018 were:

(i) Ratificar al C.P. y CIA Gerardo Higareda Rivero como auditor interno
(ii) Conocer y aprobar el nombramiento de la firma Deloitte /Galaz Yamazaki Ruiz Urquiza S.C. como auditor externo y al Sr. Omar Esquivel como el socio responsable de la auditoria, así

(i) Ratify CPA and CIA Gerardo Higareda Rivero as internal auditor
(ii) To meet with and approve the appointment of "Deloitte" / Galaz, Yamazaki, Ruiz Urquiza, S.C., as external auditor and Mr. Omar Esquivel as the partner in charge, as well as the general terms of the compensation to be paid for their

como los honorarios profesionales por sus servicios.

(iii) Recomendar la aprobación de los estados financieros y comunicados de prensa correspondientes al año terminado el 31 de Diciembre de 2017, y primero segundo y tercer trimestre de 2018, para ser presentados al Consejo de Administración,

(iv) Con el propósito de fortalecer el funcionamiento del Comité de Auditoría y hacer más eficaz su labor, se decidió proceder a un acercamiento con el Comité de Auditoría de Sempra, con el propósito de compartir metodologías, experiencias y hallazgos; con ello, se ha buscado establecer un canal de comunicación eficiente, aprovechando su experiencia y recursos,

(v) Aprobar los planes de auditoria para los años 2018 y 2019,

(vi) Aprobar el plan de trabajo y calendario del Comité para 2019,

(vii) Con respecto a las Disposiciones de carácter general aplicables a las entidades y emisoras supervisadas por la comisión nacional bancaria y de valores que contraten servicios de auditoría externa de estados financieros básicos emitidas por esa Comisión mediante publicación en el Diario Oficial de la Federación el 26 de abril de 2018 (la "CUAE"). A continuación se describen los Servicios Adicionales prestados por el despacho Galaz, Yamazaki, Ruiz Urquiza, S.C., miembros de Deloitte Touche Tohmatsu LLP:

- Reportes de cumplimiento con el Servicio de Administración Tributaria

services.

(iii) To approve the financial statements and press releases for the year ended December 31, 2017 and the 1st, 2nd and 3rd quarters of 2018, presented to the Board of Directors,

(iv) In order to strengthen the Audit Committee and make it more efficient, it was decided to have a closer relationship with Sempra Energy's Audit Committee, to share methodologies, experiences and findings; the above allowed a more effective communication and transfer of experience and resources,

(v) To approve the audit plans for the years 2018 and 2019,

(vi) To approve the committee's work plan and calendar for 2019,

(vii) With respect to the General rules applicable to entities and issuers overviewed by the Mexican Securities and Exchange Commission, who hire financial statements external audit services; that were published on the Official Gazette of the Federation on April 26, 2018 ("CUAE"). Below a list of the Additional Services provided by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., members of Deloitte Touche Tohmatsu LLP:

- Statutory reports in compliance with the Tax Administration Service
-

- Proyectos financieros (Energizer y Thunder)

  Adicionalmente se tuvieron reuniones de trabajo para evaluar los impactos de la CUAE y asegurar su cumplimiento

(viii) Aprobar los reportes presentados por el auditor interno y externo,
(ix) Verificar que el sistema de control interno y auditoría interna de la sociedad y personas morales que ésta controla operan de manera adecuada,
(x) Se implementaron las recomendaciones hechas por el área de Auditoría Interna,
(xi) Se determinó que tanto la firma de auditores externos y el socio que la representa llevaron a cabo sus funciones de manera adecuada,
(xii) Se revisó el impacto de nuevas normas contables y se hicieron modificaciones pertinentes a políticas contables relevantes,
(xiii) Se le dio seguimiento a la implementación del esquema de administración de riesgos de la compañía, así como las medidas de mitigación correspondientes.
(xiv) Con respecto a las denuncias recibidas del Comité de Ética, no hubo ninguna relevante que requiera de atención especial, aunque todos los casos son presentados en este Comité

Se les informa que durante el ejercicio de 2018 no existieron observaciones respecto del desempeño de los directivos relevantes de la Sociedad, ni se otorgaron dispensas por el Consejo de Administración en términos de lo establecido en el artículo 28, fracción III, inciso f) de la LMV.

- Financial Projects (Energizer and Thunder)

  Additionally several meetings were held to assess CUAE impacts and ensure compliance with it

(viii) To approve the reports presented by the internal and external auditors,
(ix) To verify that the internal control system and internal audit department of the entity and its subsidiaries, operate adequately,
(x) The recommendations made by internal audit were implemented,
(xi) It was concluded that both the external audit firm and its partner complied with their duties adequately,
(xii) Impact of new accounting regulations was assessed and relevant accounting policies were modified during the year,
(xiii) A follow up process was given to the risk management system of the Company,
(xiv) There were no relevant denounces received from the Ethics Committee that required special attention however all cases are presented to this Committee

It is hereby informed that, during the year 2018 there were no observations regarding the performance of the senior management of the Company, and no waivers were granted by the Board of Directors in terms of the provisions of Article 28, paragraph III, subparagraph f) of the LMV.

En mi carácter de Presidente del Comité de Auditoría, en representación de dicho órgano, reitero a ustedes nuestro compromiso para llevar a cabo nuestras funciones en materia de auditoria en beneficio de una operación transparente y sustentable en términos de las disposiciones legales aplicables.

In my capacity as Chairman of the Committee, on behalf of such Committee, I hereby reiterate our commitment to carry out our audit duties for the benefit of a transparent and sustainable operation in terms of the applicable laws.

Este informe ha sido aprobado por unanimidad de los miembros del Comité.

This report has been unanimously approved by the members of the Committee.

Atentamente, / Sincerely,

Aarón Dychter Poltolarek

Presidente del Comité de Auditoria
Infraestructura Energética Nova, S.A.B. de C.V

20 de febrero de 2018

Al Consejo de Administración de Infraestructura Energética Nova, S.A.B. de C.V.

Estimados señores:

Con fundamento en lo dispuesto en el artículo 43 de la Ley del Mercado de Valores ("**LMV**") y el artículo IV.1 del Estatuto del Comité de Auditoria de Infraestructura Energética Nova, S.A.B. de C.V. (la "**Sociedad**"), en mi carácter de Presidente del Comité de Auditoria de la Sociedad (el "**Comité**"), después de escuchar las opiniones de los directivos que estimé pertinentes, me permito rendir, en representación del Comité, el informe anual sobre las operaciones y actividades del Comité, durante el ejercicio social concluido el 31 de diciembre de 2017.

Durante el ejercicio social de referencia, el Comité sesionó en cuatro ocasiones, el 21 de febrero de 2017, 24 de abril de 2017, el 25 de julio de 2017 y el 23 de octubre de 2017. Se tuvieron reuniones previas, a cada sesión, con los auditores externos y el auditor interno de Sempra y de IEnova, para comentar mejoras y tendencias internacionales de la industria así como mejores prácticas contables. Las principales resoluciones adoptadas por el Comité en las sesiones celebradas en el ejercicio de 2017 fueron:

,

(i) Ratificar al C.P. Gerardo Higareda Rivero como auditor interno

(ii) Conocer y aprobar el nombramiento de la firma Deloitte /Galaz Yamazaki Ruiz Urquiza S.C. como auditor externo y al Sr. Omar Esquivel como el socio responsable de la auditoria, así como los honorarios profesionales por sus servicios.

February 20, 2018

To the Board of Directors of Infraestructura Energética Nova, S.A.B. de C.V.

Dear sirs:

Pursuant to Article 43 of the Mexican Stock Market Law ("**LMV**") and Article IV.1 of the Statute of the Audit Committee of Infraestructura Energética Nova, S.A.B. de C.V. (the "**Company**"), in my capacity as Chairman of the Audit Committee (the "**Committee**"), after hearing the opinion from the officers I deemed convenient, on behalf of the Committee, I hereby render the annual report on the operations and activities developed by the Committee during the fiscal year ended on December 31, 2017.

During the fiscal year in question, the Committee met 4 times, on February 21, 2017 April 24, 2017, on July 25, 2017 and on October 23, 2017. There were previous meetings with the external and internal auditors (Sempra and IEnova) to discuss improvements and international industry and accounting trends and best practices. The main resolutions adopted by the Committee in the meetings held in the year 2017 were:

(i) Ratify CPA Gerardo Higareda Rivero as internal auditor

(ii) To meet with and approve the appointment of "Deloitte" / Galaz, Yamazaki, Ruiz Urquiza, S.C., as external auditor and Mr. Omar Esquivel as the partner in charge, as well as the general terms of the compensation to be paid for their services.

(iii) Recomendar la aprobación de los estados financieros y comunicados de prensa correspondientes al año terminado el 31 de Diciembre de 2016, y primero segundo y tercer trimestre de 2017, para ser presentados al Consejo de Administración,
(iv) Aprobar los planes de auditoria para los años 2017 y 2018,
(v) Aprobar el plan de trabajo y calendario del Comité para 2018,
(vi) Aprobar los reportes presentados por el auditor interno y externo,
(vii) Verificar que el sistema de control interno y auditoría interna de la sociedad y personas morales que ésta controla operan de manera adecuada,
(viii) Se implementaron las recomendaciones hechas por el área de Auditoría Interna,
(ix) Se determinó que tanto la firma de auditores externos y el socio que la representa llevaron a cabo sus funciones de manera adecuada,
(x) Durante el ejercicio no hubo modificaciones a políticas contables relevantes,
(xi) Se le dio seguimiento a la implementación del esquema de administración de riesgos de la compañía, así como las medidas de mitigación correspondientes.
(xii) Con respecto a las denuncias recibidas del Comité de Ética, no hubo ninguna relevante que requiera de atención especial, aunque todos los casos son presentados en este Comité

(iii) To approve the financial statements and press releases for the year ended December 31, 2016 and the 1st, 2nd and 3rd quarters of 2017, presented to the Board of Directors,
(iv) To approve the audit plans for the years 2017 and 2018,
(v) To approve the committee´s work plan and calendar for 2018,
(vi) To approve the reports presented by the internal and external auditors,
(vii) To verify that the internal control system and internal audit department of the entity and its subsidiaries, operate adequately,
(viii) The recommendations made by internal audit were implemented,
(ix) It was concluded that both the external audit firm and its partner complied with their duties adequately,
(x) There were no relevant accounting policies modified during the year,
(xi) A follow up process was given to the risk management system of the Company,
(xii) There were no relevant denounces received from the Ethics Committee that required special attention however all cases are presented to this Committee

Se les informa que durante el ejercicio de 2017 no existieron observaciones respecto del desempeño de los directivos relevantes de la Sociedad, ni se otorgaron dispensas por el Consejo de Administración en términos de lo

It is hereby informed that, during the year 2017 there were no observations regarding the performance of the senior management of the Company, and no waivers were granted by the Board of Directors in terms of the provisions establecido en el artículo 28, fracción III, inciso f) de la LMV.

of Article 28, paragraph III, subparagraph f) of the LMV.

En mi carácter de Presidente del Comité de Auditoría, en representación de dicho órgano, reitero a ustedes nuestro compromiso para llevar a cabo nuestras funciones en materia de auditoria en beneficio de una operación transparente y sustentable en términos de las disposiciones legales aplicables.
Este informe ha sido aprobado por unanimidad de los miembros del Comité.

In my capacity as Chairman of the Committee, on behalf of such Committee, I hereby reiterate our commitment to carry out our audit duties for the benefit of a transparent and sustainable operation in terms of the applicable laws.

This report has been unanimously approved by the members of the Committee.

Atentamente, / Sincerely,

Aaron Dychter Poltolarek

Presidente del Comité de Auditoria
Infraestructura Energética Nova, S.A.B. de C.V