This English version is a translation of the original in Spanish, for informational purposes only. In case of a discrepancy, the Spanish original version will prevail.

Annual Report in adherence to Mexican General Provisions Applicable to Securities Issuers and other Securities Market Participants, for the year ended December 31, 2020.

IEnova®
INFRAESTRUCTURA ENERGÉTICA
Una empresa de Sempra

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

Paseo de la Reforma 342, 24th Floor
Col. Juárez
Mexico City, C.P. 06600
www.ienova.com.mx

As of December 31, 2020, Infraestructura Energética Nova, S.A.B. de C.V. (the "Company") had 1,452,281,032 shares of a single series of shares 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 1,452,276,032 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 National Securities Registry (*Registro Nacional de Valores, RNV*) of the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores, CNBV*), under registration Num. 3420-1.00-2013-001, and are listed for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) under the ticker "**IENOVA**."

The Company had a program for issuing up to Ps.12,800,000,000.00 in domestic Senior Notes (C*ertificados Bursátiles*), or Notes, which was approved by the CNBV pursuant to official communication Num. 153/6298/2013. This program expired on February 11, 2018. Under this Program, the Company issued two Notes, one of which was outstanding as of December 31, 2020, and was listed for trading on the Mexican Stock Exchange under ticker "**IENOVA 13**". The "**IENOVA 13-2**" issue was paid at maturity on February 8, 2018.

Registration with the National Securities Registry does not imply any certification as to the investment quality of the Company's securities, solvency or the accuracy or veracity 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.3,900,000,000.00
Issue price: Ps.100.00 each.
Issue 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 and 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 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, Alcaldía 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 issue: "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: "Aa3.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 Representatives 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 a burden 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 a Mexican pesos 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 average exchange rates for the period. When the exchange rate fluctuations for the period are significant, translation considers the exchange rate corresponding to the date of each transaction. Exchange differences, 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 for the years ended on December 31, 2020, 2019 and 2018. The Company's Audited Consolidated Financial Statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, as stated in their 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 or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, (4) income tax expense, and (5) 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 as the Company's share of profits from joint ventures after adding 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 based on information from third party sources that it believes to be reliable, as well as commonly used statistics in Mexico, including the following, among others:

- the World Bank;
- the International Monetary Fund;
- the International Energy Agency;
- the Mexican Official Gazette *(Diario Oficial de la Federación)*;
- the Mexican Central Bank *(Banco de México)*;
- the Mexican Ministry of Energy *(Secretaría de Energía)*;
- the Mexican Energy Regulatory Commission *(Comisión Reguladora de Energía)*;
- the Mexican Control Center for Natural Gas *(Centro Nacional de Control de Gas Natural)*;
- the Program for Developing the National Electric System *(Programa de Desarrollo del Sistema Eléctrico Nacional).*

Industry and government publications generally state that the information they present has been obtained from sources that are believed to be reliable, but the accuracy and completeness of such information are not guaranteed. Although the Company has no reason to believe that any information is materially inaccurate, 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 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, no undue reliance should be placed on estimates, as they are inherently uncertain. Nothing in this Report should be interpreted as a market forecast.

Rounding Off

Certain amounts and percentages included in this Report have been rounded off 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 converted into U.S. Dollars. Unless otherwise indicated, the exchange rate used to convert such amounts was Ps.19.9487 per USD$1.00, which was the selling exchange rate in effect on December 30, 2020, as reported by Banco de México in the Mexican Official Gazette.

The Company makes reference to various measurements throughout this Report employing either U.S. units of measurement or the metric system. The applicable conversion rates from the U.S. units of measurement to the metric system, 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 several capacity and volume measurements (as provided in contracts, permits, source materials or other documents in various other capacity and heating value units) into consistent units. Specifically, the volume for natural gas is always presented in MMcf; LNG is always presented in m3; and LPG is always presented in bl. For comparing across natural gas, LNG, and LPG units, the Company also provides in parenthesis the heating value in millions of MMTh, for each of these products. All conversions are approximate. Applicable conversion rates used 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 included in several 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 which has established a joint venture with the Company, through its subsidiary Saavi Energía.
"Aguaprieta Pipeline"	System which consists of approximately 13 km of a 20-inch diameter pipeline and a design capacity of 200 MMcfd (2.1 MMThd).
"Antitrust Commission" or "COFECE"	Antitrust Commission (*Comisión Federal de Competencia Económica*).
"API"	Integral Port Authority. (*Administración Portuaria Integral*)
"Audited Financial Statements"	The Company's Audited Consolidated Financial Statements for the years ended on December 31, 2020, 2019 and 2018, including the notes thereto.
"Autlán"	Compañía Minera Autlán, S.A.B. de C.V.
"Baja Refinados Terminal"	Terminal for storing refined products located in Baja California, currently under construction. The project will have a capacity of approximately 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, Integrante del Grupo Financiero Santander México.
"Bancomext"	Banco Nacional de Comercio Exterior, S.N.C., the Mexican foreign trade bank
"Banobras"	Banco Nacional de Obras y Servicios Públicos, S.N.C., the Mexican bank for public works and services.
"basis point"	One-hundredth of one percent (e.g., 30 basis points = 0.30%).
"BBVA"	BBVA Bancomer, S.A., Institución de Banca Múltiple, a bank that is part of Grupo Financiero BBVA Bancomer.
"Bilateral Revolver"	Revolving bilateral credit agreement executed with The Bank of Nova Scotia on September 23, 2019.
"bl"	Barrels.
"BlackRock"	BlackRock, an asset management entity.
"Bloomberg"	Bloomberg L.P.
"Border Solar"	Photovoltaic solar power plant with a 150 MW_{AC} capacity, located in Ciudad Juárez, Chihuahua.
"BP"	BP plc, and its subsidiaries, formerly British Petroleum, is an energy company mainly in oil and natural gas.
"bpd"	Barrels per day.
"Brookfield"	Brookfield Assets Management and affiliates.
"Bylaws for External Auditors"	General Bylaws for Entities and Securities Issuers supervised by the CNBV who require external auditing of their Financial Statements (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) published in the Mexican Official Gazette on April 26, 2018, as amended as of the date hereof.
"Bylaws of the Electric Industry Law"	Bylaws of the Electric Industry Law, published in the Mexican Official Gazette on October 31, 2014.
"Bylaws of the Hydrocarbons Law" or "LH"	Bylaws of the Hydrocarbons Law, published in the Mexican Official Gazette on October 31, 2014.

"CAISO"	California Independent System Operator.
"CEBURES" or "Notes"	The Company's domestic Senior Notes (Certificados Bursátiles).
"CEL" or "CELs"	Clean Energy Certificates *(Certificados de Energías Limpias).*
"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 Inmobiliaria Círculo CCK, S.A. de C.V., chain of convenience stores.
"CNBV"	National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores).*
"Company" or "IEnova"	Infraestructura Energética Nova, S.A.B. de C.V., and 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, which ended in November 2017.
"Discharge Law"	Discharge in Mexican Marine Areas Law (Ley de Vertimientos en las Zonas Marinas Mexicanas).
"DFC"	United States International Development Finance Corporation.
"DOE"	U.S. Department of Energy
"Dollars" or "USD$"	U.S. Dollars, the official currency of the United States.
"Don Diego Solar"	Solar power plant with a 125 MW_{AC} capacity, 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.
"Electric Industry Law "or "EIL"	Law of Electric Industry (Ley de la Industria Eléctrica), published in the Mexican Official Gazette on August 11, 2014.
"Empalme Lateral Pipeline"	System of approximately 20 km which consists of a 20-inch diameter pipeline with a natural gas transportation capacity of 226 MMcfd (2.4 MMThd), located between Empalme and Guaymas, and is part of the
"Energía Costa Azul" or "ECA"	Energía Costa Azul, S. de R.L. de C.V., and subsidiaries.
"Energía Sierra Juárez" or "ESJ"	Energía Sierra Juárez, S. de R.L. de C.V., a wind park with a 155 MW capacity, located in Baja California. The second stage of wind park is currently under construction, and it will have a 108 MW capacity. This was a joint venture between the Company and Actis, which ended on March 19th, 2021.
"Energy Regulatory Commission" or "CRE"	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"	Environmental Protection Enforcement Agency (*Procuraduría Federal de Protección al Ambiente*).
"ESJ Expansion"	The goal of the Energía Sierra Juárez expansion project is to increase ESJ's current capacity by installing 26 wind turbines with a 108 MW capacity.

"Ethane Pipeline"	A three-segment 224 km pipeline with a transportation capacity of up to 52 MMcfd (0.6 MMThd) in the first segment; approximately 152 MMcfd (1.8 MMThd) in the second segment, and approximately 106,000 bpd (3.1 MMThd) 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"	Federal Electricity Commission (*Comisión Federal de Electricidad*), a productive state-owned company.
"FEMSA"	Fomento Económico Mexicano, S.A.B. de C.V.
"FERC"	U.S. Federal Energy Regulatory Commission.
"Gasoductos de Chihuahua" or "GdC"	Gasoductos de Chihuahua, S. de R.L. de C.V., a company in which IEnova was partners with Pemex TRI until September 26, 2016. The name Gasoductos de Chihuahua has been changed to IEnova Pipelines.
"Gasoductos del Sureste"	Gasoductos del Sureste, S. de R.L. de C.V., a subsidiary of the Company that owns 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"	Gross Domestic Product.
"General Law for Sustainable Forest Development" or "GLSFD"	General Law for Sustainable Forest Development (Ley General de Desarrollo Forestal Sustentable).
"GRO Expansion"	Segment under construction that is part of the Rosarito Pipeline (GRO), which is approximately 200 km long and includes a compression station of approximately 60,000 installed horsepower.
"Guadalajara Terminal"	Refined 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"	Second segment of the Sonora Pipeline, which consists of approximately 330 km of a 30-inch diameter pipeline spanning the states of Sonora and Sinaloa, with a transportation capacity of 510 MMcfd (5.3 MMThd) and a compression station with 33,300 installed horsepower.
"GW"	Gigawatt.
"GWh"	Gigawatt hours.
"Hydrocarbons Law" or "HL"	Hydrocarbons Law *(Ley de Hidrocarburos)* 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., and its subsidiaries.
"IEnova EBITDA"	Profit for the period after adding or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, (4) income tax expense, and (5) share of profits of joint ventures, net of income tax.
"IEnova Marketing"	IEnova Marketing, S. de R.L. de C.V.
"IEnova Pipelines"	IEnova Pipelines, S. de R.L. de C.V. 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., which holds a 40% stake, and TC Energy, which holds a 60% stake.
"Income tax"	Income tax (I*mpuesto sobre la Renta, ISR*).
"Indeval"	S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., the company used to distribute dividends.
"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 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"	London Interbank Offered Rate.
"Liverpool"	El Puerto de Liverpool, S.A.B. de C.V.
"LNG"	Liquefied Natural Gas.
"LNG Terminal" or "ECA"	Energía Costa Azul, the LNG terminal with 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), located in Ensenada, Baja California.
"Los Ramones I Pipeline"	System which consists of approximately 116 km of a 48-inch diameter pipeline with a design transportation capacity of 2,100 MMcfd (21.8 MMThd),), and two compression stations with a combined capacity of 123,000 installed horsepower. It runs from the border between the state of Tamaulipas and the U.S. to the interconnection points with the Los Ramones Norte Pipeline in the state of Nuevo León.
"Los Ramones Norte Pipeline"	A joint venture with Brookfield, this system consists of approximately 452 km a 42-inch diameter pipeline with a design transportation capacity of 1,420 MMcfd (14.8 MMThd), and two compression stations with a combined capacity of 123,000 installed horsepower. It runs from the interconnection points with the Los Ramones I Pipeline in Los Ramones, in the state of 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"	Refined products storage terminal, located in the state of Colima, that is currently under construction, with a storage capacity of 2,180,000 bl. The project will be developed as a joint venture with Trafigura.
"Marathon"	Marathon Petroleum Corporation and its subsidiaries.
"MES"	Mexican Electric System (Sistema Eléctrico Nacional)
"Mexican Constitution"	Mexican Political Constitution (*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”	Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*).
“Mexico”	Mexico, the country.
“Midstream”	Transportation, storage and wholesale marketing.
“Ministry of Communications and Transportation” or “SCT”	Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*).
“Ministry of Energy” or “SENER”	Mexican Ministry of Energy (*Secretaría de Energía*).
“Ministry of Finance” or “SHCP”	Ministry of Finance *(Secretaría de Hacienda y Crédito Público)*
“Ministry of the Environment” or “SEMARNAT”	Ministry of the Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*).
“Ministry of the Navy” or “SEMAR”	Ministry of the Navy (Secretaría de Marina)
“Mizuho Bank”	Mizuho Bank, Ltd.
“MMcf”	Million cubic feet.
“MMcfd”	Million cubic feet per day.
“MMTh”	Million therms.
“MMThd”	Million therms per day.
“MMtpy”	Million tons per year.
“MPS”	Mexican Pipeline System (Sistema Nacional de Gasoductos).
“MUFG”	MUFG Bank, LTD (formerly The Bank of Tokyo Mitsubishi UFJ, LTD).
"Multilateral Credit Facility"	Credit agreement dated November 19, 2019 with a duration of 15 years, whose creditors are IFC, NADB, JICA and DFC.
“MW”	Megawatt.
“MW_{AC}”	Megawatt, alternating current.
“n.s.”	Not significant.
“Naco Compression Station”	A 14,300-horsepower natural gas compressor installed on CENAGAS’s Naco–Hermosillo pipeline in Naco, Sonora.
“NADB”	North American Development Bank.
“NAFIN”	Nacional Financiera, S.N.C., Institución de Banca de Desarrollo.
“NAFTA”	North American Free Trade Agreement.
“National Agency for Industrial Safety and Environmental Protection in the Hydrocarbon Sector” or “ASEA”	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 Energy Control Center” or “CENACE”	National Center for the Control of Energy *(Centro Nacional de Control de Energía).*
“National Hydrocarbons Commission” or “CNH”	National Hydrocarbons Commission *(Comisión Nacional de 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”	National Natural Gas Control Center *(Centro Nacional de Control del Gas Natural).*
“National Securities Registry” or "RNV"	National Securities Registry (*Registro Nacional de Valores*).
“Natural Gas Bylaws” or “Natural Gas Regulation”	Natural Gas Bylaws, published in the Mexican Official Gazette on November 8, 1995 and revoked by the Bylaws for Paragraph II of the Hydrocarbons Law, except as expressly stated in the transitory provisions of the latter.

"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"	System which consists of 220 km of a 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, the Mexican state-owned oil company.
"Pemex TRI"	Pemex Transformación Industrial, a Pemex subsidiary.
"pesos" or "Ps."	Mexican peso, the official currency of Mexico.
"Pima Solar"	Photovoltaic solar power plant located in Caborca, Sonora with a capacity of 110 MW_{AC}.
"PLOG" or "Pemex Logística"	Pemex Logística, a productive state-owned subsidiary of Pemex that transports and stores hydrocarbons, oil, and petrochemicals by maritime and land pipelines for Pemex and third parties.
"POC"	Peruvian Opportunity Company S.A.C., a subsidiary of Sempra.
"PRODESEN"	National Electric System Development Program (Programa de Desarrollo del Sistema Eléctrico Nacional).
"Provisions for Securities Issuers"	General Provisions Applicable to Securities Issuers and 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.
"Puebla Terminal"	Refined products storage terminal located in Puebla. It will have a capacity of 650,000 bl.
"PUHCA"	U.S. Public Utility Holding Company Act of 2005.
"Regulatory Agency for Rail Transportation" or "ARTF"	Regulatory Agency for Rail Transportation *(Agencia Reguladora de Transporte Ferroviario).*
"Report"	Refers to the current 2020 Annual Report.
"Rosarito Pipeline" or "GRO"	System which consists of three segments of approximately 302 km in aggregate length, including 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 32,760 horsepower compression stations.
"Rumorosa Solar"	Photovoltaic solar power plant with a capacity of approximately 44 $MW_{AC,}$ located in the state of Baja California.
"Saavi Energía"	Private electricity producer in the energy segment and a subsidiary of Actis.
"Samalayuca Pipeline"	System which consists of approximately 37 km of a 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd). It runs from Ejido San Isidro, Chihuahua, to the CFE'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"	System which consists of approximately 114 km of a 36-inch diameter pipeline, with a maximum daily transportation capacity of 1,000 MMpcd (10.4 MMthd) and a compression capacity of 1,460 MMcfd (15.2 MMThd), as well as two compression stations with an aggregate of 90,000 installed horsepower. The pipeline runs from the El Caracol compression station in Reynosa, Tamaulipas to the Los Indios compression station in San Fernando, Tamaulipas.
"San Isidro–Samalayuca Pipeline"	System which consists of approximately 23 km with a transportation capacity of 1,135 MMcfd (11.8 MMThd) and a 71,000 installed horsepower compression station, located in the state of Chihuahua.
"Sásabe–Puerto Libertad–Guaymas Pipeline"	First segment of the Sonora Pipeline which consists of approximately 505 km of a 36-inch diameter pipeline with a transportation capacity of 812 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.
"Sempra Energy" or "Sempra"	Sempra Energy, a California corporation and the Company's indirect parent company.
"Sempra Generation"	Sempra Generation, a California corporation, and an affiliate of Sempra Energy.
"Sempra Global"	Sempra Global, a Delaware corporation, and an affiliate of Sempra Energy.
"Sempra International"	Sempra International, 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.
"Senior Notes" or "International Senior Notes"	In December 2017 and 2020, the Company successfully issued USD$840 million and USD$800 million, respectively, in international private offerings of Senior Notes.
"SGPM"	Sempra Gas & Power Marketing, LLC.
"SHCP"	Mexican Ministry of Finance *(Secretaría de Hacienda y Crédito Público)*.
"Shell"	Shell México Gas Natural, S. de R.L. de C.V.
"SISTRANGAS" or "SNG"	Integrated National Natural Gas Transportation and Storage System *(Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural)*.
"SLNGIH"	Sempra LNG International Holding, LLC.
"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"	System which consists of approximately 835 km, with a capacity of 812 MMcfd (8.0 MMThd) for the first segment and 510 MMcfd (5.3 MMThd) for the second segment, 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 to each other and with the Empalme Lateral Pipeline.

“South Texas – Tuxpan Pipeline”	Marine system that was developed as a joint venture with TC Energy, which consists of approximately 800 km, with a capacity of 2,600 MMcfd (27 MMThd) and a compression station. IEnova holds a 40% stake in the joint venture and TC Energy holds a 60% stake.
“Standby letter of credit facility agreement”	The Company announced the execution of a standby letter of credit facility and reimbursement agreement, of up to the equivalent to USD$1.0 billion, in order to make more efficient and standardize the process for issuing standby letters of credit requested by government entities or third parties. The bank syndicate is formed by Banco Nacional de Mexico, SMBC, BBVA, Scotiabank Inverlat, Mizuho, BNP Paribas, and Santander. It is a 5-year agreement. The standby letter of credit facility agreement and the standby letters of credit issued under it do not constitute the Company’s debt.
“STCs”	Service Terms and Conditions (Términos y Condiciones para la Prestación de Servicios) approved by CRE and that are an integral part of the permits for storing and transporting hydrocarbons, petroleum products, and petrochemicals (as the case may be).
“Syndicated Revolver”	Revolving syndicated credit agreement executed on August 21, 2015 with a 5-year duration. Creditors are SMBC, Santander, The Bank of Tokyo, and The Bank of Nova Scotia.
“TAG Norte Holding” and/or “TAG Pipelines Norte”	TAG Norte Holding, S. de R.L. de C.V., and its subsidiary TAG Pipelines Norte, S. de R.L. de C.V., a joint venture between DEN and Afiliadas Brookfield, as owners of the Los Ramones Norte Pipeline.
“TAG Pipelines”	TAG Pipelines Norte, S. de R.L. de C.V., a subsidiary of Pemex.
“TC Energy”	TC Energy Corporation, formerly TransCanada Corporation.
“TDF LPG Pipeline”	System which consists of approximately 190 km of a 12-inch diameter pipeline with a design transportation capacity of 34,000 bpd (1.9 MMThd) of LPG, that runs from Pemex TRI’s Burgos LPG production area in the state of Tamaulipas to the delivery facility located near the city of Monterrey, in the state of Nuevo León.
“Tecnológico de Monterrey”	Instituto Tecnológico y de Estudios Superiores de Monterrey.
“Tepezalá Solar”	Photovoltaic solar power plant with a capacity of approximately 100 MWAC, located in the state of Aguascalientes.
“Termoeléctrica de Mexicali” or “TDM”	Termoeléctrica de Mexicali, S. de R.L. de C.V., TDM, a 625 MW natural-gas-fired, combined-cycle power generation facility located in the state of Baja California.
“TETL”	TETL JV Mexico Norte, S. de R.L. de C.V., a subsidiary of Brookfield.
“TGN Pipeline”	System which consists of approximately 45 km of a 30-inch diameter pipeline with a capacity of 940 MMcfd (9.8 MMThd) and a 9,600-installed horsepower compression station, located in Baja California.
“The Bank of Nova Scotia”	The Bank of Nova Scotia.
“TIIE”	Interbank Balanced Interest Rate in Mexico (*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 products storage terminal located in Sinaloa, which is currently under construction, with a capacity of 1,180,000 bl.
“Total”	Total S.E.
“Trafigura”	Trafigura México, S.A. de C.V., a logistics and raw materials company with which IEnova has established a joint venture.
“Trina Solar”	Trina Solar Limited.
“UDI” or “UDIS”	Investment Unit (Unidad de Inversión) whose value in pesos is periodically published by Banco de Mexico.
“United States” or “U.S.”	United States of America.

"U.S. Dollars" or "USD$"	U.S. Dollars, the official currency of the United States.
"Upstream"	Exploration and production activities.
"USMCA"	United States-Mexico-Canada Agreement.
"Valle de México Terminal"	Refined products storage terminal located in the Estado de Mexico, with a capacity of 650,000 bl.
"Valero"	Valero Energy Corporation.
"VAT"	Value Added Tax (*Impuesto al Valor Agregado*).
"Ventika"	Includes two neighboring wind parks, Ventika I and Ventika II, with 126 MW per park, for a total capacity of 252 MW, with 84 3-MW turbines. Located in the state of Nuevo León, Ventika I and Ventika II operate as a single park.
"Ventika I"	Ventika, S.A.P.I. de C.V.
"Ventika II"	Ventika II, S.A.P.I. de C.V.
"Veracruz Terminal"	Refined product storage terminal located in the state of Veracruz, with a capacity of 2,120,000 bl.

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 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 and total assets. 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 into three business segments: (1) Gas segment, which includes natural gas, and ethane pipelines, compression stations, as well as selling and distributing natural gas; (2) Storage segment, that includes storage and regasification of LNG, LPG storage and pipelines, and storage of refined products; and (3) Power segment, which includes a natural-gas-fired, combined-cycle power generation facility, as well as wind and solar power generation facilities. The Company's assets generate revenues primarily under long-term U.S. Dollar-denominated contracts, which are predominantly entered into with counterparts of recognized solvency.

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. Over the course of the last 24 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 and acquisitions, and by diversifying its customer base). As of December 31, 2020, the Company had total assets for approximately USD$10.5 billion, positioning 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, with 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 developed the first transborder clean energy project between Mexico and the U.S;

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

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

- The Company executed a 19-year contract between Pima Solar and DeAcero for the supply of energy, Clean Energy Certificates, and capacity from a new solar park that will be located in Caborca, Sonora. This transaction marked a milestone in the Mexican electricity sector as it was 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 Port Authority (API) 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 products, mainly gasoline, diesel, and jet fuel. It will have a capacity of approximately 2.1 million barrels. The Company executed a long-term, U.S. 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;

- 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; and

- The Company was the first energy company to be included in the original Sustainability Index of the Mexican Stock Exchange and, starting in 2020, in the S&P/BMV Total Mexico ESG Index, which is the new sustainability index of the Mexican Stock Exchange. IEnova is also included in the S&P Dow Jones Emerging Markets Index. The Company is part of FTSE4Good Index Series and was the first energy company to be included in the FTSE4Good BIVA index. We received an "AA" or "Leader" rating in the MSCI ESG assessment for 2019 and 2020, and the Prime score from ISS ESG. Furthermore, in 2020 IEnova made its first public appearance in the Carbon Disclosure Project (CDP) list, with a B score.

The following map shows the location of the Company's main assets, which are either currently under development or already in operation:

Gas Segment

Pipelines Business

- The Company's pipeline business develops, builds, and operates systems for receiving, transporting, compressing, and delivering natural gas, and ethane in the states of Baja California, Chiapas, Chihuahua,, 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 in operation, and approximately 200 km under construction, with a combined design capacity of over 16,400 MMcfd (171.0 MMThd) in operation and approximately 500 MMcfd (5.2MMThd) under construction;

  - Sixteen natural gas compression stations in operation and one under construction, with a combined installed capacity of more than 780,000 horsepower;

  - 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

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

Natural Gas Distribution

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 approximately 4,367 km of pipelines, this system currently serves more than 136,000 industrial, commercial, and residential customers.

For the years ended December 31, 2020, 2019, and 2018, the gas segment reported revenues, with third parties, for approximately US$805.4 million, USD$894.8 million, and USD$903.7 million, respectively, which accounted for 64%, 65% and 66% of the Company's total consolidated revenues, and a IEnova EBITDA of approximately USD$409.9, USD$425.4 million, and USD$454.3 million, respectively, which accounted for 56%, 55%, and 59% of the total IEnova EBITDA for the periods ended December 31, 2020, 2019 and 2018. These revenues and IEnova EBITDA figures do not include the Company's share of profits from joint ventures.

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 started operating in June 2003, receives natural gas through an interconnection 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 (PROFEPA) 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 can provide energy to a wide range of customers in the state of California, in the U.S.

Wind Powered Generation Business

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

- Energía Sierra Juárez is a wind power complex located in the municipality of Tecate, in the state of Baja California, in Mexico. The first phase is a wind park with an installed capacity of 155 MW, that started operations in 2015. The second phase is currently under construction and will have an installed capacity of 108 MW, and it is expected to start operating in 2021. In January 2021, IEnova informed the market that Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez, S. de RL de C.V., of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In February 2021, the purchase and sale agreement for the acquisition by IEnova entered into force. In March 2021, the Company informed that it closed the acquisition of 50% held by Saavi Energía through its affiliates. IEnova's ownership in ESJ thus increased from 50% to 100% derived from this transaction. The purchase price of Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

- Ventika includes two adjacent wind parks located in the state of Nuevo León, with a capacity of 252 MW through 84 wind turbines. 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 five solar parks in operation 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}, began operating in 2019.

- Rumorosa Solar, with a capacity of 44 MW_{AC}, began operating in 2019.

- Tepezalá Solar, with a capacity of 100 MW_{AC}, began operating in 2019.

- Don Diego Solar, with a capacity of 125 MW_{AC}, began operating in 2020.

- Border Solar, with a capacity of 150 MW_{AC}, began operating during the first quarter of 2021.

For the years ended December 31, 2020, 2019, and 2018, the power segment reported revenues, with third parties, for approximately USD$289.8 million, USD$323.1 million, and USD$308.2 million, respectively, which accounted for 23%, 23%, and 23% of the Company's total consolidated revenues, and a IEnova EBITDA of approximately USD$132.3 million, USD$157.0 million, and USD$129.5 million, respectively, which accounted for 18%, 20% and 17% of the total IEnova EBITDA for the period ended December 31, 2020, 2019, and 2018. These revenues and IEnova EBITDA figures do not include the Company's share of profits from joint ventures.

Storage Segment

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 terminal receives, stores, and/or delivers its customers' LNG and, when the customer requires it, regasifies the product and delivers the resulting natural gas to the Rosarito Pipeline system, to be transported to Baja California, in Mexico, and to the United States. The Company also purchases LNG for storage, delivery and/or regasification at this terminal, to be sold to independent customers and related parties. The LNG terminal has a storage capacity of 320,000 m3 (73.3 MMTh) in two 160,000 m3 (36.6 MMTh) tanks, with a regasification-delivery capacity of 1,300 MMcfd (13.5 MMThd) and a nominal capacity of 1,000 MMcfd (10.4 MMThd).

The Company, in collaboration with Sempra LNG and a Total subsidiary, are developing one of the first natural gas liquefaction plants in Mexico, ECA LNG, which is to be located next to the LNG Regasification terminal described in the previous paragraph. The project is being developed in two phases; Phase 1 is referred to as ECA Liquefaction Mid-Scale, with a capacity of approximately 3 Mtpa, and Phase 2 is referred to as ECA Liquefaction Large-Scale, which will have at least a 9 Mtpa capacity, for a combined natural gas liquefaction capacity of at least 12 Mtpa. Both phases will use existing infrastructure such as the tanks, wharf, and marine berths, among others, and may additionally require new infrastructure to meet these capacities.

Both phases have already obtained the majority of permits needed for developing this kind 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 U.S. Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to other countries, regardless of whether they have or not free trade agreements with the United States. In November 2020, the Company obtained the permit to export from Mexico, for Phase I, for 20 years.

In November 2020, the Company informed that, in collaboration with Sempra LNG, the Final Investment Decision (FID) had been made to develop, build, and operate Phase 1 of the project. Construction and commissioning of Phase I will take approximately 4 years, which is why the Company anticipates having the first LNG shipments for export in late 2024. See "Description of the Company's main assets - ECA Liquefaction Project".

In December 2020, an affiliate of Total, Sempra LNG, and IEnova signed an equity investment agreement through which Total acquired a 16.6% equity stake in ECA LNG Holdings, while IEnova and Sempra LNG will each retain 41.7% ownership. During that same month, they entered into a 5-year loan agreement for an aggregate amount of up to USD$1,586 million. The financing, which will not consolidate in IEnova's balance sheet, has three tranches associated with the commitments of each joint venture partner. The financial institutions related to IEnova's tranche are: The Bank of Nova Scotia, SMBC, BBVA Securities Inc., and Banco Nacional de México.

*Storage Business and LPG Pipeline System*s

The Company operates the TDF Pipeline system and the LPG Terminal at Guadalajara. The TDF system was the first LPG privately owned pipeline in Mexico, and it consists of approximately 190 km of 12-inch diameter LPG pipelines with at design capacity for transporting 34,000 Bbld (1.9 MMthd) and the related delivery and storage facilities. The TDF system runs from the Pemex facilities at Burgos, in the state of Tamaulipas, to a delivery facility near the city of Monterrey, in the state of Nuevo León. The LPG Terminal at Guadalajara storage facility with a total capacity of 80,000 bl (4.4 MMTh), near Guadalajara, Jalisco, with facilities for shipping and loading, and it serves the LPG needs in Guadalajara.

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 Estado de Mexico for private customers. Currently, the Company has four port and three land terminals; one of the port terminals is already operating and the rest are either under development, construction, or commissioning. It has a storage capacity of approximately 8 million barrels, and potential for expansion.

For the years ended December 31, 2020, 2019, and 2018, the storage segment reported revenues, with third parties, for approximately USD$160.0 million, USD$156.5 million, and USD153.7 million, respectively, which accounted for 13%, 11% and 11% of the Company's total consolidated revenues, and a IEnova EBITDA of approximately USD$185.9 million, USD$188.6 million, and USD$179.7 million, respectively, which accounted for 26%, 24%, and 23% of the total IEnova EBITDA for the periods ended December 31, 2020, 2019, and 2018. These revenues and IEnova EBITDA figures do not include the Company's share of profits from joint ventures.

Competitive Advantages

The Company believes the following competitive advantages set it apart 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 solvent private counterparties as well as public counterparties that include CFE, CENAGAS, and Pemex. Approximately 55% of the Company's 2020 revenues were related to contracts with private companies, and the rest came from contracts with government entities. In addition to improving the stability of our cash flow, our business model minimizes our direct exposure to risks related to the price of refined products. The average life of these agreements, weighted against revenues, is approximately 20 years.

- ***Proven development capabilities and extensive experience operating diverse energy infrastructure.*** The Company has over 24 years' experience in Mexico, which has enabled it to acquire the necessary skills to develop, build, acquire, and operate critical energy infrastructure across 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 striving to monetize their assets.

- ***Financing capacity to pursue new opportunities in the energy sector.*** The Company has entered into a syndicated revolving credit facility with ten banks, with SMBC serving as administrative agent (the "Syndicated Revolver"). The Syndicated Revolver provides a borrowing capacity of up to USD$1.5 billion through February 2024. As of December 31, 2020, there were USD$1,108 million outstanding under the Syndicated Revolver. The Company has another revolving credit facility with The Bank of Nova Scotia for an amount of USD$280 million (the "Bilateral Revolver"), which has been used in full. In addition, the Company has an undrawn revolving credit facility with Sempra Global, for USD$320 million. In October 2020, the Company entered into a working capital credit line agreement with Scotiabank Inverlat, which can be drawn in Mexican pesos or U.S. Dollars for an amount of up to USD$20 million; as of December 31, 2020 the line had not been used. In October 2020, the Company entered into a working capital credit line agreement with The Bank of Nova Scotia por an amount of up to USD$100 million; as of December 31, 2020, the line of credit had been used in full. In November 2019, the Company entered into a credit facility agreement 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, and in June 2020 the Company entered into a credit agreement with DFC for a total of USD$241 million; both of these credits are part of the financing structure the Company signed into in November 2019 with IFC. Furthermore, the Company proved its ability to access the capital markets successfully by issuing US$408 million in the debt markets and USD$599 million in the equity markets in February and March of 2013, respectively; USD$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 and USD$800 million in an international private offering of Senior Notes in September 2020. The Company also expects that intercompany affiliate loans from Sempra subsidiaries will continue to be an additional source of financing. As of December 31, 2020, total shareholders' equity stood at USD$5.1 billion.

- ***Demonstrated ability to execute a 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 highly solvent customer base, and positioning itself as a key participant in the Mexican energy sector. The Company has rapidly increased its participation in the refined products storage business, having added seven refined product storage terminals, and in clean energy generation business, with eight clean energy projects. The Company is confident it will remain at the forefront in the development of the energy infrastructure sector in Mexico.

- ***Diversification of energy assets covering a wide range of market opportunities***. 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; 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, it believes it is strategically located to become a key participant in the growing demand for importing and transporting 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 24 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 advantage and intends to continue to nurture and build positive relationships based on the experience it has accrued over 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 are well versed in developing, building, acquiring, and operating assets in the energy sector. The Company believes it has the knowledge, skills, and development expertise necessary to manage all its assets and operations successfully and safely, 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 2020. Sempra Energy companies employ more than 18,000 people and offer services to more than 35 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. On December 1st, 2020, IEnova's Board of Directors received a non-binding proposal from Sempra Energy to conduct a tender offer for the totality of common shares of IEnova held by private investors, which represent 29.83% of the total amount of IEnova's common shares. The proposed tender offer is subject to corporate and government approvals required by applicable laws. IEnova's Board of Directors, with the opinion of its Corporate Practices Committee, will conduct an evaluation of the proposed tender offer in the terms and timeframe required by the Mexican Securities Law.

Strategy

The Company provides customers with critical and essential energy infrastructure that contributes to the country's development. Mexico has a growing 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 highly solvent 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 establishing joint ventures with similar business models. The Company's growth strategy is focused on:

- ***Maintaining its leadership position:*** The Company holds a leadership position in Mexico in natural gas transportation, LNG storage, and storage of liquid hydrocarbons, as well as a strong position in the generation of clean energy in Mexico. These segments continue to offer investment opportunities given the existing need for the infrastructure required to provide energy for the country.

- ***Maintaining leadership in sustainability.*** Create value in the Company's three main pillars: environmental, social, and economic, founded on ethics and corporate governance. The Company establishes its strategy through the Sustainability Committee which reports directly to the Corporate Practices Committee of the Board of Directors. The Committee oversees solid strategies and policies that ensure that the Company's projects are designed, developed, and operated based on environmental, social, and governance (ESG) best practices. The Company carries out materiality assessments in order to identify the most relevant ESG topics and to promote initiatives to lead in specific material topics. Every year, the Committee reviews ESG trends and establishes objectives based on analyst and investor recommendations and on international best practices, such as the IFC Performance Standards on Environmental and Social Sustainability. IEnova recognizes that diversification of the energy matrix is necessary to ensure the country's energy security, promote sustainable development in Mexico, and contribute to the global energy transition.

- ***Diversifying its portfolio:*** 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 highly solvent private sector counterparties.

- ***Participating in sectors aligned to the Company's business model:*** The Company strives to take advantage of business opportunities aligned with 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 strong business opportunities in different segments of the energy sector in Mexico that are aligned with its business model.

- ***Optimizing assets:*** The Company has an optimization program in place 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 an asset management model 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 reliable partners. The Company believes that even 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.

- ***Strengthening 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 leverage market opportunities.

IEnova seeks to maintain its position as both a market leader 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 energy to millions of users.

Summary Financial Information

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2020	**2019**	**2018**
Revenues	1,261,301	1,379,256	1,368,555
Depreciation and amortization	(161,972)	(155,799)	(137,157)
Profit for the period	461,066	467,685	430,586

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2020	**2019**	**2018**
Finance lease receivable, short-term	13,813	11,354	9,809
Finance lease receivable, long-term	926,795	921,270	932,375
Property, plant and equipment, net	5,048,512	4,637,962	4,086,914
Intangible	170,993	180,867	190,772
Goodwill	1,638,091	1,638,091	1,638,091
Total assets	10,466,424	9,552,506	8,768,597
Current liabilities	1,239,376	1,593,532	1,445,631
Total non-current liabilities	4,105,251	3,001,737	2,569,216
Total liabilities	5,344,627	4,595,269	4,014,847
Total stockholders' equity	5,121,797	4,957,237	4,753,750

Ratios	**Year ended December 31,**		
	2020	**2019**	**2018**
Current assets / current liabilities	0.7 times	0.3 times	0.3 times
Total liabilities / total assets	51%	48%	46%
Total liabilities / stockholders' equity	104%	93%	84%
Days of sales in accounts receivable	54 days	41 days	47 days

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

IEnova * Date	Closing Price	Average Volume
2015	72.34	1,139,929
2016	90.33	2,659,053
2.017	96.45	1,946,066
2.018	73.27	1,826,468
2019	86.96	1,899,426
2020	77.57	2,298,210
March 31, 2020	78.88	1,850,711

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

RISK FACTORS

Investing 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 could materially adversely affect it. Additional risks and factors not currently known, or those currently deemed to be immaterial, could 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, any reference to a risk or uncertainty that may, could, or will have a "material adverse effect" on the Company or could or will "materially adversely affect" 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 Related to Mexico

Adverse economic and political conditions in Mexico could 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 mainly 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 significant devaluations), high inflation rates, high domestic interest rates, economic contraction, reductions in international capital flows, and reductions in 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 depreciations against the U.S. Dollar in the past and could be subject to significant depreciations in the future. Severe depreciations of the Mexican peso may result in government intervention to institute restrictive exchange control policies, as has occurred in the past 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 Banco de México, in 2020, 2019, and 2018, the variation in country's GDP was -8.2%, -0.1%, and 2.2%, respectively. However, if the Mexican economy experiences another recession, or if inflation rates or interest rates increase significantly, or if Mexico's sovereign debt credit rating is downgraded, or if the Mexican economy is adversely impacted by the COVID-19 pandemic or by any other cause, 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 shares.

Changes in the Mexican federal government's 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 securities.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government 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 current Mexican president's party. Since 1997, no Mexican president had had an absolute majority in Congress. Likewise, intermediate federal elections will take place on June 6, 2021 to elect the 500 members of the Chamber of Representatives. If the president's party were to obtain the majority of the seats in the new Congress, both the president and the new representatives (or diputados) of said party will continue to determine the country's politics and could potentially propose and approve new laws and regulations. For all intents and purposes, this would basically eliminate the division between the Executive and the Legislative branches and could eventually result in adverse changes in the economic, political, and social environment in Mexico and contribute to the country's economic uncertainties.

Additionally, the federal government has carried out and expressed his intention of making certain substantial chances to policies and laws in the country, such as implementing several austerity measures, canceling certain government trusts, and modifying both the pensions system and the national energy generation and distribution system, among others. Likewise, he has stated his intention to decentralize the government. To this end, 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 Company's business, financial condition, and results of operations.

On the other hand, measures adopted by the Mexican government pertaining to the economy and state-run production companies could have a significant effect on companies in the private sector in general, and on the Company in particular, as well as on market conditions and prices and yields of Mexican issuer's securities, including those of the Company.

The Company's assets could be subject to a direct or indirect expropriation by the Mexican government, and this could have an adverse material impact on the Company's business, financial condition, results of operations, cash flows, outlook, and/or market price of its securities.

The Company's assets located in Mexico could be subject to a direct or indirect expropriation by the Mexican government. The Company is in the business of generating, storing, transporting, and distributing energy and, as such, the government could potentially deem its business and assets as a public service or as essential for offering a public service. Accordingly, the Company's business is subject to political uncertainties, including the expropriation or nationalization of its business or assets, loss of concessions, renegotiation or annulment of existing contracts, and other similar risks.

In this case, the Company could have the right to receive compensation for the transference of assets, in accordance with applicable law. However, it is possible that the price received would not be sufficient and that the Company would need to enter into legal proceedings to make a claim for adequate compensation. The Company's business, financial condition, and results of operations could be materially affected if any of these events were to occur.

New and unanticipated tax reforms may be approved.

Given that Mexican tax legislation is frequently amended, 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 could 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 government 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 enjoy a zero-tariff rate under USMCA.

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

In 2011, Mexico adopted a legal system that allows class action lawsuits on matters relating to the consumption of goods and services and the environment. This could give rise to 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 could 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 value of the Mexican Peso in relation to the U.S. Dollar could 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 so 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. In 2020, economic instability caused by the COVID-19 pandemic resulted in high volatility in the exchange rate. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Effects of Currency Exchange Rates on Income Tax Expense."

The Company's net sales are mostly 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 are also paid in pesos, and this could also be the case for 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 could have a negative effect on the Company's financial condition or performance.

An increase in the United States interest rates that is not matched 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 could obtain greater risk-adjusted returns in larger or more developed economies instead of 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 could 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 securities.

The increase in violence in Mexico has adversely impacted, and could continue to adversely impact, the Mexican economy and could 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 economic activity in Mexico. Additionally, 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, the persistence of violent crimes could increase the Company's insurance and security costs. The Company cannot ensure that violent crime levels in Mexico, over which the Company has no control, will not increase, or will decrease. An increase in violent crimes 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.

Events and the perception of risk in other countries, especially the United States and other emerging market countries, could 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 degrees by economic and market conditions in other countries, including the United States, China, Latin America, and emerging markets. Therefore, investor reactions to developments in these other regions could have an adverse effect on the market value of securities of Mexican issuers. The crises in the United States or other emerging market countries could reduce investor interest in securities issued by Mexican companies, including those issued by the Company.

In the past, adverse economic conditions in other emerging market countries generally resulted 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; similarly, the COVID-19 pandemic has brought about an unprecedented reduction in global economic activity. These events have adversely affected the Mexican economy and Mexican capital markets and have led to, among other things, fluctuations in the trading prices of securities issued by publicly-traded 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 is also affected by the international economic and market conditions in general, 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 can also be affected by tariffs imposed by China and the United States on their respective imports, since tariffs can destabilize supply chains or the production of goods at a global and national level, in addition to increasing production costs. These tariffs can be maintained (or even increased) indefinitely. This situation could negatively impact the U.S., Chinese, and other countries' economies, including Mexico. The Company cannot guarantee that these events will not have a significant adverse effect on its business, financial condition, results of operations, cash flows, 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 guarantee 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.

Laws pertaining to the National Anti-corruption System in Mexico (Sistema Nacional Anticorrupción); the U.S. Foreign Corrupt Practices Act, and applicable international laws and treaties prohibit and sanction corruption, which is defined as "the abuse of a public or private post to obtain personal gain". Accordingly, it is illegal to bribe a public official, with bribery being defined as offering money or valuable objects to a person in order to obtain a favor, contract, business, or any other benefit of any type or size, or so that said official does not comply with a specific obligation. Anti-corruption laws prohibit gifts or payments of any value to obtain a benefit from public officials or political candidates or parties. This prohibition extends to the official's friends and family.

Company employees or representatives who are in any way involved in foreign transactions or activities are obliged to comply with local and international regulations. The Company has policies and procedures in place to prevent any employee and/or third party to violate national or international corruption laws. IEnova carries out all its business with honesty, integrity, and in adherence to ethical and legal standards, and expects all its employees to adhere to all applicable laws in the places where it does business and makes every effort to accomplish this.

Private parties who violate anti-corruption laws could be accused of serious offenses including bribery, illegal participation in administrative proceedings, misuse of power, falsifying information, obstructing an investigation, collusion, wrongful use of public resources, and wrongful hiring of former public servants. These offenses can be committed both in local and international transactions, and sanctions can include economic fines, being temporarily banned from participating in public acquisitions, leases, services, or projects, having to pay compensation for damages to the public Treasury, suspension of activities, and the dissolution of the corresponding company.

Any violations to 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.

On March 11, 2020, the World Health Organization defined the COVID-19 outbreak as a pandemic. The full extent of the pandemic, business, and travel restrictions, and changes in behavior intended to reduce its spread are still uncertain as they continue to evolve globally.

The energy sector is of essential economic interest in Mexico and the world. COVID-19 has not halted activity in 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 the evolution of the pandemic. Activity in the energy sector cannot be halted: electricity, natural gas, gasoline, and other fuels must continue to reach consumers. Although we do not expect IEnova to have to stop providing energy services, any measures imposed by local or federal authorities in order to contain contagion from COVID-19 could have an impact on the Company's activities related to the development and construction of projects.

Although most of the Company's agreements are "take or pay contracts", IEnova will continue evaluating recoverability and collection considering the effects on the supply chain. It is possible that certain customers could experience delays in payments and others could temporarily stop their operations.

IEnova has sufficient liquidity to meet its operating costs and financial obligations. As of March 31, 2021, the Company's liquidity was at approximately USD$1,763 million.

The full extent to which COVID-19 could impact the Company's results of operations or liquidity is uncertain. Given the rapid and frequent developments of pandemic, which are still constantly evolving, the

Company continues to assess the magnitude of potential effects on its business, operations, liquidity, results of operations, and financial condition. The Board of Directors and management team are working continuously to minimize the negative impact of the COVID-19 pandemic, through crisis management planning, effective communications, and cooperation.

As long as both the COVID-19 pandemic and the measures implemented by the authorities to contain it have an adverse impact on the Company's business and financial results, these could also make the other risks described in this "Risk Factors" section even higher.

Risks Related 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 several federal, state, and local government entities in Mexico and is required to obtain and maintain a diversity of permits, licenses, and government approvals for the Company's activities. In some cases, the prices the Company charges for its products and services are limited by regulated rates set by government authorities. These regulations and permits could 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 its securities. For example, in order to obtain a favorable opinion from the COFECE in connection with a permit required for the operation of the Rosarito Pipeline system, the Company was required 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, several economic conditions have complicated the divestiture of Mexicali's distribution assets, which has been disclosed to COFECE.

With respect to the regulated rates the Company charges to its customers, the CRE resets these rates periodically in accordance with applicable regulations, and the rates it sets 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 addition, in order to undertake new energy infrastructure projects in Mexico, the Company may need additional permits from SEMARNAT, ASEA, CRE, SCT, SEMAR, and SENER, as well as the favorable opinion of the COFECE, connection feasibility of the National Energy Service electric plants granted CENACE, and various factors, including a change in the CRE'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 apply to its activities or the effect that this changing regulatory environment will have on its business or the development of its projects. See Risk Factor "The Company cannot predict the potential effects on its business of the legal framework for regulating the energy sector". 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 in 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 Overview—Legal, Administrative, and Arbitration Proceedings."

The Company is subject to numerous environmental, hydrocarbons, social, occupational health and safety regulations that could be more stringent in the future and could result in increased liabilities and higher capital expenditures.

The Company's business is subject to comprehensive federal, state, and local environmental, hydrocarbons, social, occupational health and safety legislation, as well as to supervision by Mexican government agencies that are responsible for the implementation of such laws, general administrative provisions, regulations, Mexican official standards, technical standards, and related policies. These laws, provisions, regulations, and 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 power. These laws, regulations, and standards may also require the Company to obtain and maintain the following with respect to the construction and operation of its facilities: social impact, environmental impact and risks; administration system (SASISOPA); accident prevention program authorizations; forestry land use change authorizations; authorization for works in areas where there are archeological monuments or where INAH presumes their existence; records of civil responsibility and environmental insurance; 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; and waste disposal in Mexican marine areas, among others. See "Business Overview—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 after they have been 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 verify compliance with authorizations and, when needed, take action against the Company for its failure to comply with laws, regulations, administrative provisions, Mexican Official Standards, technical standards, and related policies issued for political or social reasons. These enforcement actions could include, among other things, economic fines or penalties, remediation obligations, or economic sanctions for environmental damage, renegotiation of contracts, seizure of machinery and equipment, 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 were to be classified as criminal offenses. Non-compliance with the strictest social, environmental, hydrocarbons, occupational health and safety 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 for capital expenditures and could have an adverse effect in operational results and the financial condition. In addition, complying with social, environmental, hydrocarbons, occupational health and safety laws, regulations, Mexican Official Standards, technical standards, and related policies, including obtaining related licenses, permits, concessions and/or authorizations, could cause scheduling delays in 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 and non-government organizations as affected parties, could 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 economic compensation or remedial action of any environmental damage, as may be the case, which is independent of any civil, criminal, or administrative liability. Finally, in the social arena, conflicts, expectations, demands, and opposition expressed by social and political groups could also delay permits and project scheduling, as well as compliance with measures to mitigate negative impacts or those to expand positive impacts, investment plans, and communications strategies. The absence of a law for consultations with indigenous groups has generated a legal void that has been leveraged by different organizations and environmental and/or social groups to put a halt to projects by means of the legal maneuver known as amparo. Failure to comply with 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.

The Company's operations are subject to applicable legislation in terms of crime prevention. In compliance with the penal responsibility system for legal entities, the Company could be required to demonstrate that it has organizational controls in place to prevent offenses associated with the real estate related to its assets. In particular, offenses related to environmental impact, money laundering, health crimes, and offenses against property ownership.

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 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. On July 15, 2020, the decree for the Agreement on Environmental Cooperation between Mexico, the United States, and Canada, a lateral agreement of USMCA was published in the Mexican Official Gazette. This agreement replaced the NAAEC, and its goals include promoting mutually beneficial policies in addition to strengthening and modernizing cooperation among the three nations included in USMCA in terms of compliance with environmental laws. It includes 17 paragraphs and will replace NAAEC as soon as USMCA is implemented. The Agreement includes the institutional agreements of NAAEC, expands cooperation, offers the possibility of establishing partnerships, and is better linked to the environmental chapter in USMCA. 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.

Simultaneously, in terms of social issues, the implementation of the Ecuador Principles has become more relevant, and compliance is overseen by international financial entities, meaning that non-compliance could result in lack of access to financing and loans.

While it is difficult to predict the social scope and effect of new environmental laws and regulations, such changes could materially adversely affect the Company's business if they were to have a retroactive effect and could impact new projects, financial condition, results of operations, cash flows, outlook, and/or the market price of its securities.

The Mexican Federal Environmental Liability Law (Ley Federal de Responsabilidad Ambiental) of July 2013, provides for significant penalties for environmental damages and could subject the Company to significant liabilities in the event of any such damage. In case of any action or omission, intentional or illegal, the responsible party will be fined with up to approximately 54 million pesos in 2021, irrespective of any established reparation or compensation for damages. Environmental responsibility regulations are independent from administrative, civil, or criminal responsibility laws. 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 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.

Since 2019 there have been various modifications to the regulation and legislation of the energy sector that may affect the Company's activities.

On October 28, 2019, SENER issued the Agreement on the guidelines establishing the criteria for granting Clean Energy Certificates and acquisition requirements, as published on October 31, 2014, in order to allow Clean Energy Certificates—tools first introduced in 2014 resulting from the energy reform made to the Mexican Constitution in order to promote the development of new clean energy projects—for power generation plants that started operating before 2014, which are mainly owned by CFE.

On April 29, 2020, CENACE issued the Agreement to ensure the efficiency, quality, reliability, continuity, and safety of the national electric grid, recognizing the epidemic of the SARS-CoV2 (COVID-19) virus, which halted pre-operational testing in wind and solar power generation plants.

On May 18, 2020, SENER published in the Mexican Official Gazette the agreement issuing the Policy for the Reliability, Safety, Continuity, and Quality of the National Electric System, whose goal was to establish the general guidelines that will ensure the supply of electricity under the principle of reliability and contribute to rational, comprehensive planning and operation of the National Electric System. This policy has been declared unconstitutional by the Supreme Court in Mexico and by several other courts.

On May 28, 2020, CRE authorized resolution number RES/893/2020 by means of which it issued the fees for the supply of electric energy, at 2018 prices, that the entity known as CFE Intermediación de Contratos Legados, S.A. de C.V., will charge to the holders of grandfathered—or legacy—interconnection contracts, which disproportionately increased charges for supply services of power plants that hold permits based on legislation in force prior to the energy reform.

On October 7, 2020, CRE published its resolution modifying general administrative provisions that establish the terms for requesting authorization to modify or transfer electric energy generation or supply permits, as contained in resolution RES/390/2017, whose goal is to restrict the modification of permits for registering, eliminating, or making changes to load points or for including new partners in the expansion plans of self-supplying companies. Even though the CRE has not rejected the requests for modifications to the permits of Don Diego Solar and Border Solar, in particular that related to adding certain self-supply partners, there is a risk that the requested modifications will not be authorized and this will prevent that projects to supply energy under the energy purchase contracts that they have entered into.

On March 9, 2021, SENER published a decree by means of which it reforms or adds several provisions in the Electric Industry Laws, as a result of the presidential initiative that was approved by the Mexican Congress on March 2, 2021. The goal of said reform to the Electric Energy Law is to strengthen the CFE. In order to do this, it suggests several measures to, among other things: (a) prioritize dispatches from the power plants owned by CFE, with the alleged goal of ensuring the reliability of the National Electric System; (b) establish that permits referenced in the Electric Industry Law are to be subjected to the planning criteria of the National Electric System issued by SENER, in addition to limiting the provisions for requesting and obtaining the right to connect to transmission and distribution networks; (c) establish that any power plant generating clean energies, regardless of ownership and date of initial operation, has the right to receive Clean Energy Certificates, even if they started operations before the Energy Reform came into effect; (d) eliminate the obligation of the company known as CFE Suministrador de Servicios Básicos to enter into electricity contracts adjudicated exclusively by means of public bidding processes; (e) grant faculties to CRE for revoking self-supply permits that were granted under the LSPEE in case they were obtained by means of acts that constitute a "fraud of the law"; and (f) grant faculties to the federal government to review contracts for committing capacity for electric energy generation and buying and selling electric energy that were signed by CFE with independent producers under the LSPEE.

Simultaneously to the publication of the reforms described above, and regardless of the fact that applicable laws and regulations establish a maximum legal timeframe for issuing government permits and authorizations, in practice, during the current administration, timeframes for analyzing the paperwork and obtaining permits from CRE and SENER have been significantly exceeded.

Every reform to the legal and regulatory framework described above has been challenged by means of several amparo proceedings set forth by sector participants and NGOs, and by means of constitutional controversies presented by COFECE and state governments. The Company has participated in presenting several amparo lawsuits in order to protect its interests.

Legal proceedings against the reforms described above have initially obtained suspensions for said modifications and are awaiting the final resolutions of the corresponding lawsuits. Definitive sentencing for the different legal proceedings is currently pending, except for the one related to the reliability policy issued by SENER in May 2020, which has been deemed unconstitutional by both the District Courts and the Supreme Court, rendering it null.

An unfavorable final decision on the lawsuits, or the possibility of long proceedings, as well as the Company's inability to obtain the necessary permits, could affect the Company's ability to operate the wind and solar facilities that are already operating at their current operational levels, or at all, or they could result in an increase in costs for the Company and its customers. This situation could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or the price of its securities.

On April 23, 2021, the President's initiative to reform the LH was approved by the Federal Legislative Power, leaving only its promulgation and publication pending. The Reform Project grants Secretaria de Energia ("SENER") and CRE additional powers to suspend and terminate early the permits for the activities of the third title of the LH to which the group companies are engaged. The suspension will now proceed for the time determined by SENER or CRE when a danger to national security, energy security, or to the national economy is foreseen, regardless of the conduct of the permit holder, who will also be sanctioned if he acts with fraud. Likewise, new grounds for the revocation of permits will be included that the permit holder (i) carries out its regulated activity with illegally imported products or with respect to which taxes have not been paid (contraband) or (ii) relapses in non-compliance with the provisions applicable to the quantity, quality and measurement of hydrocarbons and petroleum products or in the unauthorized modification of the technical conditions of systems, pipelines, facilities or equipment (assumptions that previously involved increased fines). Additionally, in the case of existing permits, the transitory articles contemplate that the competent authorities will revoke those permits that: (i) fail to comply with the minimum storage requirements established by SENER on the date the reform decree enters into force or (ii) that, upon entry into force of the reform decree, do not comply with the requirements established in the LH or violate the provisions of the LH. Similarly, permits will expire in cases where the permit holder does not exercise the rights within the term established in the permit, or in the absence of a term, for a consecutive period of three hundred and sixty-five calendar days.

The Company has no control over the fact that standard response times for granting permits extends beyond the expected timeframe.

Despite the fact that the Company has a robust team in charge of 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, in some cases as a result of the mitigation measures established by the government of Mexico to respond to the COVID-19 pandemic because CRE has suspended its activities and timeframes to issue resolutions on two occasions. Although Mexican law establishes a legal timeframe in which the government is obliged to respond to requests, it is common for government entities to show administrative delays and not comply with the response timeframe. During the current administration, processes to obtain permits from CRE or SENER have been slower than ever –See Risk Factor "The Company cannot predict the impact of reforms to the applicable legal framework in terms of energy will have on its business".

We are not able to predict whether these delays will continue or even get worse, which could affect our decision to develop or not a given project, result in delays in construction or in the start of operations, increase costs, or bring about the cancellation of agreements with contractors and customers. This situation could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or the price of its securities.

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

A number of legal and regulatory measures, as well as social initiatives, have been implemented both internationally and locally in an effort to reduce greenhouse gas and other carbon emissions. The Mexican General Climate Change Law and the Electric Industry Law published in 2012 and 2014, respectively, impose an internal system aimed at encouraging the use of electricity generated by means of clean energy sources. It also includes negotiable Clean Energy Certificates and other measures aimed at achieving reductions in greenhouse gas emissions, all of which could result in additional costs in the Power segment and, 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.

Furthermore, for activities in the hydrocarbons sector in general, the agreements established in the Leaders' Statement on a North American Climate, Clean Energy, and Environment Partnership, executed in June 2016, is particularly relevant. It gave way to a guideline on how to prevent methane emissions for the Mexican oil and gas segments, which has been in force since November 2018 and constitutes the first regulation that establishes obligatory measures for reducing greenhouse gas emissions in Mexico.

The 26th UN Climate Change Conference of the Parties (COP26), which was supposed to be held in Glasgow, Scotland, was postponed as a result of the health contingency brought about by COVID-19. However, Mexico continues to report it contribution at the national level, updated to 2020, in compliance to the commitments of the Paris Agreement.

As a result, authorities will see to it that the activities of companies in the energy sector strictly adhere to the regulatory provisions in order to achieve the established goals based on the National Emissions Registry, the General Law on Climate Change, the National Climate Change Strategy, and the National Climate Change System, with reduction results to be included in their biannual reports. Therefore, the Company will need to implement and take into consideration the climate-related challenges imposed on the development of its operations or on the operations of its partners and customers such as Pemex and CFE. This could result in additional costs for the Company and therefore have a significant adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or the market price of its securities.

As part of these measures, in 2020 SEMARNAT started implementing an Emissions Trading System Test Program. Although the program will have no economic impact on participants during the testing phase, it is expected that transition to the finalized system will take place in 2022. The emissions trading system will imply caps on greenhouse gas emissions from large issuers in different sectors (although the program will only be applied in the energy and industry sectors 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 reporting and compensation obligations could imply additional costs for the Company in the business units to which these obligations are applicable.

The Company could be exposed to high LNG acquisition costs in order to maintain the operations at 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 customers need it, the storage tanks and pipeline must be kept at or below approximately -160° Celsius by maintaining a minimum volume of LNG in the system. That need is met when one or more of the customers keep a sufficient amount of LNG in the Company's terminal. However, other than IEnova Marketing, a subsidiary of the Company that is also a customer, which has committed to make a reasonable effort to supply LNG to the terminal at its request, none of the customers has an obligation to make dispatches or keep a minimum inventory of LNG, and there is no guarantee that they will. IEnova Marketing is the only customer of the LNG Terminal to have made deliveries of LNG to the terminal. Given the current market price of LNG relative to the price of natural gas in markets typically served by the Company with LNG that is regasified in its terminal, the Company does not anticipate that its third-party customers Shell and Gazprom will deliver LNG to the terminal in the near future or that IEnova Marketing will deliver anything more than the minimum amount required to keep the terminal cold.

In the event that the Company's LNG terminal customers do not keep the necessary minimum LNG volume in the terminal, the Company would need to secure LNG in the market in order to maintain the terminal's requisite cold temperature. If the cost to secure such volumes were to exceed the Mexican natural gas market price at 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 its historical quality, or if the natural gas specifications in the

United States or Mexico become more restrictive, the Company may need more LNG than it is currently estimating to keep the terminal cold. The costs of acquiring LNG 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 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 several 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 degree 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, 2020, the Company had outstanding borrowings from affiliates in the amount of approximately USD$72.9 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 it 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 cash flows from its businesses and assets. If the Company believes its convenient, it could incur in additional debt, refinance its existing debt, or sell assets, which could present structural risks or result in a reduction of assets or having assets that generate lower flows.

A considerable part of the Company's business depends on the availability of resources. Consequently, the Company constantly analyzes financing sources that are available in the market in order to improve the terms of its loans and its capital structure, including the potential sell of its assets. Given that it is constantly in need of capital, the Company could incur in additional debt or refinance its existing debt, which would not necessarily be reflected as a decrease in debt or lower financial expenses. Likewise, the Company's strategy involves additional capital expenditures, which would not necessarily be financed with its own cash flows. Therefore, the Company expects that a significant part of the resources it needs to finance its strategy should be raised through financing or refinancing, which could result in less favorable terms than it currently enjoys and, among other things, could increase its debt, impose additional restrictions, or require additional collaterals. This could have a material adverse effect on the Company's business, financial situation, results of operations, cash flows, 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 in order to reduce its leverage or meet its capital requirements. Furthermore, the Company could decide that all or part of the resources obtained from said operations not be distributed to shareholders or reinvested in the business. The Company, in any case, cannot guarantee that its financial 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 its securities could be materially adversely affected by the outcome of pending litigation against it or related to the permits and property rights for its LNG terminal or ECA LNG.

Several parties have initiated proceedings before SEMARNAT or ASEA in Mexico, challenging the environmental impact authorization for the Company's LNG terminal; one party has brought a civil action challenging the LNG terminal's permits. While, to date, SEMARNAT and ASEA have both found against the claimants challenging the environmental authorization, the claimants have appealed these determinations. In the event that any of these parties were to ultimately prevail against us, this could result in a modification or revocation (or, in extreme circumstances, a nullification of) the Company's environmental authorization or one or more of the LNG terminal's 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's permits were to be revoked or nullified, it could result in the terminal being unable to continue operations, which could also result in breaches of one or more permits or contracts to which the Company is a party. Any modification, revocation, or nullification of the Company's environmental authorization or one or more of the LNG terminal's 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.

In 2018, two related claimants presented individual disputes before the Federal Court of Ensenada, Baja California, related to environmental and social impact permits issued by ASEA and SENER to ECA LNG, authorizing the natural gas liquefaction activities at the ECA Regas Terminal. In the first case, the court issued a provisional resolution in September 2018. In December 2018, ASEA approved the amendments to the environmental permit allowing the Company to develop the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional resolution. The claimant appealed the court's decision to cancel the provisional resolution but was not successful. The underlying dispute by the claimant regarding the permits is pending. In the second case, the initial request for a provisional resolution was denied. That decision was revoked by means of an appeal in January 2020, which gave way to a new resolution against the same environmental and social permits that had already been issued by ASEA and SENER. This resolution has an uncertain request attached that has not been resolved by the court. Both revoking or issuing a legal resolution for the second case are under appeal.

The Company is also engaged in disputes regarding its title to the properties on which the Company's LNG terminal and the ECA LNG liquefaction project are located. In the event that the Company is unable to defend and retain the title to the properties, it could lose its 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, have access to, and use such properties, 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 has invested, and continues to invest, substantial amounts of time and human and financial resources in defending these lawsuits, and in related investigations and regulatory proceedings. The uncertainties inherent to administrative and 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 could be involved in other litigation and administrative proceedings relating to claims arising out of the Company's operations and properties. These could include claims filed by suppliers and customers, government regulators, including tax authorities, neighboring residents, activists, and environmental NGOs, as well as labor disputes. The outcome of these proceedings 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 legal and administrative proceedings to which the Company is a party, see "Business Overview—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 Company's business, financial situation, results of operations, cash flows, and outlook, and/or the market price of its securities.

Currently, the Company is initiating legal and administrative proceedings in two municipalities in Northern Mexico (Dr. Arroyo and Aramberri, both located in the state of Nuevo León) where the Los Ramones Norte Pipeline operates. One sectioning valve of the pipeline system has been closed, without impacting the operation of the pipeline, and will not be reopened until there is a resolution concerning certain tax credits imposed by the municipal authorities alleging a lack of permits during construction. The result of these administrative and legal proceedings could have a significant adverse effect on the Company's business, financial situation, results of operations, cash flows, outlook, and/or the market price of its securities. For additional information regarding the judicial and administrative proceedings in which the Company is involved, see "Business Overview –Legal, Administrative, and Arbitration Proceedings."

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

Permits granted by CRE (including the Company's LNG storage permit, liquefaction permits, refined products storage permits, transportation permits, distribution permits, and power generation permits) as well as permits granted by SCT for the refined products storage port or rail terminals are essential for the development and operation of the Company's assets, and the Company would be unable to develop or continue operations of a particular asset without the corresponding permit granted by CRE.

A permit can be revoked by CRE or SCT for 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, among others, the following: (1) if the Company engages in discriminatory practices or charges rates in excess of the maximum rates established by CRE, (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 the Mexican Official Standards or the general service terms and conditions under the permits, or if the Company experiences partial or total interruptions in the operation of the pipeline or facility without justified cause or authorization from CRE.

The Electric Industry Law and Hydrocarbons 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 regulation relating to rates and fees, (3) assigning a permit without the prior approval of CRE, (4) failing to exercise the Company's rights under the relevant permit within a 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. On March 9, 2021, a reform to the Electric Industry Law was published in the Mexican Official Gazette --See Risk Factor "The Company cannot predict the potential effects on its business of the legal framework for regulating the energy sector in Mexico". The transitory provisions of this law state that self-supply permits that have been approved in conditions that represent a "fraud of the law" will be revoked. Although CRE would have to proof that the Ventika, Don Diego Solar, and Border Solar permits were granted under such circumstances, and despite the fact that said reform is currently suspended and under legal review, there is a risk that such permits could be revoked.

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 CRE, 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.

Severe weather conditions and natural disasters (at times related to climate change), catastrophic accidents, and acts of terrorism or crime could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, and outlook, and/or the market price of its securities.

The Company is subject to applicable regulation pertaining to climate change, as established by the General Climate Change Law and its Bylaws (Ley General del Cambio Climático y su Reglamento), dependent on the operational performance of each asset and specific circumstances in terms of emissions (to be considered under the System for Trading Emissions) and reporting obligations (to be considered as an Establishment Subject for Reporting). Accordingly, it is not possible to predict exactly if regulation applies to all or just part of the Company's assets, since this depends on the operations of each asset. Additionally, pertaining to climate change—when defined as a variation in climate directly or indirectly attributed to human activity that alters the composition of the global atmosphere and is in addition to the natural variations in climate as observed in comparable periods—we can expect that severe weather conditions resulting from climate change could have a material adverse effect on the Company's business and operations.

The Company's facilities are exposed to suffering damages from severe weather conditions, natural disasters such as earthquakes or tsunamis, and fire, catastrophic accidents, significant malfunctions in equipment, leaks, breakage, or terrorism, crime, and sabotage. Given that as part of its business the Company uses, stores, transports, and disposes of highly flammable materials and explosives, and considering it operates highly energized equipment, the risk of such incidents on its facilities and infrastructure, as well as the risk to neighboring communities, is substantially higher than the risk of such incidents for other companies. Even though if fully complies with environmental, health and safety, transportation, risk management, and safety requirements and standards, the Company's operations are subject to considerable dangers associated to using, storing, transporting, and disposing of such materials. The Company's facilities and infrastructure, and those in which it holds a stake (of which it could in the future own or hold a stake in) that could be subject to such incidents include, among others, the following:

- pipelines; facilities for storing and compressing natural gas, LPG, and ethane;
- terminals and storage for LNG and refined products, such as diesel, gasoline, metil terc-butil ether (MTBE), and jet fuel;
- power distribution facilities; and
- power generation facilities.

Such incidents could result in significant commercial interruptions, property damage, injuries, or loss of life, considerable reductions in revenue and profits, and/or considerable additional costs for the Company. Incidents such as these could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or the price of its securities.

Depending on the nature and location of the affected facilities or infrastructure, any incident of this kind could also cause catastrophic fires; natural gas odor; natural gas, LPG, and ethane leaks; explosions, spills, or other considerable damages to natural resources or third-party assets; personal injury, health impacts, or death; or could become a nuisance for the affected communities. Any of these consequences could result in considerable claims against the Company. In some cases, the Company could be responsible for damages, even if they were not caused by the Company, and for cases in which the concept of inverse sentence, objective responsibility or other similar legal concepts apply, we could be held responsible for damages even without having been declared guilty or negligible. The cost of insurance policies to cover these risks could increase significantly or it could be impossible to obtain coverage for such incidents; and insurance payouts received by the Company could be insufficient to cover losses or liabilities resulting from existing limitations, exclusions, high deductibles, non-compliance with process requirements, and other factors, which could in turn have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or 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. In August 2019, the Company signed a suspension agreement to avoid early termination of the contract. The agreement established that if the natural gas pipeline isn't in service for a period of more than two consecutive years, the contract will be terminated. 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 operation of the pipeline, but these actions does not ensure that the objective will be achieved. Likewise, in September 2019, the parties entered into an agreement establishing a deal regarding the gas transportation service contract for the Guaymas-El Oro Gas Pipeline, by means of which, among other things, it was agreed that the scheduled restarting date of January 15, 2020 could be reviewed by the parties in the event that the contingencies had not been resolved by such date, an issue that has already been raised; the current estimated date for restarting operations has been moved to September 14, 2021. The parties are currently discussing a new starting date in the event the pipeline is not repaired by May 15, 2020, but there can be no assurance that the parties will agree on a new service date if the pipeline is not repaired by that date. The final resolution to the conflict with the Yaqui tribe depends not only on a definitive legal resolution, but on a negotiation with the opposing group that needs to be headed by the federal government. This all means that there are many factors that do not depend on the Company. The Company may not be successful in its attempt to restart operation on the agreed upon date and, therefore, this could have a significant adverse effect on the Company's activities, financial situation, results of operations, cash flows, outlook, ability to recover the carrying value of our investment and/or the market price of its securities.

Severe weather conditions could also affect our business. Strong torrential rains and the related winds could damage our facilities, which would result in an increase in expenses, including greater maintenance and repair costs, and interruptions in our electricity and natural gas supply services. In addition, restoration costs after the storm may not be recovered in full. If any of these events were to occur, they could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or 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 entities, or conflicts of the Company with them, 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 August 2019, the federal government began arbitration proceedings 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 dialogue, an agreement was reached whereby a new rate structures were established, and the terms of the contracts were extended for an additional 10 years each. Said agreements satisfy the interests of both parties and allow a benefit for CFE, while preserving the integrity of the contracts. These arbitration proceedings have been definitively resolved and the Company does not expect the renegotiated contracts to affect the Company's financial situation. However, if the federal government were to initiate new controversies or arbitration proceedings against proprietary companies, including the Company or its subsidiaries, this could have a material adverse effect on the Company's value, business, activities, financial condition, and operations.

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

The acquisition, development, construction, or expansion of new energy infrastructure projects involve numerous risks. The Company could 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 if it can be built.

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

- Obtaining the necessary property rights and other real estate rights;
- Identifying conditions and costs for complying with environmental laws;
- Negotiating satisfactory engineering, procurement, and construction agreements;
- Negotiating natural gas, electricity, and capacity long-term contracts;
- Timely delivery of the required government permits, feasibility assessments, license authorizations, and rights-of-way;
- Delays related to the COVID-19 pandemic, which could result from delays in issuing permits or in construction activities, or from other reasons related to the pandemic that are beyond the Company's control;
- Negotiating with local communities and minority groups;
- The occurrence of force majeure events.
- 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 several 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-government 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;
- The impact of exchange rates on the cost of imported materials and equipment;

- Changes in laws and regulations; and
- Unforeseen complications or delays in obtaining permits.

If the Company experiences material delays or is unable or chooses 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 could 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 could 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 it has not previously operated, and it could not be able to leverage these new opportunities given its lack of experience or familiarity in these areas. Furthermore, the Company could not be able to obtain additional permits, authorizations, and feasibility reports from the CRE, ASEA, SEMARNAT, SENER, CENACE, DOE, SCT, or SEMAR or a favorable opinion from COFECE, which may be required for new energy infrastructure projects. Projections contained elsewhere in this Report related to growth in the Mexican energy sector could be incorrect for a variety of 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 clean energy network). In addition, in Mexico, government authorities in charge of granting permits or feasibility studies that are essential for developing energy infrastructure could be affected by the government's internal policies. The inability to successfully obtain new energy infrastructure projects could 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 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 expansion of the Company's businesses will be capital-intensive and require significant investments. 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 need 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 ratings, in the ratings of our main customers and rating of the Company could adversely affect the Company's cost of capital.

Changes in the rating or outlook for Mexico, CFE, CENAGAS, Pemex, or Sempra Energy, or their securities, could all have an adverse effect in the Company. These could come as a result of changes in Mexico's political or economic outlook, laws, or legal provisions (including treaties such as the USMCA), the imposition of tariffs, a decrease in oil production or prices, the current situation pertaining to COVID-19, among other factors. Additionally, increases in the level of indebtedness of the Company or other changes in financial indicators may adversely affect it. Ratings allocated 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 for the Company and, consequently, have a material adverse effect on the Company's financial condition, results of operation, cash flows, 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 strives 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, for contracts established at fixed prices, profitability could be materially adversely affected by inflationary pressures (for 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 that 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 default on their obligations thereunder and any such default could have a material adverse effect on the Company. While the Company often requires that counterparties provide it with bank or other types of collateral, the financial support provided by the collateral is not always sufficient to fully offset any losses the Company could suffer and exposes it to counterparty risks. As of this date, we have not experienced any substantial increases in these risks as related to the COVID-19 pandemic. However, as the pandemic continues to exacerbate economic conditions, there is an increased risk of these factors having a material effect on the Company's business. Any of these factors 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 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 involves many risks, including, among others, the following:

- Performing below expected levels of output or efficiency;
- Availability of primary energy resources to produce energy in our wind and solar generation business;
- 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;
- Operational accidents; and
- Changes in energy dispatches.

In addition, the Company's activities are subject to social risks, including protests from communities neighboring its operations. Although the Company is committed to operating in a socially responsible manner, it can 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 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 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 CFE, 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 consolidating the intercompany revenues received from IEnova Marketing, during the years ended on December 31, 2020, 2019, and 2018, the Company's four largest customers together accounted for approximately 57%, 59%, and 61%, respectively, of total revenues. During the same periods, no other customer accounted for more than 10% of the Company's total revenues. In each of 2020, 2019, and 2018, the largest customer accounted for approximately 20%, 22% and 23%, 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. The agreements executed with CFE and the Civic Service Ministry (Secretaría de la Función Pública) can also be terminate before expiration if it is determined that doing so would be in the general public interest by providing evidence that compliance with the agreement would result in losses and damages to Mexico or if, for justified cause, the CFE no longer requires the supply of natural gas, in each case subject to a hearing and other due process procedures.

In 2020, both third-party capacity customers of the ECA LNG regasification terminal—Shell and Gazprom—declared a breach of contract by IEnova and a force majeure event, seeking to terminate these capacity contracts and recover damages. One of these two customers has stopped making the payments pertaining to its long-term capacity contract and has presented a request for an arbitration proceeding for the controversy and an amparo lawsuit related to said controversy. Although the other customer is currently making regular payments as stipulated in its agreement, the customer is participating as a plaintiff in the arbitration proceeding. In addition, one of the customers has initiated legal proceedings before a Mexican court seeking the modification or termination of certain permits that are relevant to the ECA LNG regasification terminal and to ECA Liquefaction. An unfavorable decision with respect to all or some of these disputes and proceedings, or the possibility of a long dispute, could generate significant legal and other costs and could have a material adverse effect on the Company's long-term relationship with these customers and on the reliability of the revenues from the ECA LNG regasification terminal and ECA Liquefaction.

Additionally, 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 in payments by customers could cause stress the Company's liquidity.

Even though the Company diligently carries out its customer billing and collection process, some could present considerable delays. Force majeure claims and, in general, delays in collecting on customer invoices due to a variety of factors, including the impact of the COVID-19 pandemic, could have a material negative effect on our liquidity and capital resources. Any material claims or delay in customer payments, such as delays related to our pending arbitration with Shell Mexico and Gazprom, or cancellation of payments of the Guaymas-El Oro segment of the Sonora Pipeline could have an adverse effect on the Company's liquidity. The Company's solvency has allowed it to overcome these delays, however, it cannot anticipate that it will always have the necessary resources. There are exit mechanisms within the contracts that could partially or totally mitigate said risk. However, they 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 depends on key suppliers, including an affiliate of its indirect controlling shareholder, for the adequate operation of its energy infrastructure assets.

The Company's business depends on key suppliers performing in accordance with their agreements. In particular, the Company's LNG business has been relying upon certain affiliates of Sempra Energy for an adequate supply of LNG for the Company's LNG Terminal to maintain continuous operations and as a source of natural gas to sell to customers. Ever since the LNG Terminal started operations, the Company has not been able to obtain sufficient amounts of LNG from Sempra Energy affiliates to satisfy all of IEnova Marketing's contractual obligations to its natural gas customers by using regasified LNG. However, the Sempra Energy affiliates are able to purchase and supply the required amounts of natural gas at the U.S. border, and make 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. Since 2018, the ECOGAS natural gas distribution business has relied on the supply of natural gas mainly from the CENAGAS pipeline for Chihuahua and Durango and SoCalGas for Mexicali, which is later sold to their customers. If these key suppliers were to fail to perform, the Company could incur in substantial expenses and, in some cases, be exposed to a 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 on their obligations under such agreements. Should they fail to perform, the Company could 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 could incur in additional losses to the extent of the 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 could also be subject to international political and economic pressures and risks, which could 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. 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, natural gas, LPG, and ethane.

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, LPG, and ethane the Company sells to its customers;
- Supply natural gas to the Company's electric generation facilities;

- Send and receive refined products by rail in the Company's 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, even as a result of the mitigation efforts implemented by authorities to respond to the COVID-19 pandemic, the Company's ability to sell and deliver its products and services could be hindered. As a result, the Company could 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 and general administrative provisions issued by ASEA establish specifications for the products that can be delivered through natural gas, LPG, and ethane pipelines, as well as pipeline design, construction, operation, and maintenance for specific cases. These specifications include requirements such as dew point, composition, temperature, and foreign content (such as water, sulfur, carbon dioxide and hydrogen sulfide) for hydrocarbons, petrochemicals, and oil products. 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, 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 can refuse to accept all or part of the non-compliant products scheduled for delivery, 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 landowner actions.

The Company does not own all of the land on which its 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 government approval from entities such as the National Water Commission (Comisión Nacional del Agua) and state authorities 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 government agencies by means of either a contract or a concession, for a specific period of time. Accordingly, if in the future it is determined that the Company does not have the right-of-way, full leases, and concessions for occupying the concessioned federal land, or if such rights and leases expire or are terminated in advance, the Company could be exposed to more onerous terms or an increase in costs in order to obtain the rights to use such real estate, or loose the right to occupy the federal zone, which could bring about the obligation to vacate the national assets with no rights. The loss of these rights in the event that the Company is not able to renew the right-of-way in federal zones or the corresponding leases, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, outlook, and/or market price of its securities.

The Company could face construction delays or increases in costs in its projects as a result of delays or the impossibility of obtaining the right-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 because, by not having obtained the corresponding rights, it will not be able to begin the necessary construction. 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 could 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 behaviors that do not correspond to its ethics and compliance standards. The Company's compliance policies and procedures could not be enough to detect fraud, money laundering, and other illegal or inadequate activities, which could expose the Company to fines, liabilities, and reputational risk.

Given the large number of contracts entered into between the Company and its suppliers and contractors, the ample distribution of its operations and diversity of parties with which it interacts in the course of doing business, the Company is subject to the risk that its employees, suppliers, contractors, or any other person who has a relationship with the Company could misuse or manipulate its assets or information, make illicit payments or participate in money laundering or illicit financing, for a personal or commercial gain. 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 at detecting and preventing money laundering and other illegal activities, such policies and procedures may not proof to be effective in avoiding money laundering and other illegal or incorrect activities. Furthermore, the Company's policies and procedures could not be effective in identifying and monitoring 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 Company's business, financial condition, results of operations, cash flows, 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 on to the ECOGAS customers, natural gas prices relative to LPG prices affect the Company's ability to sell natural gas, and accordingly, could have a material impact on the natural gas distribution business. The Termoeléctrica de Mexicali power plant competes in the U.S. open market for the sale of electricity and other related products in the state of California, and its profitability is affected by revenues and costs linked to the price of commodities such as electricity and natural gas. Furthermore, the Company currently purchases natural gas to supply the 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 could not work as planned.

To reduce financial exposure related to commodity price fluctuations, the Company can 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 could 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) pandemics such as the COVID-19 pandemic, natural disasters, wars, embargoes, and other catastrophic events, and (10) expropriation of assets by government 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, as much as possible, requests collateral to cover such exposure, the Company faces a counterparty risk of collecting the amounts owed by customers. Changes in market prices or the 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.

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 certain of the Company's purchase agreements for clean energy projects 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 relative to those available to its customers, given that there are no pre-established fixed rates, 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 risk management and control systems in place that employ advanced methodologies to quantify and manage risk, these systems may not always prevent material losses. It's possible that risk management procedures are not always followed, or they could 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.

Given that the Company shares control in some joint ventures it is partnered into, in the event of any disagreement with its partners, the Company could be forced to sell its interest in the related joint venture, purchase its partners' interests, or enter into dispute resolution proceedings. If either of the joint venture partners 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, 2020, the Company had 1,488 employees, including 540 administrative staff and 948 operation and maintenance workers, of whom 35 are covered by collective bargaining agreements with several labor unions. The Company's collective bargaining agreements are negotiated on a company-by-company basis, and compensation terms are adjusted on an annual basis, with all other terms renegotiated every two years.

Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts with the employees themselves or with the outsourcing entity, could 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 experienced no labor disruptions since it began operations.

Additionally, based on the constitutional amendment to Article 123 of the Mexican Constitution back in 2017, an amendment was made to the Federal Labor Law (Ley Federal del Trabajo) on May 1, 2019 modifying, among others, the rules and procedures for labor unions and the creation of new labor courts. One of the most relevant modifications is 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 what impact those amendments to the Labor Law could have on its daily activities. Finally, changes in labor matters derived from the renegotiation of the USMCA could have a significant adverse effect on the Company's activities, financial condition, results of operations, cash flows, outlook, and/or the market price of its securities.

Over the course of the last year, new law initiatives (approved on April 13 by the Chamber of Deputies and on April 20 by the Chamber of Senators) were presented that could significantly affect outsourcing and insourcing schemes that today are a common practice among companies, and although the Company complies with its labor obligations in timely manner, if these changes occur, the Company will have to 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 applicable laws, whether as a result of union initiatives, staff turnover, or any other circumstances, 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 depends on its executives and employees and their understanding 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 employees without an 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 centered on its energy infrastructure projects in several Mexican states and developments affecting such regions specifically, such as a local recession, natural disasters, local regulation, increase in crime rates, or political and social developments, could have a material adverse effect on it.

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, Estado de México, Colima, and Veracruz, and all the Company's current permits and approvals are issued by either the Mexican government or by local government authorities. As a result, any legislative changes, recent regulatory changes—See Risk Factor "The Company cannot predict the impact that changes made to the applicable regulatory framework related to energy could have on its activities"—measures taken, stricter rules implemented, or additional requirements imposed by the relevant government authorities (including changes derived from state and local elections) 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 addition, the Company is exposed to risks of a local recession, natural disasters, 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 Company's insurance policies could prove to be inadequate.

The Company has fully insured 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 the amounts and deductibles that the Company considers appropriate. However, the Company cannot ensure that the insurance policies currently in place or other insurance that may be appropriate will be available in the future at commercially reasonable rates. In addition, in some instances 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 program of the Company excludes certain types of events (for example, 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.

LIBOR is a reference interest rate that is used as a benchmark rate for a wide range of financial transactions, including derivatives and loans. The U.K. Financial Conduct Authority (FCA), which regulates LIBOR, has showcased the need for market participants to transition out of LIBOR. ICE Benchmark Administration, the LIBOR administrator, with the support of FCA, has indicated that it will no longer publish certain LIBOR terms in U.S. Dollars at year-end 2021, and certain key terms by mid-2023 for existing loans, and that contracts will no longer be allowed to include LIBOR en U.S. Dollars after year-end 2021. This could cause LIBOR to perform differently than it has historically, while discontinuation or modification are still pending, or after any modification. Adopting the Secured Overnight Financing Rate (SOFR), which has been identified as the reference rate to replace LIBOR, could result in interest payments that are higher than expected or that over time will not correspond to payments that would have been made on a specific debt if the applicable LIBOR rate were still available in its current form. Changes to LIBOR or its discontinuation, any additional uncertainty related to implementing such changes, or the discontinuation or uncertainties related to the performance and characteristics of alternate reference rates, could have a material adverse effect on the value and cost of our variable rate debt and/or loans, on our future hedges interest rates, and on the cost of doing business under our commercial agreements that include LIBOR, and could require that the Company seek to modify the corresponding debt terms or the agreements themselves, which could result in terms that are substantially worse than current ones. As of December 31, 2020, 21.1% of the Company's consolidated debt denominated in foreign currencies has variable LIBOR-indexed rates. At this moment, the Company cannot predict the future impact of a deviation from LIBOR as the reference rate. However, if future rates based on the replacement reference rate (or a new method for estimating the LIBOR) are higher than the

LIBOR rates currently in force, this could have a material adverse effect on the Company's business, financial condition, liquidity, and results of operations.

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

The Company's business involves storing, using, disposing of, distributing, and transporting highly flammable and explosive materials, which are subject to extensive regulations in terms of environmental risks. Even if the Company complies with the requisite environmental, sanitary, occupation safety, transportation, risk management, and safety requirements and standards such as SASISOPA, its operations are still subject to significant hazards associated with using, storing, transporting, distributing, 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.

An accident, damage, or destruction resulting from the use of these materials and substances that could be harmful for people, the environment, and natural resources 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 could result in increased liabilities and higher capital expenditures."

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

The Company's natural gas distribution business was entitled to a 12-year exclusivity in each of its three distribution zones. Since the last of these exclusivity periods expired in 2011, the Company could face competition from other natural gas distributors in all its distribution zones who are now legally allowed to build natural gas distribution systems and compete with the Company for customers. To the extent that other natural gas distributors expand or build distribution systems in the distribution zones, this market expansion or entry could create additional competition for the natural gas provided by the Company's to its 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 could be subject to interruptions or failures in its information technology systems.

The Company relies on sophisticated information technology systems and infrastructure to support its business, including process control technologies. Any of these systems could be susceptible to outages due to fire, explosions, floods, power loss, telecommunications failures, and similar events. IT system failures, network disruptions, and breaches of data security could disrupt the Company's operations by causing delays or cancellations 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 make any assurances that its business continuity plans will be completely effective during an IT failure or interruption.

Finally, as evidenced by recent cyber-attacks against private and government entities, cyber-attacks can inflict large-scale harm on a company's corporate headquarters or operational sites. Cyber-attacks, even if they are not addressed directly at the Company or its assets, could cause widespread disruptions to the Company's operational and administrative systems, including the destruction of critical information and a catastrophic event which could result in the total or partial loss of an asset. These kinds 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 of attacks on the Company's information systems and the integrity of the power grid and infrastructure.

Certain elements of the Company's energy infrastructure could 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. Deploying 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 cyber-security 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 to its 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 natural gas and/or refined products market, thus reducing the Company's revenues from these businesses.

Currently, industrial customers in 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 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.

Currently, refined products such as gasoline, diesel, and jet fuel are the fuels mainly used by production sectors and by the population in general to move across the country. As alternative sources of energy are progressively employed and we transition toward a low carbon economy, the demand for refined products could decrease, 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 have an adverse effect on 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 the Company takes. The Company may manage risks at Termoeléctrica de Mexicali by optimizing 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 these risk management measures or how successful they could be or if they could have the expected results.

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

The Company acquired some assets that had an Operation & Maintenance Agreement with Pemex. Such assets are: Gasoductos del Sureste, Transportadora del Norte, and TDF. The Company adequately controls the operations of these assets based on its own standards; however, it cannot foresee if these assets could be incorrectly managed at any time. Any incorrect operative management of the assets not operated directly by 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.

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

The Company diligently analyzes the financial viability of every acquisition, partnership, or joint venture it pursues. However, it is exposed to the risk of due diligence not being enough, difficulties to embed its standards in the acquired assets, or latent unforeseen defects. Any of these events could have a material adverse effect on the Company's business and operations, as well as on its customers, employees, and others. Failure to successfully integrate future acquisitions, partnerships, or joint ventures in a timely manner could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows. If the benefits of future acquisitions, partnerships, or joint ventures do not comply with the expectations of financial or industry analysts, this could have a material adverse effect on the Company's business, operations, and integrity, as well as on its customers, employees, and others.

Risks Related 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 investors could lose all or part of their investment.

Volatility in the market price of the shares and other securities issued by the Company could prevent investors from being able to sell their shares or other securities at or above the price they paid for such shares or securities. The market price and liquidity 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 U.S. Dollar can negatively impact the price of the Company's shares in U.S. 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 for 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 Mexico, United States or global economies or financial markets, including those resulting from war, 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 rate increases in Mexico and the United States.
- The increase in the shareholding of Sempra Energy as a consequence of the Public Offer of Acquisition.

Although the Company currently has no intention to do so, in the future the Company may issue additional equity. 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, 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) when the corresponding entity has allocated 5% of its net income for such fiscal year to its legal reserve; this 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 lack of liquidity of the Mexican securities market could 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 make any assurances 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 expected price and time.

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

The Mexican securities market is substantially smaller, less liquid, more volatile, and more concentrated than major international securities markets. The relative volatility and liquidity of the Mexican securities market could substantially limit investors' ability to sell their shares at the time and price they desire. In addition, the Mexican Stock Exchange operates a system which suspends trading of 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, investors could not be able to sell their shares at the desired time or price, or at all.

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

In the future, the Company could issue additional shares in connection with acquisitions, investments, or repayment of its debt or for other purposes. The number of such issues could constitute a material portion of the Company's then outstanding shares. 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 securities. 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 could make it more difficult for investors to sell shares at a time and price that they 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 debt and/or debt instruments issued by the Company include restrictions that affect its ability to operate or obtain financing. Furthermore, future debt offerings or preferred securities could limit the Company's operating and financial flexibility and could 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 obtain financing. 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 incurs in debt, it is possible that this debt or preferred securities will be governed by an indenture or other instruments 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 could 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 in debt 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 enter into conflict with those of investors.

Sempra Energy, which is the indirect shareholder that exercises control over 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 exercises control over the Company's business policies and affairs, including the following:

- The composition of the Board of Directors and, consequently, any determinations it makes with respect to the Company's business direction and policies, 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, by itself or in compliance with certain corporate agreements, can direct the Company to take actions or not take actions that could be contrary to investors' interests and, under certain circumstances, may be able to prevent other shareholders 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 investors with an opportunity to dispose of or realize a premium on their investment in the Company's shares.

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

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, and these conflicts are not required to be and may not be resolved in 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, which it can take into consideration when it makes its 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 paying 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 the Company and its 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 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 made 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 can be made in Mexican pesos.

The Company can make dividend distributions to holders of the Company's shares in Mexican pesos. Any significant fluctuations in the exchange rates between the Mexican peso and the U.S. Dollar 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 could potentially 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.

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.

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 the Company, 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 is not 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 disclosures in Mexico may differ from disclosures regularly published by or about issuers of securities in other countries, including the United States.

One of the main objectives 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 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 government 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% stake 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.

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 the Company.

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 acquires 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 government 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 as 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 the 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 the Company. If an investor invokes such government protection in violation of this agreement, his or her 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, government, 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, investors should not make any investment decision based on these estimates and forward-looking statements.

OTHER SECURITIES

The Company established a five-year program for issuing Notes in an aggregate principal amount of up to Ps.12.8 billion or its equivalent in Mexican UDIs, which was approved by the CNBV for registration with the RNV under registration Num. 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, known as certificados bursátiles, in an aggregate principal amount of Ps.5.2 billion (USD$408 million, based on an exchange rate of Ps.12.7364 per 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 10-year series of 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 debt 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 in international Senior Notes, comprised of USD$300 million in an aggregate principal amount of the Company's 3.750% Senior Notes due 2028 and USD$540 million in an 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 (Baa2), and Standard & Poor's (BBB). The Company used the net proceeds from the offering to repay outstanding short-term debt, 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.

On September 15, 2020, the Company completed an international offering of USD$800 million in an aggregate principal amount of 4.750% Senior Notes due 2051 ("Senior Notes"). The Company used the net proceeds from the offering to repay short-term debt and for general corporate purposes. The Senior Notes received an investment grade rating from Fitch (BBB), Moody's (Baa1), and Standard & Poor's (BBB). 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"). IEnova did not register the Senior Notes in Mexico or the United States. The Senior Notes were registered on the Singapore Exchange Securities Trading Limited.

Resulting from this, the Company is subject to disclosure and reporting requirements imposed by the CNBV's Bylaws for Securities Issuers, Bylaws 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 Bylaws for Securities Issuers, Bylaws 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 RNV of the CNBV.

USE OF PROCEEDS

Proceeds from the various public offerings 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 the 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 Bylaws 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:

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

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 Num. 1,352, attested to by Pedro Cortina Latapí in his capacity as notary public Num. 226 for Mexico City, and was registered before the Public Registry of Commerce *(Registro Público de Comercio)* for Mexico City under file Num. 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 Rresponsabilidad Limitada, or S. de R.L.)* under the Mexican Corporations Law *(Ley General de Sociedades Mercantiles)*, and the Company's name was thus changed to Sempra Energy México, S. de R.L. de C.V. On December 3, 2008, the Company changed its registered 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, or S.A. de C.V.)* based on a resolution adopted by the Company's shareholders by means of an Extraordinary Shareholders Meeting held on February 15, 2013. On March 1, 2013, based on a resolution adopted by the Company's shareholders by means of an Extraordinary Shareholders Meeting, the Company changed its name to Infraestructura Energética Nova, S.A. de C.V., and began operating under the trademark "IEnova." This change in name reflected 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 by unanimous resolution, in lieu of a Shareholders Meeting, agreed to: (i) register the Company's shares with the Mexican RNV; (ii) transform the Company into a publicly-traded, limited liability variable stock corporation *(Sociedad Anónima Bursátil de Capital Variable, or S.A.B. de C.V.)* and to change the Company's registered name to Infraestructura Energética Nova, S.A.B. de C.V. by amending Article I of the Company's corporate bylaws; and (iii) issue 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, Alcaldía Cuauhtémoc06600, Mexico City. The Company's telephone number at this address is +52 (55) 9138-0100.

Recent Developments

In January 2021, the Company informed the market that the Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez, S. de RL de C.V., of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In February 2021, the Company informed that its purchase and sale agreement for the acquisition by IEnova had entered into force.

In March 2021, the Company informed that it closed the transaction for the acquisition of the 50% held by Saavi Energía through its affiliates, in Energía Sierra Juárez, S. de R.L. de C.V. IEnova's ownership in ESJ will increase from 50% to 100% derived from this transaction. The purchase price for Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

In March 2021, the Company informed it had signed a purchase and sale agreement for the acquisition of the remaining stake that Trafigura holds in the Refined Products Terminal in Manzanillo, in the state of Colima. The Manzanillo Refined Products Terminal is a marine terminal project, currently under development, for the receipt, storage, and delivery of refined products (gasolines, diesel, and jet fuel) with an initial capacity of approximately 2.3 million barrels. The purchase price of said equity is approximately USD$6 million. The transaction is expected to close during the second half of 2021. The acquisition is subject to customary closing conditions for these types of operations, including approval from COFECE.

In April 2021, the Company informed the market, that its controlling shareholder Sempra Energy, announced the execution of an agreement to perform a transaction that includes a non-controlling interest in IEnova. The transaction is subject to the regular closing conditions, including third party consents and from the regulators.

On April 12, 2021, the Company announced that the Corporate Practices Committee (the "Corporate Practices Committee") of its Board of Directors (the "Board of Directors") received a non-binding offer letter, dated today (the "Final Offer Letter"), from Sempra Energy ("Sempra"), pursuant to which Sempra conveyed its intention to conduct an offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova (which represent approximately 29.83% of IEnova's issued and outstanding share capital) in exchange for Sempra common stock (the "Exchange Offer"), at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova ordinary share (the "Exchange Ratio"). Based on the Exchange Ratio, the implied consideration per IEnova ordinary share is equal to 87.20 Mexican pesos per IEnova ordinary share, calculated using the five-day volume-weighted average price for Sempra common stock as quoted on the New York Stock Exchange and the five-day average Ps./ U.S.$ exchange rate reported by the Mexican Central Bank (Banco de México) as the "FIX Rate," in each case as of April 9, 2021, the most recent practicable trading day for which information was available prior to the delivery of the Final Offer Letter. The Exchange Offer is subject to obtaining all necessary governmental authorizations required by applicable law. As required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores), the Board of Directors will issue an opinion on the fairness, from a financial point of view, of the equity consideration proposed by Sempra as expressed by the Exchange Ratio contained in the Final Offer Letter, after considering the recommendation of the Corporate Practices Committee, which will rely on the fairness opinion to be issued by J.P. Morgan Securities LLC, as independent financial advisor, all of which will separately be disclosed to investors.

On April 14, 2021, the Company announced that at an extraordinary meeting of its Board of Directors (the "Board of Directors") held on April 14, 2021 (the "Meeting"), with attendance by all the members of the Board of Directors and abstentions from discussion and voting by those members of the Board of Directors who expressed a conflict of interest, the directors participating at the Meeting unanimously resolved, among other things, to vote in favor of opiningthat the equity consideration proposed by Sempra Energy ("Sempra") in connection with Sempra's previously announced offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova in exchange for Sempra common stock (the "Exchange Offer") is fair to IEnova shareholders from a financial point of view. The equity consideration proposed by Sempra in connection with the Exchange Offer was expressed in an exchange ratio (the "Exchange Ratio") set forth in a non-binding offer letter, dated April 12, 2021 (the "Final Offer Letter"), from Sempra to the Corporate Practices Committee of IEnova's Board of Directors (the "Corporate Practices Committee"). The publicly held ordinary shares of IEnova represent approximately 29.83% of IEnova's issued and outstanding share capital. The Board of Directors evaluated the equity consideration proposed by Sempra in the Exchange Offer by applying the Exchange Ratio and taking into account the prevailing market price for Sempra common stock and the Ps./U.S.$ exchange rate as of the close of market on April 13, 2021. The opinion of the Board of Directors was made in conformity with the recommendation of the Corporate Practices Committee, which recommendation was based, among other factors, on the opinion, dated April 14, 2021 (the "Independent Advisor Opinion"), issued by J.P. Morgan Securities LLC, as independent financial advisor to the Corporate Practices Committee in connection with the Exchange Offer (the "Independent Advisor"). In the Independent Advisor Opinion, the Independent Advisor opined on the fairness of the equity consideration proposed by Sempra in the Exchange Offer to IEnova shareholders from a financial point of view. A copy of the Independent Advisor Opinion is attached hereto. At the Meeting, the Board of Directors reviewed written certifications by the members of the Board of Directors, including IEnova's Chief Executive Officer, with respect to the number of IEnova ordinary shares held by such members and their intention with respect to such ordinary shares in connection with the Exchange Offer, as follows:

Will Tender Ordinary Shares in the Exchange		Will Not Tender Ordinary Shares in the Exchange		Total	
35,000	100%	—	—%	35,000	100%

The Board of Directors also reviewed the conflicts of interest expressed at the Meeting by Randall Lee Clark, Faisel Hussain Khan, Jennifer Frances Jett, Trevor Ian Mihalik, Erle Allen Nye, Jr., Peter Ronan Wall, Lisa Glatch, Tania Ortiz Mena López Negrete, Carlos Ruíz Sacristán and Vanesa Madero Mabama in connection with their participation and presence during discussion and voting on all matters related to the Exchange Offer, including with respect to the Final Offer Letter and the opinion of the Board of Directors required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores). Any such abstentions due to conflicts of interest did not affect the required quorum for the Meeting.

On April 26, 2021, the Company announced that Sempra Energy ("Sempra") launched a public exchange tender offer to acquire all of the issued and outstanding ordinary shares of IEnova not owned directly or indirectly by Sempra, which represent approximately 29.8% of the total outstanding shares of IEnova ("IEnova Public Shares"), in exchange for shares of Sempra common stock at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova Public Share. This announcement is made in terms of the public offer notice published today by Sempra, through the electronic information system "Emisnet" of the Mexican Stock Exchange (Bolsa Mexicana de Valores), through Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer as exchange agent.

In April 2021, the Company announced that Moody's downgraded IEnova's rating to Baa3 (global scale) from Baa2 and to Aa3.mx (Mexico National Scale) from Aa2.mx. The outlook changed to stable from negative.

Relevant Events

In December 2020, the Company informed the market that on December 1st, 2020, IEnova's Board of Directors received a non-binding proposal from Sempra Energy to conduct a tender offer for the totality of common shares of IEnova held by private investors, which represent 29.83% of the total amount of IEnova's common shares. The proposed tender offer is subject to corporate and governmental approvals required by applicable laws. IEnova's Board of Directors, with the opinion of its Corporate Practices Committee, will conduct an evaluation of the proposed tender offer in the terms and timeframe required by the Mexican Securities Law.

In December 2020, the Company informed the market that a subsidiary of the joint venture formed by IEnova, Sempra LNG and an affiliate of Total has entered into a 5-year loan agreement for USD$1,580,500,000, in relation to the ECA LNG export project. The financing, which will not consolidate in IEnova's balance sheet, has three tranches associated with the commitments of each joint venture partner. The financial institutions related to IEnova's tranche are: The Bank of Nova Scotia, Sumitomo Mitsui Banking Corporation, BBVA Securities Inc., and Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex.

In December 2020, the Company informed the market that ECA LNG Holding B.V., its joint venture with Sempra LNG, had signed an investment agreement with an affiliate of Total in relation to the ECA LNG export project in Ensenada, Baja California. Under the terms of the agreement, Total has acquired a 16.6% equity stake in ECA LNG Holdings, while IEnova and Sempra LNG will each retain 41.7% ownership.

In November 2020, the Company informed the market that its affiliate ECA Liquefaction, the joint venture with Sempra LNG, had made the final investment decision for the development, construction, and operation of the ECA Liquefaction project in Ensenada, Baja California. The ECA Liquefaction project consists of adding the natural gas liquefaction process (transformation from the gaseous state to liquid) to the existing liquefied natural gas storage and regasification terminal of ECA, a subsidiary of IEnova. With an approximate investment of USD$2 billion and a liquefaction capacity of approximately 3 million tons per year, ECA Liquefaction will be the first natural gas liquefaction project on the North Pacific coast.

In September 2020, the Company informed the market that its subsidiary ECA was notified of an administrative procedure initiated by Inmuebles y Fraccionamientos Peninsulares, S.A. de C.V. and Inmobiliaria Aquino, S.A. de C.V., before the Office of Urban Management, Ecology and Environment (Dirección de Administración Urbana, Ecología y Medio Ambiente) of Ensenada's city council, in the state of Baja California, against certain municipal permits granted in favor of ECA, regarding the liquefaction project that is being developed on land adjacent to the liquefied natural gas terminal in said municipality. A favorable resolution was awarded to ECA and the administrative procedure was terminated.

In September 2020, the Company completed an international offering of USD$800.0 million unsecured 4.750% Senior Notes due in 2051. The Senior Notes received an investment grade rating from Fitch (BBB), Moody's (Baa2), and Standard & Poor's (BBB). IEnova used the net proceeds from the offering to refinance short-term debt.

In July 2020, the Company informed that its subsidiary ECA received a request for arbitration from Shell derived from a storage services contract between ECA and Shell, where it claims that the 2019 update to the terms and conditions related to the storage services provided at the facility resulted in a cause of force majeure and a breach of the contract mentioned above. ECA considers that Shell's claims are unfounded and inadmissible and will assert its rights in the corresponding arbitration process, seeking to dismiss the counterparty's claims.

In November 2020, the Company informed the market that its subsidiary ECA received confirmation that its customer Gazprom joined as a plaintiff in the arbitration proceedings initiated by Shell against ECA, of which the public had been previously informed. Gazprom has made the corresponding payments in accordance with the storage services agreement that it has with ECA. ECA considers that Shell and Gazprom's claims are unfounded and inadmissible and will assert its rights in the corresponding arbitration process, seeking to dismiss the counterparties' claims.

IEnova has been included in the new S&P/BMV Total México ESG Index launched by the Mexican Stock Exchange on June 22, 2020, replacing its former Sustainability Index. IEnova is also included in the S&P Dow Jones Emerging Markets Index.

In June 2020, the Company published its 2019 Sustainability and Financial Report: Beyond Energy.

In March 2020, DFC approved a long-term financing for IEnova for up to US$241 million, which was undersigned in June 2020. Additionally, the Company entered into a 15-year credit facility for US$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 are used to finance and/or refinance the construction of IEnova's solar generation projects.

The Company has restructured the reporting segments it had employed previously when reporting information. This change does not have an effect on its accounting policies nor on the basis on which it prepares financial information. The change responds to the way in which management will assess and review performance for the business. Information is uniformly revealed based on the new 2020 segments. The new reporting segments are Gas, Storing, and Power. For more information, please see notes 1 and 27 of the Consolidated Financial Statements as of December 31, 2020.

b) Business Overview

i) Main Activities

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 and total assets. 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 into three business segments: (1) Gas segment, which includes natural gas, and ethane pipelines, compression stations, as well as selling and distributing natural gas; (2) Storage segment, that includes storage and regasification of LNG, LPG storage and pipelines, and storage of refined products; and (3) Power segment, which includes a natural-gas-fired, combined-cycle power generation facility, as well as wind and solar power generation facilities. The Company's assets generate revenues primarily under long-term U.S. Dollar-denominated contracts, which are predominantly entered into with counterparts of recognized solvency.

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. Over the course of the last 24 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 and acquisitions, and by diversifying its customer base). As of December 31, 2020, the Company had total assets for approximately USD$10.5 billion, positioning 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, with 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 developed the first transborder clean energy project between Mexico and the U.S;

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

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

- The Company executed a 19-year contract between Pima Solar and DeAcero for the supply of energy, Clean Energy Certificates, and capacity from a new solar park that will be located in Caborca, Sonora. This transaction marked a milestone in the Mexican electricity sector as it was 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 Port Authority (API) 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 products, mainly gasoline, diesel, and jet fuel. It will have a capacity of approximately 2.1 million barrels. The Company executed a long-term, U.S. 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;

- 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; and

- The Company was the first energy company to be included in the original Sustainability Index of the Mexican Stock Exchange and, starting in 2020, in the S&P/BMV Total Mexico ESG Index, which is the new sustainability index of the Mexican Stock Exchange. IEnova is also included in the S&P Dow Jones Emerging Markets Index. The Company is part of FTSE4Good Index Series and was the first energy company to be included in the FTSE4Good BIVA index. We received an "AA" or "Leader" rating in the MSCI ESG assessment for 2019 and 2020, and the Prime score from ISS ESG. Furthermore, in 2020 IEnova made its first public appearance in the Carbon Disclosure Project (CDP) list, with a B score.

The following map shows the location of the Company's main assets, which are either currently under development or already in operation:

Gas Segment

Pipelines Business

- The Company's pipeline business develops, builds, and operates systems for receiving, transporting, compressing, and delivering natural gas, and ethane in the states of Baja California, Chiapas, Chihuahua, 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 in operation, and approximately 200 km under construction, with a combined design capacity of over 16,400 MMcfd (171.0 MMThd) in operation and approximately 500 MMcfd (5.2MMThd) under construction;

  - Sixteen natural gas compression stations in operation and one under construction, with a combined installed capacity of more than 780,000 horsepower;

  - 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

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

Natural Gas Distribution

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 approximately 4,367 km of pipelines, this system currently serves more than 136,000 industrial, commercial, and residential customers.

For the years ended December 31, 2020, 2019, and 2018, the gas segment reported revenues, with third parties, for approximately USD$805.4 million, USD$894.8 million, and USD$903.7 million, respectively, which accounted for 64%, 65% and 66% of the Company's total consolidated revenues, and a IEnova EBITDA of approximately USD$409.9, USD$425.4 million, and USD$454.3 million, respectively, which accounted for 56%, 55%, and 59% of the total IEnova EBITDA for the periods ended December 31, 2020, 2019 and 2018. These revenues and IEnova EBITDA figures do not include the Company's share of profits from joint ventures.

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 started operating in June 2003, receives natural gas through an interconnection 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 (PROFEPA) 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 can provide energy to a wide range of customers in the state of California, in the U.S.

Wind Powered Generation Business

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

- Energía Sierra Juárez is a wind power complex located in the municipality of Tecate, in the state of Baja California, in Mexico. The first phase is a wind park with an installed capacity of 155 MW, that started operations in 2015. The second phase is currently under construction and will have an installed capacity of 108 MW, and it is expected to start operating in 2021. In January 2021, IEnova informed the market that Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez, S. de RL de C.V., of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In February 2021, the purchase and sale agreement for the acquisition by IEnova entered into force. In March 2021, the Company informed that it closed the acquisition of 50% held by Saavi Energía through its affiliates. IEnova's ownership in ESJ thus increased from 50% to 100% derived from this transaction. The purchase price of Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

- Ventika includes two adjacent wind parks located in the state of Nuevo León, with a capacity of 252 MW through 84 wind turbines. 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 five solar parks in operation 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}, began operating in 2019.

- Rumorosa Solar, with a capacity of 44 MW_{AC}, began operating in 2019.

- Tepezalá Solar, with a capacity of 100 MW_{AC}, began operating in 2019.

- Don Diego Solar, with a capacity of 125 MW_{AC}, began operating in 2020.

- Border Solar, with a capacity of 150 MW_{AC}, began operating during the first quarter of 2021.

For the years ended December 31, 2020, 2019, and 2018, the power segment reported revenues, with third parties, for approximately USD$289.8 million, USD$323.1 million, and USD$308.2 million, respectively, which accounted for 23%, 23%, and 23% of the Company's total consolidated revenues, and a IEnova EBITDA of approximately USD$132.3 million, USD$157.0 million, and USD$129.5 million, respectively, which accounted for 18%, 20% and 17% of the total IEnova EBITDA for the period ended December 31, 2020, 2019, and 2018. These revenues and IEnova EBITDA figures do not include the Company's share of profits from joint ventures.

Storage Segment

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 terminal receives, stores, and/or delivers its customers' LNG and, when the customer requires it, regasifies the product and delivers the resulting natural gas to the Rosarito Pipeline system, to be transported to Baja California, in Mexico, and to the United States. The Company also purchases LNG for storage, delivery and/or regasification at this terminal, to be sold to independent customers and related parties. The LNG terminal has a storage capacity of 320,000 m3 (73.3 MMTh) in two 160,000 m3 (36.6 MMTh) tanks, with a regasification-delivery capacity of 1,300 MMcfd (13.5 MMThd) and a nominal capacity of 1,000 MMcfd (10.4 MMThd).

The Company, in collaboration with Sempra LNG and a Total subsidiary, are developing one of the first natural gas liquefaction plants in Mexico, ECA LNG, which is to be located next to the LNG Regasification terminal described in the previous paragraph. The project is being developed in two phases; Phase 1 is referred to as ECA Liquefaction Mid-Scale, with a capacity of approximately 3 Mtpa, and Phase 2 is referred to as ECA Liquefaction Large-Scale, which will have at least a 9 Mtpa capacity, for a combined natural gas liquefaction capacity of at least 12 Mtpa. Both phases will use existing infrastructure such as the tanks, wharf, and marine berths, among others, and may additionally require new infrastructure to meet these capacities.

Both phases have already obtained the majority of permits needed for developing this kind 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 U.S. Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to other countries, regardless of whether they have or not free trade agreements with the United States. In November 2020, the Company obtained the permit to export from Mexico, for Phase I, for 20 years.

In November 2020, the Company informed that, in collaboration with Sempra LNG, the Final Investment Decision (FID) had been made to develop, build, and operate Phase 1 of the project. Construction and commissioning of Phase I will take approximately 4 years, which is why the Company anticipates having the first LNG shipments for export in late 2024. See “Description of the Company’s main assets - ECA Liquefaction Project”.

In December 2020, an affiliate of Total, Sempra LNG, and IEnova signed an equity investment agreement through which Total acquired a 16.6% equity stake in ECA LNG Holdings, while IEnova and Sempra LNG will each retain 41.7% ownership. During that same month, they entered into a 5-year loan agreement for an aggregate amount of up to US$1,586 million. The financing, which will not consolidate in IEnova’s balance sheet, has three tranches associated with the commitments of each joint venture partner. The financial institutions related to IEnova’s tranche are: The Bank of Nova Scotia, SMBC, BBVA Securities Inc., and Banco Nacional de México.

Storage Business and LPG Pipeline Systems

The Company operates the TDF Pipeline system and the LPG Terminal at Guadalajara. The TDF system was the first LPG privately owned pipeline in Mexico, and it consists of approximately 190 km of 12-inch diameter LPG pipelines with at design capacity for transporting 34,000 Bbld (1.9 MMthd) and the related delivery and storage facilities. The TDF system runs from the Pemex facilities at Burgos, in the state of Tamaulipas, to a delivery facility near the city of Monterrey, in the state of Nuevo León. The LPG Terminal at Guadalajara storage facility with a total capacity of 80,000 bl (4.4 MMTh), near Guadalajara, Jalisco, with facilities for shipping and loading, and it serves the LPG needs in Guadalajara.

Refined Products Storage Business

The refined products storage business develops systems for the receipt, storage, and delivery of oil products and other liquids, mainly gasoline, diesel, and jet fuel in the states of Baja California, Colima, Jalisco, Puebla, Sinaloa, Veracruz, and Estado de Mexico for private customers. Currently, the Company has four port and three land terminals; one of the port terminals is already operating and the rest are either under development, construction, or commissioning. It has a storage capacity of approximately 8 million barrels, and potential for expansion.

For the years ended December 31, 2020, 2019, and 2018, the storage segment reported revenues, with third parties, for approximately USD$160.0 million, USD$156.5 million, and USD153.7 million, respectively, which accounted for 13%, 11% and 11% of the Company’s total consolidated revenues, and a IEnova EBITDA of approximately USD$185.9 million, USD$188.6 million, and USD$179.7 million, respectively, which accounted for 26%, 24%, and 23% of the total IEnova EBITDA for the periods ended December 31, 2020, 2019, and 2018. These revenues and IEnova EBITDA figures do not include the Company’s share of profits from joint ventures.

Seasonality

Customer demand in both the Gas and Power segments experience seasonal fluctuations. For the Gas segment, the demand for natural gas service is higher during summer and winter. For the Power segment, demand in the power distribution service is higher during hot-weather months. The Storing segment is not subject to seasonal fluctuations. Please refer to note 1.3. to the Audited Financial Statements included in this Report.

Risks Relating to Climate Change and its Effects

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 different logos for "IEnova", "ECOGAS", "IEnova Gasoductos", "IEnova Infraestructura Energética una empresa de Sempra Energía para México", "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 Company's knowledge, 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 23.9.1 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	**2020**	**2019**	**2018**
Customer 1	Gas	248,440	301,727	317,805
Customer 2	Power & Gas	168,541	222,867	218,126
Customer 3	Gas	178,250	167,770	171,666
Customer 4	Gas	135,535	143,090	143,026
Customer 5	Gas	122,787	127,243	123,366
Customer 6	Gas	94,198	102,084	98,435
Customer 7	Gas	64,664	64,237	84,846
Customer 8	Power	33,083	38,381	36,353
Customer 9	Gas	36,393	36,366	36,723
Others **		179,410	175,491	138,209
Revenue		1,261,301	1,379,256	1,368,555

** In the "Others" category, there are no customers that represent more than 9% of the Company's revenue concentration.

Each of the following Company's customers represent more than 10% of revenues, for one or more of the years ended December 31, 2020, 2019, and 2018: CFE, SGPM, and CENAGAS.

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

REGULATION, PERMITS AND ENVIRONMENTAL MATTERS

v) Legal Framework and Fiscal Situation

Given that the Company has a diversity of storage permits for LNG, LPG, and other refined products; transportation permits for natural gas, LPG, and Ethane pipelines; natural gas liquefaction permits; distribution permits for natural gas pipelines; natural gas and LPG marketing, import, and export permits; permits for self-generation of electrical power; and permits for importing, exporting, and supplying qualified electrical energy services, 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 regulations that have been in force since 1995 that enable the Company to participate in the natural gas midstream and downstream private industry, the 2013 amendments to the Mexican Constitution and the general legal framework for energy of 2014 opened the door for the private sector to participate in processing, refining, marketing, transporting, storing, importing, and exporting hydrocarbons, including natural gas processing, compression, liquefaction, regasification, transportation, distribution, marketing, and retail (selling directly to the public); transporting, storing, distributing, marketing, and retail of refined products; transporting (by means of pipelines) and storing (pipeline associated) petrochemicals; and generating and marketing electricity in the wholesale electric power market, as well as entering into contracts for financing, installing, maintaining, procuring, operating, and expanding the infrastructure of the electric grid.

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

- Storage: Includes receiving, storing, and distributing natural gas, LNG, LPG, or other refined products, and petrochemicals by means of facilities other than pipelines.
- ***Regasification:*** The process through which liquid natural gas is transformed into its gaseous form.
- ***Liquefaction:*** The process through which gaseous natural gas is transformed into its liquid form.
- ***Transportation:*** Includes the construction, operation, and ownership of pipeline systems to receive, transport and distribute natural gas, LPG, or ethane.
- ***Distribution***: Includes receiving, transporting, and distributing natural gas for retail sale or final consumption by end-users.
- ***Marketing:*** Activities related to marketing hydrocarbons, including purchasing and selling natural gas molecules, value-added brokerage or intermediary services for end-users, as well as hiring third-party transportation, storing, and distribution services, among others.
- ***Natural Gas and LNG Exports:*** Consists of dispatches of natural gas or liquefied natural gas from Mexican territory to foreign countries, where it is to remain on a temporary or permanent basis.
- ***Natural Gas Imports:*** Consists of entries of natural gas into Mexican territory, where it is to remain either on a temporary or permanent basis.
- ***Power Generation:*** The process through which energy is transformed (clean, kinetic, thermal, nuclear, among others) into electricity. Includes selling electric power to users (CFE, qualified users, among others) or to the wholesale electricity market.
- ***Electricity Exports:*** The process of generating and transporting electricity to users in an energy market abroad (including the energy market of the United States).
- ***Electricity Imports:*** Purchasing electricity from suppliers abroad (including in the United States) for self-supply or purchasing electricity from a power plant abroad through the wholesale electric power market.
- ***Qualified Supply:*** Electricity provided in regime of competing products and services that are needed to meet the electric power demand and consumption of qualified users.

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

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

In 1995, the Mexican Congress passed a bill allowing private-sector participation in the transportation, storage, distribution, and sale of natural gas and LPG in Mexico. The Natural Gas Bylaws *(Reglamento de Gas Natural)* were published in 1995. The first LPG Bylaws *(Reglamento de Gas LP)* 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 by enacting new laws and issuing bylaws enabling the Mexican government to grant contracts to private companies in the upstream sector through public bidding processes. These amendments to the regulatory framework also allowed private entities to obtain permits for (i) 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; (ii) transporting, storing, distributing, marketing, and retail of refined products, including LPG and transporting (through pipelines); and (iii) related storage of petrochemicals, including ethane.

New legislation was enacted in 2014, including the Hydrocarbons Law *(Ley de Hidrocarburos)*, which kept the concept of the state ownership of all hydrocarbons in the Mexican sub-soil but opened-up the hydrocarbons sector to the participation of private companies, provided that they met certain regulatory requirements.

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

The Company's business is primarily regulated by the Bylaws to the Activities Specified in Title Three of the Mexican Hydrocarbons Law, which establish the following with respect to permits for storing, transporting, distributing, and marketing permits:

- requirements that apply to offering the services that are part of permit holders' operations, such as supply efficiency, frequency, safety, continuity, and uniformity;
- open access obligations;
- rules referring to the term, duration, and renewal of permits;
- rules referring to the modification, transfer, cancellation, and revocation of permits;
- requirements for permit approval;
- procedures for granting permits;
- rules referring to the provision of different services, including specific obligations of the permit holders;
- information requirements applicable to the respective activity, and
- regulation of fees and the General Terms and Conditions (GTCs).

The Hydrocarbons Law enables private companies that hold a permit granted by CRE to store, transport, distribute, market, and sell directly to end users of hydrocarbons, refined products, and petrochemicals, and 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 companies may export or import hydrocarbons, refined products, and petrochemicals subject to obtaining the permits issued by SENER and SHCP. Permits granted prior to the enactment of the Hydrocarbons Law, as is the case of several of the Company's permits, including the GTCs, will remain in force for the duration of their original terms. However, as pertaining to its operations, the Company has had to apply for new permits--including one permit to market natural gas marketing and two transportation permits for the ethane pipeline--which were all granted by CRE, in addition to import and export permits, which were granted by SENER and SHCP. The Company was able to obtain the new permits it needed within the term stipulated by applicable regulations.

Midstream and downstream activities (refining, logistics, and sales) in the natural gas, LPG, ethane, and refined product industries are subject to the provisions of the Hydrocarbons Law, the Energy Sector Coordinated Regulatory Agencies Law *(Ley de los Órganos Reguladores Coordinados en Materia Energética),* the ASEA Law *(Ley de la ASEA)*, the Bylaws of the Hydrocarbons Law, the Bylaws of the Activities Specified in Title Three of the Hydrocarbons Law, as well as all applicable environmental, social, and industrial and occupational safety regulations The General Administrative Provisions, and the resolutions and agreements issued by the Mexican energy, social, environmental, and occupational health and safety authorities, the Official Mexican Standards, as well as the terms and conditions established 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 established in the permits, laws, and regulations in a timely and efficient manner.

Building and operating natural gas, LNG, LPG, ethane, and refined products storage facilities, pipelines, and distribution systems require government permits and authorizations from federal, local, and municipal authorities, including CRE, COFECE, ASEA, SENER, INAH, SEMAR, SCT, and SHCP. Additionally, permits issued by such authorities also impose a series of regulatory obligations and compliance with specific terms and conditions.

Open Access

Pursuant to the Natural Gas Bylaws (under which the Company obtained several of its permits which were repealed by the Bylaws to the Activities Specified in Title Three of the Hydrocarbons Law, which kept these concepts), there were two types of natural gas storage and transportation permits: (i) open access (to offer non-discriminatory services) and (ii) permits for self-use (granted exclusively to end-users or a group of end-users organized under a special purpose vehicle or company). With the exception of the self-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 refined products terminals are open access storage facilities, with the exception of the liquefaction plant that the Company is currently developing, which already has the CRE permit and the authorization of COFECE.

Regarding the self-use natural gas pipeline that serves our Termoeléctrica de Mexicali power generation facility, the Hydrocarbons Law provides that permits issued prior to the enactment of the law will remain in force for the duration of their original term. All our open access facilities (for both transportation and storing) are required to grant non-discriminatory access on a reasonable basis to any user that requests the service, provided there is available capacity in the system/facility and that the parties are able to reach a technically feasible and economically viable agreement, as established under the applicable general rules issued by the CRE for transportation and storing activities. Open access permit holders are heavily regulated and supervised by the CRE.

As stipulated by the Hydrocarbons Law, permit holders who are subject to open access obligations and 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 expanded or enhanced, (3) existing capacity has not been allocated through a service contract or, even if it has been allocated under a service agreement, it is not currently 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 CRE amended the open access provisions for natural gas transportation and storage. Among other things, those provisions, as modified, provide for the following:

i. Permit holders may assign capacity directly to potential users who contribute with financing to the permit holder's infrastructure by entering into investment agreements ("Anchor User"). permit holders must respect the previously agreed upon conditions under said agreement and the capacity may not be included in the open season to be held. When a third-party is interested in hiring additional capacity as a result of the open season, the permit holder must modify the system to resize the capacity and consider the described needs, providing that 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 group must do so through the permit holder and said permit holder must then hold an open season.

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

iv. For the secondary market, total, partial, permanent, or temporary capacity assignments are established.

Fees

Midstream and downstream natural gas, LNG, LPG, ethane, and refined product services (refining, logistics, and marketing), with the exception of the activities pertaining to marketing and selling LPG to the public, are subject to "maximum regulated fees" that need to be presented to CRE for approval. Permit holders may grant discounts or agree to conventional fees subject to general provisions issued by CRE. These agreements must be reported to CRE and published on the permit holder's electronic bulletin, enabling public access to the agreements.

Likewise, in assets that include railway facilities, services related to the provision of auxiliary services, such as transferring liquids, are subject to maximum rates that must be registered with the Regulatory Agency for Rail Transport (ARTF), even if permit holders agree to discounts or a conventional rate with the users.

Marketing and Cross Participation Restrictions

The Hydrocarbons Law establishes that a CRE 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 Hydrocarbons Law and other applicable laws, IEnova Marketing and ECA Liquefaction have obtained requisite permits for marketing natural gas. Vendor companies can hire other permit holders' transportation, distribution, or storage services either directly or through a third party. Additionally, in order for the Company to be able to carry out its marketing activities, it requires other permits, such as the imports and exports permit granted by the General Customs Administration *(Administración General de Aduanas)* and/or SENER, respectively. Permits issued by the General Customs Administration are valid for three years, whereas those issued by SENER used to be granted for periods of anything between one to twenty years. The agreement that establishes which products are subject to regulation by SENER, and its amendments, were reformed recently. The new regulation eliminates the possibility of obtaining a 20-year permit to export natural gas or LNG, establishing that permits may be granted for periods of 1 or 5 years. To obtain such a permit a company needs to prove that it currently has or will develop the infrastructure needed for transporting and storing the natural gas or LNG that will be exported, and to prove that it has a commercial relationship with 2 or more clients, in addition to proving that exports will not have an impact on the supply for Mexico. However, the new regulation has been challenged by means of a third-party *amparo* lawsuit and as of this date, all its effects and consequences are on hold and will continue to be on hold until the Judicial Branch issues a definitive resolution to the corresponding *amparo* lawsuit.

Likewise, with certain exceptions established by law, open access storing and transporting permit holders are not allowed to market the natural gas that is stored in their facilities or transported through their pipelines.

The Hydrocarbons Law stipulates cross-participation restrictions applicable to open access transportation or storage vendors and permit holders. However, CRE can authorize cross-participation with prior approval from COFECE, provided that such cross-participation does not affect competition, efficiency, or an effective open access in the market. These requirements can 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 applicable rules, the following may be required: (1) a strict legal segregation of authorized activities or a functional, operational, and accounting separation, (2) limitations to participating in a Company's capital stock, (3) a cap on the allowed stake for economic agents engaged in the retail market, and (4) reserving capacity in storage facilities and pipelines. Some of the Company's assets are subject to cross-participation regulation by CRE; therefore, authorizations for such assets have been obtained and the Company has complied with all applicable regulations.

During 2019, ECA Liquefaction obtained approval from COFECE pertaining to cross-participation in relation to permits for natural gas transportation through pipelines and storage and CRE is currently assessing IEnova's cross-participation application, as well as the application presented by the companies involved in the Manzanillo Refined Products Terminal.

General Terms and Conditions for Storing Services

The general terms and conditions for LNG, LPG, and Refined Products storing services, which are part of our LNG, LPG, and Refined Products storage permits, respectively, apply to all our services agreements for receiving, storing, and distributing such products. All Storage STCs are presented to CRE, but the LNG Storage STCs are the only ones that require CRE approval. STCs can be amended from time to time upon request by the Company in order to adapt to market conditions, applicable legal provisions, and to any new administrative provisions issued by CRE. Accordingly, certain provisions of the STCs pertaining to LNG Storage may vary, if they are modified from time to time with prior notification and, if as the case may be, approval from CRE. Services agreements must be consistent with the STCs, such that if an amendment is made to the STCs, the services agreements will also need to be amended.

Furthermore, although STCs for each of the Company's storage permits are substantially similar, there can be specific provisions that vary between permits. Below is a summary of the main provisions that are common to the STCs for our storage permits:

Services. The Company is required to offer storage services to its customers by receiving LNG, LPG or refined products at its storage facilities, and offering 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 refined products terminals that has not yet been allocated pursuant to a firm or contractual reserved storage services agreement. Customers may access such capacity by entering into the corresponding service agreement, provided that they have the necessary connections to the Company's facilities at the delivery points specified in the service agreement and that the permit holder meets the open access requirements established 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 storage services consist of storing LNG, LPG, or refined 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 storage services are not subject to reductions or interruptions, with exception being made as specified in the General LNG, LPG, or Refined Products STCs and the corresponding service agreement.

Interruptible Storage Service (LNG). Interruptible storage services consist of storing LNG for the capped storage quantity specified in the corresponding service agreement. Customers are entitled to request this service at any time for the duration of the service agreement. However, interruptible storage services are subject to the availability of capacity after complying with 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 as long as there is available capacity which, despite having been hired by user, has not been allocated. Under this service modality, the Company may request its client to take an expedited delivery of the stored product. However, interruptible storage services can only be provided when they do not interfere with the Company's firm storage services obligations.

Additional services. LNG storage services include additional services such as nitrogen injection, loading-unloading and accelerated loading services, which, where appropriate, need to be documented by an independent contract and separately from the storage service contract. The refined products storage service includes an oxygenation service, which consists of using MTBE (Metil-ter-butil éter) as an additive that, when mixed with gasoline, creates oxygenation, all in compliances with Mexican Official Standard NOM-016-CRE-2016, Refined Products Quality Specifications

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 who provide a satisfactory collateral to cover any overdue payments, with the Company's consent.

Solvency. In order to be eligible to receive LNG, LPG, or refined products storage services, customers must be solvent or provide evidence of their solvency within 30 days following the Company's request. If sufficient evidence of solvency cannot be provided, customers will have to provide a financial collateral to cover their obligations under the STCs established for LNG, LPG, or Refined Products.

Suspension, Reduction, or Modification of the Storage Service. When customers fail to comply with their obligations under their service agreements, the Company can put the LNG, LPG, or Refined Products storage services on hold. Subject to a grace period, the Company may also terminate the corresponding service agreement. The service agreement will be automatically terminated in the event a customer declares bankruptcy, in which case the Company is entitled to enforce any financial collateral granted by such customer. If the Company were to suspend an LNG or LPG storage service without just cause, it will grant a bonus equal to five times the LNG or LPG service fee that would have been available to said customer during the suspension. The amount will be calculated based on the corresponding STCs for LNG or LPG STC. For Refined Products storage services, upon issuing the corresponding invoice, the Company will have to credit the customer an amount equivalent what said customer would have paid for the service.

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

Payment. If customers do not comply with their payment obligations, overdue amounts will accrue interest at a daily rate calculated based on the STCs for LNG, LPG, or Refined Products. Failure to pay within the terms specified in the STCs for LNG, LPG, or Refined Products STC may result in suspension of the service or termination of the corresponding contract.

Liability, Collateral, and Transference. The Company believes that it has control of and is liable for overall stored LNG, LPG, or refined products from the moment of receipt and until delivery to customers. Customers are deemed to be in control of and liable for LNG, LPG or refined products prior to receipt by Company and after they have been delivered to them.

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.

Either party may transfer or encumber storage service agreements with the prior written consent of the other party and in accordance with the STCs and applicable regulation. Customers are deemed to have unconditionally accepted the transference of the Company's rights and obligations to the corresponding creditors in order to secure financing, as well as any entity that acquires the LNG, LPG or refined products terminals, subject to the authorization of CRE.

The Company's liability to customers is limited to damages incurred directly as a result of the Company's failure to perform its obligations under a storage services agreement (suspension or interruption of the delivery of LNG, LPG, or refined 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. A 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. Upon receiving notification informing the other party of such conditions (except in terms of any prior payment obligations), the obligations of both parties will be suspended for the duration of the Force Majeure. Under no circumstances will financial and/or technical difficulties be considered a Force Majeure. If a Force Majeure were to affect the Company's terminal, its customers' obligations to make storage capacity payments under the services agreement will be suspended or, if applicable, they will be reduced on a pro rata basis depending on the degree of storage services provided during such event. The Company may also suspend, restrict, or modify deliveries of gas to customers to the extent that it is affected by such event.

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

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

Dispute Resolution. All disputes will be resolved by arbitration.

Transference of User's Capacity. Any customer may transfer, either temporarily or permanently, all or part of its supply of natural gas, LPG, or refined products storage capacity to another customer, with prior notice to the

Company. A permanent transfer of contractual rights must be approved by the Company and will be subject to solvency requirements and to the STCs and all applicable regulations. Natural gas users who wish to transfer capacity permanently to another party that belongs to the same economic group may do so through the permit holder, who in turn will need to hold an open season.

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

Terms and Conditions for Offering Natural Gas, LPG, and Ethane Transportation Services

The STCs for natural gas, LPG, and ethane gas and liquefied ethane regulate the transportation services agreements signed between the pipeline systems and the users and are an integral part of such agreements. STCs for every transportation service are approved by and presented to CRE. STCs for natural gas distribution can 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 CRE issues. Accordingly, certain provisions in the STCs may vary if they are amended from time to time, subject to CRE's prior approval. The executed contracts must be consistent with the STCs, which means that every time the STCs are modified, the service contracts will also need to be modified accordingly.

Further, although the STCs for every one of the Company's transportation permits are substantially similar, there could 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 STCs for the Company's transportation permits and their related agreements:

Term. The term of the STCs is the same as the term of the corresponding permit granted by CRE.

Increase of Capacity. In the event that requests for transportation services exceed the available capacity, the Company will have to 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 will need to hold an open season to assign the available capacity.

Transportation Service Agreement. The Company can only provide transportation services to customers who have entered into a transportation service agreements based on the forms established by the STCs 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, receipt and delivery points, and the start and end dates of the order.

Solvency. Under the STCs, the Company is not required to provide transportation services to customers with outstanding balances or impaired solvency. If sufficient evidence of solvency cannot be provided, customers will have to provide a financial collateral to cover their obligations under the STCs.

Secondary Market. Service users may transfer 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 STCs, including providing the required collateral. For natural gas, users who wish to transfer capacity permanently to another party that belongs to the same economic group may do so through the permit holder, who in turn will have to hold an open season.

Payments. If customers do not comply with their payment obligations, the overdue amounts will accrue interest at a daily rate. Failure to pay within the grace period which, pursuant to each individual STCs, can 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 STCs specifically provide that the Company is not liable for interruptions in transportation services if the event of a Force Majeure, a malfunction in a customer's facilities, when interruption is required for maintenance or adjustment of its facilities, or in case of non-compliance by customers with their obligations. Under some of the STCs and under certain circumstances, customers are required to pay the corresponding capacity fee for the duration 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 interruption as if such interruption had not occurred.

In the event of an interruption, restriction, or modification attributable to a Force Majeure that lasts more than five business days, the Company has to submit a correction plan to CRE.

A 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 STCs, depending on the result of the Force Majeure, the affected party may terminate the services agreement.

Compensation. Customers are obligated to compensate the Company and its officers, agents, employees, and contractors for any damages or losses incurred in connection with any breach in the customer's obligations under their transportation services agreements.

Dispute Resolution. Disputes will be resolved pursuant to the agreements reached by the parties, which could include an arbitration proceeding in accordance with the Constitutional Coordinated Energy Regulators Law *(Ley de Órganos Reguladores en Materia Energética)* or be subject to the jurisdiction of the federal laws and courts in Mexico. If a customer is deemed as a consumer for purposes of the Mexican Federal Consumer Protection Law *(Ley Federal de Protección al Consumidor)*, disputes will be resolved in accordance with such law.

Fees. The Company is allowed to negotiate fees that are lower than those provided in the corresponding list of fees approved by CRE. In any case, fees for firm and interruptible services may be the same as or lower than the CRE-approved fees. The Company is required to publish all approved regulated fees in the Mexican Official Gazette and in the official gazettes of the states in which the Company provides transportation services. For ethane transportation, fees are published in the corresponding e-newsletter.

Terms and Conditions for Natural Gas Distribution Services

The STCs for natural gas distribution included in the Company's natural gas distribution permits regulate the receipt, distribution, and marketing of natural gas. The natural gas distribution STCs for all permits are approved by and reported to CRE. STCs for natural gas distribution can 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 CRE issues. Accordingly, certain provisions of the natural gas distribution STCs may vary if the terms and conditions are amended from time to time, subject to the CRE approval. The executed contracts must be consistent with the STCs, which means that every time the STCs are modified, the service contracts will also need to be modified accordingly.

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

Services. The Company provides its customers with natural gas simple-distribution and marketing-distribution services at different delivery points on its pipeline system. In the event of a malfunction or deficiency in the Company's system that prevents deliveries of natural gas to end-users, the Company will compensate it with a specific amount of natural gas that would have been available to said user had the interruption not occurred. In February 2016, CRE approved low natural gas consumption end-user protection provisions, which prohibit distributors from providing natural gas sales services to high natural gas consumption end-users (users with an annual consumption or more than 5000 GJ), starting in March 2018.

Connection. Once the exclusivity periods granted to the Company by CRE for each geographic zone expire, the Company has to allow other permit holders to connect to its pipeline system, provided that the Company has sufficient available capacity and that such connection is technically and economically viable. All connection fees will be agreed upon by the Company and the other permit holders. In January 2018, CRE approved an agreement that defined the entire territory of Mexico as a Single Geographical Zone for the purposes of natural gas distribution. When said agreement came into effect, the Geographical Zone Determination Department *(Directiva de Determinación de Zonas Geográficas)*, which had requested that specific geographical zones be determined prior to granting distribution permits, was eliminated.

Fees. The Company is allowed to negotiate fees that are lower than those provided in the corresponding list of fees approved by CRE. The Company is required to publish all regulated fees annually in the Mexican Official Gazette and in the official gazettes of the states in which the Company provides 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. The model is the international industry standard used to calculate pipeline flows. If the requested capacity exceeds the Company's available capacity, priority will be given to residential and commercial services, and the Company will have to consult with its industrial customers whether it can reduce or interrupt their service.

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

Safety Obligations. In the event of an occurrence that could cause a public health and safety risk, the Company is obligated to immediately inform CRE, ASEA, and the corresponding local authorities immediately of the measures taken to address the problem. The Company is also required to use equipment, materials, and systems that comply with the specifications provided in the Mexican Official Standards, or in the absence thereof, with international industry specifications. The Company is also required to train its personnel to prevent and address accidents, and to provide the necessary assistance to government authorities in case of emergency or disasters. In addition, the Company is required to acquire and maintain the insurance required by the corresponding permits to cover any potential liabilities.

Liabilities. The Company is liable for any damages caused while providing its services up to the delivery point, except in case of willful misconduct or negligence by the injured party. Beyond the delivery point, it is the customers who are liable for any damages incurred by said customer or any third parties.

Interruption of Services. The Company may interrupt its services with no liability in the following cases: (1) if the Company determines that a customer's system or equipment represent a significant hazard or risk or (2) has a 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 is also entitled to interrupt its services if customers fail to pay more than one past-due invoice.

In addition, the Company is not liable for the interruption of services resulting from (1) unforeseen circumstances or a force majeure event; (2) malfunctions in a customer's systems due to operator error; (3) system maintenance, expansion, or modification, when the Company gives advance notice to its customers; or (4) a breach by customers of their obligations under the services agreements.

Termination A customer can terminate a service agreement with the Company by giving at least two days' advance notice prior to the termination date.

Dispute Resolution. Disputes in connection with the services will be resolved by means of an arbitration proceeding. Disputes in which the customer is deemed to be a consumer in terms of the Federal Consumer Protection Law *(Ley Federal de Protección al Consumidor)* will be resolved in accordance with that law.

Mexican Official Standards, Directives, Agreements, 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 Mexican Official Standards issued by SENER, CRE, and the ASEA related to technical matters of the hydrocarbons sector, such as product quality and the technical specifications related to design, construction, safety, operation, and maintenance of systems and facilities for transferring, transporting, storing, and distributing, (2) the Directives issued by CRE that regulate economic aspects of the Company's business, such as prices, fees, accounting, and insurance, (3) the environmental protection and industrial safety Agreements, Resolutions and General Provisions issued by CRE, the General Energy Sector Social Impact Evaluation Provisions issued by SENER, and the General Environmental Protection Provisions issued by ASEA, and (4) the public policy documents issued by SENER 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 developing, building, and operating hydrocarbon systems. These include environmental permits, industrial and operative security permits, social permits, zoning permits, construction permits, permits for discharging waste in Mexican marine zones granted by SEMAR, approval for works in the area of archaeological monuments, concessions and/or permits for using and exploiting and/or for federally-controlled areas such as rivers, streams, maritime zones, and federal maritime and land zones, among others.

Mexican Antitrust Commission (Comisión Federal de Competencia Económica, COFECE)

COFECE is an autonomous body of the Mexican state that has authority over activities pertaining to natural gas, LPG, refined products, and ethane in terms antitrust practices, cross shareholding, and economic concentration. If it has the approval of COFECE, CRE can issue new provisions to develop competitive markets in the hydrocarbons sector, which may include grouping restrictions, shareholder limitations, and limits on the participation of economic operators in commercial activities. The favorable opinion of the COFECE is also required to participate in bidding processes called by the Port Authorities where the Company could be interested in building and operating storage terminals for refined products or other products.

Ministry of Communications and Transportation *(Secretaría de Comunicaciones y Transportes*, SCT)

The LNG Terminal and some of the refined products storage terminals require permits and/or authorizations issued by SCT. Marine terminals require a public asset concession for building, operating, and using terminals, docks, and port facilities, as well as authorizations for marine or dredging works. It is important to point out that starting on June 5, 2021, these authorizations will be granted by SEMAR. On the other hand, land terminals that have railroad facilities require authorization for the executive project to build private railroad lines, as well as permits for auxiliary services, such as for transferring liquids, both of which are granted by SCT.

Ministry of the Navy (*Secretaría de Marina,* SEMAR*)*

Marine terminals, such as those for storing LNG or refined product, which during construction and/or operation need to discharge into Mexican marine zones, need to be granted authorization by SEMAR given that the Discharge in Mexican Marine Areas Law and its Bylaws establish a series of provisions to control, prevent, and protect from pollution or alteration caused by discharges in the marine environment. It is important to point out that the functions of the General Coordination of Ports and Merchant Marines *(Coordinación General de Puertos y Marina Mercante)* of the SCT's Port Authorities were transferred to SEMAR, pursuant to a decree of December 7, 2020 adds and eliminates several provisions of the Federal Public Administration Law *(Ley Orgánica de la Administración Pública)*, the Navigation and Maritime Commerce Law *(Ley de Navegación y Comercio Marítimos)*, and the Ports Law (*Ley de Puertos)*, which will come into force on June 5, 2021.

National Natural Gas Control Center (Centro Nacional de Control de Gas Natural, CENAGAS)

CENAGAS is a decentralized public entity of the Mexican federal government. CENAGAS' main responsibility is to manage and operate the National Integrated Natural Gas Transportation and Storage System (Sistema de Transporte y Almacenamiento Integrado de Gas Natural, SISTRANGAS), which was previously managed by Pemex Gas y Petroquímica Básica. Some of the Company's assets are part of the SISTRANGAS.

In March 2018, SENER issued a public policy for natural gas storage which establishes CENAGAS' obligation to maintain at a minimum a 5-day strategic inventory of natural gas by 2026. It will be responsible for coordinating the development of storage infrastructure and approve strategic projects through open seasons. SENER also established that starting in October 2018, transportation and storage permit holders were obliged to submit weekly natural gas consumption and inventories report to CRE.

In January 2019, CRE approved the STCs for CENAGAS regarding its permit as the SISTRANGAS administrator to regulate the management, administration, and operation service of the SISTRANGAS provided by CENAGAS. As part SISTRANGAS, some of the Company's assets have to comply with said STCs.

National Institute of Anthropology and History (Instituto Nacional de Antropología e Historia, INAH)

INAH is a decentralized entity of the Ministry of Culture (*Secretaría de Cultura)* which was founded in 1939. Its goal is to ensure investigation, protection, and communications pertaining to Mexico's prehistoric, archaeological, anthropological, historical, and paleontological heritage.

In accordance with the provisions of the Federal Law on Monuments and Archaeological, Artistic and Historical Zones *(Ley Federal sobre Monumentos y Zonas Arqueológicos, Artísticos e Históricos)* any new construction project needs to have the "Approval of work in areas of archaeological monuments or in which its existence is presumed".

In September 2019, INAH updated its 05-001 procedure to establish that all construction works, without exception, involving larger infrastructure works such as roads, gas pipelines, oil pipelines, dams, power generation parks, power lines, etc., need to comply with this procedure given that a major area is impacted area and there is the corresponding probability of damaging the patrimony.

This approval is paramount for developing Company's projects. Furthermore, when one of the Company's project is suggested for financing, as in the case of the ESJ Expansion and IEnova's portfolio of solar generation projects, compliance with the Ecuador Principles, the Green Loan Principles, the World Bank, and the International Finance Corporation (IFC) needs to be validated. Additionally, the Company's performance standard 8 establishes the need for protecting cultural heritage when designing and executing projects.

Other Significant Provisions

The Company's business operations are subject to other standards that could have an adverse effect on its business, including federal, state, and municipal laws, planning instruments, ecological guidelines, and provisions pertaining to land use, construction and civil protection, and local permits and licenses.

In May 2017, the Provisions 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, DACGs)* were issued. As of April 2019, pursuant to these rules, the hydrocarbons, refined products, and petrochemicals storage, distribution, transportation, and marketing permit holders have to report every five years to the Ministry of the Economy *(Secretaría de Economía, SE)* on the national and foreign content of (i) acquired assets; (iii) services hired; (iii) workforce hired; (iv) training hired; (v) transfer of technology expenses; and (vi) construction of social infrastructure expenses.

During 2019, the Company informed SE of the domestic content of its 15 hydrocarbons assets.

On January 23, 2020, SE amended the DAGCs pertaining to Domestic Content, eliminating the obligation of permit holders to report their domestic content every five years and establishing that reports will only be made in case the authority requires a report for a specific period, which cannot exceed 5 years. Efforts are being made to mitigate any potential impact this modification could have on the Company, as it establishes self-regulation obligations.

In December 2017, the SENER published in Mexican Official Gazette the public policy for minimum storage of refined products (except LPG), which establishes the obligation of permit holders for distributing and marketing refined products to maintain at a minimum a 5-day strategic inventory of each of their refined products starting in 2020. Said obligations will increase from 8 to 10 days and from 10 to 15 days in 2022 and 2025, respectively. At least 50% of the minimum inventories have to be stored at the terminals that usually supply the service stations by tanker trucks. The Policy also establishes that starting in April 2018, the obligation of permit holders across the value chain (storage, marketing, distribution, dispatch to the public, refining) to submit to CRE weekly reports on production, imports, exports, inventories, and sales for each product.

In December 2019, SENER published an amendment to the Policy in order to standardize a 5-day minimum for gasoline and diesel inventories, and 1.5-days minimum for jet fuel inventories, nationwide, from July 1, 2020 to December 31, 2025. The obligation will be reviewed every 5 years, to the extent that the national market develops or before if SENER finds a founded justification to do so.

Article 28 of the Federal Fiscal Code (Código Fiscal de la Federación) was amended in June 2018. As a result, hydrocarbons and refined products storage, distribution, transportation, and marketing permit holders are obliged to have IT equipment and programs to keep volumetric controls, as well as opinions issued by laboratories authorized by the Mexican Internal Revenue Service (Servicio de Administración Tributaria, SAT). Amendments to the provisions pertaining to volumetric controls were published in July 2020. As of this date, this obligation has not come into effect because SAT has not issued the provisions for registering specialized third-parties who will verify compliance and issue the meter verification results.

During 2019, CRE published the agreement which defines the justified reasons under which the December 31, 2019 deadline could be extended, proving to CRE that the total capacity of the grandfathered projects has begun commercial operation.

Power Generation, Supply, Import and Export

Under the amendment of the Mexican Constitution in December 2013 and the enactment of the Electric Industry Law, which repealed and replaced the former Public Electricity Service Law *(Ley de Servicio Público de Energía Eléctrica)*, private companies can currently obtain permits to generate, market, and supply electricity to basic-supply users and qualified users, or to sell electricity directly to the wholesale electric power market, and to participate in the construction, operation, and management of power plants. The Mexican government continues to be responsible for transmitting and distributing electricity through productive companies that are subsidiaries of CFE. However, it may enter into agreements with private companies engaged in such activities, including agreements for financing, installing, procuring, operating, and expanding the infrastructure of electric grid. Planning for and controlling the grid is under the exclusive authority of the federal government and is conducted by the CENACE, a decentralized public entity responsible for managing the National Electric System in its capacity as an independent operator of the system for the wholesale electric power market.

In terms of the Electricity Market Guidelines (provisions that are part of the market rules whose goal is to regulate activities within the new wholesale electric power market), private electricity generators may participate in the electricity wholesale market operated by the CENACE by selling energy and related products to other market participants.

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

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

Permits granted prior to the enactment of the Electric Industry Law (such as the export permit for Termoeléctrica de Mexicali, the import and export permits for Phase I of the Energía Sierra Juárez wind park, and the self-supply permits for the Ventika I and Ventika II wind parks and the Don Diego Solar and Border Solar solar parks) are in force under the terms of the transitory articles of the Electric Industry Law.

Even when the Electric Industry Law establishes that these permits, which the law itself defines as "grandfathered" ("legados"), will continue to be in force in the terms in which they were granted, and the rights of permit holders will not be affected by the new laws and bylaws, recently SENER, CENACE, and CRE published new regulations and Congress approved changes to the Electric Industry Law that affect clean energy and grandfathered projects.

While the new regulations issued by SENER, CENACE, and CRE are currently on hold or, in some cases, have been dismissed, this regulatory framework mainly affects intermittent projects which are allowed to generate electricity under the Electric Industry Law and the Electric Energy Public Service Law.

The following are examples of the new regulations:

- In April 2020, CENACE issued an agreement to ensure the efficiency, quality, reliability, continuity, and safety of the national electric grid, as it recognized the epidemic illness from the SARS-CoV2 (COVID-19) virus. In said agreement, among other things, CENACE stipulated that: (i) wind and solar parks currently in a pre-operational testing phase have to suspend testing for the duration of the agreement, and (ii) that intermittent centrals will not be dispatched despite being more economic.

- In May 2020, SENER published an agreement by means of which it issued the Reliability, Safety, Continuity, and Quality in the National Electric System Policy, whose main goal is to establish the guidelines allowing the corresponding authorities to ensure the supply of electricity through the national grid, replacing the current cheaper dispatch, based on reliability principles, and stating that intermittent clean energy plants affect such safety and reliability.

- In June 2020, CRE published resolution number RES/893/2020 by means of which it modifies the fees for electric power transmission services to 2018 prices applied by CFE Intermediación de Contratos Legados, S.A. de C.V. (CFE ICL), to holders of grandfathered interconnection contracts with renewable energy or efficient co-generation plants. This resolution had a direct impact on the operation costs of the grandfathered projects because it increases transportation fees that self-supply generators are obliged to pay CFE ICL.

- In October 2020, CRE approved a resolution by means of which it modified the General Administrative Provisions which establish the terms for requesting authorization for modifying or transferring power generation or power supply permits. The goal of this change is to restrict the modification of self-supply permits for registering, eliminating, or changing charging centers or including new partners in the expansion plans of self-supply companies.

- On March 9, 2021, the Decree by means of which several provisions in the Electric Industry Law were amended or added, was published in the Mexican Official Gazette. This amendment modified the energy dispatch order for power plants operated by CENACE to prioritize the CFE plants. It also established that the allocation of CELs will not depend on the date on which the power plants started operating and eliminated the obligation of CFE Suministro Básico to purchase electricity by means of public bidding processes. It also established that the permits which the Electric Industry Law refers to will have to be subject to the planning criteria of the National Electric System issued by SENER, and limit provisions referring to the possibility of requesting and obtaining the right to connect with the transmission and distribution networks. Finally, the transitory articles of the resolution establish that self-supply permits will be revoked if it is deemed that they were approved by committing a fraud of the law, among other provisions.

Both IEnova and other companies in the sector have initiated or will initiate amparo lawsuits against the electricity-related regulatory and legal changes the federal government has issued over the course of the past year. As of this date, a definitive hold has been put on the enforcement of the Agreement to Ensure the Efficiency, Quality, Reliability, Continuity, and Safety of the National Electric Grid, as it Recognizes the Epidemic Illness from the SARS-CoV2 (COVID-19) Virus *(Acuerdo para garantizar la eficiencia, calidad, confiabilidad, continuidad y seguridad de la red eléctrica nacional, debido al reconocimiento de la enfermedad epidémica del virus SARS-CoV2 (COVID-19)*, the Policy for the Reliability, Safety, Continuity, and Quality of the National Electric System (Política de Confiabilidad, Seguridad, Continuidad y Calidad en el Sistema Eléctrico Nacional), resolution number RES/893/2020 by means of which fees for electric power transmission services are amended to the 2018 prices applied by CFE Intermediación de Contratos Legados, and the provisional hold against the General Administrative Provisions Establishing the Terms to Request Authorization to Modify or Transfer Electric Power Generation or Supply Permits *(Disposiciones Administrativas de Carácter General que establecen los términos para solicitar la autorización para la modificación o transferencia de permisos de generación eléctrica o suministro eléctrico).*

These suspensions will be in force until the competent judges and courts issue a resolution on the corresponding amparo lawsuits. This condition will be updated when one of the following assumptions occurs: (i) a firm resolution is issued for the amparo lawsuits initiated by IEnova affiliates, (ii) a firm resolution is issued for the amparo lawsuits initiated by NGOs such as Greenpeace and Defensa Colectiva, among others, or (iii) the Supreme Court issues its statement pertaining to constitutional controversies presented by autonomous entities (like COFECE, for example) or by different state governments. (For (i) the judge or court is obliged to issue a statement on the amparo unless the authority dismisses the act for which the judgment was requested. This is what happened with the Reliability Policy issued by SENER, which was deemed unconstitutional by the Second Court of the Supreme Court and by several judges, forcing SENER to dismiss said policy.

Additionally, as pertains to these issues, foreign companies with capital stock from nations with which Mexico has signed free trade agreements, can initiate controversy resolution proceedings included in NAFTA, USMCA, and the EU-Mexico FTA, among others.

It is important to point out that several power generators have obtained definitive resolutions which nullify the new norms, specifically the following have been deemed invalid by District Judges: the Agreement to Ensure the Efficiency, Quality, Reliability, Continuity, and Safety of the National Electric Grid, as it Recognizes the Epidemic Illness from the SARS-CoV2 (COVID-19) Virus; the Policy for the Reliability, Safety, Continuity, and Quality of the National Electric System; and resolution number *RES/893/2020* by means of which fees for electric power transmission services are amended to the 2018 prices applied by CFE Intermediación de Contratos Legados. However, these resolutions have not addressed the root of the controversy and have only invalidated the norms based on formal issues. Because of this, both those generators who have been benefited by these resolutions as well of those who have not, continue to present elements based on which the Collegiate Circuit Courts *(Tribunales Colegiales de Circuito)* could issue resolutions invalidating the root of the new regulation, thus preventing the executive to correct the deficiencies in form and once again issue the regulation that has been invalidated.

Finally, it is important to point out that the Supreme Court has invalidated the majority of the aspects in the Policy for the Reliability, Safety, Continuity, and Quality of the National Electric System which COFECE has questioned. In its resolution concerning the constitutional controversy, the Supreme Court issued a resolution invalidating the majority of the provisions established in the Policy that were questioned by COFECE, with the exception of provisions in the Policy referring to: (I) the determination, aimed at ensuring reliability in operating the electric system, to strengthen CFE's strategic planning, as well as the determination that CFE Transmisión and CFE Distribución draft proposals of planning programs for modernizing and expanding the electric system; (ii) the imposition of new related services to ensure the reliability of the electric system; and (iii) the determination specifying that all calculations of the Power Balance Market consider power delivered by said plants as a decrease in the annual power requirements in all Charge Entities *(Entidades Responsables de Carga)*, proportionally.

Likewise, resulting from a resolution issued by a District Court within an amparo lawsuit, the Policy was deemed unconstitutional with generalized effects for violating antitrust principles, among others. Resulting from this, on March 4, 2021, SENER published an Agreement nullifying the May 15, 2020 Reliability Policy *(Acuerdo por el que se deja insubsistente el Acuerdo por el que se emite la Política de Confiabilidad, Seguridad, Continuidad y Calidad en el Sistema Eléctrico Nacional, publicado en el Diario Oficial de la Federación el quince de mayo de dos mil veinte)*, which was published in the Mexican Official Gazette.

Additionally, the Energy Transition Law (Ley de Transición Energética) was published in December 2015. The goal of this law, which repeals a former clean energy statute, is to regulate the use of sustainable energy and the obligations regarding clean energy and the reduction of pollutant atmospheric emissions in the electric industry. Resulting from this law, the Mexican government is obliged to implement strategies and programs to achieve specific clean energy targets. The targets currently state that at least 25% of the electricity generated in Mexico must come from clean sources by 2018, 30% by 2021, and 35% by 2024. The national targets established in the Energy Transition Law will be met by employing a diversity of mechanisms, including voluntary agreements between Mexican companies and SENER, granting of voluntarily certifications, and by complying with obligation mentioned above to use clean energy and acquire Clean Energy Certificates.

Pursuant to this, certain clean energy usage obligations (for the reduction of air emissions) are applicable to different participants in the electric power market. These include suppliers, users qualified as market participants, end users who supply themselves exclusively, and holders of grandfathered interconnection agreements that include charging centers, when these charging centers are supplied with fossil fuels. These obligations are credited with Clean Energy Certificates and will be required starting in 2018 in relation to real energy consumption as determined by SENER each year, which stands at 5% for 2018, 5.8% for 2019, 7.4% for 2020, 10.9% for 2021, and 13.9% for 2022.

To this end, SENER published an agreement which amends the guidelines that establish the criteria for granting CELs and the requirements for acquiring them, which was first published in October 2019 and later amended in December of the same year. Electric power generators will be entitled to receive a CEL per MWh generated at clean power plants (such as wind and solar farms, geothermal energy projects, and cogeneration power plants).

The amendments grant CELs to CFE-owned grandfathered power plants that generate electric power from clean sources, which could reduce the value of these financial instruments. Additionally, the Decree by means of which several provisions in the Electric Industry Law are amended and added, which was published on March 9, 2021, establishes that CELs will be granted to power generation plants regardless of when they started operating. However, such modifications do not impact the Company's current projects because the agreed price of the CELs recognized for Rumorosa Solar, Tepezalá Solar, and Pima Solar are included in their contracts. In addition, the amendment is being disputed by several private generators by means of amparo lawsuits.

Rumorosa Solar, Pima Solar, and Tepezalá Solar have been authorized to get CEL recognitions for the clean energy they generate. In 2019, Rumorosa Solar, Tepezalá Solar, and Pima Solar were registered on the CRE S-CEL website to obtain recognition for the CELs they generate. These CELs are negotiable, based on the long-term electricity coverage agreements or by means of the electric power market.

As plants that are connected to the grid controlled by the California Independent System Operator, both 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 electric power market 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 U.S. Federal Power Act include regulations to fees, terms and conditions under which power generators can to sell wholesale electric power, as well as other current provisions on the requirements to file quarterly electronic reports, periodic market power reports and, when an issuer or an affiliate acquires ownership or control of additional energy assets, to notify FERC of these acquisitions and 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 power 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 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. 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, FERC regulations stipulate 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 electric power. An "eligible facility" is a generation facility used exclusively for the sale of wholesale electric power.

Coordinated Energy Regulators' Law *(Ley de los Órganos Reguladores Coordinados en Materia Energética)*

In addition to the Hydrocarbons Law and the Electric Industry Law, the Coordinated Energy Regulators' Law establishes the faculties, structure, and internal organization of CRE. CRE is a Mexican government entity with technical, operating, and management autonomy, and is entity mainly responsible for granting midstream and downstream (refining, logistics and marketing) energy permits to participants in the natural gas, LPG, LNG, refined products, and petrochemicals sectors in Mexico. CRE is also responsible for granting permits to electricity generators and suppliers, and electricity import and export authorizations, for keeping records of qualified users and Clean Energy Certificates, and for supervising, monitoring, and inspecting the activities of said generators, suppliers, and users. CRE is the Company's main supervising authority.

Pursuant to the Coordinated Energy Regulators' Law, CRE has ample powers and authority to regulate natural gas, LPG, LNG, refined products, and ethane storage, regasification, transportation, distribution, processing, liquefaction, compression, decompression, marketing, import and export activities, and the generation of electric power. This includes approving and issuing the general terms and conditions that govern the services provided by the public and private sectors and issuing guidelines to calculate the fees applicable to such services. CRE also has the authority to oversee the operations of the wholesale electric power market and to issue regulations and provisions to foster clean energy generation and use.

General Administrative Responsibilities Law (Ley General de Responsabilidades Administrativas)

The legal framework by means of which Mexico's National Anti-Corruption System (Sistema Nacional

Anticorrupción) was created was published in the Mexican Official Gazette on July 18, 2016. The new legal framework implements the 2015 constitutional reform on anti-corruption 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 committed by individuals who act on their behalf or in their representation and whose intention is to gain benefits for these companies. To this end, the Law establishes that companies must have an Integrity Policy in place to prevent behaviors related corruption, which must include several elements, such as:

(i) An organization and procedures manual describing the functions and responsibilities of each of its departments and clearly specifying the different chains of command and leadership across the entire structure.
(ii) A code of conduct that is duly published and embedded 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 the Company from hiring people who could put the Company's integrity at risk.
(vii) Mechanisms that ensure the transparency and disclosure of its interests at all times.

The General Administrative Responsibilities Law also establishes the corresponding provisions and guidelines to investigate and sanction companies for committing administrative breaches in relation to undue participation in administrative procedures, influence peddling, bribery, misappropriation of public funds, undue hiring of former 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 granting a permit or a concession, public procurement processes, and/or any other administrative procedures conducted before a government entity.

The General Administrative Responsibilities Law establishes administrative procedures for investigating administrative liabilities. Pursuant to such law, the Civic Service Ministry *(Secretaría de la Función Pública)* of the federal government and the state governments' Ministries are responsible for investigating, substantiating, and sanctioning minor offenses, whereas the Federal Audit Office *(Auditoría Superior de la Federación)* and the local audit offices are responsible for investigating and substantiating the administrative procedures of offenses deemed as severe.

Administrative breaches committed by private parties will be subject to the jurisdiction of the Federal Administrative Justice Court (Tribunal Federal de Justicia Administrativa), which currently includes a chamber specifically for processing severe acts of corruption and is authorized to impose the corresponding 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 of up to twice the amount obtained by a company from any unlawful act or of anywhere between 1,000 and 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 *(Ley Federal de Protección de Datos Personales en Posesión de los Particulares)*

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 prior consent by the owner of the data. Consent can be obtained by a document referred to in law as a "Privacy Notice", through which the owner is informed 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 to access, rectify, and cancel or to object to the processing of his or her 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 openly stated. 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 Discharge in Mexican Marine Areas Law *(Ley de Puertos y Ley de Vertimientos en las Zonas Marinas Mexicanas)*

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 the Company's LNG terminal, including a dry dock and ancillary maritime infrastructure, as well as the development and construction of new refined products terminals in the ports of Veracruz and Topolobampo, and in Ensenada, Baja California, and Manzanillo, Colima, the Company is subject to the Mexican Ports Law (Ley de Puertos) and its Bylaws and to the jurisdiction of the federal government through SCT, as well as to the Integral Port Authorities of Veracruz, Topolobampo, and Manzanillo, for the corresponding 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. However, on December 7, 2020, an amendment to the Federal Public Administration Organic and the Ports Law was published in the Mexican Official Gazette, establishing that starting on June 5, 2021, SEMAR will be the authority responsible for granting said concessions and permits. Furthermore, the construction of infrastructure on the seabed and discharges in Mexican marine zones require authorization from SEMAR.

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 SCT and, when applicable, by SEMAR, based on certain reasons established in the Ports Law, including (1) termination of the purpose for which the concession was granted, (2) bankruptcy or liquidation of the permit holder, or (3) amortization. In addition, the Company's concessions and permits can be revoked under certain circumstances, including a breach of its obligations under the concessions and permits, or if the Company experiences partial or total interruption in the operation of the system or facility without just cause.

The Discharge Law was originally published on January 17, 2014 in order to control and prevent pollution or any alterations to the oceans due to discharges in Mexican marine zones, by means of tools such as the Discharge permit. On April 13, 2020, the Decree by means of which several provisions of the Discharge Law in Mexican Marine Zones were amended, added, and eliminated, striving to align national legislation with international agreements that have been signed or enacted by the Mexican government, thus clearly establishing the concept of discharge in Mexican marine zones

The Amendment to this law is particularly relevant because it establishes that building and installing marine infrastructure, such as buoys, docks, posts, and other marine works with an operational goal, as well as the materials used in them (concrete, steel, cement, among others) do not require discharge permits as established by law. To this end, discharge permits are only required to discharge dredging materials from the marine infrastructure facilities.

The Decree grants ASEA faculties to establish in collaboration with SEMAR, the specific coordination mechanisms for exercising their corresponding regulation and oversight responsibilities.

Railroad Service Regulatory Law *(Ley Reglamentaria del Servicio Ferroviario)*

Railroad facilities used for the receipt and/or delivery of refined products at the Company's storage terminals require permits for building railroad tracks. Pursuant to the provisions of the Railroad Service Law, loading and/or unloading refined products on tanker trucks also require permits for auxiliary services, such as loading and transferring liquids.

The Railroad Service Regulatory Law and the Railroad Service Bylaws establish the conditions for approving and obtaining the permits and concessions required for building and operating said facilities and for offering auxiliary services related to the railroad. These permits and concessions are granted by SCT and regulated by ARTF.

Constitutional Amendments to Class Action Suits

Article 17 of the Mexican Constitution was amended on July 29, 2010, allowing Class Action suits to be filed in the federal courts pertaining to consumer protection and environmental laws, among others. Subsequently, on August 30, 2011, the Federal Code of Civil Procedures *(Código Federal de Procedimientos Civiles)*, the Federal Consumer Protection Law *(Ley Federal de Protección al Consumidor)*, and the General Ecological Balance and Environmental Protection Law *(Ley General del Equilibrio Ecológico y la Protección al Ambiente)* were amended to include Class Actions. Such amendments were enacted on March 1, 2012, but, as of the date of this Report, as far as the Company is aware, few Class Action suits have ever been brought before the federal courts in connection with environmental or environmental liability issues.

Federal Environmental Responsibility Law (Ley Federal de Responsabilidad Ambiental)

The Federal Environmental Responsibility Law, enacted on July 7, 2013, regulates environmental liabilities for damages including environmental remediation and compensation. In the event of intentional and unlawful action or inaction, the party responsible can be fined with up to approximately 54.0 million Mexican pesos for 2021, regardless of the measures taken to repair or compensate the damages. Environmental responsibility regulations are independent from administrative, civil, or criminal responsibility laws.

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

General Law for Sustainable Forest Development (Ley General de Desarrollo Forestal Sustentable)

The Decree amending and adding several provisions of Article 7 of the Sustainable Forest Development Law was published on April 13, 2020, which is relevant because it redefined several concepts, including defining a "change in land use in forest grounds" as the total or partial removal of forest vegetation from tree forest land or other types of forest lands to allocate them to or use them for non-forest activities. This amendment eliminates the possibility of making an exception for "forest land" that is in a population center of having a change of land use authorization, as was previously included on June 5, 2018 amendment to this law.

In this same amendment, Article 97 of the Forest Development Law established that no authorization can be granted for a change of land use in burned forest land until 20 years have passed since the fire and it is proven to the Ministry that the forest vegetation has regenerated, by mechanisms established in the Bylaws of said law.

This means that fires are a highly relevant manner when developing new projects, particularly in sites with forest vegetation which are subject to obtaining a change of use on forest land authorization. This is a critical issue in the process to obtain permits since the legislation makes no distinctions for the origin, type, or surface of the fire nor for the condition of the affected ecosystems once the fire has been extinguished.

Likewise, the new Bylaws for the Sustainable Forest Development Law were published on December 9, 2020 in the Mexican Federal Gazette, replacing the bylaws of February 21, 2005. The Bylaws establish common forest-related provisions including, for example, specifications for the documents required as proof of ownership and/or possession rights over the land for which the change in land use for forest land is being requested, among other relevant issues.

General Climate Change Law (Ley General de Cambio Climático)

The Company is subject to all applicable regulations pertaining to climate change, as stipulated by the General Climate Change Law and its Bylaws, depending on the performance of its operations for each asset and the specific circumstances in terms of emissions (to be considered by the Emissions Trading System) and reporting obligations (to be considered as an establishment subject to reporting). Accordingly, the Company cannot predict the exact application to the totality or part of its assets, as this depends strictly on the operations of each of the Company's assets.

To this end, Mexico has issued legal mechanisms that support the National Climate Change Strategy (Estrategia Nacional de Cambio Climático), including the National Climate Change Policy (Política Nacional de Cambio Climático), the General Climate Change Law and its Bylaws. These instruments include several elements that could have an impact on the Company's operations such as implementing projects or activities aimed at mitigating, reducing, or absorbing greenhouse gas emissions or elements. Planning and executing said legal framework and national strategy is currently in the process of being implemented and under constant assessment, which is why it is not possible to predict their potential impact or, as the case may be, the legal and regulatory climate change measures that will be introduced in the international and national arena.

The National Climate Change Policy is a public policy instrument based on the following principles: sustainability in the exploitation and use of ecosystems and natural resources; shared responsibility between the State and society as a whole; precautions in the face of uncertainty; prevention of damages to the environment and the preservation of ecological balance; adoption of sustainable production and consumption patterns; comprehensive and transversal adoption of a coordination and cooperation effort among government entities and among social, public, and private sectors; effective citizen participation; environmental responsibility; transparency, access to information and to justice; and commitment to the economy and economic development without putting competitiveness at risk in international markets.

The goal of the Climate Change Law is to regulate, promote, and drive the implementation of the National Climate Change Policy and it includes adaptation and mitigation measures with a long-term, systematic, decentralized, participative, and comprehensive focus. In order to achieve an effective coordination among different branches of government and concentration of the public, private, and social sectors, the General Climate Change Law includes the integration of a National Climate Change System (Sistema Nacional de Cambio Climático, SINACC) The goal of this system is to promote synergies to jointly address the vulnerability and risks the country faces and establish priority mitigation and adaptation measures.

In addition to the institutional framework, the Climate Change Law includes a series of financial, regulatory, technical, planning, evaluation, and oversight instruments for the climate change public policy, such as the National Climate Change Strategy, the state climate change programs, the GHG Inventory, the National Emissions Registry (Registro Nacional de Emisiones), the Climate Change Information System (Sistema de Información sobre Cambio Climático), the Climate Change Fund (Fondo para el Cambio Climático), economic instruments, Mexican Official Standards, administrative provisions for preventing and controlling emissions (particularly methane), and the national, state, and municipal risk maps.

Permits

Hydrocarbons Activities Permits

Hydrocarbons activities permits establish the general terms and conditions to regulate the activities covered by these permits. CRE has approved and keeps a record of the corresponding terms and conditions for each permit. Terms and conditions 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 CRE. Therefore, certain provisions of the terms and conditions of each permit may vary if terms and conditions are modified subject to the prior approval of CRE.

Natural Gas Distribution Permits

The Company's distribution permits enable it to supply products within a geographical area determined by CRE 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, CRE approved an agreement that defined the entire territory of Mexico as a Single Geographical Zone for the purposes of natural gas distribution. When said agreement came into effect, the Geographical Zone Determination Department (Directiva de Determinación de Zonas Geográficas), which had requested that specific geographical zones be determined prior to granting 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 provide natural gas distribution services in those locations. Each of these permits has a 30-year term and their expiration dates range from 2026 to 2029. These permits provide that allocation of distribution services be granted in an efficient manner and in accordance with principles of uniformity, standardization, regularity, safety, and continuity. In addition, the distribution service capacity has to be allocated on a non-discriminatory basis in accordance with the principles of open access. Distribution systems must be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure due compliance with all applicable regulations. These permits can only be assigned if the applicable distribution system is transferred together with the permit.

Natural Gas, LPG, 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 CRE.

Each of the Company's transportation systems holds a separate transportation permit issued by CRE that allows it to conduct transportation operations. Each of these permits has a 30-year term and their expiration dates range from 2028 to 2047.

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 CRE, and their transference 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 CRE, (2) engaging in unduly discriminatory practices, (3) charging fees in excess of those authorized by CRE, (4) allocating, modifying, or transferring the permit in breach its conditions, (5) not paying the supervision rights of the permit o (6) not granting or maintaining in force the corresponding collateral and insurance, (7) non-compliance with Mexican Official Standards, (8) non-compliance with resolutions issued by COFECE, (9) non-compliance with resolutions issued by ASEA, or (10) transporting products proven to have been illegally acquired, with this having been the firm resolution of the corresponding authority.

Natural Gas Marketing Permit

In December 2015, CRE granted IEnova Marketing a 30-year permit to market natural gas, which expires in 2045. The permit may be revoked if the Company (1) does not comply without just cause and authorization from CRE with the objective, obligation, or conditions of the permit, (2) engages in unduly discriminatory practices which affect users or end user, (3) does not comply with regulation in terms of fees and regulatory accounting, (4) transfers or levies the permit or its rights, without prior authorization from CRE, (5) does not comply with applicable provisions of the Mexican Official Standards, (6) does not pay the supervision rights of the permit, (7) interrupts for a period of at least 30 continuous calendar days the activities included in the permit, without just cause as determined by CRE, (8) does not comply with resolutions issued by COFECE, (9) does not comply with resolutions issued by ASEA, (10) does not comply with cross-shareholder provisions and obligations, or (11) carries out its activities with products proven to have been illegally acquired, with this having been the firm resolution of the corresponding authority.

In October 2019, CRE 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 hiring transportation, storage, and/or distribution services. This 30-year permit expires in 2049. This permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by the CRE 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 CRE, (4) breaches the cross-participation rules imposed by the COFECE and CRE, (5) fails to pay the permit oversight fees, (6) does not comply with regulation pertaining to fees and regulatory accounting, (7) does not comply with applicable provisions or the Mexican Official Standards, (8) interrupts for a period of at least 30 continuous calendar days the activities included in the permit with no just cause as determined by CRE, (9) does not comply with resolutions issued by COFECE, (10) does not comply with resolutions issued by ASEA, or (11) carries out its activities with products proven to have been illegally acquired, with this having been the firm resolution of the corresponding authority.

Natural Gas Export Permit

In 2018, SENER approved a one-year natural gas export permit, which enables IEnova Marketing to export natural gas to the United States. Obtaining this permit is subject to the approval of the SE and SHCP. In addition, natural gas exports cannot have an impact the country's public finances or threaten the continuity of the supply of said hydrocarbon in the country. The permit may be revoked if (1) SENER 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) SENER confirms a misuse of the permit, (3) a breach in the conditions stipulated in the applicable legislation; (4) the exporter breaches the conditions of the permit; (5) the original conditions under which the permit was granted are altered, and (6) the corresponding authority confirms that the exporter does not have the documentation for 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 2019, 2020, and 2021, IEnova Marketing obtained from SENER extensions for the export permit, with the last extension being effective from February 2021 to February 2022.

LNG Export Permit

In November 2020, SENER granted ECA Liquefaction a 20-year export license for LNG for developing activities associated with the liquefaction project.

Natural Gas Pipeline Import Permit

In 2018, the General Customs Administration approved the renewal of the authorizations for natural gas introduction and extraction from Mexican territory via pipelines for import. Each authorization has a 3-year term and expires in 2021.

The authorizations are subject to the approval of SAT and SHCP and to compliance with the following obligations; (1) paying the annual duties in accordance with the Federal Duties Law (Ley Federal de Derechos); (2) filing in the first two months of the year, the information on the goods purchased/sold as compared to registered entry/exit of the goods; (3) complying with all fiscal obligations, and (4) registering the customs agents and shippers with whom these operations will be provided.

Authorizations may be revoked when; (1) the annual duty is not paid; (2) the obligations of the permit are not met; (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 CRE in August 2003. The 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 CRE. 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 CRE, (2) engages in unduly discriminatory practices or does not comply with the fees authorized by the CRE; (3) assigns, transfers or modifies the permit in breach of its terms; (4) breaches the obligations established in the permit; (5) fails to pay the oversight fees stipulated in the permit; (6) does not grant or enforce the corresponding collateral or insurance, as stipulated by applicable regulation; (7) does not comply with Mexican Official Standards, (8) does not comply with resolutions issued by COFECE, (9) does not comply with resolutions issued by ASEA; or (10) carries out its activities with products proven to have been illegally acquired, with this having been the firm resolution of the corresponding authority.

In October 2007, CRE 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 general terms and conditions (as amended from time to time at the request of the Company and approved by CRE as part of the Natural Gas Storage Permit issued by the CRE) require an open season process to be held should the Company wish to expand the capacity of the terminal.

In December 2019, 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, CRE approved the natural gas liquefaction permit for ECA Liquefaction to liquefy natural gas and supply LNG to tanker vessels and tanker trucks. This 30-year permit expires in 2047. The permit is subject to revocation if the Company (1) breaches the obligations or conditions of the permit without just cause or the authorization of CRE, (2) engages in unduly discriminatory practices, (3) assigns or encumbers the permit, the rights conferred therein or the assets used for its operation without the authorization of CRE, (4) fails to maintain the general insurance in accordance with the applicable regulation, (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 cause, as determined by CRE, (7) bars access to its facilities to the CRE's inspection personnel, or (8) breaches the resolutions issued by CRE, COFECE or ASEA within the scope of their corresponding authority.

In December 2018, CRE 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 for expanding up to 12 Mtpa.

LPG Storage Permit

The Company operates its LPG storage facility under an LPG Storage Permit for each supply plant, granted by CRE in February 2012. This 30-year permit expires in 2042 and allows for the receipt 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 CRE. The permit is subject to revocation if the Company (1) interrupts the storage service without just cause or without the authorization of CRE, (2) engages in unduly discriminatory practices or does not comply with the fees authorized by CRE, (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.

Refined Products and Bioenergetics Storage Permits

Each of the Company's storage terminals, whether port or land, operate under an individual refined products storage permit granted by CRE, enabling the Company to engage in refined products storage operations, such as regular and premium gasoline, diesel, jet fuel, and ethanol as bioenergetics. These are 30-year permits.

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. Products must be received via tanker vessels at port terminals and via tanker trucks at land terminals. Products are to be stored in tanks of different specifications depending on the product, with a rated capacity and an operating capacity. Products must 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 modifications to these permits require the prior approval of CRE. This permit cannot be assigned separately from the corresponding 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 CRE, (2) performs its activities using products obtained from illegal sources; (3) engages in unduly discriminatory practices or does not comply with the fees authorized by CRE, (4) assigns, encumbers or transfers the permit in breach of the provisions of the law; (5) breaches the Mexican Official Standards and the terms established in the permit; (6) dismantles the facilities or systems, or (7) fails repeatedly to pay the oversight fees stipulated in the permit.

Power Generation Permits

Power Generation Permits for LNG Terminal

The Company's power generation activities at the LNG terminal are performed subject to a self-supply electricity generation permit granted by the CRE in February 2005. In 2019, CRE approved the migration of the self-supply generation permit under the regime of the Electric 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 power 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 power generation facilities and with the prior authorization of CRE. The permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by CRE 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, transfers, or modifies the permit without the authorization of the CRE or in any other manner, breaches the terms and conditions of the permit.

In July 2017, CRE approved a power generation permit with a capacity of 227.612 MW for the Energía Costa Azul liquefaction project. This 30-year permit expires in 2047. The permit is subject to revocation in the event that the Company (1) is repeatedly sanctioned by CRE 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, transfers, or modifies the permit without the authorization of CRE 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 power generation plant holds two-way electricity permits issued by CRE. Under the first, the Company is allowed to produce and export up to 679.7 MW of electricity to the United States, with the permit expiring 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 plant also has a permit for transporting natural gas for its own purposes with a transportation capacity of 210 MMfpd, with the permit expiring in 2031.

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

The permits may be revoked if the Company: (1) is repeatedly sanctioned by CRE 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 CRE 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 Mexican Official 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 and state environmental and archaeological impact permits for 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 in July 2010 is valid for 20 years for site preparation and construction and 60 years for operating a wind farm that will have a maximum generation capacity of 1,200 MW. For the first stage, identified as ESJ Jacumé, an authorization was obtained to change the land use of forest land, as were the state environmental impact authorization for the rehabilitation and construction of access roads for the project and the approval of INAH works, with completion of construction and start of operation occurring on April 30, 2015.

In its first phase ESJ operates under two electric power permits issued in June 2012 by CRE: (1) an electric power import permit for importing electricity into Mexico from the United States exclusively to cover the needs of the wind park with a capacity of 0.16 MW. The 30-year permit is subject to obtaining, under certain conditions, a new permit once its validity expires; and (2) an electric power export permit that allows the Company to produce electric power, with an installed capacity of 156.0 MW for a period of 30 years, subject to obtaining, under certain conditions, a new permit once it expires. Under these permits, electricity can be imported and exported through a transmission line that connects 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 goal of the ESJ Expansion project is to generate additional capacity to ESJ's current capacity by installing 26 additional 108-MW wind turbines. During 2019 and the first quarter of 2020, the ESJ Expansion obtained federal and state permits regarding environmental impact, social impact, land use change in forest lands, and approval of INAH works, all of which are required to start construction.

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

The permits may be revoked if the Company: (1) is repeatedly sanctioned by CRE 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 CRE, (3) repeatedly fails to pay the corresponding 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 Mexican Official Standards, or the applicable technical and operational specifications.

Ventika Permits

The Ventika wind power generation park has two self-supply electric power generation 20-year permits granted pursuant to the now repealed Public Electric Power Service Law (Ley del Servicio Público de Energía Eléctrica) for generating clean energy (wind). However, under the terms of the Electric Industry Law, the Ventika self-supply permits are still governed by the Public Electric Power 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 Electric Industry Law, such as fixed transmission and distribution fees and banking of surplus power for future sale, among others. Once the Electric Industry Law comes into effect, CRE cannot grant permits under the terms of the previous law. Therefore, as of the date of this document, it is no longer possible to obtain self-supply permits such as those granted to Ventika under the Public Electric Power Service Law.

The plant holds all the federal and state environmental and archaeological impact permits for construction and operation.

Power Generation Permits for Solar Parks

In 2017 and 2018, CRE approved the electric power generation permits for the Rumorosa Solar project which has an estimated capacity of 44 MW_{AC}, the Tepezalá Solar project with an estimated capacity of 100 MWAC , and the Pima Solar project with an estimated capacity of 110 MW_{AC}. These are 30-year renewable permits. In December 2019, CRE approved the increase in generation capacity in alternating current for the Rumorosa project, for 44.6MWAC. The permits may be revoked if the Company (1) is sanctioned repeatedly by CRE for a breach in the power generation conditions established in the permit, (2) assigns, transfers, or modifies the permit without the authorization of CRE, (3) fails to operate in a manner consistent with the efficient operation of the National Electric System or the wholesale electric power market, or (4) does not comply with the terms and conditions of the permit.

In 2018, the Company purchased two solar power generation projects, which were authorized by the CRE prior to the energy reform under the Public Electric Power Service Law, in the form of self-supply power generation. The first project, Don Diego Solar, has a generation capacity of 125 MW, and the second, Border Solar, has a generation capacity of 150 MW. These projects will be in force under the self-supply regime for the duration of their interconnection contracts 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 repeatedly sanctioned for selling, reselling, or disposing of capacity or electric power; (2) For transferring the rights derived from the permit or generating electricity under conditions other than those established in the permit, without prior authorization from CRE; (3) When in serious and repeated breaches of the applicable regulation and the conditions of the permit.

The solar power generation projects in the IEnova portfolio have all the federal and state environmental, social, and archaeological permits for construction and operation.

Permits to Supply Electric Power, Under the Qualified Supply Modality

In 2019, CRE approved the permit to provide the service to supply electric power, in the form of qualified supply to IEnova Suministro Calificado, S. de R.L. de C.V., through which the Company can present offers to buy and sell energy, related services, power, Clean Energy Certificates, financial rights for exempt transmission and generation, carry out import and export transactions, acquire transmission, distribution, and operation services from CENACE, participate in mid- and long-term bidding processes and in the Clean Energy Certificates market, and participate in bidding process for financial transmission rights. This permit is valid for 30 years. The permit is subject to termination or revocation in case the Company (1) fails to comply with the terms of strict legal, accounting, and operational and functional separation issued by CRE, (2) does not begin the activities included in the permit within the established period, (3) does not pay the right, uses or any other applicable fees referred to in the permit, (4) carries out the activity under conditions other than those included the permit, (5) does not comply with the instructions of CENACE regarding the operational control of the national electricity system, (6) carries out activities or incurs in omissions that prevent the efficient operation of the national electrical system, (7) assigns, transfers, or sells the rights and obligations derived from the permits, without prior express authorization from CRE, (8) manipulate in any way the sale prices of electric power or associated products, (9) commits a serious breach of the general obligations. The Contract for a Participant in the Wholesale Electric Power Market was signed with CENACE in 2020.

Environmental Matters

Environmental Regulation

The Company's operations are subject to federal, state, and local environmental laws, regulations, Mexican Official Standards, general administrative provisions, and other technical standards. The distribution of jurisdiction over environmental matters among government 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 federal authorities fall under local-government jurisdiction, also known as concurrent jurisdiction. Although electric power generation 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, civil protection, urban development, and land use zoning, and construction falls under state or municipal jurisdiction. It should be emphasized that as a result of the new regulation for the hydrocarbons sector, issues pertaining to waste that needs to be handled by specialized companies, recording civil and environmental liability insurance policies, among others, comes under federal jurisdiction and its regulation, management, and supervision are within the faculties of 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 Law for Sustainable Forest Development, the General National Assets Law, the General Climate Change Law and the National Hydrocarbon Sector Industrial Safety, and Environmental Protection Agency Law. Based on these laws, a series of administrative, regulatory, and bylaws provisions have been issued pertaining to environmental impact, industrial and operational risks, forest land use, changes in forest land use, noise emissions, air emissions, prevention and control of methane emissions, exploitation of national waters and discharge waters in national bodies of water, management of hazardous, special handling, and solid municipal waste, land contamination, greenhouse gas emissions (GHG), among others, that apply to the Company's business and operations. 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.

Non-compliance with applicable laws, bylaws, and Mexican Official Standards may result in fines and administrative sanctions of up to $55 million pesos approximately for the year 2021, for restoration or compensation of environmental damages in the case of companies such as: revocation 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 of the Company's legal representative 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. This could have an adverse effect on the Company's revenues and operations.

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 is in compliance with applicable environmental laws and the corresponding 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 Overview—Legal, Administrative, and Arbitration Proceedings-ECA."

The Company follows internal policies and procedures to ensure due compliance with applicable laws, regulations and with the permits it holds. 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 defining and implementing environmental policies and, among other things, granting federal authorizations for environmental impact and risk, changes in forest land use, single environmental licenses, accident prevention programs, as well as issuing Mexican Standards. As a result of the 2013 energy reform, ASEA was created as a decentralized body of SEMARNAT which regulates, authorizes, and oversees the industrial safety, operating, and environmental protection activities and obligations with the authority to issue these authorizations for the entities it regulates within the sector, as well as to assign the Regulated Entity's Single Registration Code (Clave Única de Registro del Regulado), the Industrial Safety Management System (SASISOPA), and generate a record of civil and environmental safety insurance policies, among others.

In addition, 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 PROFEPA, and ASEA, in addition to two decentralized bodies with their own legal capacity and wealth (the National Forestry Commission and the Mexican Water Technology Institute), which ensure compliance with the environmental standards. PROFEPA is responsible for investigating and inspecting facilities (including through the voluntary environmental audit program), imposing sanctions, and ruling on the administrative appeals filed by persons who have been sanctioned for breaches in environmental regulations. ASEA's responsibilities include inspecting, issuing licenses and authorizations, and imposing sanctions on environmental, industrial, and operating safety issues for entities it regulates in the hydrocarbons sector.

The National Water Commission is responsible for handling and managing national waters, both surface and underground, preventing water pollution, granting the use and exploitation of national waters, and protecting certain national assets related to rivers, reservoirs, and other bodies of water. The National Water Commission grants permits for building hydraulic infrastructure works and concessions for the use and exploitation of national waters and for occupying federal zones that are under the responsibility of this organism 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, PROFEPA is also authorized by law to verify issues related to the use and contamination of national bodies of water.

Environmental Certifications, Policies and Programs

Clean Industry and Environmental Quality Certifications

Currently, the Company's Gas and Power segments participate in the PROFEPA or ASEA voluntary environmental audit programs. These assets currently hold clean industry certificates or if applicable, are currently in the process of applying for the certificate or getting recertified. The Company's goal is for all of its other assets to participate in this program as they start operations and obtain the corresponding 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 approved by PROFEPA or ASEA every two years. 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 PROFEPA or 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, PROFEPA or 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 applicable federal environmental laws and regulations and, in some cases, with international standards and best engineering and operational practices. The certificate is valid for two years and can be permanently 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. Currently, the authority has presented considerable delays in the audit review processes, which in turn has resulted in a delay in obtaining or updating certificates for the Company's assets.

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:

- Comply with all applicable environmental laws, bylaws, and standards, and strive to adopt the best environmental practices in the industry.
- Minimize and mitigate environmental impacts and respect the load capacities of the ecosystems as a result of the activities of IEnova and its subsidiaries.
- Design a strategy that contributes to reducing or avoiding greenhouse gas emissions and adapt the Company's activities and infrastructure to events related to climate change.
- Produce reliable environmental information pertaining to the environmental performance of IEnova and its subsidiaries that contributes to decision making and strives for a continuous improvement in the performance of IEnova and its subsidiaries.
- Disclose to stakeholders the Company's goals, progress, and performance with transparency.
- Promote the understanding of the importance of environmental stewardship among the employees of IEnova and its subsidiaries, customers, and suppliers, as well as the communities in which IEnova operates.
- Interact with associations in the Energy Sector to promote environmental public policies that have an impact on the business and foster energy efficiency, clean energies, and sustainable development.

- Promote collaboration and collective efforts with business partners (including, suppliers, customers, and contractors) to minimize potential environmental impacts.

The Company frequently seeks to improve the environmental performance of its operations based on internal standards that exceed regulatory requisites.

Climate Change Strategy

In 2020, the Company updated its Climate Change Strategy, which enabled it to have a specific guideline for strategically managing all issues pertaining to climate change, focusing on four pillars for action.

- Investment and Asset Development: contribute to strengthening Mexico's energy safety and support the transition towards a low carbon sector, always seeking to leverage new market opportunities.
- Emissions Reductions and Energy Efficiency: promote projects to reduce the Company's own emissions and/or those of third-parties and increase energy efficiency in IEnova's processes.
- Manage Climate Change Risks and Opportunities. Include in IEnova's internal management the risks and opportunities presented by climate change.
- Transparency and Collaboration: Identify and communicate to stakeholders in the most adequate way IEnova impact and performance in terms of climate change and work with a collaborative focus to address climate change risks.

Environmental Programs for the Conservation of Biodiversity

The Company currently operates several environmental programs for the conservation of biodiversity, for both projects currently under construction and those already operating. It has specific programs and actions focused on the conservation, protection, and restoration of flora and fauna species which are generally established as a requirement of environmental impact or change of land use permits.

Given the Company's high standards in environmental compliance, it considers it unlikely that it will incur in material costs and liabilities related to environmental issues in 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 the Company's business, financial conditions, results of operations, cash flows, outlook and/or the market price of its securities.

vi) Human Resources

Employees

The following table shows the number of full-time employees in the Company by type of activity and business segment:

	2020	2019	2018
Activity			
Management	212	205	167
Operations	1,049	897	722
Construction and engineering	227	198	146
Business Segment			
Gas	705	438	395
Storage	193	129	89
Power	76	64	55
Corporate and projects	514	669	496
Total employees	**1,488**	**1,300**	**1,035**

The increase in the number of employees between 2018 and 2020, is mainly due to the development of new projects.

As of December 31, 2020, 2019 and 2018, the Company had 97.6%, 97.6% and 96.7% trusted employees, and 2.4%, 2.6%, and 3.3% unionized employees, respectively.

Unions and Collective Bargaining Agreements

The Company has collective bargaining agreements in place with several labor unions. The collective bargaining agreements are negotiated on a facility-by-facility basis. 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.”

INDUSTRY OVERVIEW

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 CFE. The CFE and SENER are responsible for the planning of the Mexican power grid and CFE is responsible for transmission and distribution; it also participates in energy generation and sales by means of its subsidiaries. In the natural gas sector, the government owns 100% of Pemex and its subsidiaries, including Pemex TRI, Pemex Logística, and Pemex Exploración, all of which are Pemex subsidiaries responsible for the exploration and production of oil 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 CFE will continue to play a key role in the natural gas, LPG, refined products, petrochemicals, 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 and on a series of documents published y CENAGAS and PRODESEN. 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. Although the National Pipeline System (*Sistema Nacional de Gasoductos*, SNG) continues to hold a dominant position in the market through the CENAGAS, currently 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, terminals, and liquefaction, regasification, compression, and de-compression stations.

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

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

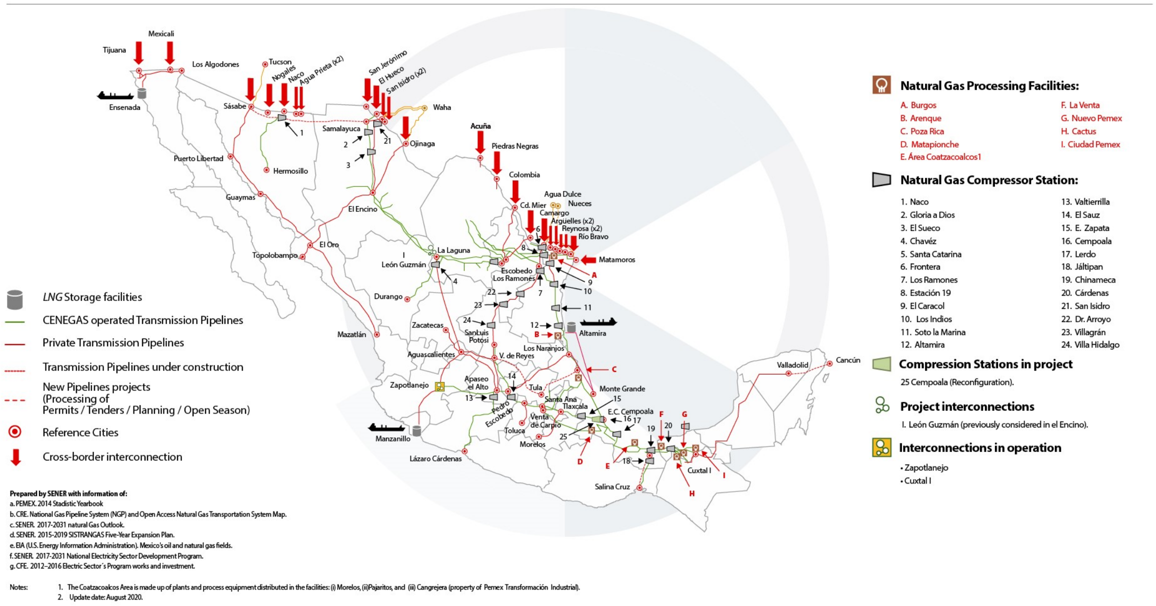
In addition, as a result of the auction rounds organized by the CNH, several private companies have been awarded contracts for the exploration and extraction of hydrocarbons.

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:

Natural Gas National Infraestructure (2020)



Source: Based on the Company's own information and SENER's Statistic compendium December 2020

In October 2020, SENER presented the Second Five Year Plan for Expansion of the National Integrated Natural Gas Transport and Storage Systems for 2020-2024 (SISTRANGAS) which confirmed the validity of the initial projects included in the First Five Year Plan and incorporated a new portfolio of projects responding to the natural gas market evolution in Mexico.

Below the conclusions of the Second Five-Year Plan 2020-2024

1. Interconnection projects in León Guzmán through the El Encino-La Laguna Pipeline and the reconfiguration of the Cempoala compression station remain valid.

2. At the Montegrande station, CENAGAS is seeking to increase injection capacity in up to 1,000 MMfpd from the South Texas-Tuxpan Pipeline, adding new patines de medición at the existing measuring, regulation, and control station, for a total capacity of 1,5000 MMcfd at this supply point.

3. CENAGAS will monitor the development of the following projects:
   a. Tuxpan - Tula Pipeline.
   b. Tula - Villa de Reyes Pipeline.

4. The evaluation of SISTRANGAS interconnections with the systems mentioned below will continue, in order to optimize the infrastructure of itself, providing greater operational flexibility and supply points:
   a. 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).

5. The development of the following HUBs Will be promoted in order to increase flexibility, generate new meeting points and operational redundancies of SISTRANGAS and the natural gas pipelines nearby:

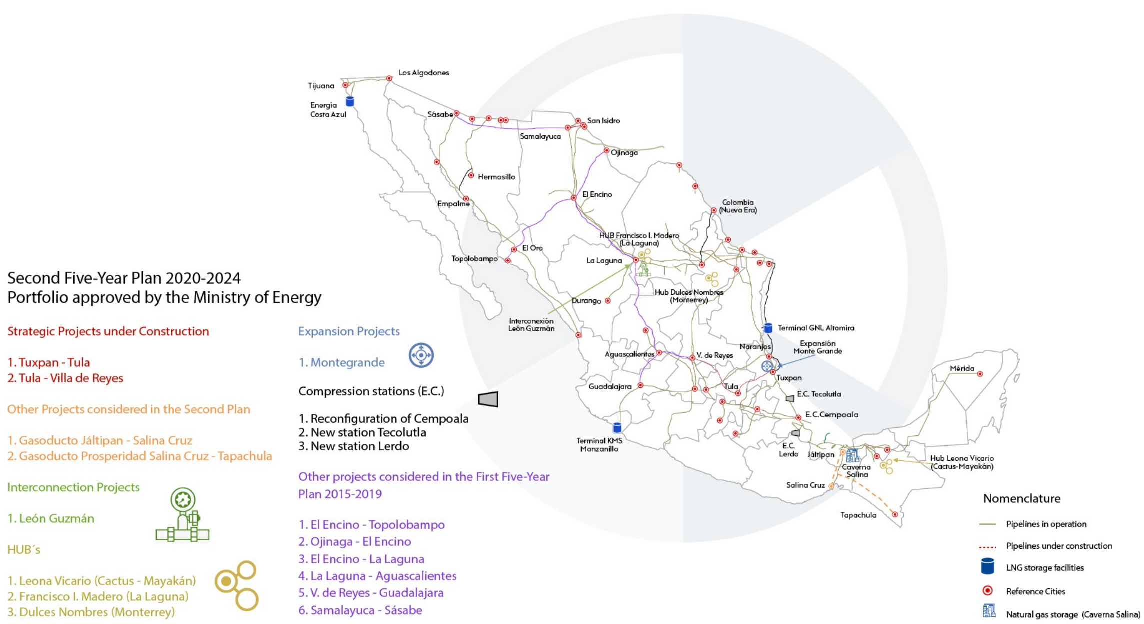
a. Dulces Nombres (Monterrey).
b. Leona Vicario (Cactus).
c. Francisco I. Madero (La Laguna).

It is important to take into consideration that the Second Five Year Plan is basically aligned to the objectives established in the 2019-2024 Mexican Development Plan, the 2019-2023 Business Plan for Pemex and its Productive Subsidiaries, and the Oaxaca Pact. This is why CENAGAS, with prior approval from SENER, approved the following projects that address the need to satisfy the demand of the Gulf, Southern, and Southeastern regions in Mexico:

a. Installing two new compression stations, known as Tecolutla and "Lerdo", on the Natural Gas System to add transportation capacity to the 48-inch pipeline.
b. Jáltipan-Salina Cruz Pipeline, which includes Building a new pipeline to reinforce the current infrastructure and address the needs of the trans-Isthmus corridor.
c. Prosperidad Pipeline, which entails Building a new pipeline for the Ixtepec, Oaxaca-Tapachula, Chiapas segment.

In terms of developing natural gas storing operational projects, CENAGAS is including in the portfolio the development of a storing system in the salt caverns located in Ixhuatlán del Sureste, Veracruz, a location that is viewed as strategic given the expected demand in the Southern and Southeastern regions and the fact that the current natural gas production centers are nearby; it is estimated that the project could be built in a period of two years.

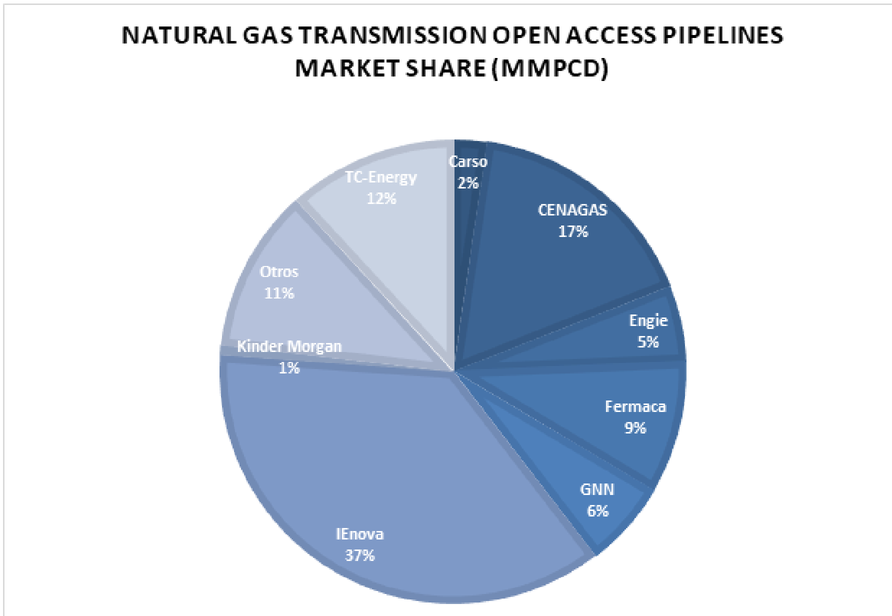
The following map shows the location of the transportation projects listed above:



Source: Based on the Company's own information and information included in the Second Five Year Plan for the Expansion of the National Integrated Natural Gas Transportation and Storage System.

Open Access Pipeline Transportation Projects

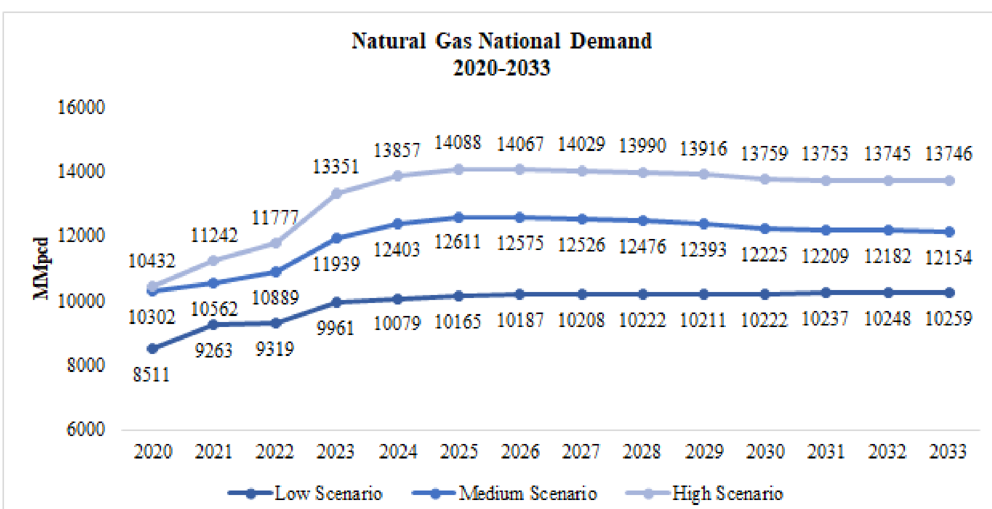
The network of natural gas pipelines in Mexico is composed of approximately 20,472 km of open access transport pipelines. The Mexican market for natural gas pipelines is concentrated on a few key companies. The five main transport companies comprise more than 85% of the market. The market share for the natural gas transport sector through open access pipelines is shown in the next table:



*Includes Brookfield's stake and does not include Pemex Logística

Source: Based on the Company's own information and information issued by CRE, December 2020.

Currently, these open access systems transport natural gas for CFE, PIEs, industrial users, distribution companies, and CENAGAS. Based on the information of the Second Five Year Plan for Expansion of the National Integrated Natural Gas Transport and Storage Systems for 2020-2024, a substantial increase in the demand for natural gas is expected. The following is the 2033 outlook for domestic demand for natural gas:



Source: CENAGAS, Second Five-Year Expansion Plan of SISTRANGAS 2020-2024

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 SENER will require 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. To this end CENAGAS, based on the conclusions reached in the Second 2020-2024 Five Year Plan for Expansion of the National Integrated Natural Gas Transport and Storage Systems, will assess the development of the operational natural gas storage projects.

Natural Gas Distribution

Based on information issued by CRE, there are currently 63 permits for natural gas pipeline distribution, compared to 31 permits reported by the last 2018-2032 Natural Gas Outlook.

LNG Storage and Regasification Facilities

Demand is expected to grow almost 35.0% by 2033, up from 7,613 MMcfd in 2017 to 10,259 MMcfd in 2033.

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 2020, 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: CRE

Natural Gas Marketing

In February 2016, a resolution was published in the Official Gazette of the Federation, in which CRE 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, SENER 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, CRE 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.

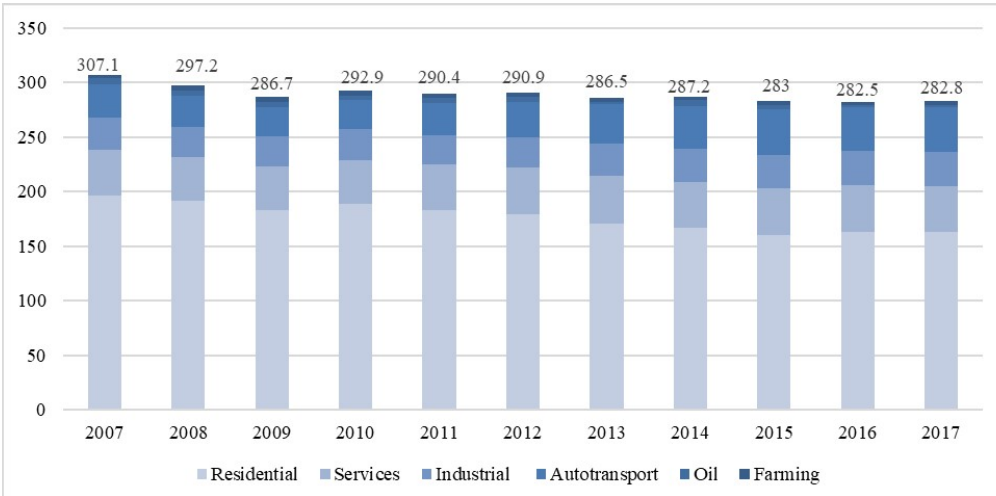
CRE has made considerable progress in the implementation of a permanent plan for the sale of natural gas. The allows all natural gas marketers to purchase natural gas directly from the Pemex processing plant or at cross-border import points, in order to put an end to the transitory regime in which the majority of consumers (except for IPPs) had to purchase natural gas and related transportation services through Pemex TRI.

Refined 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.

Based on the 2018-2032 LPG Outlook published by SENER, over the course of the last decade, national demand for LPG grown at an average annual rate of -0.8%.

LPG historical national demand (Kbpd)



Source: SENER Natural Gas Prospect 2018-2032

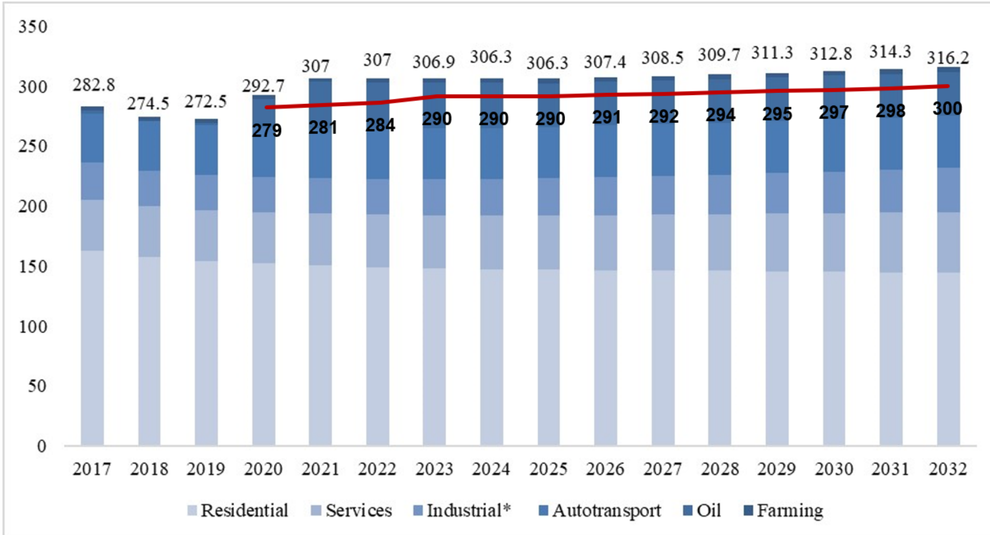
By 2019, and based on the information of the Energy Information System (Sistema de Información Energética, SIE), the average domestic demand for LPG as of September 2019 was 279 Kbpd, where the demand in the residential sector accounts for 60% of the LPG used, and the rest is employed mainly for consumption by industry, commerce, services, and transportation.

According to information produced by Argus México Fuel Markets, as a result of the pandemic caused by the SARS-COV2 Coronavirus in 2020, the demand for LPG was most affected in May-July 2020. During these months residential consumption was down 3% as compared to the prior year, and consumption in the industrial, commercial, and transportation sectors registered a significant 20% reduction in demand year over year.

By August 2020, there was a slight recovery, with a 1% reduction in residential consumption and a 10% reduction in the industrial, commercial, and transportation sectors year over year.

According to the 2018-2032 LPG Outlook published by SENER, and considering the impact on demand brought about mainly by the pandemic, in this Report the Company includes a simulation of the growth in demand that takes recent events into close consideration. The Company estimates that the first half of 2021 will be affected in a manner similar to what was observed in the second half of 2020, and afterwards demand will grow by 1%, with this rate extending to 2022 and 2023; for the following years, we have applied a growth rate in line with SENER's expectations as established in its 2018-2032 LPG Outlook .

Outlook of National Demand for LPG 2017-2032 (Kbpd)



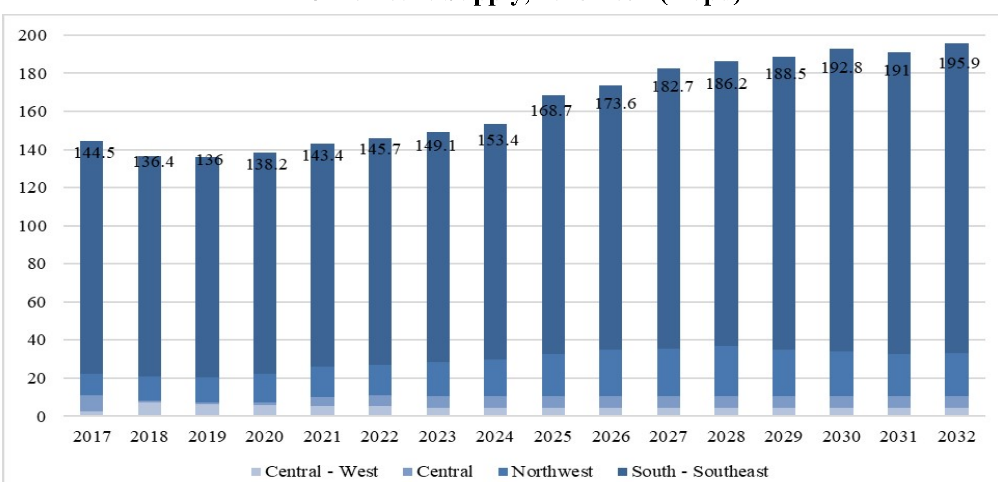
* Includes propane and butane as raw materials in the industrial sector.
Source: SENER LPG Prospective 2018-2032 Argus México Fuel Markets; Publications july-december 2020

Accordingly, demand for 2032 is forecasted at 300 Mb -5.12% lower than SENER's estimates included in the 2018-2032 LPG Outlook; for 2021, the rate is 26 Mb lower than the Outlook, or -8.46%.

For 2018, the Outlook's estimate for LPG production was based on the analyses of hydrocarbons production scenarios suggested by SENER's Hydrocarbons Exploration and Extraction Division *(Dirección General de Exploración y Extracción de Hidrocarburos)* in collaboration with Pemex and CNH.

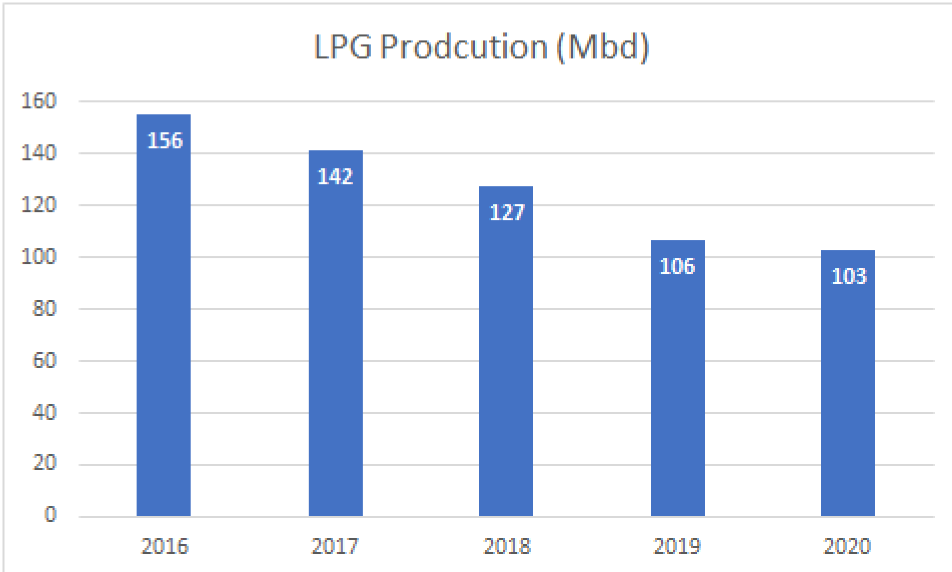
The production outlook for 2032 for domestic supply of LPG was estimated at 195.8 Kbpd, an increase of more than 30% with respect to 2019 resulting mainly from a forecasted growth in the domestic production of crude oil that would have come from the Mexican Oil Rounds *(Rondas Petroleras de México)*, which were starting at that time but as of this date have been halted.

LPG Domestic Supply, 2017-2032 (Kbpd)



Source: SENER with Pemex's information

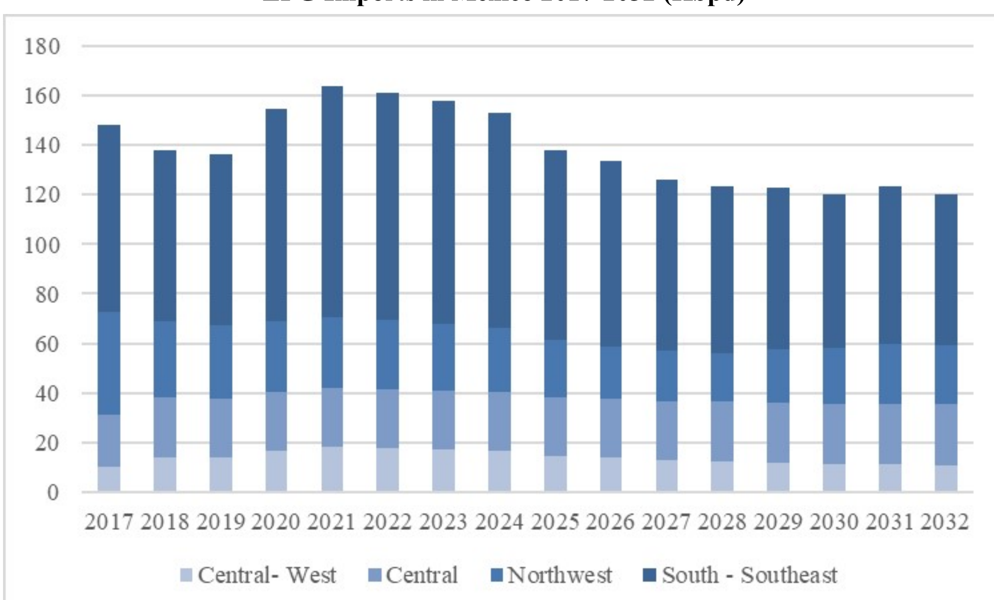
However, despite the growth estimates for supply, certain data that was recently published by SENER in terms of hydrocarbons statistics show a decrease in domestic production of LPG. The following graph shows the average decrease in production in thousands of barrels per day over the course of the past five years. Although production for 2020 was estimated at 138.2 Kbpd, in reality the average production for the year was at 103 Kbpd, or 25.5% below the estimate.



Source: SENER https://estadisticashidrocarburos.energia.gob.mx/gaslp.aspx

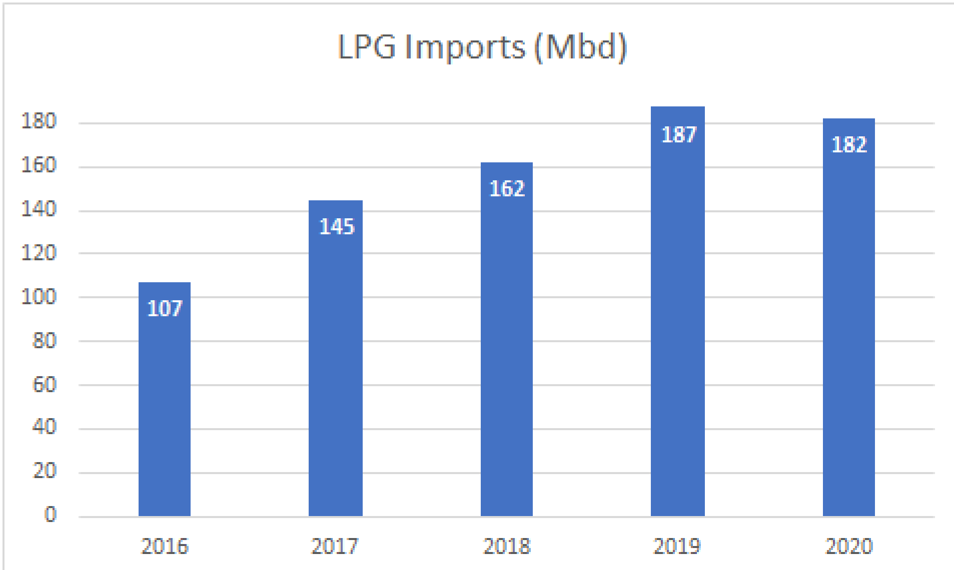
Based on the same logic, and comparing the estimates for LPG imports in Mexico for 2017-2032, the following graph shows that LPG imports were expected to peak in 2021, at 160 Kbpd, followed by decreasing trend until 2032, when average imports would be at 120 Kbpd.

LPG Imports in Mexico 2017-2032 (Kbpd)



Source: SENER with information from IMP

Comparing such estimates with actual import data published by SENER in terms of hydrocarbons statistics, considerable growth in imports can be observed, which corresponds with the decrease in production and the need to satisfy the demand for LPG across the country. Compared to the Outlook's 2020 estimates of average imports of 155 Kbpd, actual import data show average production at 182 Kbpd, or a 17.41% increase.



Source: SENER https://estadisticashidrocarburos.energia.gob.mx/gaslp.aspx

In conclusion, demand was affected by the 2020 pandemic and this had a direct impact on both imports and production. LPG production has decreased significantly over the past 5 years, which corresponds with the decrease in the production of crude oil, resulting in an increase in imports in order to satisfy demand.

LPG Storage

The country has a design capacity for LPG storing infrastructure equivalent to 5.8 million barrels distributed over the following facilities:

	Permit Number	**Permit Status**	**Company Name**	**Municipality**	**State**	**Design Capacity (bl)**
1	G/276/ LPA/2012	Operating	Transportadora del Norte Sh, S. de R.L. de C.V.	Zapotlanejo	Jalisco	80,000
2	G/354/ LPA/2015	Operating	Termi-Centro, S.A. de C.V.	San Luis Potosí	San Luis Potosí	80,000
3	G/355/ LPA/2015	Operating	Almacenamientos Subterráneos del Sureste, S.A. de C.V.	Ixhuatlán del Sureste	Veracruz de Ignacio de la Llave	1,800,000
4	LP/12159/ ALM/2015	Operating	Pemex Logística	Coatzacoalcos	Veracruz de Ignacio de la Llave	770,452
5	LP/19357/ ALM/2016	Operating	Pemex Logística	Salina Cruz	Oaxaca	4,000
6	LP/19380/ ALM/2016	Operating	Pemex Logística	Reforma	Chiapas	40,003
7	LP/19381/ ALM/2016	Operating	Pemex Logística	Ciudad Madero	Tamaulipas	15,001

8	G/003/ LPA/2010	Operating	Gas Comercial de la Laguna, S.A. de C.V.	Nava	Coahuila de Zaragoza	9,435
9	G/004/ LPA/2010	Operating	Almacenadora de Gas Comercial, S.A. de C.V.	Juárez	Chihuahua	6,290
10	G/005/ LPA/2010	Operating	Zeta Gas de Ciudad Juárez, S.A. de C.V.	Juárez	Chihuahua	3,774
11	G/006/ LPA/2010	Operating	Zeta Gas de Ciudad Juárez, S.A. de C.V.	Juárez	Chihuahua	9,435
12	G/007/ LPA/2010	Operating	Invalle, S.A. de C.V.	Tepeji del Río de Ocampo	Hidalgo	12,579
13	G/018/ LPA/2010	Operating	Pemex Logística	Playas de Rosarito	Baja California	40,002
14	G/021/ LPA/2010	Operating	Termigas, S.A. de C.V.	Tuxpan de Rodriguez Cano	Veracruz de Ignacio de la Llave	433,791
15	G/022/ LPA/2010	Operating	Pemex Logística	Ahome	Sinaloa	210,009
16	G/023/ LPA/2010	Operating	Zeta Gas del Pacífico, S.A. de C.V.	Manzanillo	Colima	868,734
17	G/027/ LPA/2010	Operating	Trans-Soni, S.A. de C.V.	Puebla	Puebla	14,284
18	G/029/ LPA/2010	Operating	Terminal Marítima Gas Tomza, S.A. de C.V.	Tuxpan de Rodriguez Cano	Veracruz de Ignacio de la Llave	392,792
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	610,667
21	G/253/ LPA/2011	Operating	Gas de Calidad, S.A. de C.V.	Jaltenco	México	73,801
22	G/254/ LPA/2011	Operating	Generadores de Energía del Noroeste, S.A. de C.V.	Tijuana	Baja California	6,290
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	6,290
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 de Zaragoza	5,912
28	LP/19797/ ALM/2016	About to start operating	Pemex Logística	Tula de Allende	Hidalgo	60,000
29	LP/19798/ ALM/2016	About to start operating	Pemex Logística	Puebla	Puebla	20,000
30	LP/19799/ ALM/2016	About to start operating	Pemex Logística	Tierra Blanca	Veracruz de Ignacio de la Llave	10,000
31	LP/19800/ ALM/2016	About to start operating	Pemex Logística	San Martín Texmelucan	Puebla	20,000
32	LP/23302/ ALM/2020	Under construction	Osonyer Storage, S. A. de C. V.	Tepeji del Río de Ocampo	Hidalgo	196,239
					Total	**5,820,219**

Notes: Does not include infrastructure suspended or finished permits
Source: CRE, as of December 7, 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 Pemex Transformación Industrial

LPG Pipeline Transportation

LGP Pipelines By Region in Mexico

Location	Permit Holder	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

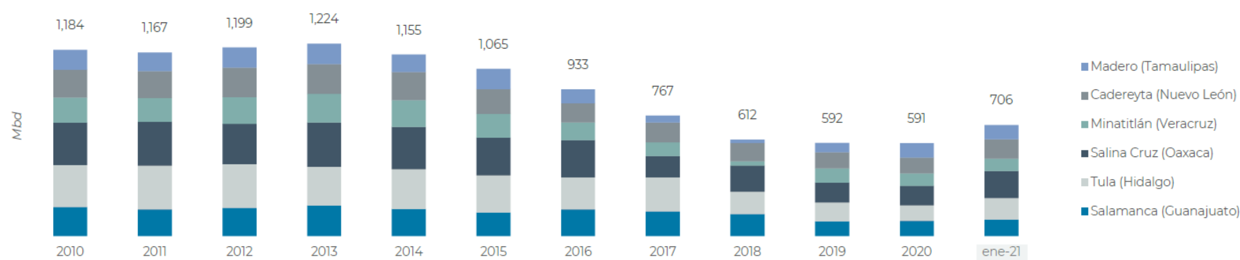
Mexican LPG transportation and storage infrastructure are two areas that are most in needs of modernization due to the inefficient extended truck transportation system widely used in Mexico today.

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 data of the Energy Information System *(Sistema de Información Energética, SIE)* and the National Hydrocarbons Commission *(Comisión Nacional de Hidrocarburos)* there has been a decrease in processing of crude oil in the National Refining System *(Sistema Nacional de Refinación, SNR)*. Consequently, Mexico is considerably dependent on imported refined products. It is estimated that the demand for gasoline will grow slightly, 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 following graph shows the process of oil by refinery and its fall over the years:



Source: CNH, January 2021.

The percentage of average use of refineries as of 2020:

Cadereyta	37%
Madero	47%
Minatitlán	32%
Salamanca	43%
Salina Cruz	38%
Tula	28%
Total SNR	**38%**

According to SENER's hydrocarbons statistics as of December 4, 2020, the average supply of gasoline was 705 Kbpd, of which 495 Kbpd were imports and 211 Kbpd were domestic production. Imports more than doubled domestic production, which shows how dependent the domestic market is on imports. Furthermore, in terms of the pandemic, this value was lower than in 2019 when the average gasoline supply of gasoline was at 811 Kbpd.

These values show a drop in demand caused by COVID-19. The Central region in the country registers the highest consumption rates, and the Southeast is the area with the lowest demand for gasoline.

In relation to diesel, the average supply for 2019 was 317 Kbpd, with 199 Kbpd from imports and 118 Kbpd national production. December 2020 imports and productions compared with the same period in 2019, show a decrease in both production and imports. Average demand for diesel in 2020 was 392 Kbpd. Just as occurred with gasoline, the decrease in consumption is a result of the COVID-19 effect.

Undoubtedly, air transportation is among the sectors most affected by the COVID-19 outbreak globally. In 2020, domestic production of jet fuel was 14 Kbpd, while imports were only 31 Kbpd, for an average demand of 45 Kbpd, which is considerably less than the demand in 2019 which was at 87 Kbpd. There were weeks even when no fuel was imported, given the lack of demand. The Central region in the country registers the highest demand.

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%. Based on these estimates, refining capabilities during the analyzed period will continue to be insufficient to meet demand, but the current gap in the commercial balance will be narrower. However, this analysis considers an increase in the production rate in refineries that is close to 90% and the start of operations of the Dos Bocas refinery. Based on the operation rates of 2019 and 2020, it is highly unlikely that the scenario suggested by SENER can be reached.

The demand for gasoline will remain above national production. Throughout the estimation period, gasoline imports will represent an average of 55% of domestic demand.

Since 2018 and until 2020, domestic production of diesel was lower than domestic demand, meaning that imports are still needed. Data presented by SENER expected an increase in production, with imports decreasing by 57% by 2032.

For jet fuel, internal demand for 2018-2032 is expected to grow 61%, a growth that will not be met by domestic production. A market that is mostly supplied with imports is expected.

Storage and Transportation of Refined Products

Prior to 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 CRE and Pemex data

The distribution logistics of refined 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 terminal's 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
t	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 are 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 Products

The transportation of refined 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 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 infrastructure development, given that for several years Pemex has not built terminals or transportation pipelines.

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 contemplated with a total estimated capacity of 45.5 million barrels, representing 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 (millions of U.S. 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*

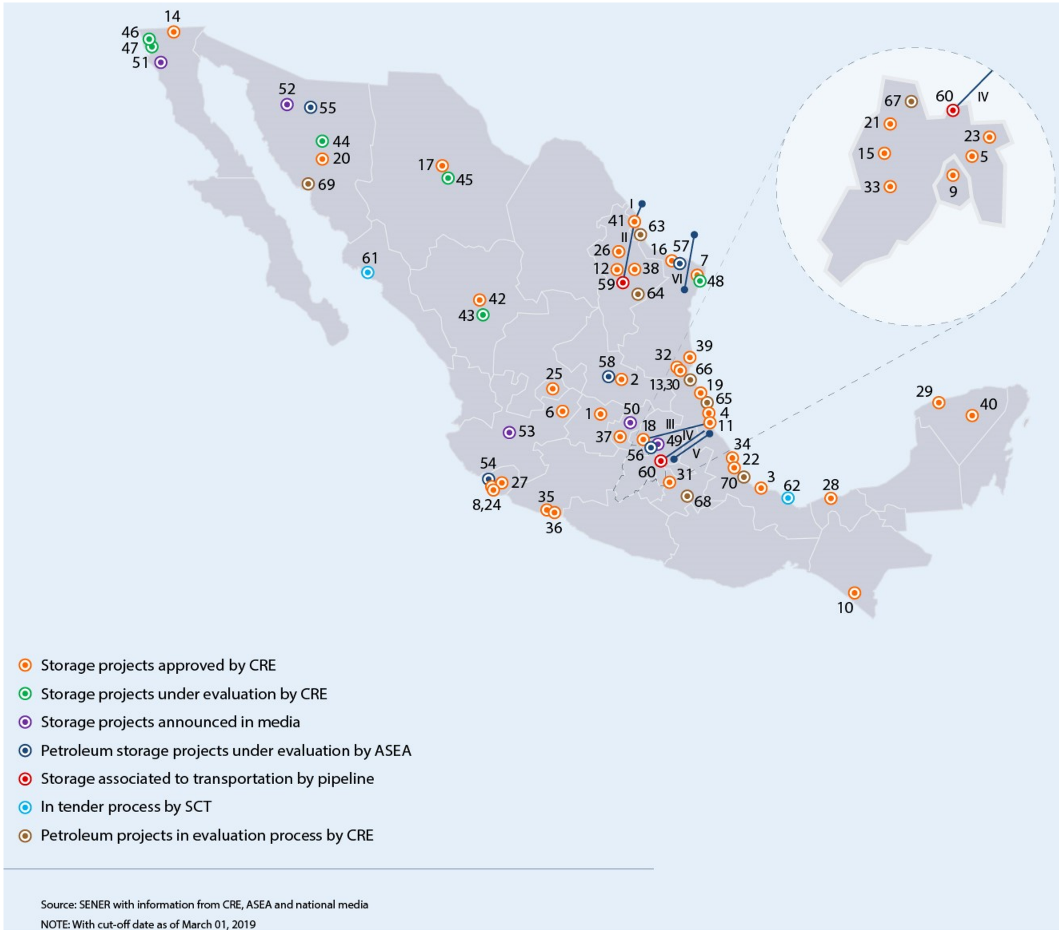
Among the new refined storage projects in the country, the Company is in the process of developing or constructing seven of them, with a nominal storage capacity of 8.0 million barrels.

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 (millions 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 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 Policy for Storage

As of 2019, the country had 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 standardized 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. This policy continues to be in force and must be covered by all commercial companies across the country.

The Mexican Power Generation Sector

Prior 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 electric 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-sized 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 electric power market.

According to CFE's 2019 Annual Report, in 2019 the number of its clients grew by 44.5 million, representing a 2.7% growth with respect to 2018. The agricultural and industrial sectors grew the most (2.83% and 3.24%, respectively) as compared to 2018. Likewise, the low-consumption agricultural and residential sectors represented the highest energy sales (GWh) for the government company, with positive variations of 13.26% and 5.46%, respectively.

As of December 2019, according to PRODESEN 2020-2034, power from the SEN came to 317,820 GWh, of which 23.46% was from clean sources of energy. By December 2018, according to the National Electric System development program, electricity generation reached 317,278 GWh, a 2.6% increase compared to 2017 (309,370 GWh). 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%.

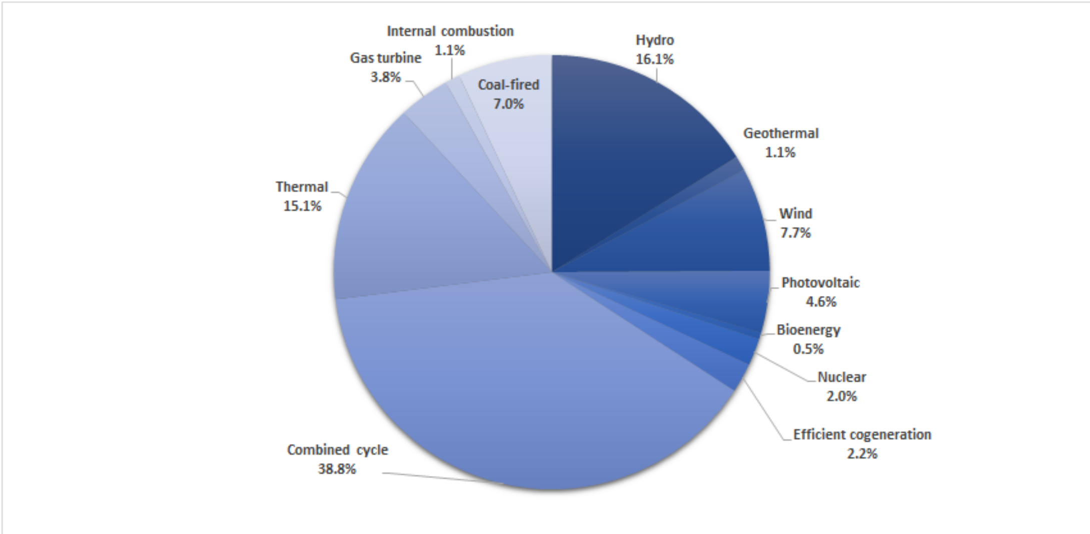
As of December 2020, CRE has authorized 1,481 power generation permits, of which 821 were granted under the previous power generation permit law and 660 were granted under the new law (167 from CFE), thus reflecting the high interest in the Mexican electricity market.

The following table shows CFE's and permit holders installed capacity (MW) as of October 2020:

Technology/source of energy	**2019**	**2020**
Hydro	12,612	12,612
Geothermal	899	951
Wind	6,050	6,977
Photovoltaic	3,646	5,795
Bioenergy	375	408
Sum of clean and renewable	**23,582**	**26,743**
Nuclear	1,608	1,608
Efficient cogeneration	1,710	1,906
Sum of clean non-renewable	**3,318**	**3,514**
Total clean energy	**26,900**	**30,257**
%	**34.29**	**38.57**
Combined cycle	30,402	33,746
Thermal	11,831	11,831
Gas turbine	2,960	3,793
Internal combustion	891	943
Coal-fired	5,463	5,463
Total	**78,447**	**86,034**

Source: (PRODESEN 2020-2034)

The following chart shows installed capacity by technology source as of October 2020:



Source: PRODESEN 2020-2034

As mentioned before, prior to the energy reform, the 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 power generation project with a generation capacity of 0.5MW or greater requires a permit from the CRE. These contracts are known as "Legacy Contracts"—or grandfathered 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 (MW):

Technology/source of energy	**CFE**	**CFE-PIE**	**Privado**	**PEMEX**
Hydro	12,125		486	
Geothermal	926		25	
Wind	86	613	6,279	
Photovoltaic	6		5,789	
Bioenergy			405	
Nuclear	1,608			
Efficient cogeneration			1,348	367
Combined cycle	10,310	16,073	7,561	
Thermal	10,448		961	422
Gas turbine	2,858		797	131
Internal combustion	359		587	
Coal-fired	5,463			

Source: Based on the Company's own information and PRODESEN 2020-2034

The following table shows the evolution of energy production in the last four years

Technology/source of energy	2017	2018	2019	2020
Hydro	10.5 %	10.4 %	7.4 %	8.8 %
Geothermal	1.9 %	1.6 %	1.6 %	1.5 %
Wind	3.5 %	4.0 %	5.3 %	5.9 %
Photovoltaic	0.1 %	0.7 %	2.6 %	4.3 %
Bioenergy	0.2 %	0.2 %	0.2 %	0.2 %
Nuclear	3.5 %	4.2 %	3.4 %	3.6 %
Efficient cogeneration	0.7 %	0.7 %	1.0 %	1.2 %
Combined cycle	52.5 %	52.7 %	55.2 %	59.6 %
Thermal	14.2 %	12.7 %	12.0 %	7.3 %
Gas turbine	2.8 %	3.1 %	3.4 %	2.7 %
Internal combustion	0.8 %	0.8 %	1.0 %	0.9 %
Coal-fired	9.5 %	8.8 %	6.8 %	4.1 %

Source: Based on the Company's own information and PRODESEN –2020-2034

By 2017, the government had conducted 3 long-term auctions for the wholesale electric power 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 15-year terms for power and electricity and 20-year terms for 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. Since November 2019 and under the SENER100/2019/890, the auctions continue to be suspended and their resumption is subject to SENER's consideration.

Regarding the CELs, in October 2019, an official statement published through in the Mexican Official Gazette modified the rules and guidelines that establish the criteria for CELs awarding and requirements. As a result, the spectrum of power generation plants subject to generate CELs widened, thus increasing the supply of CELs. The Federal Court granted certain suspensions to these measures in response to various requests from different wholesale market stakeholders.

Sources of Clean 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 clean energy. However, the use of clean 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 making an effort 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 that 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, clean 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.

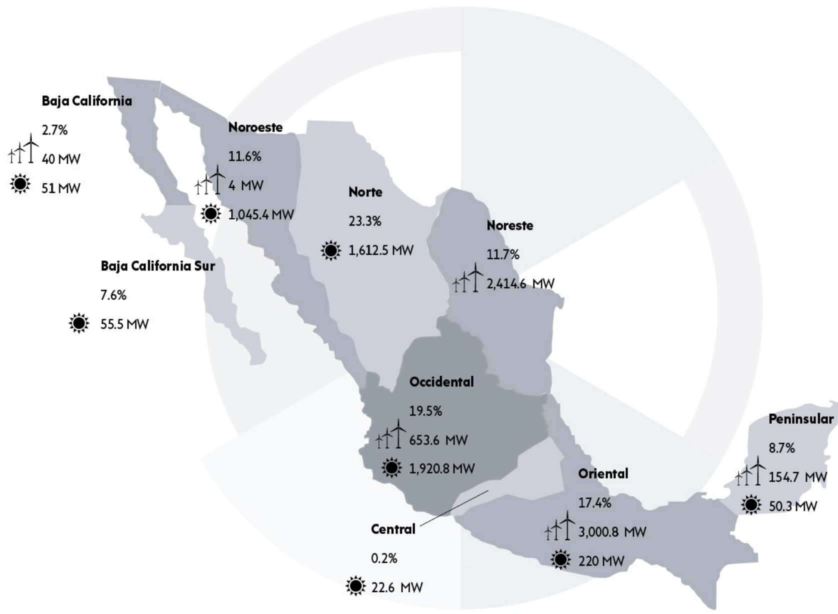
Mexico has a wide variety of clean energy sources, including wind, geothermal, and hydroelectric sources. The country is particularly rich in wind and solar resources. The Mexican Wind Power Association (AMDEE) estimated a total investment of around USD$6,900 million since 2004, resulting in a capacity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

According to PRODESEN 2020-2034, at year-end 2019, Mexico's power generation capacity (from CFE, PIE, and the rest of the permit holders) reached 78,447 MW, and by October 2020 that number had grown to86,034 MW considering units in the testing period, for a 9.67% with respect to 2019. The increase came mainly from combined-cycle power plants (3,344 MW), wind parks (927 MW), and solar parks (2,149 MW), for a 13.3% increase with respect to 2018 (an additional 9,850.5 MW). The following table shows the annual evolution of the installed capacity by type of technology for 2019-2020.

Technology/source of energy	**2019**	**2020**
Hydro	12,612	12,612
Geothermal	899	951
Wind	6,050	6,977
Photovoltaic	3,646	5,795
Bionergy	375	408
Nuclear	1,608	1,608
Efficient cogeneration	1,710	1,906
%	**34.29**	**38.57**
Combined cycle	30,402	33,746
Thermal	11,831	11,831
Gas turbine	2,960	3,793
Internal combustion	891	943
Coal-fired	5,463	5,463
Total	**78,447**	**86,033**

Source: Produced with the Company's own information and PRODESEN 2020-2034

The following drawing shows what percentage of the installed capacity (MW) came from clean energies in 2019.



The following table shows the increase in installed capacity for 2020 based on the type of technology.

Technology/source of energy	**MW**
Geothermal	52
Wind	927
Solar	2,149
Bioenergy	33
Efficient Cogeneration	197
Combined-Cycle	3,344
Gas Turbine	833
Internal Combustion	52

Source: Produced with the Company's own information and PRODESEN 2020-2034

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 electric power market, long-term bilateral contracts and through the spot market. Obtaining these certificates became mandatory starting on 2018. SENER established that at least 5% of energy used must come from clean energy sources and the deficit must be compensated with CELs. In addition, SENER 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 SENER, 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.

Growth in the Domestic Natural Gas and Power Sectors

SENER and the CENACE estimate that electricity demand will continue to grow by an annual average of 3.1% until 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 address these needs, the country will have to expand its pipeline, energy storing, and generation capacity, and make considerable investments in electric power transmission and distribution.

According to the Natural Gas Outlook 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, over 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, 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, CFE 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, CFE 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 electric power 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 CFE 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 CFE 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 CFE 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."

Both IEnova and other companies in the sector have initiated or will initiate amparo lawsuits against the electricity-related regulatory and legal changes the federal government has issued over the course of the past year. As of this date, a definitive hold has been put on the enforcement of the Agreement to Ensure the Efficiency, Quality, Reliability, Continuity, and Safety of the National Electric Grid, as it Recognizes the Epidemic Illness from the SARS-CoV2 (COVID-19) Virus *(Acuerdo para garantizar la eficiencia, calidad, confiabilidad, continuidad y seguridad de la red eléctrica nacional, debido al reconocimiento de la enfermedad epidémica del virus SARS-CoV2 (COVID-19)*, the Policy for the Reliability, Safety, Continuity, and Quality of the National Electric System *(Política de Confiabilidad, Seguridad, Continuidad y Calidad en el Sistema Eléctrico Nacional)*, resolution number *RES/893/2020* by means of which fees for electric power transmission services are amended to the 2018 prices applied by CFE Intermediación de Contratos Legados, and the provisional hold against the General Administrative Provisions Establishing the Terms to Request Authorization to Modify or Transfer Electric Power Generation or Supply Permits *(Disposiciones Administrativas de Carácter General que establecen los términos para solicitar la autorización para la modificación o transferencia de permisos de generación eléctrica o suministro eléctrico*).

These suspensions will be in force until the competent judges and courts issue a resolution on the corresponding amparo lawsuits. This condition will be updated when one of the following assumptions occurs: (i) a firm resolution is issued for the amparo lawsuits initiated by IEnova affiliates, (ii) a firm resolution is issued for the amparo lawsuits initiated by NGOs such as Greenpeace and Defensa Colectiva, among others, or (iii) the Supreme Court issues its statement pertaining to constitutional controversies presented by autonomous entities (like COFECE, for example) or by different state governments. (For (i) the judge or court is obliged to issue a statement on the amparo unless the authority dismisses the act for which the judgment was requested. This is what happened with the Reliability Policy issued by SENER, which was deemed unconstitutional by the Second Court of the Supreme Court and by several judges, forcing SENER to dismiss said policy.

Additionally, as pertains to these issues, foreign companies with capital stock from nations with which Mexico has signed free trade agreements, can initiate controversy resolution proceedings included in NAFTA, USMCA, and the EU-Mexico FTA, among others. See "Legal Framework and Fiscal Situation" and "Risk Factors" - The Company cannot predict the impact that the reforms to the regulatory framework applicable in terms of energy will have in their activities.

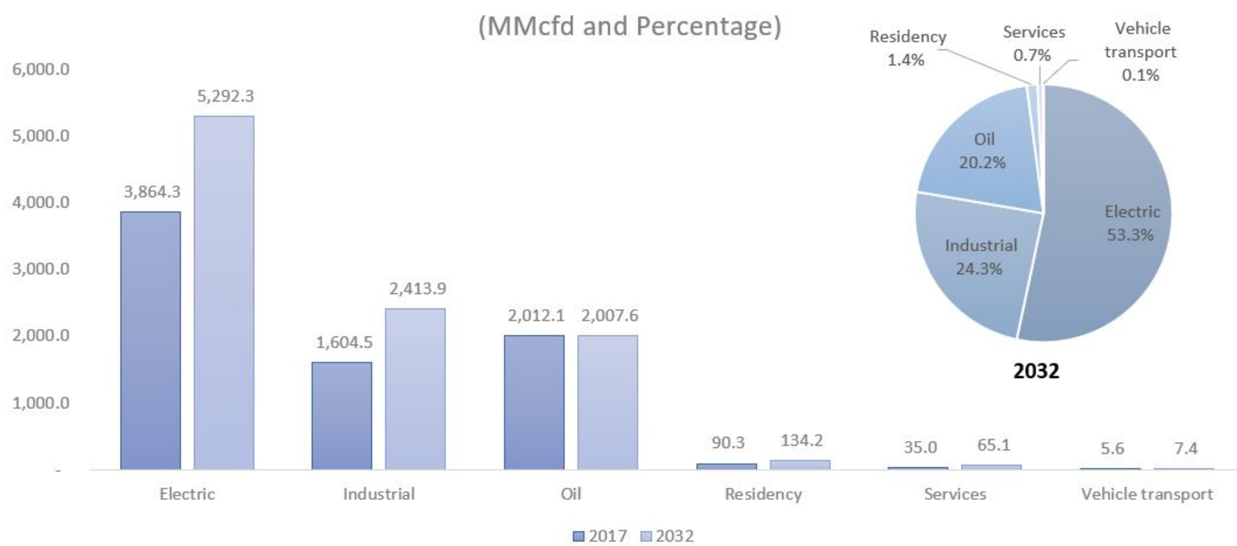
Demand Dynamics

At year-end 2019 final consumption for the SEN came to 274,917 GWh, representing a 2.3% year over year.

Based on the expected progress in the generation of electrical energy, in 2032 the demand for natural gas is estimated to be 9,921 MMcfd, 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 Natural Gas Outlook for 2018-2032.

Supply Dynamics

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 to be 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 five largest companies control more than 85% of the market. The Company controls 37% of the total market (in terms of design capacity).

The Competition

The Gas Segment

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.

Natural Gas Distribution Business

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, which in addition to presenting an expansion opportunity for the distributor, could also present the risk of having to face competition from other natural gas distributors.

This is subject to obtaining a favorable opinion from COFECE if the Company where to try to establish an interconnection with the Rosarito Pipeline in view of a potential vertical integration.

Storage Segment

LNG Regasification Business

As of this date the LNG Terminal faces no competition given that its capacity has been allocated in full by means of long-term contracts that will generate revenue regardless of whether its customers deliver or not their LNG cargo. If the Company were at some point to have storing capacity available at is LNG Terminal, it would have to compete in order to attract customers who wish to supply natural gas in the Northern region of the country or in the United States. The only other regasification terminals currently operating in the Western 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 (owned by BG Group, ENAP, Endesa Chile, and Metrogas), also located in Chile. These terminals serve markets in which the Company does not participate.

Refined Products Business

Among the new refined storage projects in the country, the Company is in the process of starting operations, developing, or constructing seven refined 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 logistics.

LPG Business

The Company currently owns two LPG storing assets—TDN, which is located in the outskirts of Guadalajara, in the state of Jalisco, and TDF, in the state of Nuevo León—both of which are currently in operation. Pemex Logística, Almacenadora de Gas Comercial, Zeta Gas, and Gas Silza, among other companies, have developed LPG storing infrastructure in several states in Mexico.

Power 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, United States, 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 electric power 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 negotiations, 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
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
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

Company / Joint Venture	Ownership percentage (%)
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

b. **Storage Segment**

Company / Subsidiary	Ownership percentage (%)
Energía Costa Azul, S. de R.L. de C.V.	100.00
IEnova Gas, 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
Gasoductos Servicios Corporativos, S. de R.L. de C.V.	100.00
IEnova Petroleum Liquids Holding, B.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
ICM Ventures Holding, B. V.	82.50
TP Terminals, S. de R. L. de C.V.	82.50
ESJ Renovable III, S. de R.L. de C.V.	100.00
IEnova Midstream Holding, 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

Company / Joint Venture	Ownership percentage (%)
ECA LNG Holdings, B. V.	41.70
ECA Operator Holdings, B.V.	50.00

c. **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.	100.00
ESJ Renovable II, S. de R.L. de C.V.	100.00
Ventika Energy B.V.	100.00
Energía Sierra Juárez, S. de R.L. de C.V.[5]	100.00
IG Sierra Juárez, S. de R.L. de C.V.	100.00
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.	100.00
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
Central Fotovoltaica Border Solar Norte, S. A. de C.V.[7]	100.00
Don Diego Solar Netherlands, B. V.	100.00
IEnova Suministro Calificado, S. de R.L. de C.V.	100.00
Eólica Cimarrón, S. A. P. I. de C. V.	100.00
Cucapa Almacenamiento, S. A. P. I. de C. V.	100.00
Renewables Portfolio Minority B. V.	100.00

d. **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
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
Servicios Termoeléctrica de Mexicali, 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, 99.99998082%; a part of its ownership is allocated as collateral to Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander (México), and others are pledged in a trust in Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria, as the fiduciary, and the remaining shares are owned by external companies.
2. Ídem
3. All shares are pledged in a trust in Banco Nacional de México, S.A. integrante del Grupo Financiero Banamex, División Fiduciaria, as the trustee; , 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 Beneficiary: IEnova Ventika México, S. de R.L. de C.V., as the trustor and trustee in second place of the Trust,, 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 100% through its subsidiary Controladora Sierra Juárez, S. de R.L. de C.V., and IG Sierra Juárez, S. de R.L. de C.V., 100% of the shares are in a trust with CIBanco, S.A., Institución de Banca Múltiple, as the trustee, benefiting Controladora Sierra Juárez, S. de R.L. de C.V. and IG Sierra Juárez, S. de R.L. de C.V.
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

The Company's Gas Segment includes (1) the pipelines business, to transport natural gas and ethane, (2) natural gas sales, and (3), distribution of natural gas. A detailed description of each of the businesses in the Gas Segment is included further on in this Report.

Pipeline Business

<u>Overview</u>

The Company's pipeline business owns and operates systems for receiving, transporting, compressing, and delivering natural gas and ethane, including more than 2,900 km of natural gas pipelines currently operating and approximately 200 km under construction, 224 km of ethane pipelines, sixteen natural gas compression stations currently operating and one under construction, with an aggregate installed power of over 780,000 horsepower. These assets are located in the states of Baja California, Chiapas, Chihuahua, Durango, 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, Ethane Pipeline and through joint ventures, Los Ramones Norte Pipeline, and the South Texas-Tuxpan Pipeline.

The Company's natural gas pipeline assets have an aggregate design transportation capacity of over 16,400 MMcfd (171.0 MMThd) in operation and approximately 500MMcfd (5.2 MMThd) under construction. 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 majority of the Company's pipelines and compression stations have long-term fixed- capacity contracts with leading industry players, including CFE, Saavi Energía, Shell, Gazprom, 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, 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. 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 Assets

The following table contains a summary of pipeline assets currently in operation or under construction, as of December 31, 2020, 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%	502(2)	1,434(2)	82%(9)	92,760 (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 (Sásabe - P. Libertad - Guaymas) (Guaymas - El Oro)	100%	835	812 510	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%	132,000	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

(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 in operation and a new spur under construction, as described below. The capacity of 1,434 MMpcd 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) The three compression stations are currently in operation.

(6) Joint venture with Brookfield.

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

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

(9) 25% of the contracted long-term capacity. If additional, non-long-term contracts are included, the contracted capacity of the Aguaprieta Pipeline is 65%.

(10) 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.

(11) Includes La Jovita compression station and another compression station currently under construction

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

Rosarito Pipeline System

The Rosarito Pipeline system in Baja California consists of three pipelines of approximately 302 km in aggregate length, as well as two compression stations with an aggregate a capacity of 32,760 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 consists 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 consists 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 consists 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 2,760 installed horsepower La Jovita compression station, which is currently in operation. It is located at the LNG Spur interconnection point.

The Company has started developing the GRO Expansion project, a pipeline of approximately 200 km and a compression station of approximately 60,000 installed horsepower, which consists of expanding and extending the Rosarito Pipeline in order to meet the ECA Liquefaction Mid-Scale's transportation requirements. The Company has entered into 16 firm transportation services agreements with the Rosarito Pipeline system's customers, for approximately 4,262 MMcfd (44.3 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 (5)	20 years	190 MMcfd maximum daily quantity	2 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 (5)	20 years	210 MMcfd maximum daily quantity	2 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	7 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	7 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	1 year
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	7 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	822 MMcfd maximum daily quantity	7 years
ECA Liquefaction, S. de R.L. de C.V.	Transportation of Natural Gas from the SPUR segment and the Rosarito Mainline to the LNG Terminal	August 19, 2020(3)	20 years	485 MMcfd maximum daily quantity	20 years
ECA Liquefaction, S. de R.L. de C.V.	Transportation of Natural Gas from the interconnection point at the Rosarito Mainline and the North Baja Pipeline system to a future interconnection between the system expansion and the SPUR segment.	August 19, 2020(3)	20 years	485 MMcfd maximum daily quantity	20 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. For the purpose of this table a conversion factor or 1,000 btu/cubic feet.

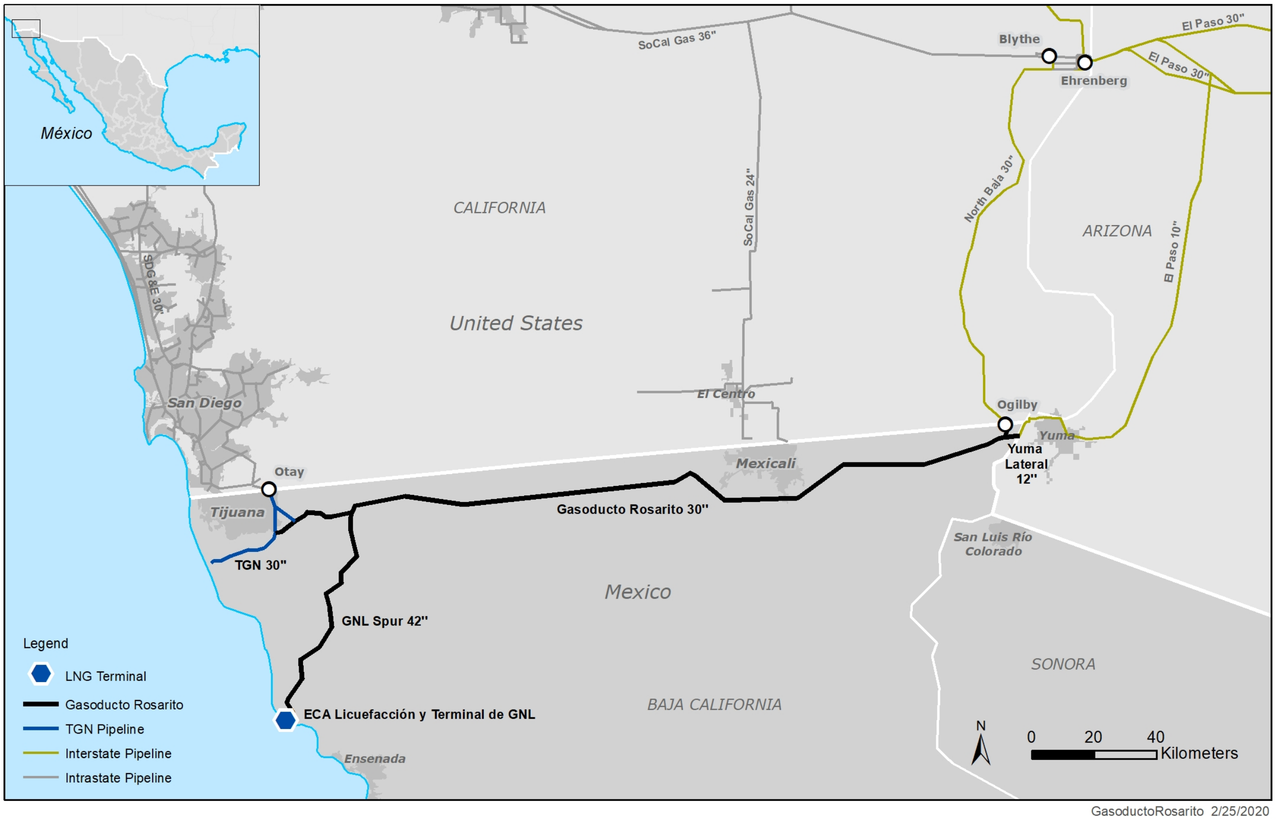
(2) The Company's indirect controlling shareholder Sempra Energy has provided credit support in respect of IEnova Marketing's obligations under its contracts with the Rosarito Pipelines system in an aggregate amount of USD$125.8 million. IEnova Marketing currently utilizes its contracted capacity to 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) Service will be begun once ECA Liquefaction Mid-Scale starts commercial operation.

(4) 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.

(5) 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:



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 consists 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 a 9,600 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)	7 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)	7 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.

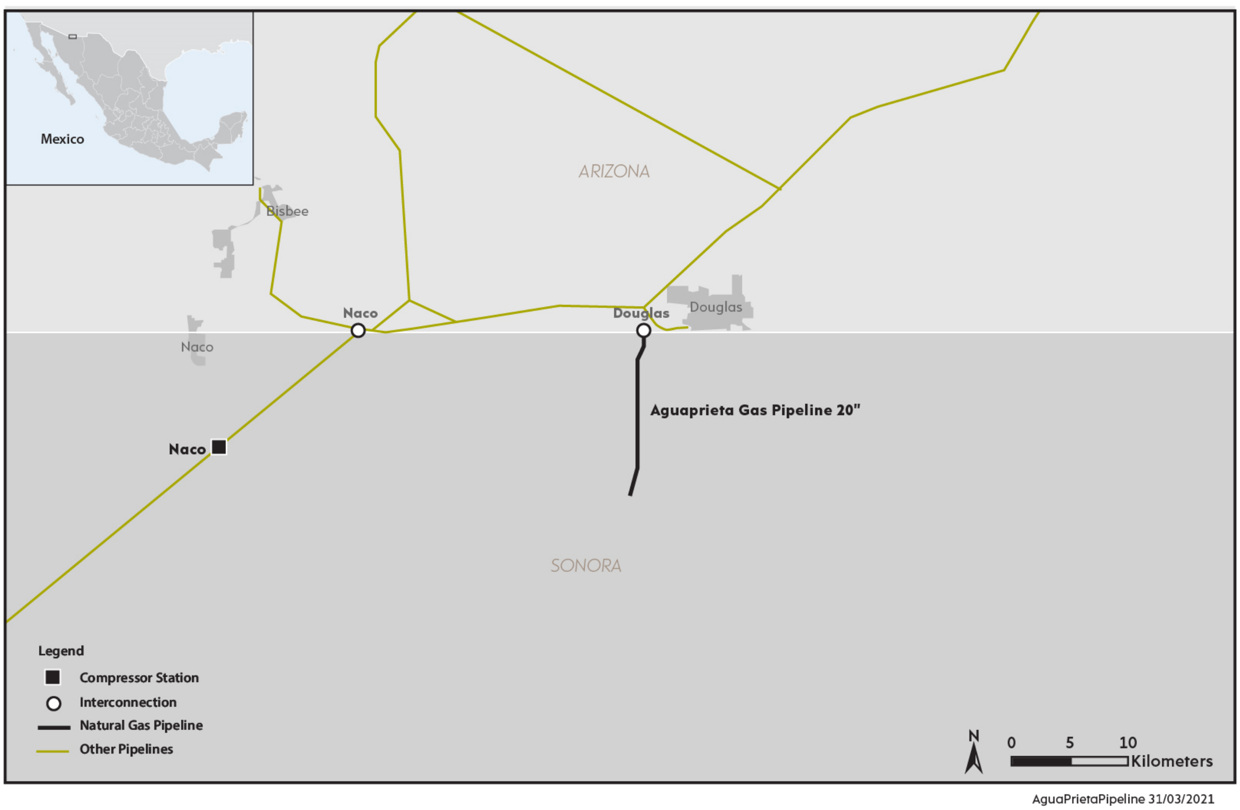
Aguaprieta Pipeline

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 consists 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:



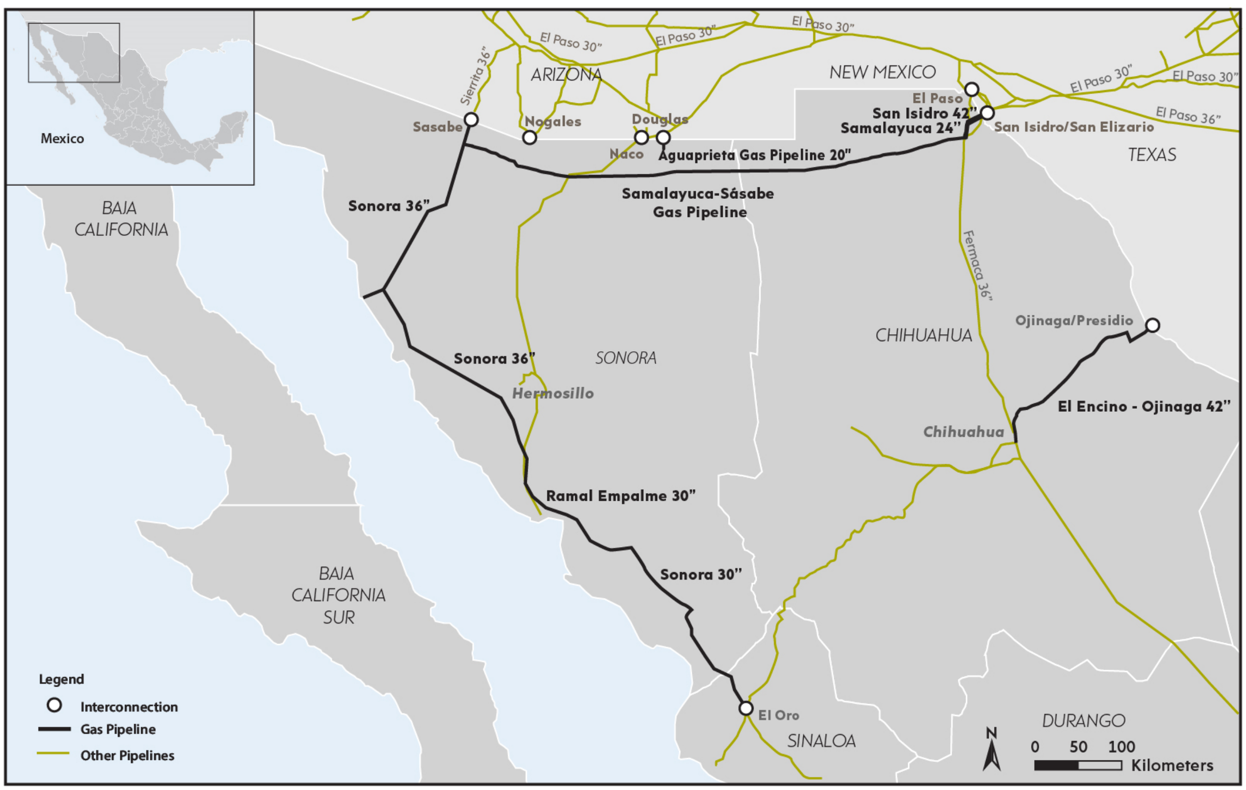
Naco Compression Station

The Company's Naco Compression Station consists of a 14,300-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 force 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.

Sonora Pipeline

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 consists of an approximately 505 km, 36-inch pipeline segment with a capacity of 812 MMcfd (8.4 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:

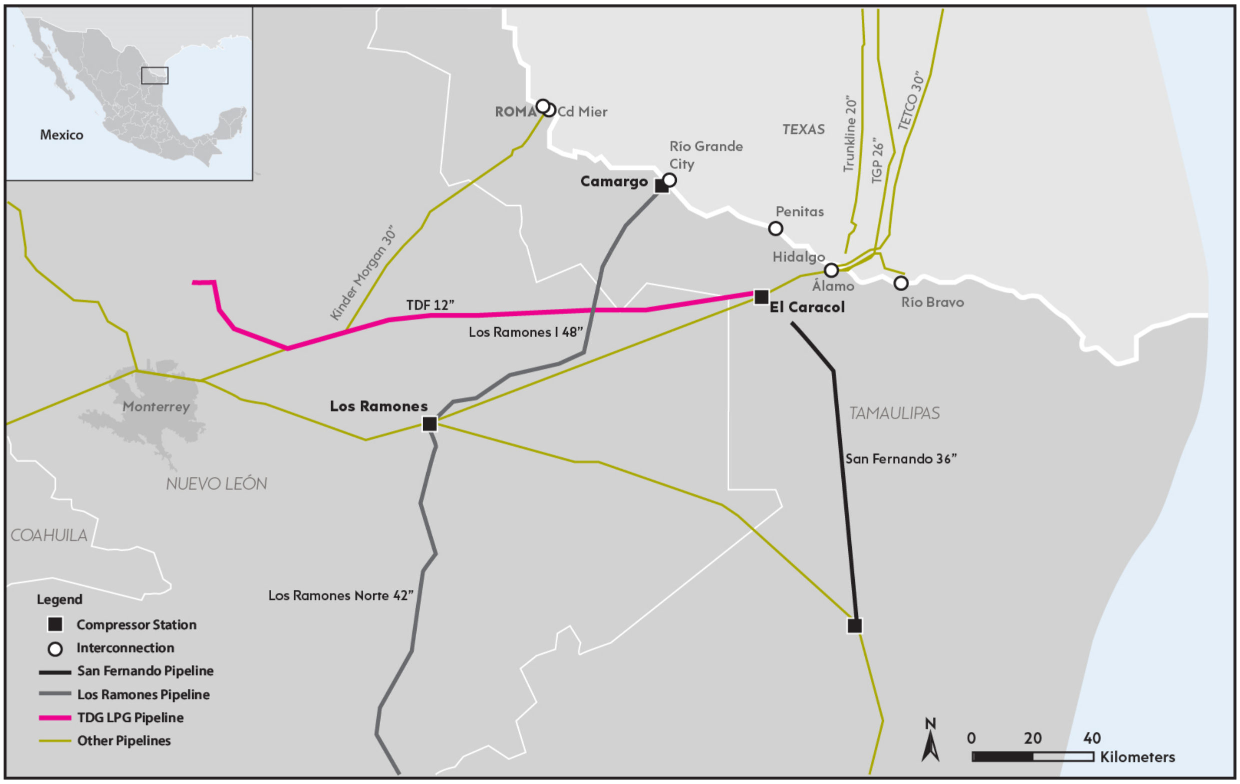


San Fernando Pipeline

San Fernando Pipeline consists of approximately 114 km of 36-inch diameter pipeline and two compression stations with an aggregate of 90,000 installed horsepower. Its transportation capacity (including compression) is 1,000 MMcfd (10.4 MMThd) and considering the compression capacity of 1,460 MMcfd (15.2 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 LPG Pipeline:



SanFernandoPipeline 01/04/2021

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 installed 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.

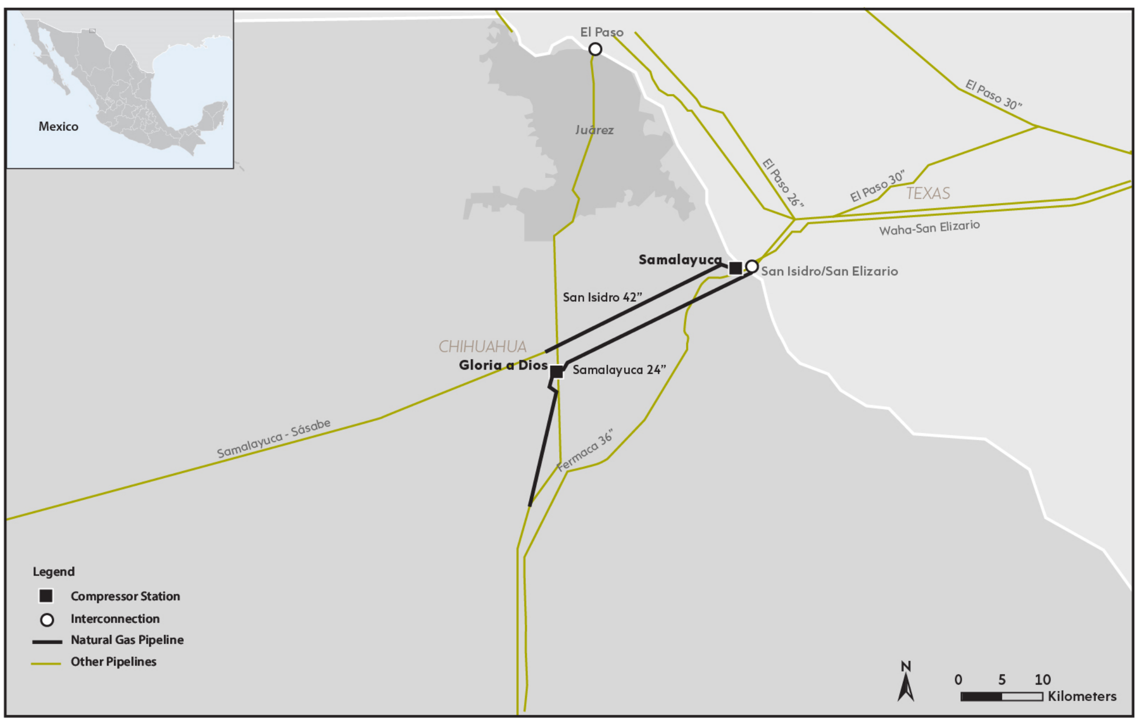
The firm transport service contracts signed with the users of the Samalayuca Pipeline represent a capacity of 200 MMcfd and includes 60 MMcfd (0.6 MMthd) contracted by CFE for the firm compression service at Gloria a Dios compression station. This contract was executed in November 2011 and has an initial 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	0.5 years

(1) The Company will hold an open season in order to allocate the available maximum daily quantity

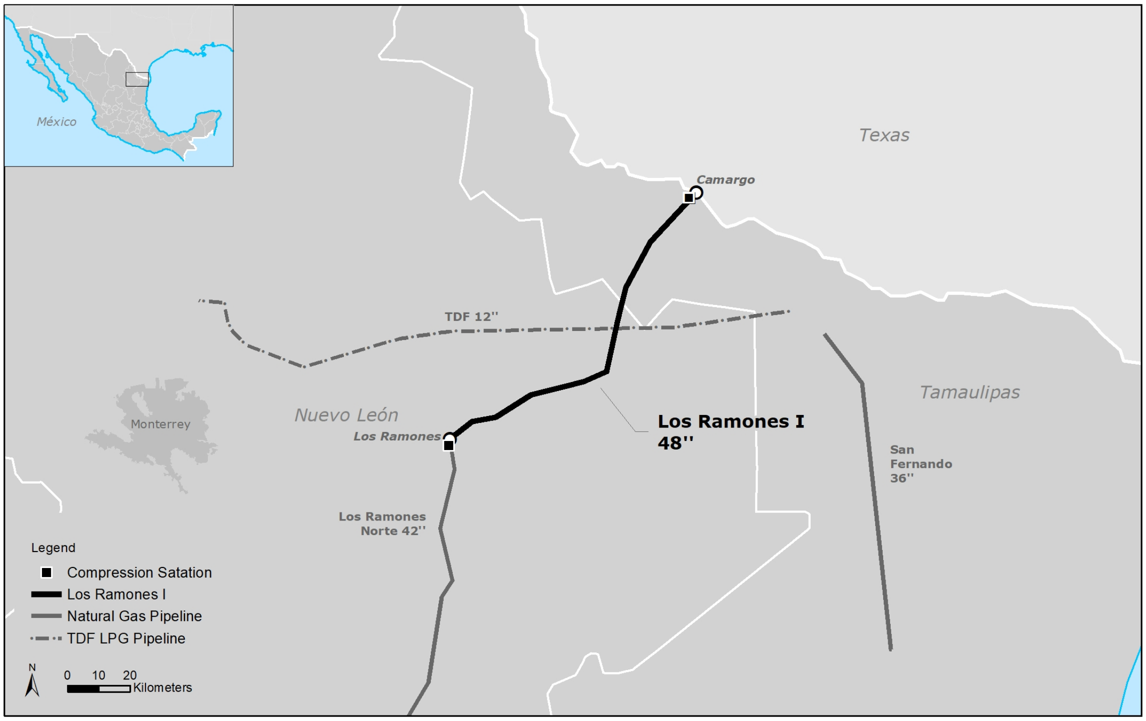
The following map shows the route of the Samalayuca Pipeline:



SamalayucaSanIsidroPipeline 31/03/2021

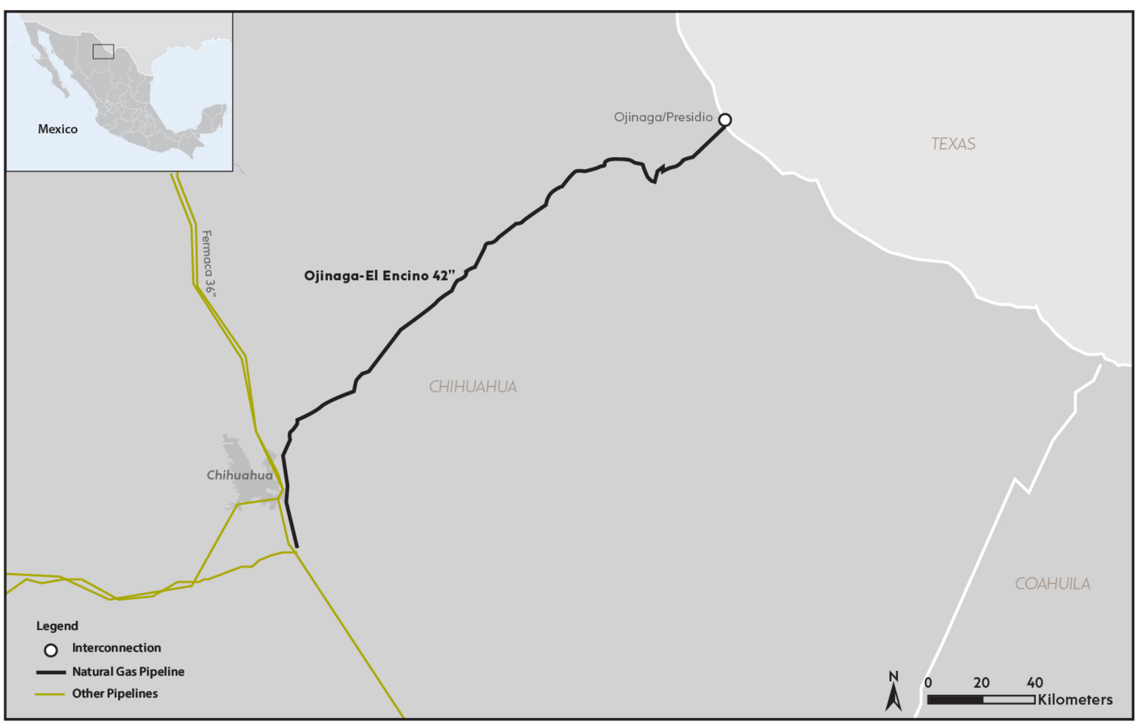
Los Ramones I Pipeline

This pipeline system, which began commercial operations in December 2014, consists 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 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:

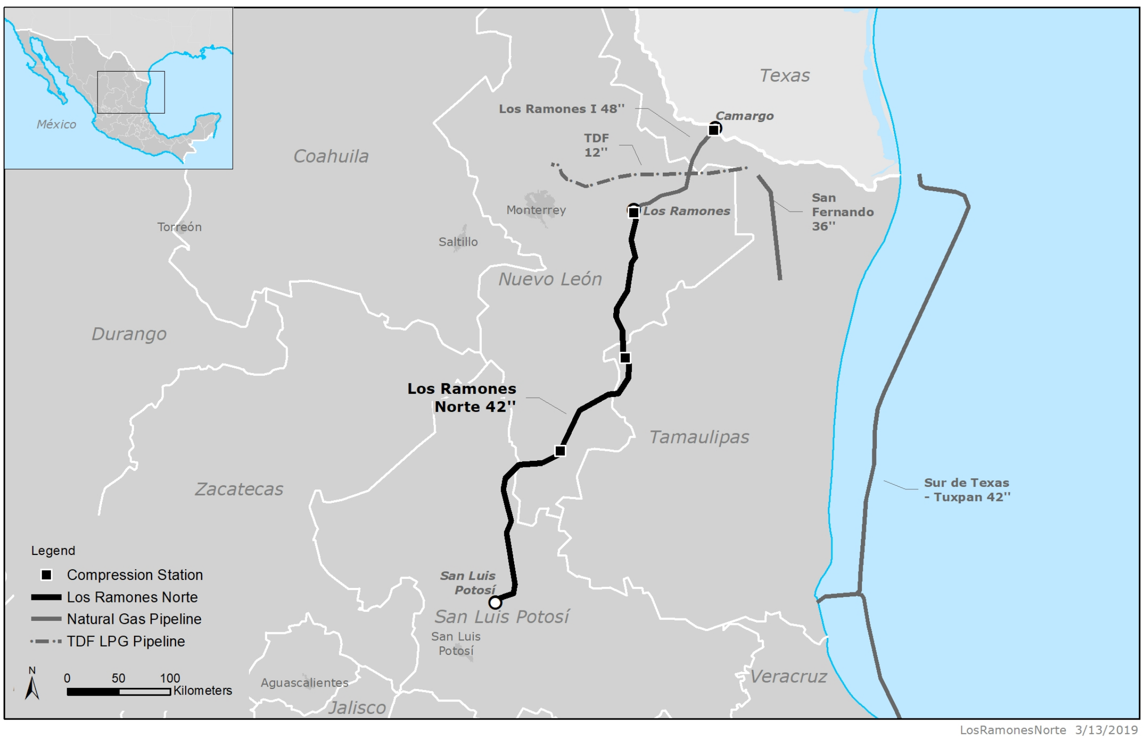


Los Ramones Norte Pipeline

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.

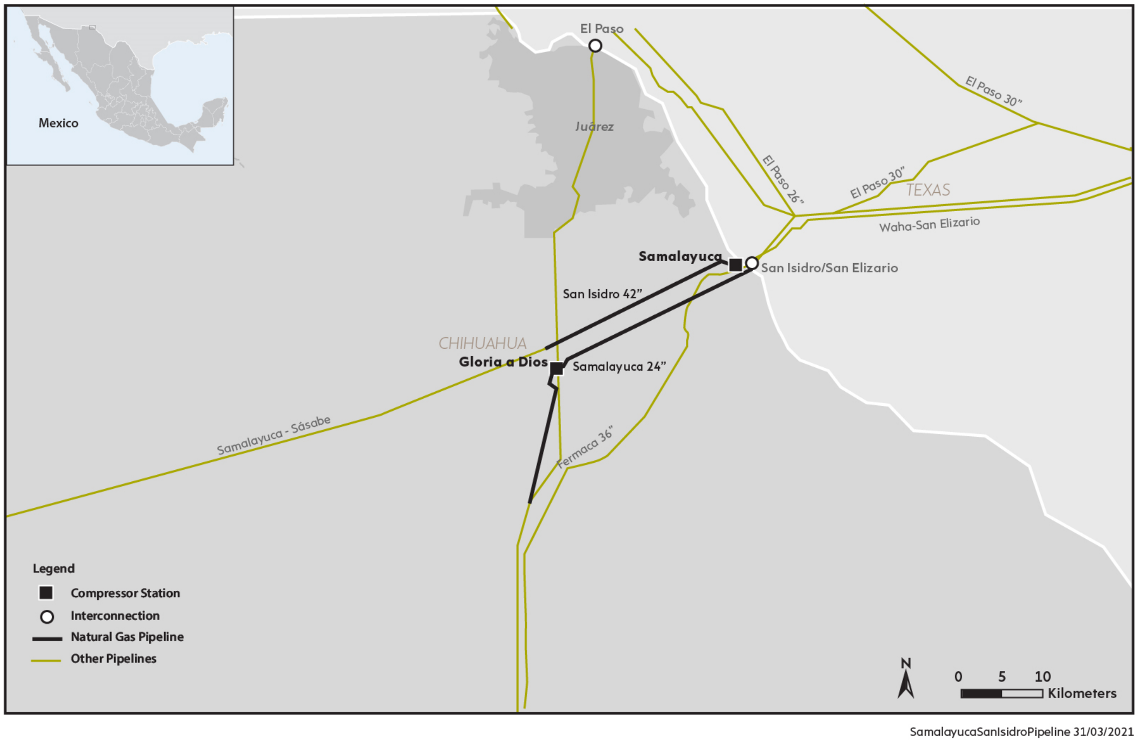
The following map shows the location of Los Ramones Norte Pipeline:



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 71,000 installed 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.

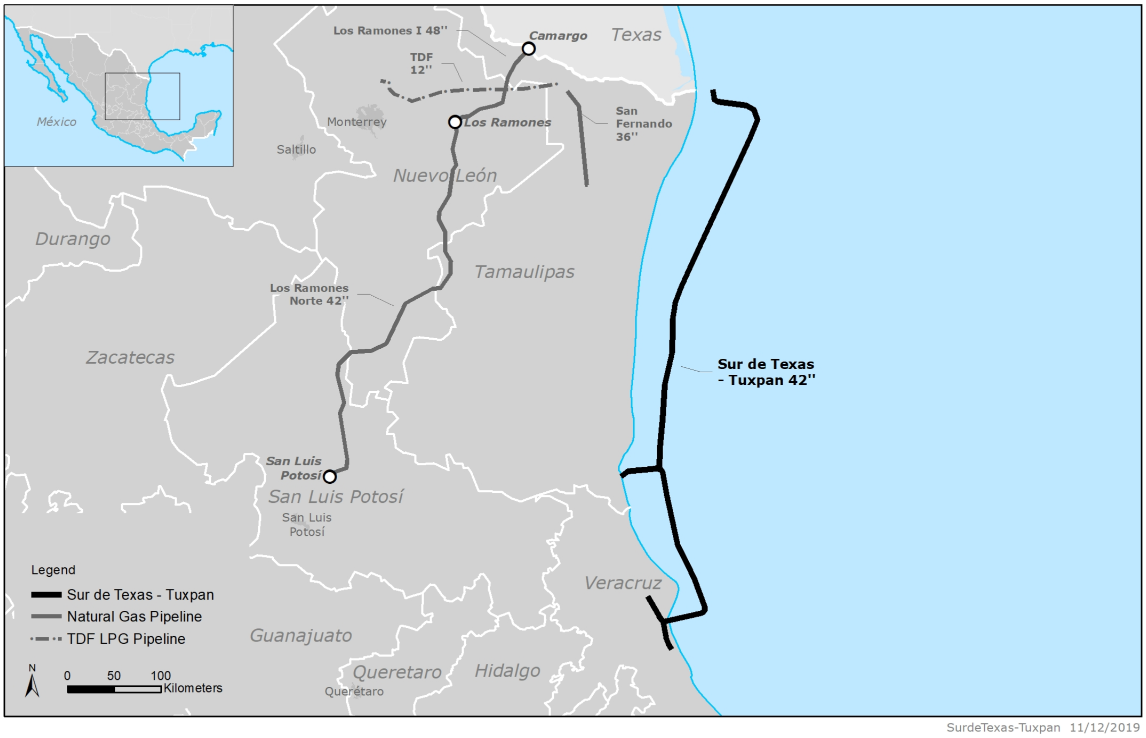
The following map shows the route of the San Isidro–Samalayuca Pipeline:



South Texas – Tuxpan Pipeline

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.

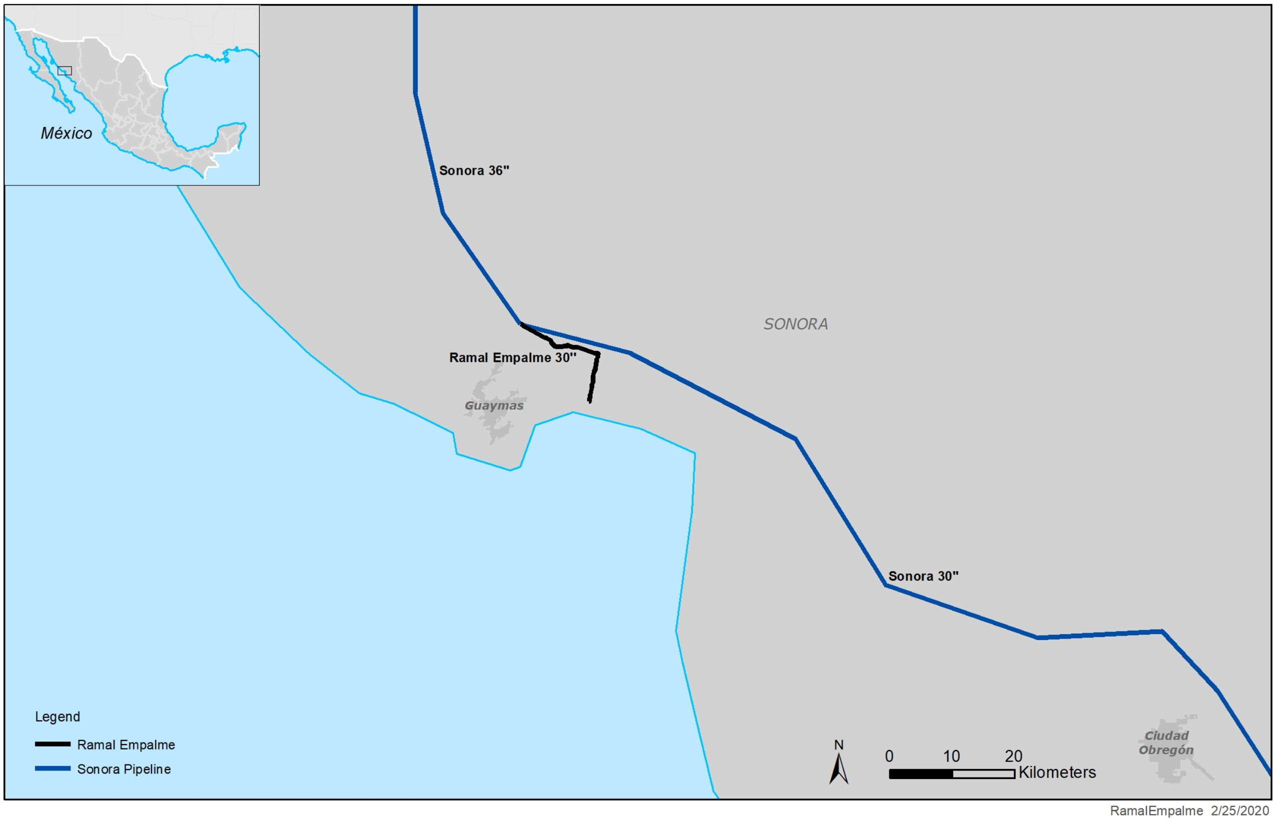
The following map shows the route of the South Texas—Tuxpan Pipeline:



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 and is part of 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.

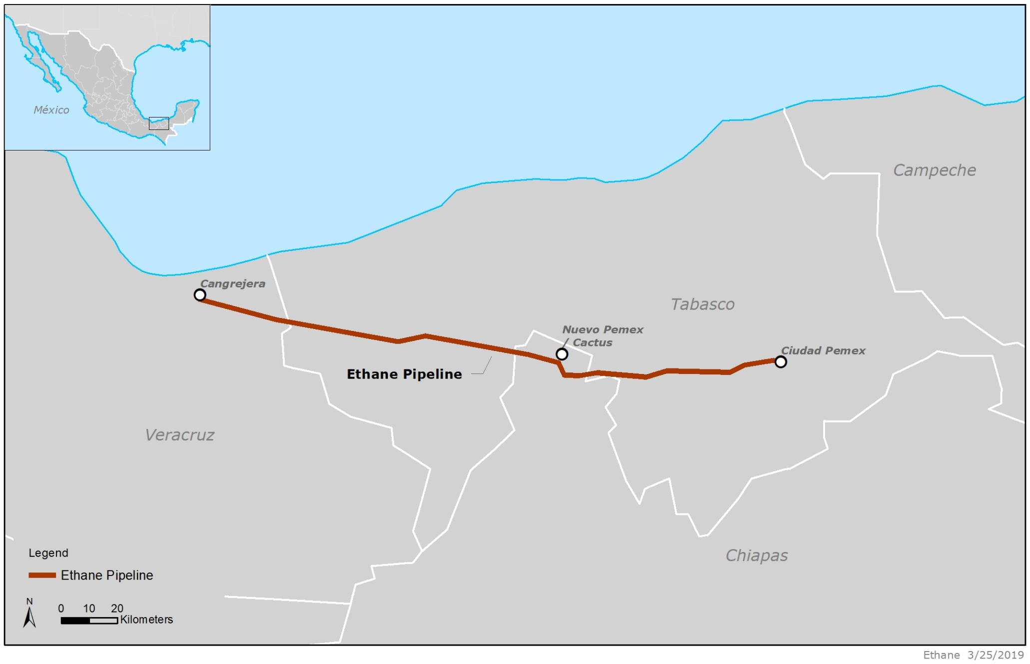
The following map shows the route of the Empalme Lateral Pipeline:



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:



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 U.S. 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 corresponding alternates, while the Company has the right to appoint two members and their corresponding 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.

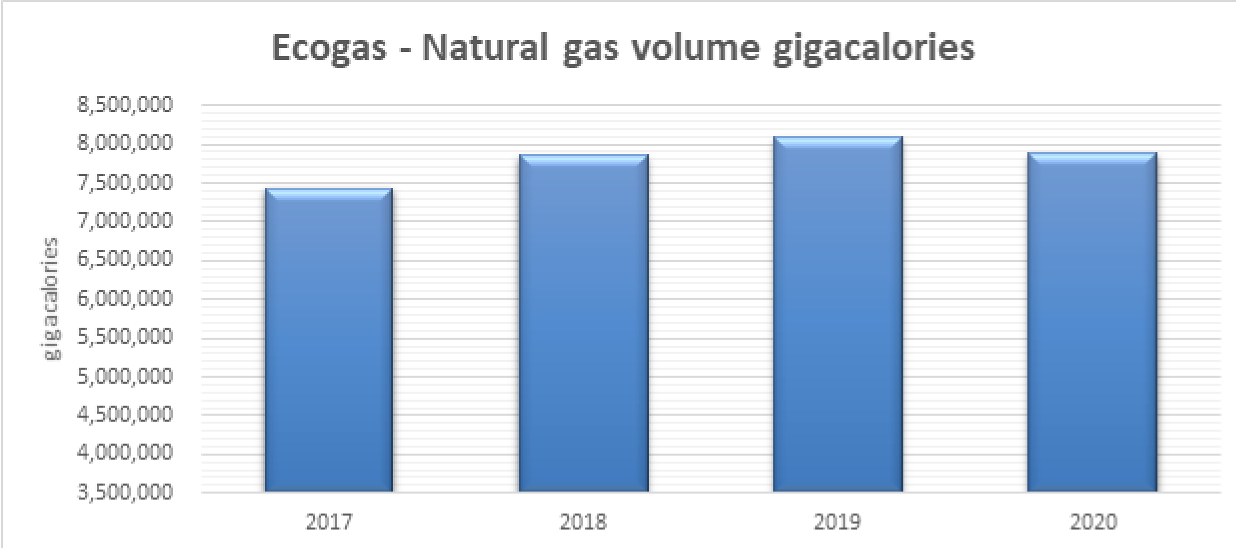
f. Supervisory and Maintenance Services. The parties have agreed that an affiliate of TC Energy will assume the supervisory and maintenance obligations of the project.

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 4,367 km of pipelines, as of December 31, 2020 the ECOGAS distribution system served more than 136,000 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.

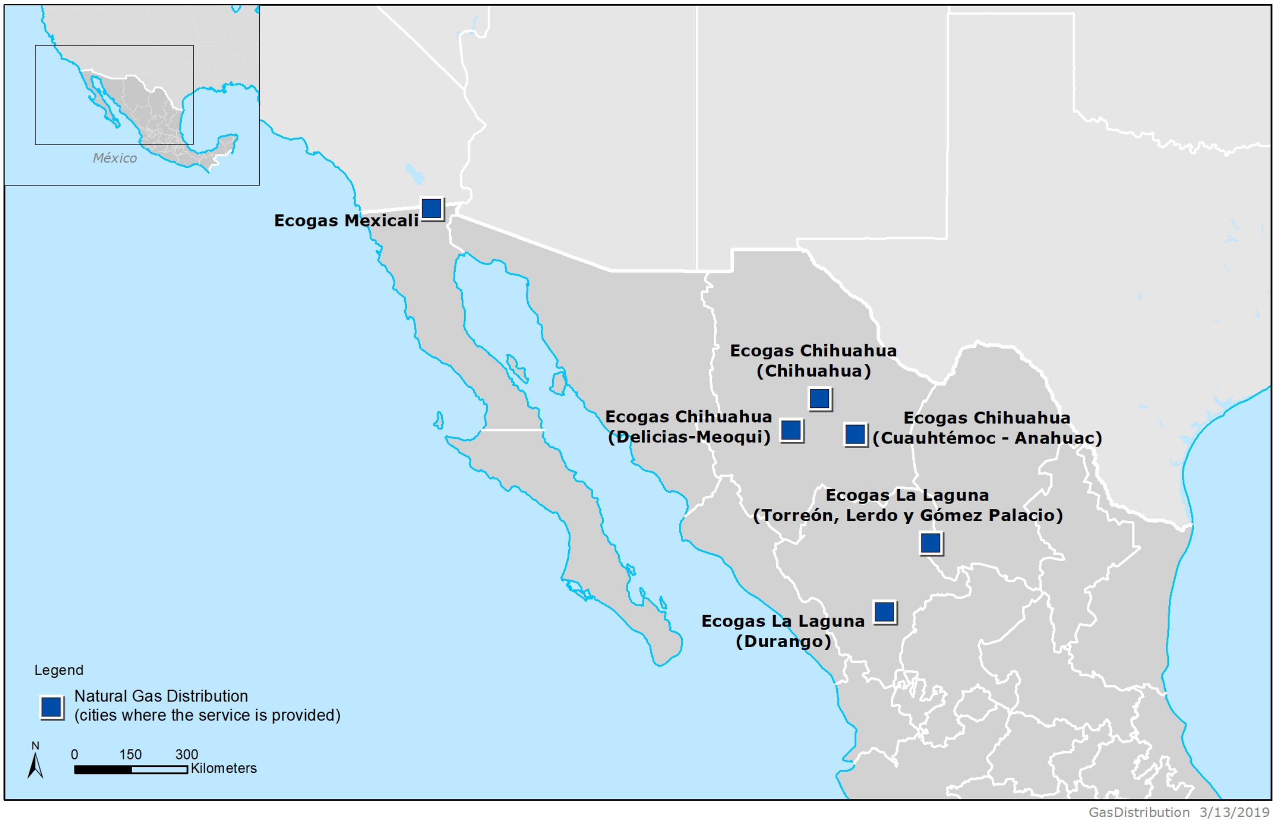


The natural gas distribution business includes the following key activities:

- 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, 2020:

	Mexicali	Chihuahua	La Laguna-Durango	Durango	Total
Length of pipelines (km)	615	2,486	1,219	47	4,367
Number of customers:					
Residential	16,957	78,430	36,846	84	132,317
Commercial/industrial	472	2,367	1,273	14	4,126
Throughput (MMcfd):					
Residential	460	3,767	911	0	5,138
Commercial/industrial	27,678	32,437	11,905	56	72,076

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 (96.98% in terms of number of accounts) and contribute 44.62% of the profit margin of the distribution business as of December 31, 2020. 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 3.02% of customers (in terms of number of accounts) but are responsible for approximately 93.3% of systems' aggregate throughput volume and over 58.47% of the distribution business profit margin as of December 31, 20120. 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.

Storage Segment

The Company's Storage Segment includes (1) the LPG pipelines and storage business, (2) the LNG business, in which it owns and operates an LNG storage and regasification terminal, buys, and sells natural gas to its customers and currently also participates in an LNG liquefaction project, and (3) the refined products storage business, in which the Company develops systems for the receipt and storage of hydrocarbons and other liquids, mainly gasoline and diesel. A more detailed description of each of these businesses in the Storage Segment follows.

LPG Segment

The following table shows the main assets in the LPG Segment:

Assets	% ownership	Length of system (km.)	Design capacity	% of long-term capacity contracted (1)	Date Commercial Operations Begun
LPG Transportation					
TDF Pipeline	100%	190	34,000 (1)	100%	December 2007
LPG Storage					
LPG Guadalajara Terminal	100%	N/A	80,000 (2)	100%	December 2013

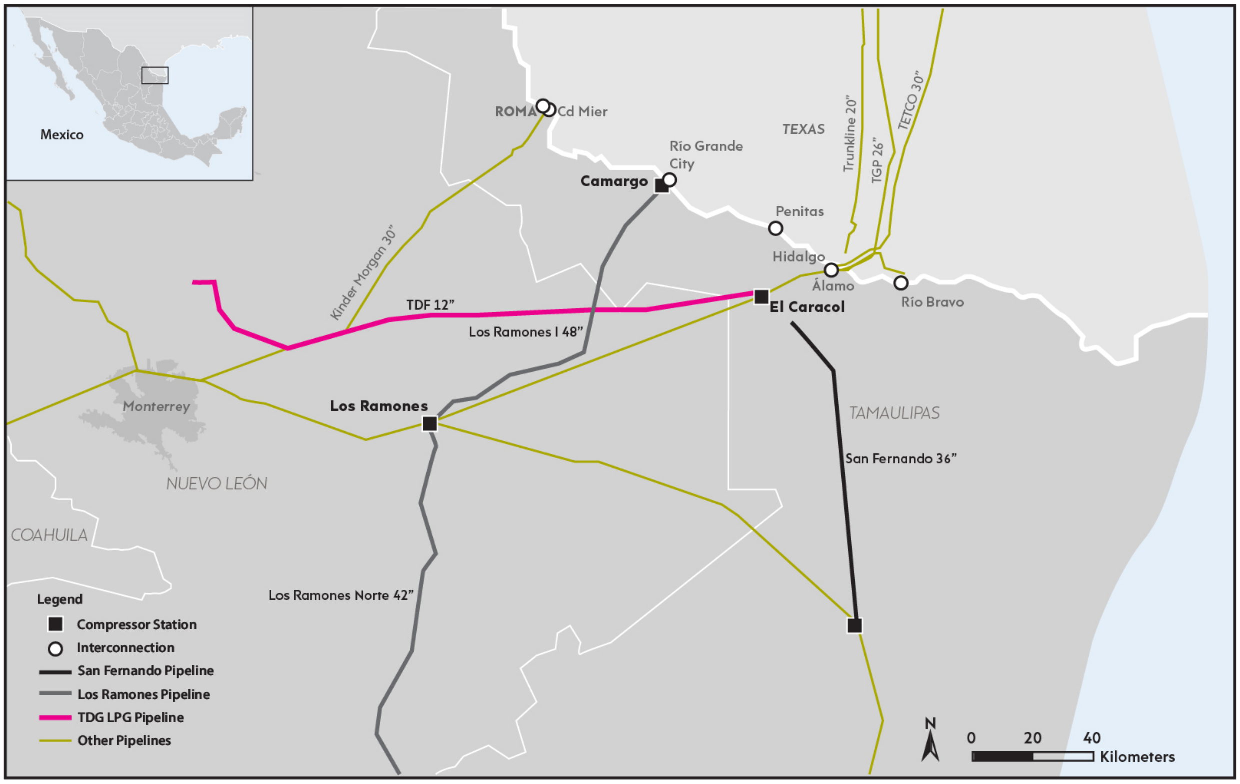
1. In daily LPG barrels, or Bbld. Amounts for TDF LPG Pipeline represent 34,000 Bbld of the design transportation capacity of the pipeline, and an additional 40,000 bl in the delivery terminal interconnected with the Western end of the pipeline.
2. This design capacity corresponds to the sum of the 4 storage spheres in the system, the design capacity for each sphere is 20,000 bl.

<u>*TDF LPG Pipeline*</u>

The TDF LPG 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 buffer spheres, with a combined design capacity of 40,000 bl (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 León. This pipeline is operated by Pemex TRI under an operation and maintenance agreement. The existing firm transportation services agreement with Pemex TRI, contracts 30,000 bl (1.6 MMThd) of capacity reserved per day. The initial term of the agreement expires in 2027 but may be extended for a five-year period at Pemex TRI's option.

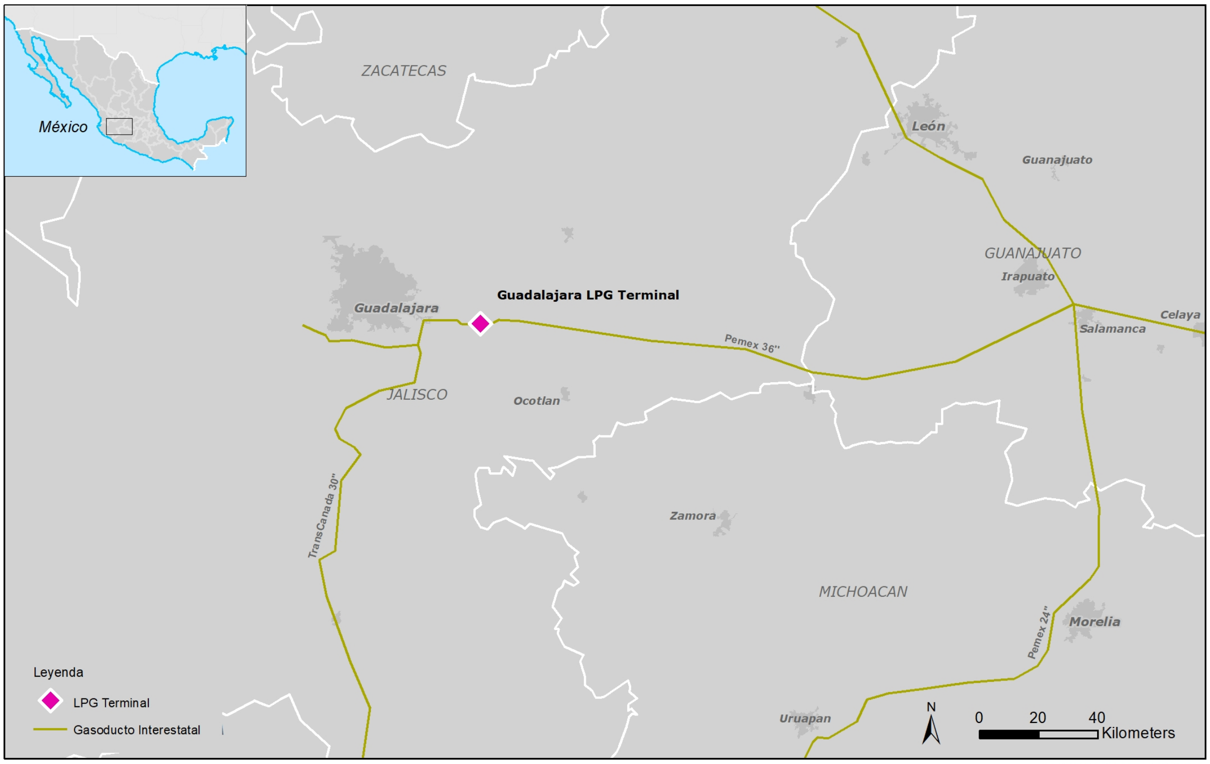
The following map shows the route of the TDF LPG Pipeline:



SanFernandoPipeline 01/04/2021

Guadalajara LPG Terminal

The LPG storage facility near Guadalajara, Jalisco consists of four storage spheres, each with a design capacity of 20,000 bl, ten loading bays and an interconnection to Pemex Logística'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 Logística and serves the Jalisco market. The Company has entered into a services agreement with Pemex TRI for storing services for which Pemex TRI pays sand for firm reserved capacity and for the use of tanker trucks. 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 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, a process which is known as liquefaction. Liquefaction reduces its volume by a factor of 600, making it more feasible to transport by tanker vessels and/or tanker trucks.

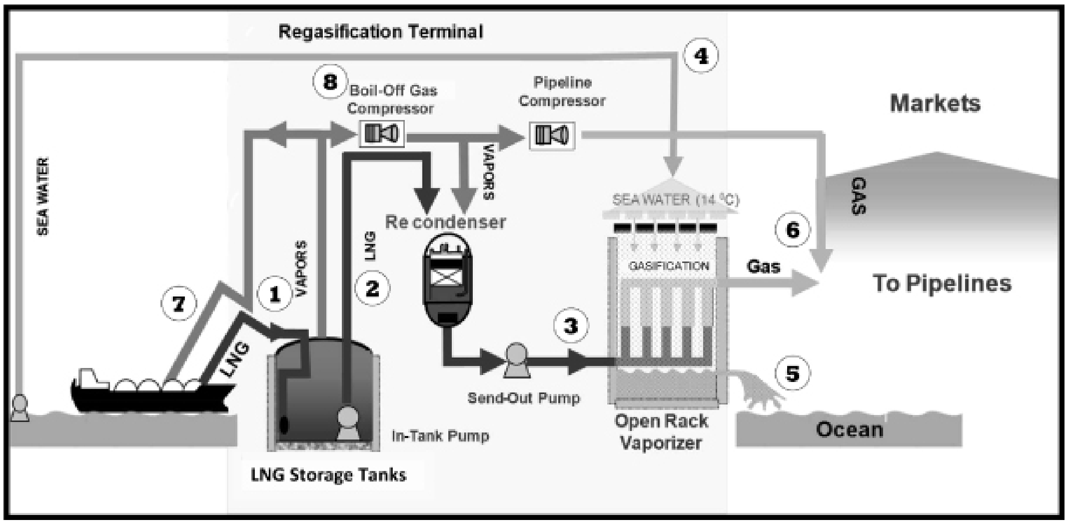
The Company's LNG terminal consists of:

- 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

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 Rosarito Pipeline system.

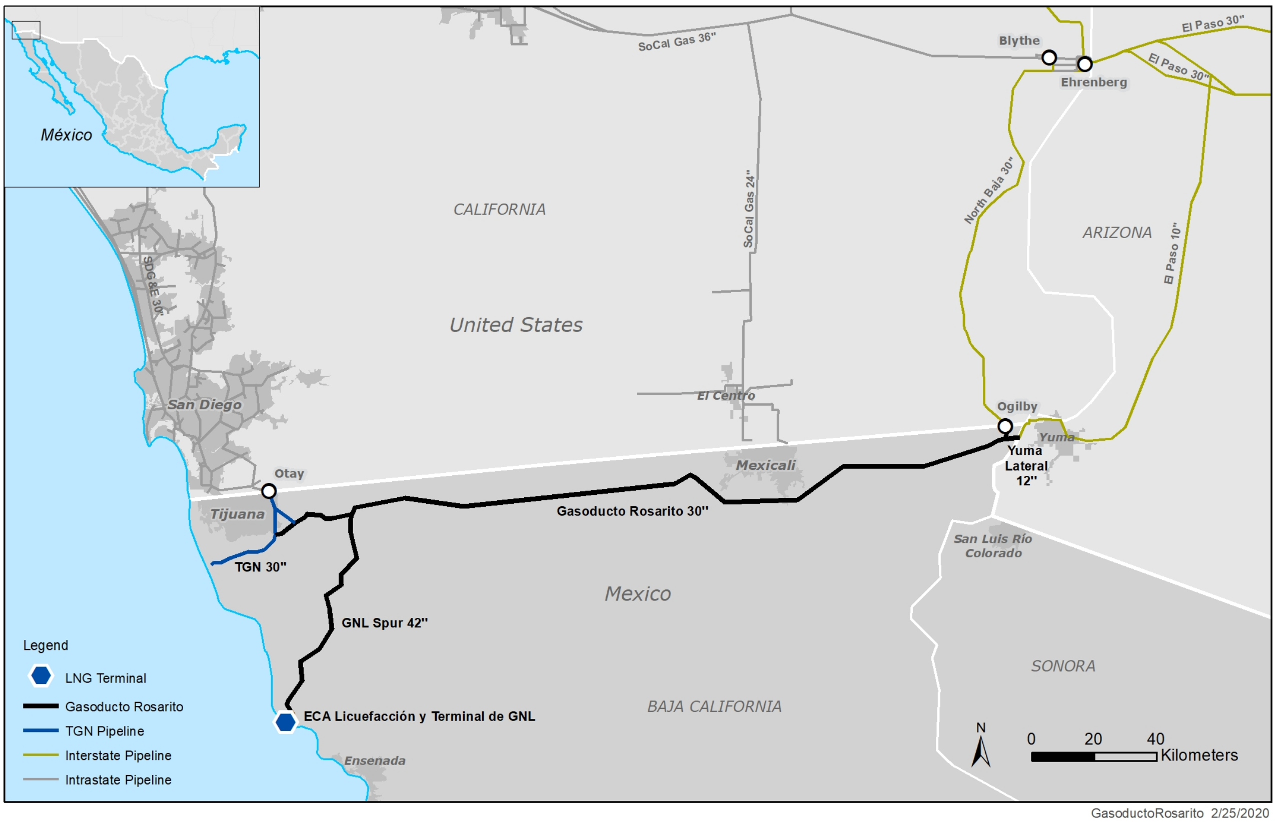
All electricity required for the operation of the Company's LNG terminal is generated on-site through five gas-fired combustion turbine generators, which are powered by a small amount of natural gas resulting from boil off and/or regasification, which all of the Company's customers provide to the Company 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 to develop, build, and operate on land adjacent to the LNG Terminal "Energía Costa Azul" to market LNG mainly to Asian and potentially domestics starting in 2024. The phase 1 is being developed by IEnova and Sempra LNG and a subsidiary of Total.

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.

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 provide 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."

Additionally, in December 2020, an affiliate of Total, Sempra LNG, and IEnova signed an equity investment agreement through which Total acquired a 16.6% equity stake in ECA LNG Holdings, while IEnova and Sempra LNG will each retain 41.7% ownership. That same month, they entered into a 5-year credit facility for USD$1,586 million. The financing, which does not consolidate in the IEnova balance, consists of three tranches linked with the commitments of each of the partners in the joint venture. The financial institutions linked to the IEnova tranche are the following: The Bank of Nova Scotia, SMBC, BBVA Securities Inc., and Banco Nacional de México.

Project Status

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. In mid-November 2020, the Company informed that in collaboration with Sempra LNG the Final Investment Decision had been made to develop, build, and operate the ECA Liquefaction project in Ensenada, Baja California. Additionally, in December 2020, an affiliate of Total, Sempra LNG, and IEnova signed an equity investment agreement through which Total acquired a 16.6% equity stake in ECA LNG Holdings, while IEnova and Sempra LNG will each retain 41.7% ownership.

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 that will be known as GRO Expansion 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 Energía 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 Business

Overview

The refined products storage business develops systems for the receipt and storage of refined products and storage of hydrocarbons, mainly gasoline and diesel in the states of Baja California, Colima, Puebla, Sinaloa, Veracruz, Estado de Mexico, and Jalisco. Currently, the Company has four marine and three land terminals. One of the marine terminals is currently in operation and the rest are in the process of either development, construction, or commissioning, 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 fee 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 and the operation asset included in the refined products storage of the Company, 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 quarter 2021
Puebla	100%	650,000	100%	First semester 2021
Valle de México	100%	650,000	100%	First semester 2021
Baja Refinados	100%	1,000,000	100%	To be defined
Topolobampo	100%	1,180,000	100%	Second semester 2021
Manzanillo	82.5%	2,180,000	100%	To be defined
Guadalajara	100%	To be defined	To be defined	To be defined

Veracruz Terminal

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, which started operating during the first quarter of 2021, has a nominal storage capacity of 2.1 million barrels, with 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 is 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 allows customers to move a greater quantity of product compared to tank trucks and at prices considerably less. The product output by railcars will serve as product input for the Puebla and Valle de México Terminals.

Puebla Terminal

The Puebla terminal is expected to start operation in the first semester of 2021. 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 regular gasoline, premium gasoline, diesel, jet fuel, and MTBE. The terminal will receive product by railcars and deliver product by tanker trucks.

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. An average of 4,000 barrels per day were moved. The transloading activities will conclude once the Puebla Terminal begins operations.

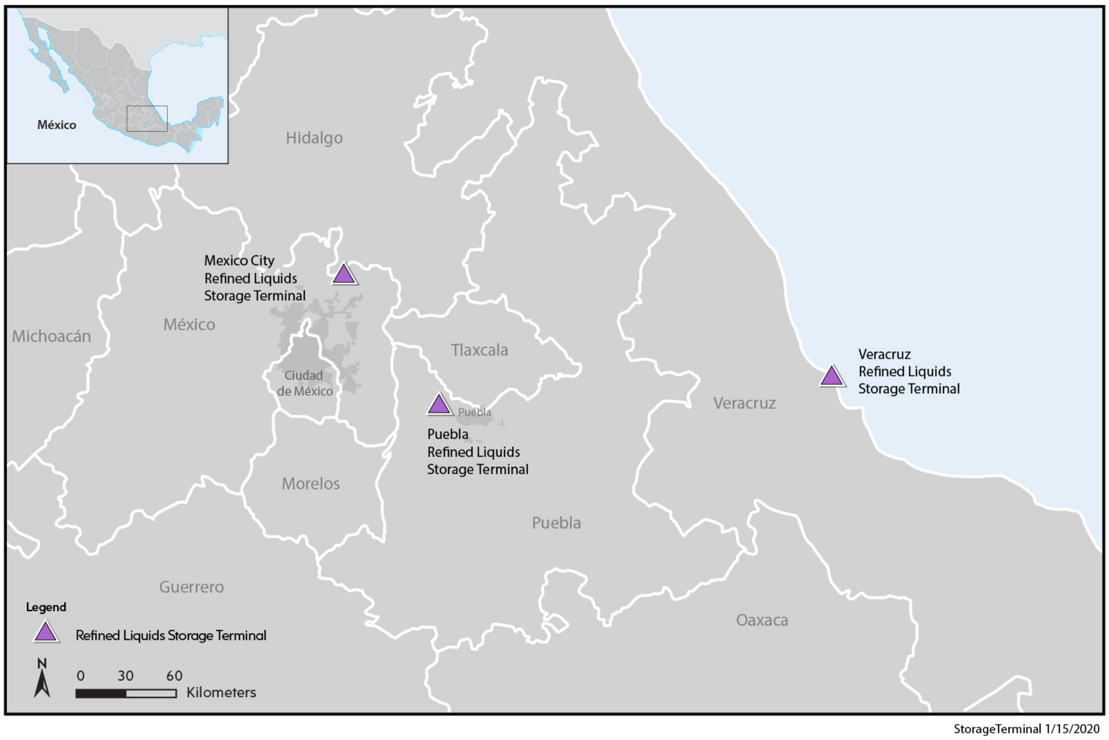
Valle de Mexico Terminal

The Valle de Mexico terminal is expected start of operation in the first semester of 2021. 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 regular gasoline, premium gasoline, diesel, jet fuel, and MTBE. The terminal will receive product by railcars and deliver product by tanker 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:

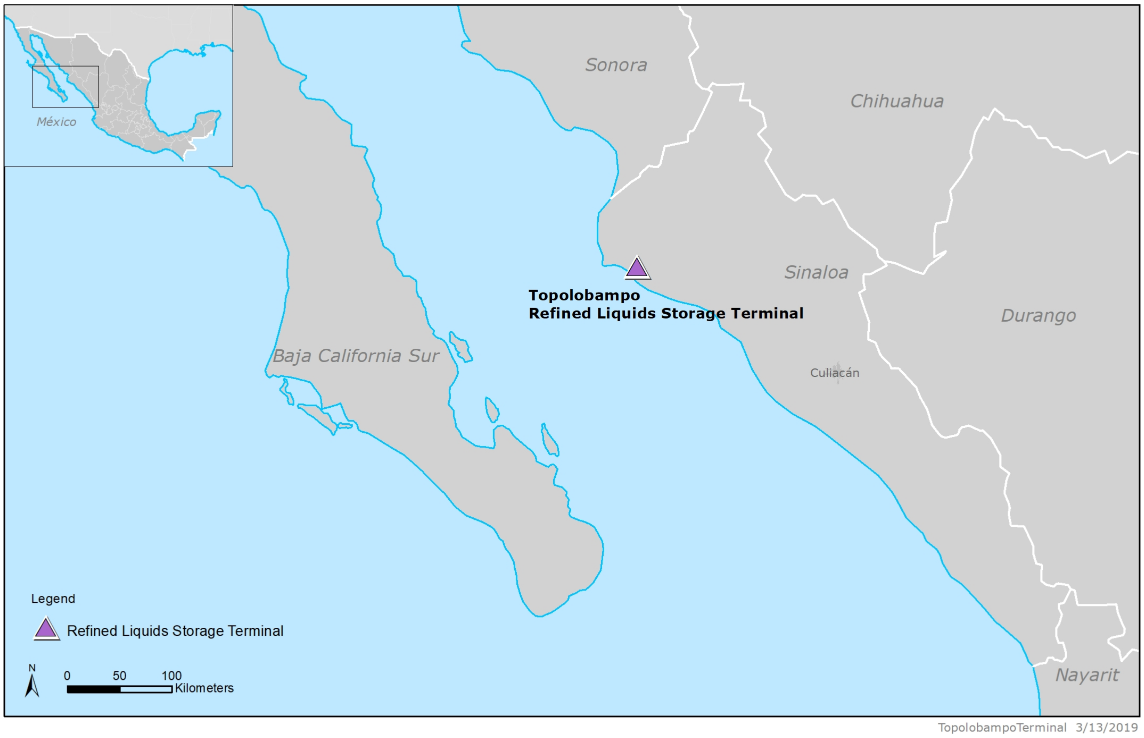


<u>Topolobampo Terminal</u>

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 neighboring consumer centers. The project is located in the municipality of Ahome, Sinaloa, within the API Topolobampo. The Company was awarded in a 2018 bidding process a marine terminal for the receipt, storage, and distribution of hydrocarbons in the port of Topolobambo, 24 km west of Mochis, in the state of Sinaloa. It will have a storage capacity of a little over 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. The contracts are long-term, U.S. Dollar-denominated, and firm. Commercial operation is expected in the second semester of 2021 with an investment of approximately USD$150 million.

The following map shows the location of Topolobampo Terminal:



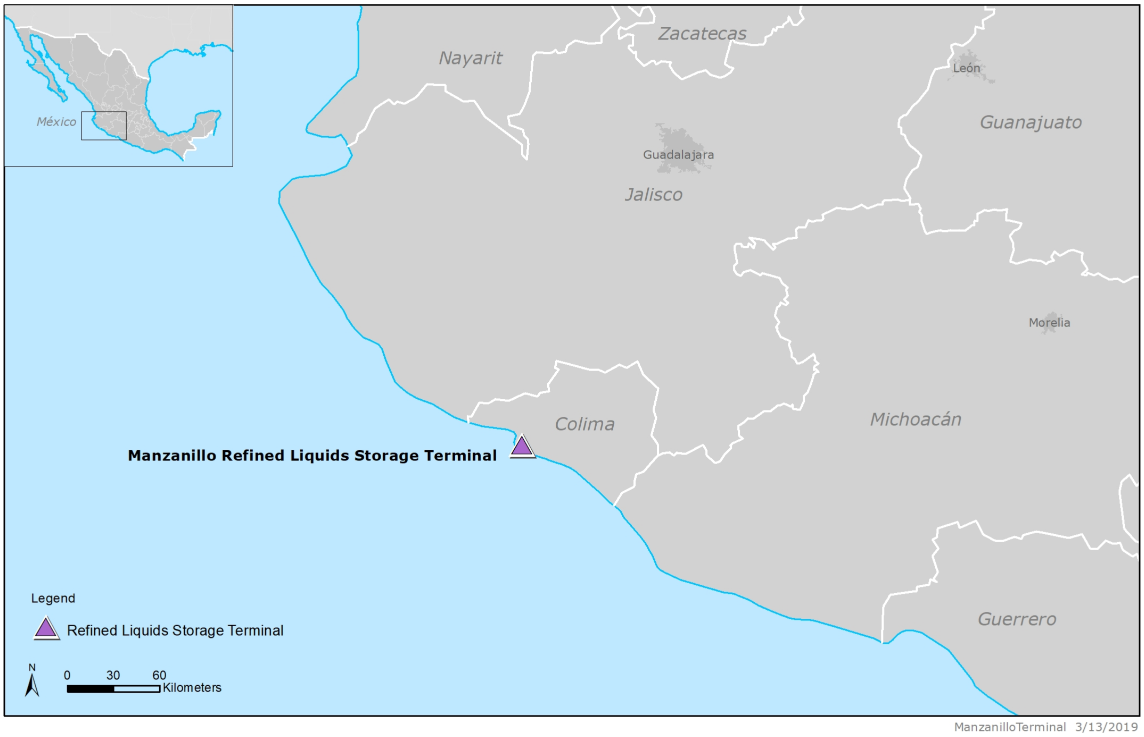
Manzanillo Terminal

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. It is worth mentioning that in March 2020 IEnova grew its stake in the project to 82.5%.

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 tanker vessel by means of a maritime buoy and delivery from the terminal via tanker trucks and railcars.

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, U.S. Dollar-denominated, and firm bases. The estimated investment for the project is of USD$320 million.

The following map shows the location of the Manzanillo Terminal:

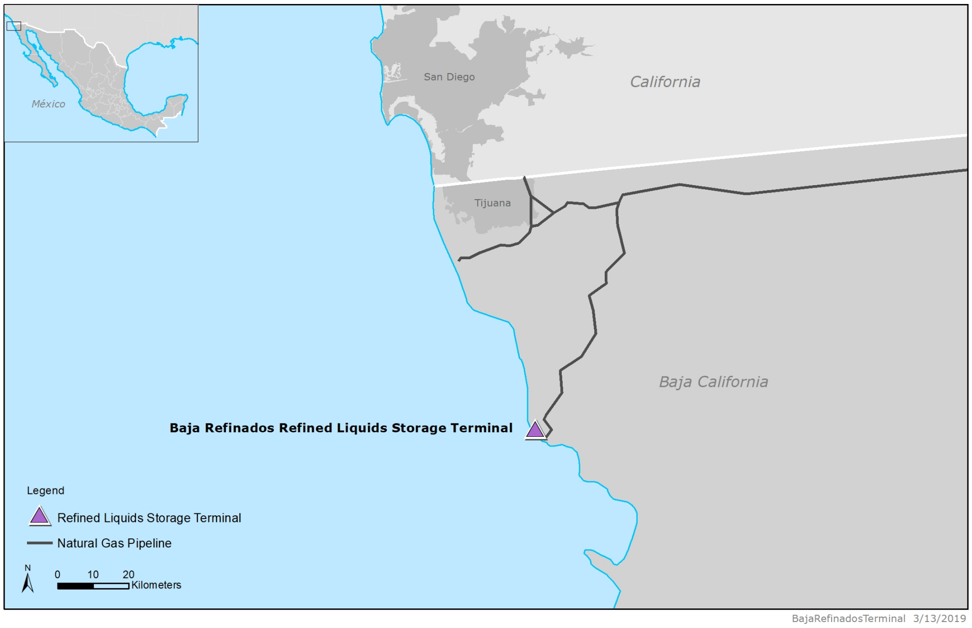


Baja Refinados Terminal

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.

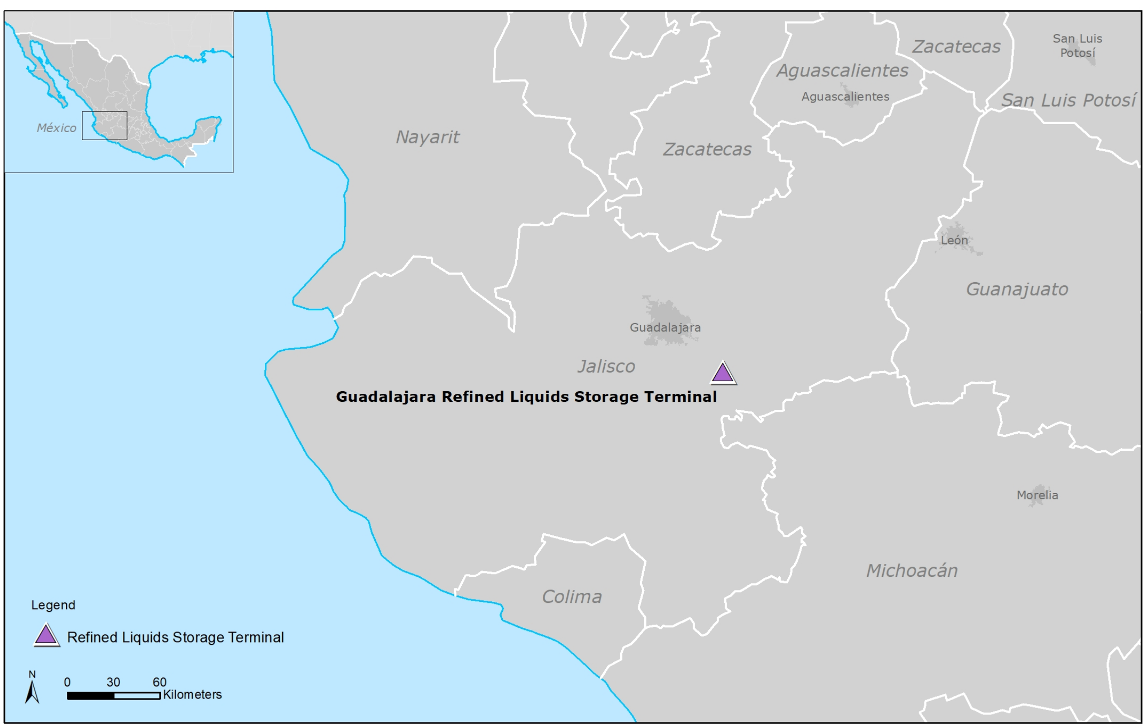
This terminal has two storage services customers: a subsidiary of Chevron and a subsidiary of BP for 100% of the capacity. Both firm storage capacity contracts are long-term and U.S. Dollar-denominated. The destination of the products will be Tijuana, Rosarito, Ensenada, Tecate and Mexicali. An estimated investment of approximately USD$130 million.

The following map shows the location of the Baja Refinados 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:



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 are described as follows.

Natural Gas Fired Power Generation Business

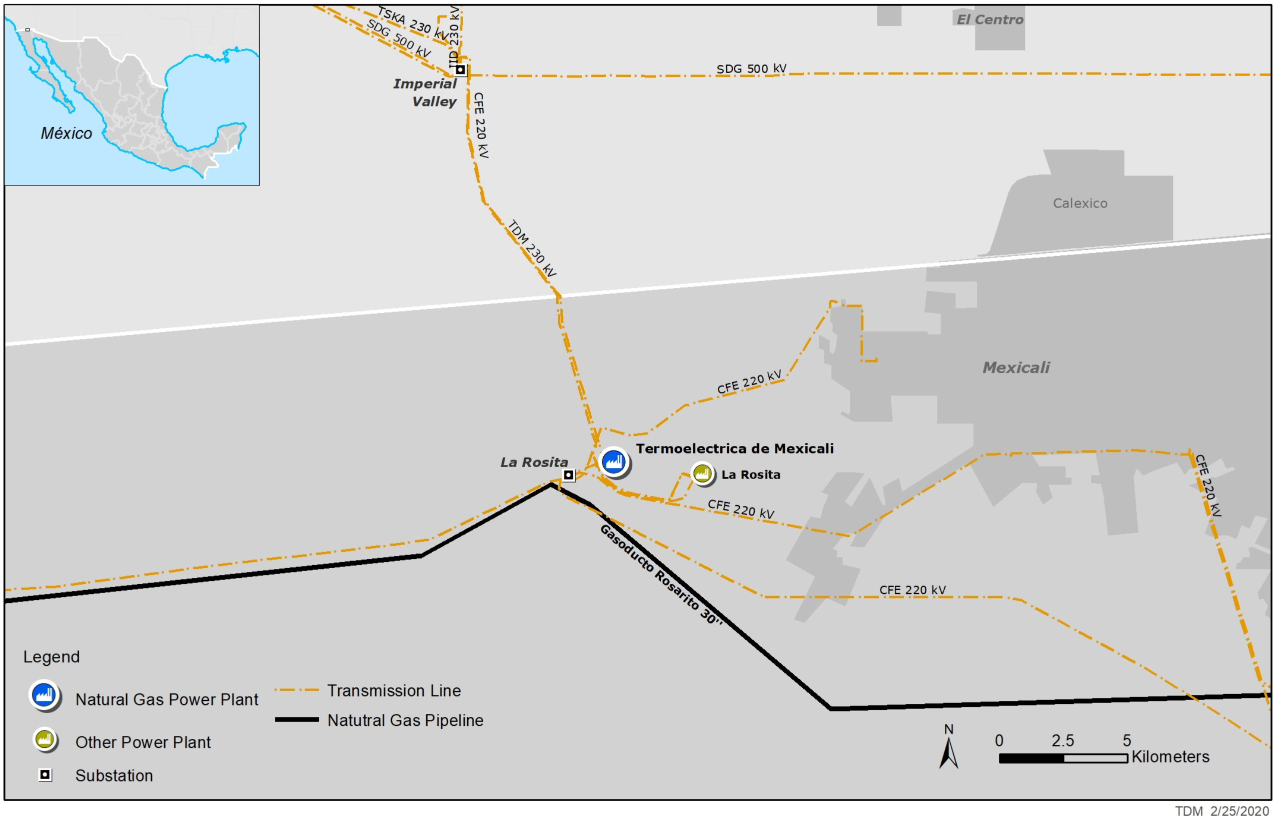
Termoeléctrica de Mexicali

The Company owns and operates Termoeléctrica de Mexicali power plant, a 625 MW natural-gas-fired combined-cycle power generation facility located near 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 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 supply production fully or partially 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

<u>Power Purchase Agreements</u>

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 pays 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.

<u>Natural Gas Purchase Agreement</u>

IEnova Marketing, a Company's subsidiary, supplies Termoeléctrica de Mexicali with the natural gas that it requires for its operation.

Wind Power Generation Business

<u>Energía Sierra Juárez</u>

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.

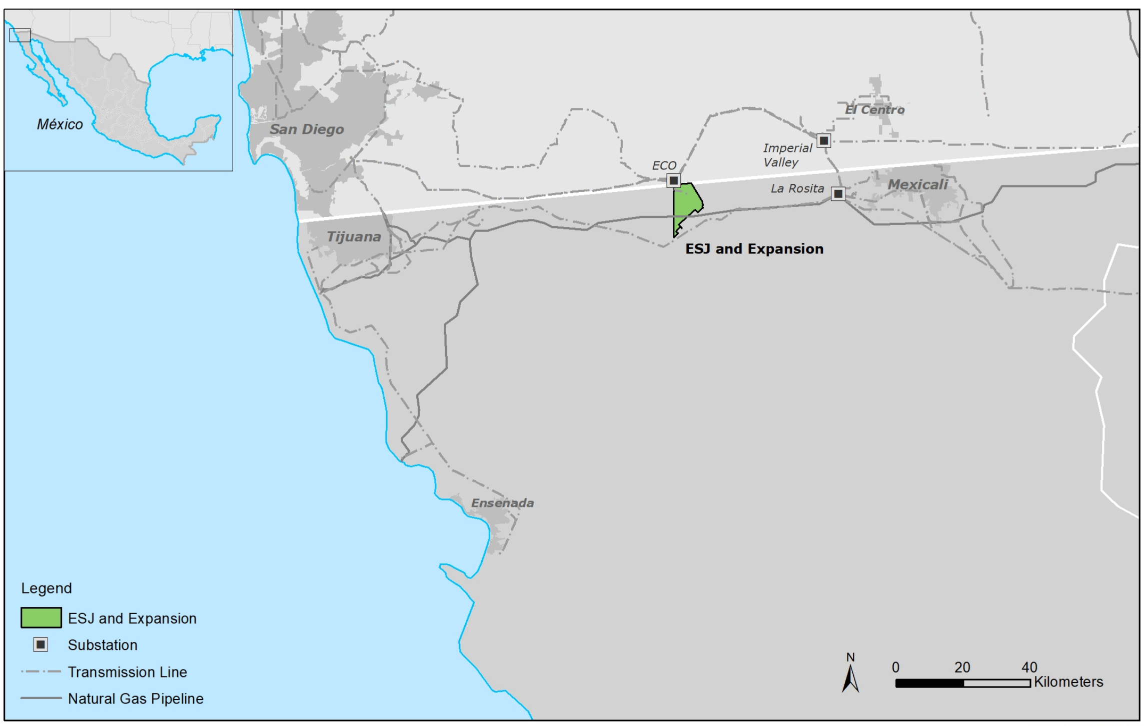
The initial phase of Energía Sierra Juárez includes 47 wind turbine generators of 3.3MW each, resulting in a total capacity 155 MW. The total of the electricity generated from the initial phase of Energía Sierra Juárez is entirely sold to

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. On January 8, 2021, the Company informed the market that Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In February 2021, the sale and purchase agreement entered into force for the acquisition by IEnova. In March 2021, the Company informed that it closed the acquisition of 50% held by Saavi Energía through its affiliates. IEnova's ownership in ESJ thus increased from 50% to 100 % derived from this transaction. The purchase price of Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

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 construction 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 clean power generation development, with a legislated target for clean energy generation of 33% of retail sales by 2020 and 100% by 2045. Mexico is also politically supportive of clean 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 fee per megawatt-hour, with adjustments for "time-of-day" factors.

Sale of Partnership Interest Agreement

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. On January 8, 2021, the Company informed the market that Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In March 2021, the Company informed that it closed the acquisition of 50% held by Saavi Energía through its affiliates. IEnova's ownership in ESJ thus increased from 50% to 100% derived from this transaction. The purchase price of Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

Project Financing Agreement

On 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, 2020, was USD$183.3 million. Additionally, under the same loan agreement, there were outstanding letters of credit totaling USD$29.0 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.

On January 8, 2021, the Company informed the market that Energía Sierra Juárez subsidiaries had filed an application with the FERC in relation to the potential acquisition by IEnova, through its subsidiary Controladora Sierra Juárez of the ownership that Saavi Energía, through its affiliates, held in Energía Sierra Juárez. In March 2021, the Company informed that it closed the acquisition of 50% held by Saavi Energía through its affiliates. IEnova's ownership in ESJ thus increased from 50% to 100% derived from this transaction. The purchase price of Saavi Energía's equity is approximately USD$80 million, which is net of the corresponding amount of the Company's debt.

<u>Ventika</u>

Ventika was acquired in December 2016 and it's 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:

VentikaWind 3/13/2019

Ventika Key Agreements

<u>Power Purchase Agreement</u>

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 corresponding fees (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 referenced to market prices; (iii) include pre-arranged

U.S. Dollar-denominated fees; 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

From November 2018 to April 2021, the operator was an affiliate of Nordex, which provided Ventika with operation and maintenance services for a 5-year term. Through these agreements, the operator guaranteed 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 provided operation and management services to Ventika that are standard for these kind of projects, and the operator was 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 was 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.

Monitoring and controlling of each turbines' operations is carried out through the SCADA system.

In April 2021, the Company is in the process of formalizing the transition of the new operator to a IEnova subsidiary.

Asset Management Agreement

In May 2020, IEnova took over full management of Ventika, which includes handling inventory, accounts receivable, and other assets and services; as well as assuring compliance of Ventika's main agreements such as those derived from engineering, procurement, and supervision or oversight of construction issues; maintenance and operation; financing; communications; and managing financial issues with creditors.

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, 2020, the balance is USD$395.4 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.

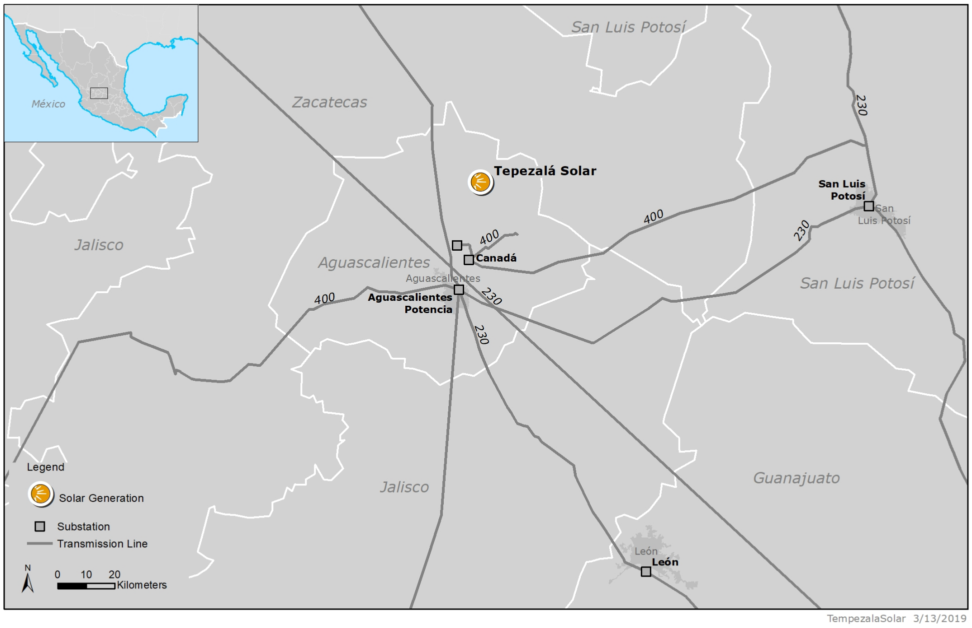
All the outstanding capital stock of Ventika I and Ventika II, as well as substantially all of their assets, guarantee the payment obligations under Ventika I and Ventika II financing. The financing is subject to the project finance method and neither the company nor Controladora Sierra Juárez have assumed a direct payment obligation to the lenders. The company guarantees the debt service payment through credit letters, as of December 15, 2020 total amount in credit letters was at USD$24.9 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 MWAC Tepezalá Solar project 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 is a company dedicated to the production of photovoltaic solar panels and optimization of solar energy systems. Tepezalá Solar commercial operations began in 2019.

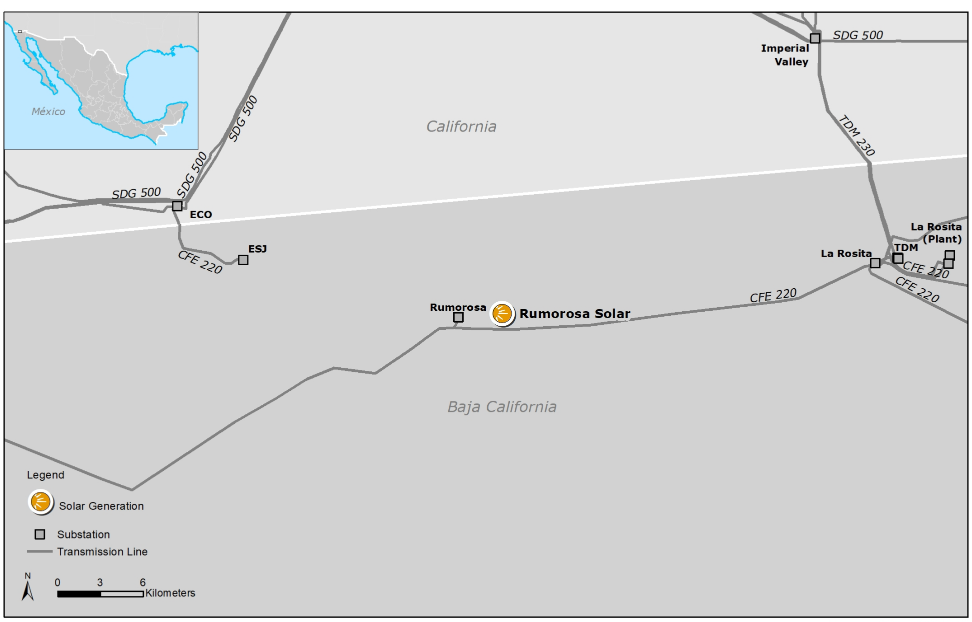
The following map shows the location of Tepezalá Solar:



Rumorosa Solar

In January 2017, the Company announced the execution agreements with the CFE, for the sale of the energy products generated by the 44 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 2019.

The following map shows the location of Rumorosa Solar:



Pima Solar

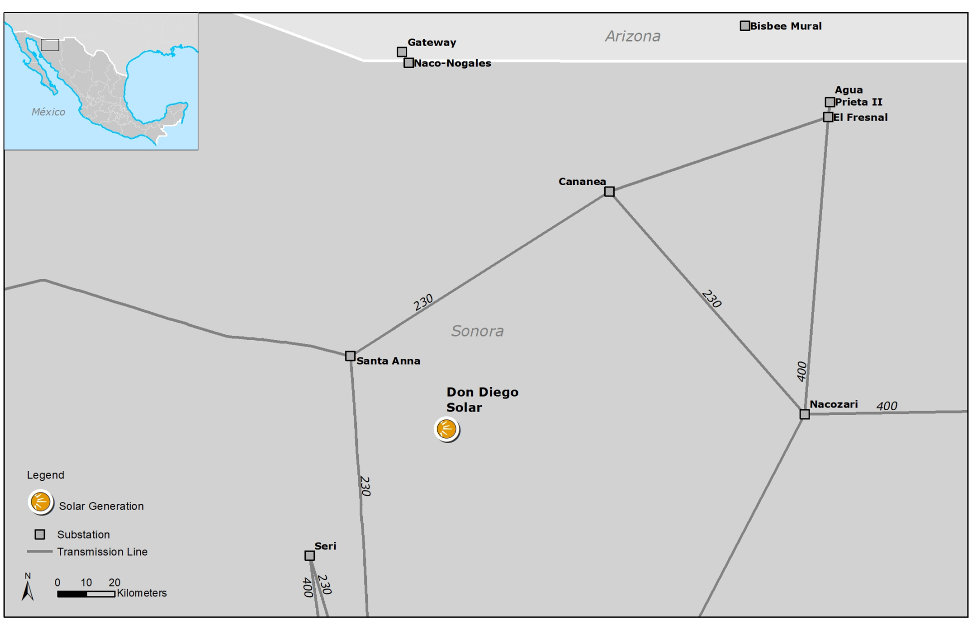
In December 2019, the Company entered into a 19-year contract with DeAcero to supply energy, Clean Energy Certificates, and capacity from a new photovoltaic solar power plant, located in Caborca, Sonora. The company developed, constructed, and operates the 110 MW_{AC} Pima Solar project and its commercial operations began the first quarter of 2019.

The following map shows the location of Pima Solar:

Don Diego Solar

Solar energy park located in the municipality of Benjamín Hill, in the state of Sonora, which It began operating in 2020. Don Diego Solar will supply to Liverpool, Autlán, and Scotiabank once authorization is obtained from CRE. Currently, the energy produced at Don Diego Solar is being sold on the spot market. The following map shows the location of Don Diego Solar:

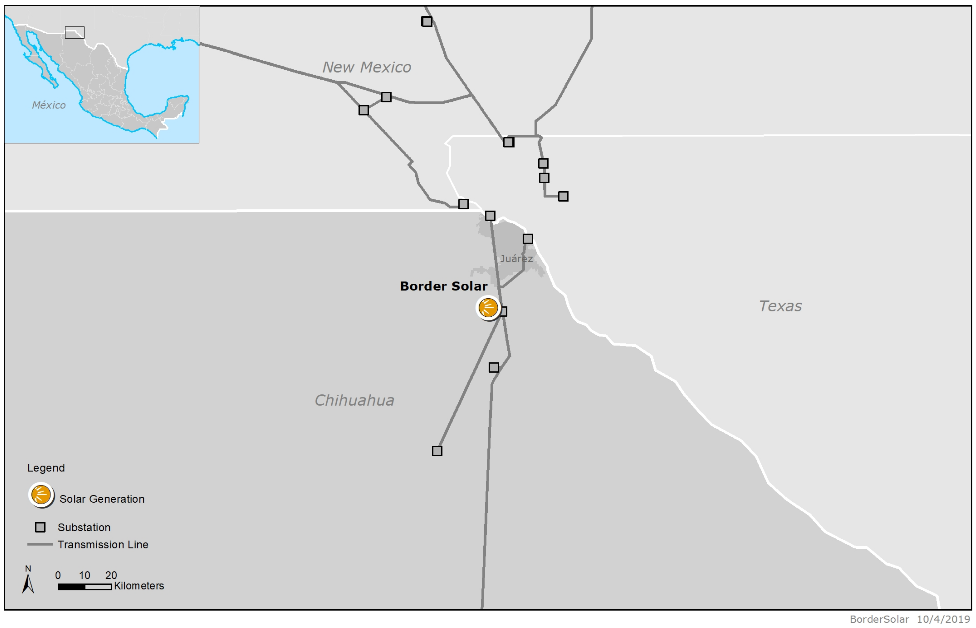
The following map shows the location of Don Diego Solar:



Border Solar

Solar park located in Ciudad Juárez, in the state of Chihuahua. It has a capacity of 150 MW_{AC} with an investment of approximately USD$160 million. It started commercial operations in the first quarter of 2021. Border Solar will have capacity to supply Liverpool, Circle K, GCC and Envases Universales, once authorization is obtained from CRE.

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 "Business Overview—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 m3 to 217,000 m3 (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 "Business Overview– Legal, Administrative, and Arbitration Proceedings –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 government 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 (API) of Topolobampo, in Sinaloa, for the development of a marine hydrocarbon storage terminal.

Additionally, the Company is currently in the construction and commissioning state for the three in-land terminals for the storage and delivery of hydrocarbons 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. These two terminals are currently under construction, and about to begin operating. For the Guadalajara terminal, IEnova has 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 has acquired 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 has entered into a contract with Trafigura for 50% of the initial storage capacity and the Company acquired 82.5% of the equity of the company whose subsidiary owns approximately 87 hectares of land for where the terminal will be built.

LPG Business

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

Power Generation with Natural Gas Business

The Company's Termoeléctrica de Mexicali power plant owns approximately 30.6 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.

Wind Power Generation Business

With respect to the Energía Sierra Juárez wind project, whose 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 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.

Power Generation with Solar Sources Business

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 Border Solar, which IEnova acquired in 2018, has the usufruct over an area of 578 hectares for 20 years, which can be extended for another 20 years, for the development of the park, and around 0.6 hectares of easements, acquired indefinitely, in Ciudad Juárez, Chihuahua.

Except for the instances described in section "Business Overview—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 insurance policies: (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 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 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 corresponding 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. It still pending of resolution.

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 (*Secretaría de la Reforma Agraria)*, ECA and other 20 defendants. The purpose of such claim is to procure a declaration of nullity of the property rights granted by the National Agrarian Registry regarding some plots of land where ECA's Terminal is located, as well as the return of another plot which allegedly is located in the same place, based on the argument that the property titles issued in favor of the ECA's former owners were issued improperly and without considering the existing property rights of such immovable property. In September 2011, was held a definitive hearing on the subject, where the plaintiffs offered evidence to extend their claim. The judge did not admit the evidence, and before issuing the judgment, the plaintiffs filed a constitutional claim against the refusal of the judge to the admittance of the evidence. The action of the judge is suspended by the constitutional claim, and, the constitutional trial cannot continue until the Court serves notice of the civil claim to the other defendants, which has not happened. The Company deems that the claim is ungrounded.

i. 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.

ii. 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 corresponding 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. It still pending of resolution.

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, which process continues.

e. Federal Injunction case number 603/2018 at the 9th District Court with residence in Ensenada, Baja California filed by Bajamar Homeowners Association, against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. ECA was recently served. The constitutional hearing was set for February 24, 2020. The Judge denied the definitive suspension of the acts claimed, which was appealed by the plaintiff. The Collegiate Court granted the suspension. A counter-guarantee was requested, so that the suspension is null and void, which was denied by the Judge, and we will appeal said refusal which is pending of resolution.

f. Amparo lawsuit filed on February 12, 2020 by IEnova Marketing, S. de R.L. de C.V. ("IEnova Marketing"), ECAL, Ecogas Mexico, S. de R.L. de C.V. and Termoeléctrica de Mexicali, S. de R.L. de C.V., 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 Gazette of the State on December 31, 2019. On May 1, 2020, the Baja California Congress derogated this tax, as of the date of these Condensed Interim Consolidated Financial Statements it is no longer applicable. Based on the foregoing, the Company is waiting for the final resolution of the amparo to be issued by the corresponding Courts.

g. In May 2020, the two third-party capacity customers at the ECA LNG regasification facility, Shell Mexico, and Gazprom, asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by IEnova and a force majeure event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements. IEnova has rejected the customers' assertions and has drawn (and expects to continue to draw) on the customers' letters of credit provided as payment security. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. In July 2020, Shell Mexico submitted a request for arbitration of the dispute and Gazprom has joined the proceeding. IEnova will avail itself of its available claims, defenses, rights, and remedies in the arbitration proceeding, including seeking dismissal of the customers' claims. Gazprom has since replenished the amounts drawn on its letter of credit and has resumed making regular monthly payments under its LNG storage and regasification agreement. Shell and Gazprom filed for preliminary relief asking the Arbitral Tribunal to prevent ECA from invoicing or collecting any payments under the contract and from drawing on the letters of credit. The preliminary relief was initially granted but revoked on December 23, 2020. A hearing to discuss the preliminary relief petitioned by Shell and Gazprom was held on January 2021 and the Arbitral Tribunal decided on February 8, 2021 to deny its petition. Shell Mexico also filed a constitutional challenge to the CRE's approval of the update to the general terms and conditions. In October 2020, Shell Mexico's amparo request to stay CRE's approval was denied and, subsequently, Shell Mexico filed an appeal of that decision.

On March 10, 2021, Shell and Gazprom filed their statement of claim.

A hearing to discuss the preliminary relief petitioned by Shell and Gazprom was held on January 2021 and the Tribunal decided on February 8, 2021 to deny its petition. The new hearing was set for the week of October 18, 2021.

h. On September 2020, ECA was notified of an administrative claim filed at the Ensenada Municipality, by two companies. They are suing for the annulment of several municipal administrative permits and licenses issued in favor of ECA, related to the liquefaction plant, arguing that such permits were granted over land that they owned. The Ensenada Municipality granted a suspension of the permits and licenses, until a ruling is issued regarding their legality. ECA filed its answer to the administrative claim, defending the legality of the permits and its property titles, petitioning for a quick dismissal of the case, and requesting that the plaintiffs file a bond to guarantee possible damages because of the suspension of the permits. This procedure was concluded without adverse effects for the Company.

i. On April 29, 2020, Mexico's CENACE issued an order that sought to safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. It also restricts the generation of renewable projects in operation under the Electricity Industry Law, preventing the energy they produce from being injected into the national electricity system of Mexico. IEnova's projects affected by the order filed amparo claims (constitutional protection lawsuit), in May and June 2020, and obtained the definitive suspension of the CENACE order until the claims are resolved by the courts. It should be noted that ESJ is not affected because it is not interconnected to the Mexican Electric grid.

On May 15, 2020, Mexico's SENER published a policy to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. Likewise, the affected group companies filed amparo claims to combat the policy, which ended early. This is due to the fact that, before the publication of the Reform to the LIE, SENER itself will leave its Reliability Policy unsubstantiated by publication in the Official Gazette of the Federation (DOF) on March 4, 2021.

On May 28, 2020, the CRE approved an update of the transmission rates included in the renewable energy contracts based on previous LIE regime (legacy contracts), based on the assertion that the transmission rates of the legacy contracts do not they reflect fair and proportionate costs to provide the applicable services and thus created unfair competitive conditions. IEnova's projects that are currently holders of such legacy contracts recover from their energy consuming partners any increase in transmission rates. However, IEnova's projects challenged the resolution of the CRE by filing amparo claims and have obtained the definitive suspension of the act claimed during the proceedings. An unfavorable final decision on these amparo claims may affect our ability to operate our wind and solar facilities under the legacy regime, which could have an immaterial adverse impact on operating results and cash flows, as well as our ability to recover the book values of our investments in renewable energy in Mexico.

In October 2020, the CRE approved a resolution to amend the rules for the inclusion of new Self - Supplied partners of legacy generation and self-supply permits (the Self - Supplied Resolution), which became effective immediately.

The Self - Supplied Resolution prohibits self-supply permit holders from adding new partners that were not included in the original development or expansion plans, making modifications to the amount of energy allocated to the named Self - Supplied partners, and including load centers that have entered into a supply arrangement under Mexico's Electricity Industry Law. Don Diego Solar and Border Solar and the Ventika wind power generation facilities are holders of legacy self-supply permits and are impacted by the Self - Supplied Resolution. If IEnova is not able to obtain legal protection for these impacted facilities, IEnova expects it will sell Border Solar capacity and a portion of the Don Diego Solar capacity affected by the Self - Supplied Resolution into the wholesale electricity market. Currently, prices in the spot market are significantly lower than the fixed prices in the Purchase Power Agreement ("PPA") that were entered into under self-supply permits conditions. IEnova filed lawsuits against the Self - Supplied Resolution and is evaluating the way to obtain injunctive relief that would allow Don Diego and Border Solar to deliver electric power to their Self - Supplied partners while a final decision is reached in the lawsuits it has filed.

Finally, on March 9, 2021, a Reform to the LIE was published in the DOF that significantly changes Mexico's regulation on renewable energy and includes the following key elements:

i. changes the criterion of electricity dispatch, from an economic criterion to one of reliability, that is, instead of dispatching the cheapest energy first, it proposes dispatching the energy generated by CFE first, regardless of its cost and source of generation (fossil or renewable)
ii. provides CFE-owned non-renewable electricity generation facilities with preferential access or easier access to Mexico's national electricity grid, while increasing grid access restrictions for renewable energy facilities;
iii. grants CRE and CENACE broad authority to approve or deny permits and requests for interconnection of renewable energy producers; and
iv. imposes restrictive measures in the renewable energy sector, including the requirement that all permits and interconnection agreements include an early termination clause in the event that the renewable energy project does not make certain additional improvements, at the request of the CRE or CENACE, according to a specific schedule.

IEnova's renewable energy projects, including those under construction and in service, as well as IEnova Suministro Calificado, initiated amparo claims, projects under the self-supply regime (legacies) on March 23, 2021, projects under the LIE on March 26 March 2021 and IEnova Suministro Calificado on April 22, 2021 to date, in all cases there is suspension of the application of the Reform to the LIE pending the resolution of the respective amparo trial.

We cannot predict the resolution of lawsuits will have on the Mexican economy and the Company's business. These circumstances could have a material effect on our cash flows, our financial condition, results of operations and / or our prospects.

j. IEnova Marketing generates monthly balances in favor of VAT which it requests in refund. Recently, the Tax Authority has partially denied the refund of VAT, which amount to $19.0 million approximately. The Company stared a legal procedure. It is important to mention that under Company and its legal Advisor's opinion, there are enough legal arguments to recover these amounts, therefore it was not recorded any allowance.

k. DEN Tax refund. DEN generates monthly balances in favor of VAT which it requests in refund. Recently, the Tax Authority has denied the refund of VAT, which amount to \$2.0 million (40 million pesos) approximately. The Company stared a legal procedure. It is important to mention that under Company and its legal Advisor's opinion, there are enough legal arguments to recover these amounts.

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	935,908,312	935,913,302
Sempra Energy Holdings IX, B.V.	10	-	10
	5,000	935,908,312	935,913,312

The Company's capital is divided into shares of common stock issued in ordinary 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 National Securities Registry. On the offering date, on which the registration of the Company's shares with the National 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, no par value, 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, 2020 (Mexican Pesos)			
Shareholders	**Number of shares**	**Fixed capital**	**Variable capital**	**Total**	**Total equity (in thousands of U.S. Dollars)**
Semco Holdco, S. de R. L. de C. V.	1,019,038,312	50,000	10,190,333,120	10,190,383,120	$ 520,976
Public investors	433,242,720	-	4,332,427,200	4,332,427,200	222,525
	1,452,281,032	50,000	14,522,760,320	14,522,810,320	$ 743,501

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."

With the exception of the year ended on December 31, 2020, for the three-year periods ended December 31, 2019 and 2018, the Company paid dividends on three occasions:

- On November 14, 2019, in the amount of USD$220.0 million; and

- On August 21, 2018, in the amount of USD$210.0 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 not to be 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, which is why 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, 2020, 2019 and 2018 and the consolidated statements of financial position data as of December 31, 2020, 2019 and 2018 from its audited financial statements included elsewhere in this report.

The financial statements for fiscal year 2018 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 28 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 37 to our financial statements of such period.

Consolidated Statements of Profit

(in thousands of U.S. Dollars)	**Year ended December 31,**		
	2020	**2019**	**2018**
Revenues	1,261,301	1,379,256	1,368,555
Cost of revenues	(297,901)	(391,093)	(385,791)
Operating, administrative and other expenses	(234,688)	(210,325)	(214,519)
Depreciation and amortization	(161,972)	(155,799)	(137,157)
Interest income	58,513	45,665	27,449
Finance cost	(144,319)	(132,849)	(122,879)
Other gains (losses), net	(31,764)	25,619	8
Profit before income taxes and share of profits of joint ventures	**449,170**	**560,474**	**535,666**
Income tax expense	(145,936)	(132,558)	(143,064)
Share of profits of joint ventures, net of income tax	157,832	39,769	37,984
Profit for the year	**461,066**	**467,685**	**430,586**

Consolidated Statements of Financial Position

(in thousands of U.S. Dollars)	As of December 31,		
	2020	**2019**	**2018**
Assets			
Current assets:			
Cash and cash equivalents	291,993	57,966	51,764
Trade and other receivables, net	182,587	139,407	153,649
Other current assets[(1)]	330,052	268,208	258,528
Total current assets	**809,630**	**465,581**	**463,941**
Non-current assets:			
Due from unconsolidated affiliates	787,183	744,609	646,297
Finance lease receivables	926,795	921,270	932,375
Deferred income tax assets	100,650	89,898	80,853
Investments in joint ventures	783,428	625,802	608,708
Property, plant and equipment, net	5,048,512	4,637,962	4,086,914
Intangible assets	170,993	180,867	190,772
Goodwill	1,638,091	1,638,091	1,638,091
Other non-current assets[(2)]	201,142	248,426	120,646
Total non-current assets	**9,656,794**	**9,086,925**	**8,304,656**
Total assets	**10,466,424**	**9,552,506**	**8,163,859**
Liabilities and Stockholders' equity:			
Short-term debt	839,287	1,235,379	870,174
Due to unconsolidated affiliates	61,817	24,471	310,696
Other current liabilities[(3)]	338,272	333,682	264,761
Current liabilities	**1,239,376**	**1,593,532**	**1,445,631**
Non-current liabilities			
Long-term debt	2,838,711	1,818,331	1,675,192
Due to unconsolidated affiliates	272,857	233,597	75,161
Deferred income tax liabilities	604,229	565,957	566,892
Other non-current liabilities[(4)]	384,456	383,852	251,971
Total non-current liabilities	**4,105,251**	**3,001,737**	**2,569,216**
Total liabilities	**5,344,627**	**4,595,269**	**4,014,847**
Stockholders' equity			
Common stock	743,501	955,239	963,272
Additional paid-in capital	2,320,385	2,342,883	2,351,801
Treasury shares	0	—	(7,190)
Accumulated other comprehensive loss	(186,241)	(130,919)	(104,105)
Retained earnings	2,239,395	1,777,280	1,536,662
Total equity attributable to owners of the company	**5,117,040**	**4,944,483**	**4,740,440**
Non-controlling interests	**4,757**	**12,754**	**13,310**
Total stockholders' equity	**5,121,797**	**4,957,237**	**4,753,750**
Total stockholders' equity and liabilities	**10,466,424**	**9,552,506**	**8,768,597**

(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,		
	2020	2019	2018
Acquisitions for property, plant and equipment	560,728	613,624	392,073
IEnova EBITDA	**728,712**	**777,838**	**768,245**
IEnova Adjusted EBITDA	**1,006,123**	**938,172**	**876,366**
IEnova Adjusted EBITDA by business segment:			
Gas segment	409,930	425,385	454,291
Storage segment	185,924	188,574	179,690
Power segment	132,280	156,957	129,494
Corporate & others	578	6,922	4,770
JV EBITDA Adjustment	277,411	160,334	108,121

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) financing cost, net, (3) other gains (losses), net, (4) income tax expense, (5) 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 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.

Selected Financial Quarterly Information

(thousands of USD$, except data per share)	Three months ended December 31, 2020	2019
Revenues	$ 322.499	$ 326,865
Profit before income tax and share of profits of joint ventures	229,277	253,400
Profit for the period	141,586	143,741
Earnings per share	$ 0.10	$ 0.09

In the fourth quarter of 2020, revenues were $322.5 million, compared with $326.9 million in the same period of 2019. The decrease of $4.4 million was mainly related to a three-week scheduled maintenance in December at Termoeléctrica de Mexicali power plant, lower performance at Ventika, partially offset by higher volume and price of natural gas sold and higher transportation rates.

In the fourth quarter of 2020, IEnova Adjusted EBITDA decreased 10 percent to $229.3 million, compared with $253.4 million in the same period of 2019. The decrease of $24.1 million was mainly due to lower results at Termoeléctrica de Mexicali power plant related to a three-week scheduled maintenance in December, lower performance at Ventika and higher operating expenses.

In the fourth quarter of 2020, profit was $141.6 million, compared with $143.7 million in the same period of 2019. The decrease of $2.1 million was mainly due to EBITDA drivers mentioned above, partially offset by non-cash exchange rate effects.

b) Financial Information by Business Segment

Segment Information

Below is a presentation of the Company's financial information by business segment, in accordance with the Company's Audited Financial Statements.

Products and Services from which Reportable Segments Derive Their Revenues

Starting in the first quarter of 2020, the Company has restructured the reporting segments it had employed previously when reporting information. This change does not have an effect on its accounting policies nor on the basis on which it prepares financial information. The change responds to the way in which management will assess and review performance for the business. Information is uniformly revealed based on the new 2020 segments. The new reporting segments are Gas, Storage, and Power. For more information, please see notes 1 and 27 of the Financial Statements as of December 31, 2020 included in this Report.

The Company's assets are divided into three operational segments:

- The Gas Segment, which includes pipeline transportation of natural gas and ethane, compression stations, and sales and distribution of natural gas.;
- The Storage Segment, which includes LNG storing and regasification; LPG storing and pipelines and storing of refined products; and
- The Power Segment, which includes a natural-gas-fired combined-cycle plant, and wind and solar parks. The Company's assets generate revenues primarily under long-term U.S. Dollar-denominated contracts, which are predominantly entered into with counterparts of recognized solvency.

In addition, certain revenues and costs that are not directly attributable to either of the Company's operating segments are reported as corporate revenues 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 and, 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 the 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,		
	2020	**2019**	**2018**
Domestic Revenue	1,092,760	1,177,069	1,152,768
Export Revenue	168,541	202,187	215,787
Total Revenue	**1,261,301**	**1,379,256**	**1,368,555**

Results of Operations by Business Segment

The following are the Company's results of operations by segment as of December 31, 2020, 2019 and 2018:

	2020				
	Gas	**Storage**	**Power**	**Corporate and eliminations**	**Consolidated**
External revenue	$ 805,377	$ 159,963	$ 289,816	$ 6,145	$ 1,261,301
Intercompany revenue	60,805	83,503	—	(144,308)	—
Revenue	866,182	243,466	289,816	(138,163)	1,261,301
Cost of revenue	(334,425)	(256)	(106,342)	143,122	(297,901)
Operating costs, administration and others	(121,827)	(57,286)	(51,194)	(4,381)	(234,688)
EBITDA	409,930	185,924	132,280	578	728,712
Depreciation and amortization	(67,977)	(47,516)	(47,255)	776	(161,972)
Operating income	341,953	138,408	85,025	1,354	566,740
Interest income					58,513
Financial costs					(144,319)
Other (loss), net					(31,764)
Profit before income tax and share of profits of joint ventures					449,170
Income tax expense					(145,936)
Share of profits of joint ventures					157,832
Profit of the period					$ 461,066

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

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

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

	As of 12/31/20	12/31/19	12/31/18
Assets by segment:			
Gas	$ 6,068,403	$ 5,795,587	$ 5,735,059
Storage	2,500,692	2,126,634	1,719,083
Power	1,864,801	1,720,286	1,408,760
Corporate and eliminations	32,528	(90,001)	(94,305)
Consolidated total assets	$ 10,466,424	$ 9,552,506	$ 8,768,597
Liabilities by segment:			
Gas	$ 2,166,265	$ 2,087,468	$ 2,125,645
Storage	1,053,231	776,212	408,176
Power	1,320,363	1,193,539	929,937
Corporate and eliminations	804,768	538,050	551,089
Consolidated total liabilities	$ 5,344,627	$ 4,595,269	$ 4,014,847

Other Information by Segment

	Property, plant and equipment			Accumulated depreciation		
	As of 12/31/20	12/31/19	12/31/18	As of 12/31/20	12/31/19	12/31/18
Gas	$2,483,361	$2,369,759	$2,251,708	$ (352,628)	$ (293,055)	$ (229,834)
Storage	2,199,294	1,892,969	1,592,817	(466,863)	(428,554)	(389,875)
Power	1,525,337	1,402,750	1,150,247	(303,287)	(265,568)	(232,776)
Corporate and eliminations	(27,244)	(31,160)	(46,917)	(9,458)	(9,179)	(8,456)
	$6,180,748	$5,634,318	$4,947,855	$(1,132,236)	$ (996,356)	$ (860,941)

	Depreciation and amortization			Additions to property, plant and equipment		
	Year ended 12/31/20	12/31/19	12/31/18	Year ended 12/31/20	12/31/19	12/31/18
Gas	$ 67,977	$ 63,238	$ 62,702	$ 132,338	$ 109,494	$ 93,221
Storage	47,516	46,544	39,571	297,950	287,340	125,590
Power	47,255	42,137	34,228	118,180	247,123	222,384
Corporate and eliminations	(776)	3,880	656	6,165	20,127	1,550
	$ 161,972	$ 155,799	$ 137,157	$ 554,633	$ 664,084	$ 442,745

Revenue by Segment

The following tables show the reformulated numbers from the previous operating segments disclosed:

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

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

Assets and liabilities by segment

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

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

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

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

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

In order to monitor segment performance and allocate resources among the segments:

i. All assets are allocated to a reporting segment. Goodwill is allocated to a reporting segment.

ii. All liabilities are allocated to a reporting segment except Corporate financing, mainly.

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,		
	2020	**2019**	**2018**
Distribution	58,395	72,880	74,671
Transportation	424,100	440,339	468,582
Sale of natural gas	322,882	381,571	360,488
Storage	159,963	156,477	153,716
Power	289,816	323,131	308,244
Corporate and others	6,145	4,858	2,854
	1,261,301	**1,379,256**	**1,368,555**

Other Operating Revenues

a. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $94.2, $102.1 and $98.5 million for the years ended

December 31, 2020, 2019 and 2018, 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.

c) Material Financing Arrangements

Revolving Loan Agreement with SMBC (Syndicated Revolver)

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, 2020, the amount of available unused credit is USD$1,108 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 Bilateral Credit Facility with The Bank of Nova Scotia (Bilateral Revolver)

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, 2020, the Company has borrowed under this facility in full.

Multilateral Credit Facility

As of December 31, 2020, our Multilateral Credit Facility consisted of the IFC and NADB Facility, the JICA Credit Facility and the DFC Credit Facility (each as defined below)

International Finance Corporation and North American Development Bank Credit Facility

On November 19, 2019, the Company signed a credit agreement with the IFC, member of the World Bank Group and NADB (together the "IFC and NADB Credit Facility"). The amount of the loan was USD$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% of the loan. The Company receives LIBOR and pays a fixed interest rate of 1.7775%.

JICA Credit Facility

On March 26, 2020, the Company entered into a 15-year credit facility (the "JICA Credit Facility") for US$100 million with JICA. The credit facility with JICA is part of a Multilateral Credit Facility and its financial structures. This credit facility accrues an interest rate of 6-month LIBOR plus 150 basis points. On March 27, 2020, the Company acquired interest-rate hedging financial instruments for the totality of the loan, swapping the LIBOR rate for a fixed 0.8775% rate.

DFC Credit Facility

On June 10, 2020, the Company entered into a 15-year credit facility (the "DFC Credit Facility") for US$241 million with the U.S. International Development Finance Corporation, The credit facility with DFC is part of a Multilateral Credit Facility and its financial structures. The credit facility accrues a 2.90% fixed-rate interest.

As of December 31, 2020, outstanding debt was at USD$541 million with the following bank breakdown:

Creditor	December 31, 2020
DFC	$ 241,000
IFC	100,000
NADB	100,000
JICA	100,000
	$ 541,000

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. The Company terminated this credit facility early, on October 9, 2020.

On October 15, 2020, the Company entered into a revolving credit facility for up to USD$100 million with The Bank of Nova Scotia. This credit facility accrues an interest rate of 6-month LIBOR plus a margin agreed upon on every payment. The 3-year credit facility allows for withdrawals of up to 6 months, which can be extended for 180-day periods for up to 3 years, at the discretion of the appointee. As of December 31, 2020, the Company had withdrawn the totality of the credit facility.

On October 9, 2020, the Company entered into a revolving credit facility for up to USD$20 million with Scotiabank. This credit facility accrues an interest rate of 1-month LIBOR or 28-day TIIE, plus a margin agreed upon on every payment. The 3-year credit facility allows for withdrawals of up to 6 months, in either Mexican pesos or U.S. Dollars.

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.

On September 15, 2020, the Company completed an international offering of US$800 million 4.75% Senior Notes, due in 2051.

The Senior Notes received an investment grade rating from Fitch (BBB), Moody's (Baa2) and Standard & Poor's (BBB). The Company used part of the net resources from the Notes, equivalent to approximately USD$770 million, to finance short-term debt, including a revolving credit facility, and 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 Facility

On December 5, 2013, IEnova Pipelines entered into a USD$490 million credit facility 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, 2020, the outstanding debt amounts to approximately USD$207.4 million, with the following breakdown of creditor banks:

Creditor		12/31/2020
BBVA	$	103,724
MUFG		41,490
Mizuho		15,798
Norinchukin		15,319
NordLB		31,117
	$	**207,450**

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
San Fernando Pipeline	USD$ 130 million
TDF LPG Pipeline	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, 2020, the outstanding debt is USD$395.4 million with the following breakdown:

Creditor		12/31/2020
Santander		58,448
Banobras		81,970
NADB		127,509
Bancomext		63,754
NAFIN		63,754
	$	**395,436**

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% and 3.68% 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 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, 2020, 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.

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 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 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. The applicable interest rate is LIBOR plus 90 basis points and interest is payable on a quarterly basis. On August 21, 2020, the Company signed an amending agreement to extend the maturity date to August 21, 2022. As of December 31, 2020, the Company has not made any disbursement on the credit facility.

As of December 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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.

Business Segments

Starting in the first quarter of 2020, the Company has restructured the reporting segments it had employed previously when reporting information. This change does not have an effect on its accounting policies nor on the basis on which it prepares financial information. The change responds to the way in which management will assess and review performance for the business. Information is uniformly revealed based on the new 2020 segments. The new reporting segments are Gas, Storage, and Power. For more information, please see notes 1 and 27 of the Financial Statements as of December 31, 2020 included in this Report.

The Company's assets are divided into three operational segments:

- The Gas Segment, which includes pipeline transportation of natural gas and ethane, compression stations, and sales and distribution of natural gas.;
- The Storage Segment, which includes LNG storing and regasification; LPG storing and pipelines and storing of refined products; and
- The Power Segment, which includes a natural-gas-fired combined-cycle plant, and wind and solar parks. The Company's assets generate revenues primarily under long-term U.S. Dollar-denominated contracts, which are predominantly entered into with counterparts of recognized solvency.

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 Banco de México statistics for 2020, 2019, and 2018, Mexico's GDP at constant 2013 prices, registered a variation of -8.2%, -0.1%, and 2.2%, respectively.

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 government 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 CRE. Accordingly, the Company cannot unilaterally modify these prices, fees, and rates, which restricts the Company's operational flexibility. CRE 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 CFE 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. CRE 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 23.7 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 24.1 to the Company's Audited Financial Statements, included elsewhere in this Report.

Tax Reform

Tax legislation in Mexico has undergone various modifications so there is no guarantee that the legal regime, including, but not limited to, in tax matters will not undergo modifications in the future. Among the changes and considerations, we have the following:

a. On December 8, 2020, the Decree by which various provisions of the Income Tax Law, the Value Added Tax Law, and the Tax Code of the Federation (the "Tax Reform"), which entered into force on January 1, 2021. Among the main changes are the following:

i. ***Income Tax***

◦ Several modifications are made to the regime applicable to authorized donees, among them that various entities that pay taxes under the regime of legal entities for non-profit purposes must have an authorization to receive deductible donations.

◦ The retention rates applicable to individuals who obtain income through technological platforms are modified. Likewise, the sanction provided for in the Value Added Tax Law is approved in the event of non-compliance with the obligations to withhold and pay income tax.

ii. ***VAT***

◦ It is established as a sanction to foreign technology platforms that when they incur serious tax omissions, they can block internet access to their services.

iii. ***Federal Tax Code***

◦ With respect to the general anti-abuse rule included in article 5-A of the Federal Tax Code, it is clarified that the resolution that derives from the application of said article must be limited to the determination of a tax credit derived from the reclassification of operations from the fiscal point of view, without implying that said resolution determines criminal consequences for taxpayers.

◦ New assumptions are added for which the certificates issued by the Tax Administration Service ("SAT") will be definitively canceled, for example, when the tax authorities detect that the taxpayer issuing digital tax receipts did not disprove the presumption of nonexistence of the operations covered by said vouchers and, therefore, it is definitely in that situation under the terms of Paragraph 4 of Article 69-B of the Federal Tax Code.

◦ Refund requests will not be considered submitted when the taxpayer, or the address indicated by him, are not located before the Federal Taxpayers Registry. The term that the authorities have to notify taxpayers regarding the resolution extends from ten to twenty business days.

◦ It was approved to establish within the assumptions that conform to the accounting that the taxpayer must keep for as long as the company or contract in question subsist all the information and documentation necessary to implement the agreements reached as a result of the procedures resolution of controversies contained in the treaties to avoid double taxation.

- Likewise, to support the information contained in the meeting minutes in which the capital increase is recorded, it is established that the information and supporting documentation of said increase must also be available, such as bank statements, appraisals made, minutes containing capital reserves or decreed dividends, as well as the corresponding accounting records.

- In the case of the capitalization of liabilities, it was also approved that the meeting minutes should be kept in which said acts are recorded, as well as the documents that certify the accounting existence and the value of the liability, documents that must meet the requirements for such effects issued by the SAT through general rules.

- The adoption of a conclusive resolution may only be requested from the beginning of the powers of verification and up to within twenty days after the one in which the final act has been drawn up, the notice of observations or the provisional resolution is notified, depending on the case.

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, 2020, 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 Reform.

b. On December 31, 2018, the Decree of fiscal incentives for the Northern Border Region (the Decree) was published in the Official Gazette of the Federation, which entered into force as of January 1, 2019, which had an original validity. of two years, 2019 and 2020. However, its validity was extended until December 31, 2024 through the Decree that modifies the various tax incentives for the northern border region published in the Official Gazette of the Federation on 30 December 2020.

The purpose of the Decree is to strengthen the economy on the northern border of the country, stimulate and encourage investment, promote productivity, and contribute to the creation of sources of employment. Said 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 stimuli consist of the following:

i. A tax credit for the equivalent of one third of the Income Tax (ISR) for the year or provisional payments related to the income obtained in the region, except those derived from intangible assets and digital commerce.
ii. A 50% reduction in 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 for the sale of real estate and intangibles and the provision of digital content .

c. On November 12, 2020, the Federal Executive presented a bill before the Congress of the Union that contains various reforms to the Federal Labor Law, Social Security Law, Law of the Institute of National Housing Fund for Workers, Federal Tax Code, Income Tax Law and the Value Added Tax Law, with the aim of regulating the personnel subcontracting regime ("outsourcing") in our country.

The initiative was approved on April 13 by the Chamber of Deputies and on April 20 by the Chamber of Senators, therefore, for its entry into force, only approval and publication by the Federal Executive is pending.

The approved reform will affect the operation of companies in Mexico, since it will eliminate the possibility of having service providers within the same group or through third parties (outsourcing), the foregoing even if they promptly comply with all their tax, labor and social security obligations.

In general, the approved reform consists of the following:

- Outsourcing schemes are prohibited by law.

- As the only exception, it is established that the provision of specialized services or the execution of specialized works, which are not part of the corporate purpose or the economic activity of the beneficiary of the services, will not be considered subcontracting of personnel. Said exception includes those complementary or shared services or works provided between companies of the same business group.

- The contractor must register in the public registry of specialized services from the Ministry of Labor and Social Welfare *(Secretaría del Trabajo y Previsión Social, STPS)* to operate as a provider of specialized services.

- Economic sanctions are established for employers who benefit from subcontracting and fail to comply with the new applicable provisions.

- For tax purposes, it is generally established that tax receipts issued due to the subcontracting of personnel may not have tax effects. That is, the expense will not be deductible for income tax purposes and the corresponding value added tax will not be creditable.

- The contractors of the aforementioned specialized services will be jointly and severally liable for the contributions payable by the contractor derived from the remuneration for subordinate personal work to guarantee that they are retained and paid in time.

- It is foreseen to establish as qualifying for the commission of the crime of tax fraud and its equivalents, the use of simulated schemes for the provision of specialized services or the execution of specialized works, as well as the execution of the subcontracting of personnel.

- The amount of workers' profit sharing (PTU) that is paid to workers will have a maximum limit of three months of the worker's salary or the average of the participation received in the last three years; the amount that is most favorable to the worker will be applied.

It is expected that the reform will be published in the Official Gazette of the Federation on May 1, 2021 and will enter into force the day after its publication, with the exception of the reforms to the Federal Tax Code, Income Tax Law, Value Added Tax Law and the obligation for contractor companies to be registered in the register of the Ministry of Labor and Social Welfare, which will enter into force on August 1, 2021.

Market Risks Associated with the Power Plant

The results of the TDM power generation plant could be affected by market conditions, since it currently operates through direct offers in the wholesale energy market in California (CAISO). TDM currently sells its capacity in medium and long-term markets, while energy is sold mainly in the short-term market. Energy revenues depend directly on market conditions at the time of sale, so the Company's projections may vary due to:

- The amount or timing of income you may have from energy sales;

- Operating profit, that is, the differential between the cost of operations and income from energy sales;

- The effect of competition with other power generators;

- Regulatory acts or changes that could affect the behavior of the market;

- Participation in new programs on climate change;

- The demand for energy in the markets in which TDM operates, in relation to the available supply; or

- The availability of transmission to support the sale of energy.

Some of the wholesale markets served by power plants have experienced significant price drops due to excess renewable supply in periods of low net demand. The results of the TDM power generation plant could be adversely affected if it is unable to sell its production at prices sufficient for the Company to obtain a reasonable profit. The Company manages the risks at TDM by optimizing a mix of future power and capacity sales, daily and hourly sales of power and ancillary services in the short-term (spot) market, as well as structured longer-term financial transactions. The Company uses these measures to improve the certainty of profit and / or reduce the risk of decreased income or losses, however, it cannot assure the operation of said risk management measures or how successful said measures may be and entering into long-term contracts can be difficult or unattractive.

i) Results of Operations for the Years Ended December 31, 2020, 2019 and 2018

The following table shows comprehensive income and the corresponding variations for the years ended on December 31, 2020, 2019, and 2018. Results presented are after eliminating inter-company transactions.

(in thousands of U.S. Dollars, except the percentages)	Year ended December 31,			Change		Change	
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
Revenues	1,261,301	1,379,256	1,368,555	(125,229)	(9.1)%	10,701	0.8 %
Cost of revenues	(297,901)	(391,093)	(385,791)	93,192	(23.8)%	(5,302)	1.4 %
Operating, administrative and other expenses	(234,688)	(210,325)	(214,519)	(17,089)	8.1 %	4,194	(2.0)%
Depreciation and amortization	(161,972)	(155,799)	(137,157)	(6,173)	4.0 %	(18,642)	13.6 %
Interest income	58,513	45,665	27,449	12,848	28.1 %	18,216	66.4 %
Finance cost	(144,319)	(132,849)	(122,879)	(11,470)	8.6 %	(9,970)	8.1 %
Other gains (losses), net	(31,764)	25,619	8	(57,383)	n.s.	25,611	n.s.
Profit before income taxes and share of profits of joint ventures	449,170	560,474	535,666	(111,304)	(19.9)%	24,808	4.6 %
Income tax expense	(145,936)	(132,558)	(143,064)	(13,378)	10.1 %	10,506	(7.3)%
Share of profits of joint ventures, net of income taxes	157,832	39,769	37,984	118,063	n.s.	1,785	4.7 %
Profit for the year	461,066	467,685	430,586	(6,619)	(1.4)%	37,099	8.6 %

Adjusted IEnova EBITDA

The following table shows comprehensive income and the corresponding variations for the years ended on December 31, 2020, 2019, and 2018. Comprehensive income is presented after eliminating inter-company transactions.

(in thousands of U.S. Dollars, except the percentages)	Year ended December 31,			Change			
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
IEnova EBITDA							
Gas segment	409,930	425,385	454,291	(15,455)	(3.6)%	(28,906)	(6.4)%
Storage segment	185,924	188,574	179,690	(2,650)	(1.4)%	8,884	4.9 %
Power segment	132,280	156,957	129,494	(24,677)	(15.7)%	27,463	21.2 %
Corporate and eliminations	578	6,922	4,770	(6,344)	(91.6)%	2,152	45.1 %
Total IEnova EBITDA	728,712	777,838	768,245	(49,126)	(6.3)%	9,593	1.2 %
Joint Ventures IEnova EBITDA	277,411	160,334	108,121	117,077	73.0 %	52,213	48.3 %
Total Adjusted IEnova EBIDA	1,006,123	938,172	876,366	67,951	7.2 %	61,806	7.1 %

Gas Segment

In 2020, Gas Segment IEnova EBITDA decreased USD$15.5 million or 3.6% with respect to 2019, mainly due to revenue deferment at the Guaymas-El Oro pipeline and a one-time distribution rates true-up at ECOGAS Chihuahua in 2019, partially offset by higher transportation rates.

In 2019, Gas Segment IEnova EBITDA decreased USD$28.9 million or 6.4% with respect to 2018, mainly due to revenue deferment distribution at the Guaymas-El Oro pipeline, higher operating expenses, and lower transportation fees, partially offset by higher natural gas distribution fees.

Storage Segment

In 2020, Storage Segment IEnova EBITDA was in line with the same period of 2020.

In 2019, Storage Segment IEnova EBITDA increased USD$8.9 million, or 4.9% with respect to 2018, mainly due to higher storage fees and lower expenses at the Veracruz marine terminal related to the 2018 API concession fee resulting from the adoption of a new IFRS 16 leases accounting in 2019.

Power Segment

In 2020, Power Segment IEnova EBITDA decreased USD$24.7 million, or 15.7% with respect to 2019, mainly due to lower operational results at the Termoeléctrica de Mexicali power plant and lower performance at Ventika, partially offset by the start of operations during 2019 of the Pima, Rumorosa, and Tepezalá solar facilities.

In 2019, Power Segment IEnova EBITDA increased USD$27.5 million, or 21.2% with respect to 2018, mainly due to better operational results at the Termoeléctrica de Mexicali power plant and at Ventika, and to the start of operations of the Pima, Rumorosa, and Tepezalá solar facilities.

Joint Ventures

In 2020, Joint Ventures IEnova EBITDA increased USD$117.1 million, or 73% with respect to 2019, mainly due to the start of operations of the South Texas-Tuxpan pipeline in September 2019, partially offset by non-capitalized development expenses in the ECA Liquefaction project.

In 2019, Joint Ventures IEnova EBITDA increased USD$52.2 million, or 48.3% with respect to 2018, mainly due to the start of operations of the South Texas-Tuxpan pipeline.

Revenues

The following table shows revenue and the corresponding variations for the years ended on December 31, 2020, 2019, and 2018. Revenues by segment are presented after eliminating inter-company transactions

(in thousands of U.S. Dollars, except the percentages)	**Year ended December 31,**			**Change**			
	2020	**2019**	**2018**	**2020 vs 2019**		**2019 vs 2018**	
Revenues							
Gas segment	805,377	894,790	903,741	(89,413)	-10.0 %	(8,951)	(1.0)%
Storage segment	159,963	156,477	153,716	3,486	2.2 %	2,761	1.8 %
Power segment	289,816	323,131	308,244	(33,315)	-10.3 %	14,887	4.8 %
Corporate and others	6,145	4,858	2,854	1,287	26.5 %	2,004	70.2 %
Total revenues	1,261,301	1,379,256	1,368,555	(117,955)	-8.6 %	10,701	0.8 %

Gas Segment

In 2020, Gas Segment Revenues decreased USD$89.4 million, or 10% with respect to 2019, mainly due to USD$67.5 million from lower price of natural gas sold (offset in cost of revenues), USD$32.6 million from revenue deferment at the Guaymas-El Oro Pipeline, and USD$5.0 million of one-time distribution rates true-up at ECOGAS Chihuahua in 2019, partially offset by USD$17.2 million from higher transportation rates.

In 2019, Gas Segment Revenues decreased USD$9.0 million, or 1.0% with respect to 2018, mainly due to USD$23.3 million revenue deferment at the Guaymas-El Oro Pipeline, partially offset by USD$9 million from a higher volume, net of lower price of natural gas sold and USD$6.8 million mainly from higher natural gas distribution rates.

Storage Segment

In 2020, Storage Segment Revenues were in line with the same period of 2019.

In 2020, Storage Segment Revenues increased USD$2.8 million, or 1.8% with respect to 2018, mainly due to USD$2.4 million in higher transportation rates.

Power Segment

In 2020, Power Segment IEnova EBITDA decreased USD$33.3 million, or 10.3% with respect to 2019, mainly due to lower volume, net of higher prices at the Termoeléctrica de Mexicali power plant and USD$11.7 million from lower performance at Ventika, partially offset by USD$15.2 million from the start of operations during 2019 of the Pima, Rumorosa, and Tepezalá solar facilities.

In 2019, Power Segment IEnova EBITDA increased USD$14.9 million, or 4.8% with respect to 2018, mainly due to USD$11.1 million from the start of operations of the Pima, Rumorosa, and Tepezalá solar facilities and USD$5.7 million in Ventika mainly from guaranteed availability.

Depreciation and Amortization

In 2020, depreciation and amortization was USD$162.0 million, compared with USD$155.8 million for 2019. The increase of USD$6.2 million was mainly due to the start of operations of Pima, Rumorosa and Tepezalá solar facilities.

In 2019, depreciation and amortization was USD$155.8 million, compared with USD$137.2 million for 2018. The increase of USD$18.6 million was mainly due to the adoption of a new IFRS 16 leases accounting in 2019, the start of operations of Pima, Rumorosa and Tepezalá solar facilities, and the depreciation of the Termoeléctrica de Mexicali power plant, which resumed during the second quarter of 2018, after management formalized it decision to suspend the sell.

Financing Cost, Net

In 2020, financing cost, net was USD$85.8 million, compared with USD$87.2 million in 2019. The decrease of USD$1.4 million was mainly due to higher interest income related to the shareholder's loan granted to the South Texas-Tuxpan pipeline offset by higher finance cost.

In 2019, financing cost, net 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 the South Texas-Tuxpan pipeline, partially offset by the adoption of a new IFRS 16 leases accounting in 2019.

Other Gains (Losses)

In 2020, other losses were USD$31.7 million, compared with other gains of USD$25.6 million in 2019. The variance of USD$55.9 million is mainly 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 from Joint Ventures.

In 2019, other gains were USD$25.6 million, compared with other gains of USD$0.0 million in 2018. The increase of USD$25.6 million is mainly 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 from Joint Ventures.

Income Tax Expense

In 2020, income tax expense was USD$145.9 million, compared with USD$132.6 million in 2019. The increase of USD$13.3 million is primarily due to exchange rate effects and inflation over the tax basis of property, plant and equipment that are valued in Mexican pesos for tax purposes, partially offset by the exchange rate on monetary assets and liabilities.

In 2019, income tax expense was USD$32.6 million, compared to USD$143.1 million in 2018. The decrease of USD$10l5 million is primarily due to exchange rate effects on the tax basis of property, plant and equipment that are valued in Mexican pesos for tax purposes and the effect of tax stimuli, partially offset by the exchange rate on monetary assets and liabilities.

Share of Profits of Joint Ventures, Net of Income Tax

In 2020, our share of profits of joint ventures, net of income tax was USD$157.8 million, compared to USD$39.8 million in 2019. The increase of USD$118.0 million was mainly due to the start of operations of South Texas-Tuxpan Pipeline in September 2019 and the foreign exchange rate effects primarily related to a peso-denominated shareholder's loan, offset by higher finance cost. The foreign exchange rate effects are offset in Other Gains (Losses), net.

In 2019, our share of profits of joint ventures, net of income tax was USD$39.8 million, compared to USD$38.9 million in 2018. The increase of USD$1.8 million was mainly due to the start of operations of South Texas-Tuxpan Pipeline loan, partially offset by its effect on the exchange rate fluctuation primarily related to a peso-denominated shareholder's loan. The foreign exchange rate effects are offset in Other (Gains) Losses, net.

Reconciliation of Profit for the Period to IEnova EBITDA and

IEnova Adjusted EBITDA

Following is the reconciliation of the IEnova EBITDA and IEnova Adjusted EBITDA.

	Year ended December 31,		
(in thousands of U.S. Dollars)	**2020**	**2019**	**2018**
		(unaudited)	
IEnova EBITDA reconciliation			
Profit for the period	461,066	467,685	430,586
Depreciation and amortization	161,972	155,799	137,157
Impairment of Termoeléctrica de Mexicali	—	—	0
Financing cost, net	85,806	87,184	95,430
Other losses (gains), net	31,764	(25,619)	(8)
Income tax expense	145,936	132,558	143,064
Share of (profits) of joint ventures, net of income tax	(157,832)	(39,769)	(37,984)
(1) IEnova EBITDA	**728,712**	**777,838**	**768,245**
JV IEnova EBITDA Adjustment reconciliation			
Profit for the period	157,832	39,769	37,984
Depreciation and amortization	31,470	14,426	6,350
Financing cost, net	85,920	65,908	34,576
Other (gains) losses, net	(41,390)	26,561	(3,238)
Income tax expense	43,579	13,670	32,449
(2) JV EBITDA Adjustment	**277,411**	**160,334**	**108,121**
(1+2) IEnova Adjusted EBITDA	**1,006,123**	**938,172**	**876,366**

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, highly solvent, 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 government 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)	**2020**	**2019**	**2018**
Net cash provided by operating activities	523,342	706,654	624,986
Net cash (used in) investing activities	(616,654)	(655,003)	(628,113)
Net cash (used in) generated by financing activities	323,822	6,637	(33,975)
Cash and cash equivalents at the end of the year	316,336	91,502	78,047

Operating Activities

In 2020, net cash provided by operating activities were USD$523.3 million, compared to USD$706.7 million in 2019, mainly due to changes in working capital, higher taxes, and lower results of operations.

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.

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 2020, net cash used in investing activities was USD$616.7 million, mainly due to capital expenditures of USD$560.7 primarily related to the solar and terminal projects, USD$85.3 million to fund the ESJ Expansion, and USD$32.5 million to fund ECA Liquefaction, which was partially offset by USD$55.5 million in interest payments from a shareholders loan grated to South Texas-Tuxpan and USD$7.6 million from a capital reduction related to the ESJ Expansion project.

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$628.1 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.

Financing Activities

In 2020, net cash provided by financing activities was USD$323.8 mainly due to USD$770.0 million from the Senior Notes issue, net expenses, net resources used to finance short-term debt, and USD$64.0 million from net of loans with unconsolidated affiliates, which were partially offset with USD$231.0 million from share repurchases, USD$138.4 million in line of credit payments, USD$119.1 million in interest payments, and USD$11.3 million in lease payments.

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.

Share Repurchase

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, April 30, 2019, and April 30, 2020, respectively, the constitution of fund for a share repurchase was approved, for a maximum amount of up to USD$500 million considering the Company's profits as of December 31 of 2018, 2019, and 2020, respectively.

The following table contains information about the shares acquired by the Company in 2018, 2019, and 2020, prior to the date of publication of this Report, through the program established for that purposes.

Period	Num. 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
May 2020	1,016,309	58.79	11,940,356,072	497,346,525
June 2020	2,677,847	64.29	11,768,188,736	489,666,542
July 2020	12,304,826	64.14	10,978,919,638	454,134,547
August 2020	14,121,889	65.66	10,051,701,133	412,387,280
September 2020	27,426,510	61.60	8,362,165,799	333,147,583
October 2020	19,575,399	69.81	6,995,670,590	269,276,866
	81,742,780			

Summary of Relevant Financial Position Data

(in thousands of U.S. Dollars)	As of December 31, 2020	2019	2018
Finance lease receivable, current	13,813	11,354	9,809
Finance lease receivable, non-current	926,795	921,270	932,375
Property, plant and equipment	5,048,512	4,637,962	4,086,914
Intangible assets	170,993	180,867	190,772
Goodwill(1)	1,638,091	1,638,091	1,638,091
Total assets	**10,466,424**	**9,552,506**	**8,768,597**
Current liabilities	1,239,376	1,593,532	1,445,631
Non-current liabilities	4,105,251	3,001,737	2,569,216
Total liabilities	**5,344,627**	**4,595,269**	**4,014,847**
Total liabilities and equity	**5,121,797**	**4,957,237**	**4,753,750**

In 2019 and 2020, 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.

Financial Ratios

	As of December 31,		
	2020	2019	2018
Current assets/current liabilities	0.7 times	0.3 times	0.3 times
Total liabilities/total assets	51%	48%	46%
Total liabilities/stockholder's equity	104%	93%	84%
Days of sales in accounts receivable	54 days	41 days	47 days

Outstanding Debt

Historical

	As of December 31,		
(in thousands of U.S. Dollars)	2020	2019	2018
Short-term debt	836,085	1,238,085	871,432
Short-term debt with unconsolidated affiliates	—	0	267,778
Long-term debt with unconsolidated affiliates	272,857	233,597	75,161
Long-term debt related to CEBURES	195,501	206,949	198,142
Long-term bank debt (includes Senior Notes)	2,835,600	1,705,790	1,512,875

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 which 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, 2020, the available, or unused amount of the revolving credit facility loan is USD$1,108 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, 2020, 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 September15, 2020, the Company issued USD$800 million in 4.75% Senior Notes, maturing in 2051.

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, the Company entered into a US$320 million revolving credit facility with Sempra Global for working capital and general corporate purposes. The credit facility has an interest rate of LIBOR plus 90 basis points, payable quarterly. On August 21, 2020, the Company signed an amending agreement to extend the maturity date to August 21, 2022. As of December 31, 2020, 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. The Company paid this credit in advance on October 9, 2020.

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 credit 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 October 9, 2020, the Company entered into a revolving credit facility for up to USD$20 million with Scotiabank. This credit facility accrues an interest rate of 1-month LIBOR or 28-day TIIE, plus a margin agreed upon on every payment. The 3-year credit facility allows for withdrawals of up to 6 months, in either Mexican pesos or U.S. Dollars. As of December 31, 2020, 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 October 9, 2020, 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

- Maintain assets in adequate conditions.
- Notify the credit agent of any effect that could trigger a material adverse effect or any information that could result in a change to the list of beneficiaries.
- Notify the credit agent of any claim or procedure before a government authority.

- Maintain in force all authorizations, licenses, and concessions that are required in the ordinary course of business.
- Maintain the necessary insurance in relation to assets
- Maintain control over subsidiaries

Negative Covenants

- Refrain from modifying the corporate purpose, spinning off, or merging with any other entity, or approving its liquidation, dissolution, or transformation.
- Refrain from transferring any rights to any subsidiary or entity that has incurred in violations to the sanctions established in the credit facility.
- Refrain from obtaining credit facilities of the same type as the one granted by the credit facility

Causes for 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 declares bankruptcy, dissolution, or liquidation.
- If Sempra Energy ceases to hold a 51% stake in the Company.
- If a material adverse effect or any information is triggered by any claim or procedure before a government authority.
- If any government authorities assume a 20% or higher stake in the Company's total assets.

On October 15, 2020, the Company entered into a revolving credit facility for up to USD$100 million with The Bank of Nova Scotia. This credit facility accrues an interest rate of 6-month LIBOR plus a margin to be agreed upon . The 3-year credit facility allows for withdrawals of up to 6 months, which can be extended for 180-day periods for up to 3 years, bank discretion of the appointee. As of December 31, 2020, 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 October 15, 2020, 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

- Maintain assets in adequate conditions.
- Notify the credit agent of any effect that could trigger a material adverse effect or any information that could result in a change to the list of beneficiaries.
- Notify the credit agent of any claim or procedure before a government authority.
- Maintain in force all authorizations, licenses, and concessions that are required in the ordinary course of business.
- Maintain the necessary insurance in relation to assets
- Maintain control over subsidiaries

Negative Covenants

- Refrain from modifying the corporate purpose, spinning off, or merging with any other entity, or approving its liquidation, dissolution, or transformation.

- Refrain from transferring any rights to any subsidiary or entity that has incurred in violations to the sanctions established in the credit facility.
- Refrain from obtaining credit facilities of the same type as the one granted by the credit facility

Causes for 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 declares bankruptcy, dissolution, or liquidation.
- If Sempra Energy ceases to hold a 51% stake in the Company.
- If a material adverse effect or any information is triggered by any claim or procedure before a government authority.
- If any government authorities assume a 20% or higher stake in 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, 2020, 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, 2020, had maturities ranging in March 2024 and accrued interest at average annual rates ranging from 1.67% . 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. On March 26, 2020, the Company entered into a USD$100 million 15-year credit facility with JICA. On June 10, 2020, the Company entered into a USD$241 15-year credit facility with DFC. This is 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, March 26, 2020, and June 10, 2020 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 government 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, 2020, 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 strategic 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, 2020, 2019, and 2018 the Company made capital expenditures of USD$560.7 million, USD$613.6 million, and USD$392.1 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 (in millions of U.S. Dollars)	**2021**	**2022**	**2023**
Gas	101	211	177
Power	51	12	4
Storage	217	147	22
Joint Ventures	127	76	52
Total Investment	**$ 496**	**$ 446**	**$ 255**

Contractual Arrangements

<u>Historical</u>

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	42,742	2,880	122,505	245,933	**414,060**
CEBURES	12,803	209,462	—	—	**222,265**
Bank loans	877,701	208,965	128,364	371,676	**1,586,706**
International debt (Senior Notes)	37,575	112,725	187,875	1,403,079	**1,741,254**
Multilateral Debt	13,768	48,643	104,615	492,435	**659,461**
Liabilities per leases	2,812	5,703	4,832	75,544	**88,891**
Derivative financial instruments	(8,264)	(141,806)	(7,805)	(3,659)	**(161,534)**
Total	979,137	446,572	540,386	2,585,008	**4,551,103**

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, 2020, 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 forecast transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for permissible losses, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can qualify as held-for-trading, which is the case for derivative financial instruments. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

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 corresponding 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 (in thousands of U.S. Dollars)	**As of December 31,**		
	2020	**2019**	**2018**
Interest rate swap and commodities	50,387	10,738	2,258
Total VaR exposure	47,868	10,201	2,145

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 23.7.1.

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 23.4).

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		
	12/31/20	12/31/19	12/31/18
U. S. Dollar functional currency subsidiaries	$ 1,047,389	$ 1,025,682	$ 907,113
Mexican Peso functional currency subsidiaries	20,890	26,462	32,146

	Financial liabilities		
	As of		
	12/31/20	12/31/19	12/31/18
U. S. Dollar functional currency subsidiaries	$ 921,593	$ 938,184	$ 860,870
Mexican Peso functional currency subsidiaries	18,380	47,867	31,325

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.

	As of December 31,			
	2020	2019	2018	Apr 11, 2021
One U.S. Dollar	$19.9487	$18.8452	$0.0197	$19.8695

Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 23.7. 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% change in foreign currency rates. The sensitivity analysis includes intercompany loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A negative number below indicates a decrease in profit or equity where the U.S. Dollar strengthens 10% against the Mexican Peso for U.S. Dollar functional currency subsidiaries. For a 10% weakening of the U.S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be positive.

For U.S. Dollar functional currency entities, the sensitivity analysis to changes in the Mexican Peso to U. S. Dollar exchange rate is determined on a pre-tax basis due to the complexity of determining the tax impacts (tax laws recognize taxable or deductible exchange gains and losses based on the U.S. Dollar monetary position, regardless of the functional currency).

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

(in thousands of U.S. Dollars)	U.S. Dollar-functional currency subsidiaries			Mexican peso-functional currency subsidiaries		
	2020	2019	2018	2020	2019	2018
Profit (loss)[(i)]	8,005	5,532	2,943	(444)	(916)	52
Other comprehensive income	—	—	—	(4,203)	2,865	414

[(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 swaps contracts entered into by the Company's JV's

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

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

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

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

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 corresponding 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, 2020, 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 21 of the Audited Financial Statements, as of December 31, 2020, 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 allow 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.

In January 2021, IEnova implemented a new enterprise resource planning system (ERP system) to replace its legacy system. The implementation improves user access security and increases automation of internal controls in IEnova's accounting, back office and financial reporting cycles, which we consider to be material to IEnova. Management has taken steps to ensure that controls were appropriately designed and implemented in connection with the integration of and transition to the new ERP system. IEnova continues to review and enhance the design and related documentation of its internal control over financial reporting in connection with its implementation of the new ERP system in order to maintain an effective control framework. See Note 35.2 to the Company's Audited Financial Statements included elsewhere in this Report.

e) 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.

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.

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.

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 JVs 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 and goodwill

Determining whether goodwill and long - lived assets is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated or generated by specific group of assets. 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.

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 24., 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.

MANAGEMENT

a) Independent Auditors

Independent auditors are Galaz, Yamazaki, Ruiz 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 Bylaws for External Auditors.

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, Ruiz 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$1.7 million during 2020. 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 83% 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 and application of procedures for reviewing reports and figures that were included in an offering memorandum of USD$0.3 million which represents 16% 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$0.02 million, which represents 1% 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, 2018, and in which one or more of its directors, senior officers or their corresponding 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, 2020

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, 2020:

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
TAG Pipelines Norte	64	64	5.50%	January 2024
Sempra Global	320	0	LIBOR + 90 pbs	August 2022

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, 2020, 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 Energéticos del Norte, S. de R. L. de C. V. ("DEN") entered into a USD$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, DEN 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.

On January 9, 2020, DEN entered into a credit facility for USD$65 million with TAG Pipeline Norte to fund working capital expenses and for corporate operations in general. It is a 4-year credit facility. It accrues a 6-month 5.50% interest rate.

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 has an interest rate of LIBOR plus 90 basis point payable on a quarterly basis. On August 21, 2020, the Company signed an amending agreement to extend the maturity date to August 21, 2022. As of December 31, 2020, the Company has not made any disbursements on this loan agreement.

Loans from Related Parties, fully repaid as of December 31, 2020

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 USD$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 USD$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, 2020, 2019, and 2018 the Company paid SGPM an aggregate of USD$6.4 million, USD$5.6 million, and USD$6.8 million, respectively, under this agreement. During the years ended December 31, 2020, 2019, and 2018 SGPM paid to the Company approximately USD$171.9 million, USD$196.0 million, and USD$182.0 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 in August 2016. During the years ended December 31, 2020, 2019, and 2018 the Company paid to SGPM an aggregate of USD$2.2 million, USD$2.4 million, and USD$2.2 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, 2020, 2019, and 2018 the Company paid approximately USD$3.6, USD$2.6 million, and USD$1.9 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, 2020, 2019, and 2018, the Company received USD$0.4 million, USD$0.4 million, and USD$0.7 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, 2020, 2019, and 2018, IEnova Marketing paid Sempra Natural Gas approximately USD$152.9 million, USD$228.6 million, and USD$202.6 million, respectively, for purchases of LNG under this agreement, and Sempra Natural Gas paid IEnova Marketing for indemnity purposes approximately USD$93.9 million, USD$101.6 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, 2020, 2019, and 2018, the Company paid Sempra U.S. Gas & Power approximately USD$6.4 million, USD$5.9 million, and USD$5.4 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, 2020, 2019, and 2018, the Company received approximately USD$1.6 million USD$1.8 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, 2020, 2019, and 2018, the Company paid Sempra International approximately USD$2.5 million USD$4.7 million, and USD$7.5 million, respectively, for these services.

Agreements with Joint Ventures

On April 21, 2017, the Company entered into a revolving credit agreement for up to Ps.$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 Texas-Tuxpan Pipeline. It has a five-year term, 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. As of December 31, 2020 the balance on the loan was Ps.$13,919 million.

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 2020, 2019, and 2018, the Company has revenue of approximately USD$23.1 million USD$23.1 million, and USD$22.0 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 2020 and 2019, the Company received revenue of approximately USD$2.6 million and USD$0.7 million and 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.

BOARD OF DIRECTORS

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 Bylaws for Securities Issuers and the regulations issued by the Mexican Stock Exchange.

Board of Directors

The Company's Board of Directors consists of twelve 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 hold 10% of the Company's capital stock, 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, 2021.

The following table shows certain information regarding the current members of the Company's Board of Directors:

Name	Age	Gender	Title	First appointed
Carlos Ruiz Sacristán	71	Male	Chairman of the Board of Directors	July 2012
Aarón Dychter Poltolarek	68	Male	Director *	March 2013
Alberto Felipe Mulás Alonso	60	Male	Director *	April 2017
José Julián Sidaoui Dib	67	Male	Director *	February 2017
Peter Ronan Wall	49	Male	Director	April 2018
Faisel Hussain Khan	45	Male	Director	April 2018
Tania Ortiz Mena López Negrete	50	Female	Director	January 2019
Erle Allen Nye Jr.	53	Male	Director	January 2019
Randall Lee Clark	51	Male	Director	April 2020
Jennifer Frances Jett	47	Female	Director	July 2020
Trevor Ian Mihalik	54	Male	Director	July 2020
Lisa Glatch	58	Female	Director	November 2020
Vanesa Madero Mabama	44	Female	Secretary (not a Board member)	November 2019

*Independent director in terms of the Mexican Securities Market Law.

The following is a summary of the experience and main business interests of the current members of the Company's Board of Directors:

Carlos Ruiz Sacristán. Mr. Ruiz has been serving as Chairman of the Board of Directors of IEnova and Executive Chairman of IEnova since September 2018. Prior to his appointment, he served as Chief Executive Officer and Chairman of the Board of Directors for IEnova from 2012 to 2018 and as a member of the Board of Directors of Sempra Energy in 2007-2012. Mr. Ruiz served as Secretary of Communications and Transportation in Mexico during the president Ernesto Zedillo administration in 1994 -2000. Previously he served in various positions at Pemex, in 1994; the Ministry of Finance, in 1988-1992; and in Banco de México, in 1974-1988. Mr. Ruiz holds a Bachelor's Degree in

Business Administration from Universidad Anáhuac in Mexico City and an MBA from Northwestern University in Chicago. He currently serves on the Boards of Southern Copper Corp, Banco Ve Por Más, S.A de C.V, Grupo Creatica, S.A de C.V, and on the Technical Committees of the Diego Rivera and Frida Kahlo Museum and of the Museo Nacional de Energía y Tecnología.

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 at the 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, the Mexican Ministry of Programming and Budget, and the Mexican Ministry of Energy. Dr. Dychter has 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. Currently Dr. Dychter is a member of the Board of Directors of Grupo OCUPA and Grupo 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 Felipe Mulás Alonso. Mr. Mulás is a member of the Company's Board of Directors. From January of 2014 to December of 2016, Mr. Mulás established 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, Mr. 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*). Mr. Mulás serves in the Board of Directors of publicly-traded and family companies, as independent member, including the following: Fibra Uno, Grupo Aeroportuario Centro Norte (OMA), Aleatica, Farmacias del Ahorro, Grupo Proeza, and Grupo Cinépolis. Mr. 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.

José Julián Sidaoui Dib. Dr. Sidaoui is a member of the Company's Board of Directors. Currently, he serves as advisor and independent director of several financial institutions in the country and abroad. Previously, Dr. Sidaoui worked for the World Bank and Banco de México, where he started his tenure 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. Dr. Sidaoui holds a Bachelor's Degree in Economics from the Universidad de las Américas, a Master's degree from the University of Pennsylvania, and a PhD in Economics from Georg Washington University.

Peter Ronan Wall. Mr. Wall is a member of the Company's Board of Directors and Senior Vice-President, Controller, and Accounting Director for Sempra Energy. He is responsible for managing the accounting operations, preparing, and analyzing the Financial Statements, financial reports, and accounting systems, as well as coordinating external audits. Previously, in 2017-2018, he served as Vice-President Chief Financial Officer for Sempra Energy, where he supervised the company's infrastructure businesses in the United States, as well as the accounting, finances, risks, and structure of the groups. In 2015-2017, Mr. Wall served as Vice-president and Chief Financial Officer for Sempra U.S. Gas & Power. Mr. 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. Mr. Wall holds a Bachelor's Degree and a Master's Degree in Accounting from Utah University.

Faisel Hussain Khan. Mr. Khan is a member of the Company's Board of Directors and Chief Financial Officer for Sempra Energy. Mr. 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, Mr. Khan oversees accounting and financial modeling. Previously, from 2018 to 2019, Mr. Khan was Vice-president of Investor Relations for Sempra Energy. Previously to joining Sempra, he served as Managing Director for Citigroup in New York, covering the natural gas, pipeline, midstream, refining, and master limited partnership industries. Mr. 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, he 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. Mr. Khan holds Bachelor's Degrees in Engineering and Economics from the University of Pennsylvania.

Tania Ortiz Mena López Negrete. Ms. Tania Ortiz Mena has been serving as Chief Executive Officer for IEnova since September 2018 and has served on the Board of Directors since January 2019. Since she joined IEnova in 2000, Ms. Ortiz Mena has held different positions, including Vice-President External Affairs, Vice-President External Affairs and Business Development, and Executive Vice-President Development. In 1994-1999, Ms. Ortiz Mena worked for Petróleos Mexicanos Internacional (PMI), a Pemex subsidiary, as Deputy Commercial Manager for Refined Products, heading the international trade of heavy oil products. She is currently and Independent Director on the Mexican Stock Exchange's Board of Directors, a member of the Corporate Practices Committee of the BMV, and President of the Mexican section for the private sector of the Mexico-US Energy Business Council for 2021-2023. Additionally, Ms. Ortiz Mena is a member of Inter-American Dialogue, an Advisor at the Asociación Mexicana de Gas Natural, and a Member of the Managing Board of the Mexican Council on Foreign Relations. Ms. Ortiz Mena served as President of the Asociación Mexicana de Gas Natural in 2015-2016 and was a member of the Consulting Council of the CRE in 2015-2018 and of the CEO Mexico-US Dialogue in 2019-2020. Ms. Ortiz Mena holds a Master's Degree in Foreign Relations from Boston University and a Bachelor's Degree in Foreign Relations from Universidad Iberoamericana.

Erle Allen Nye. Mr. Nye is 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 government 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.

Randall Lee Clark. Mr. Clark is a member of the Company's Board of Directors and Chief Financial and Human Resources Officer for Sempra LNG. Mr. Clark is responsible for leading Sempra LNG's commercial services, which include human resources and organizational development, technology and cybersecurity, external affairs and communications, inputs management, and commercial transformation. Mr. Clark has served in various leadership and legal capacities at the Sempra Energy family of companies over the last 20 years. More recently, he served as Senior Vice-President and Director, Human Resources for Sempra Energy, which meant he was also the company's Director for Ethics and Compliance. Prior to holding that post, he served as Director, Human Resources and Deputy General Counsel at Sempra Energy. Mr. Clark has also served as Director, Administration and Director, Human Resources for San Diego Gas & Electric (SDG&E). Mr. Clark 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 as Corporate Secretary. Previously, Mr. Clark was an attorney at Morrison & Foerster in Los Angeles and at Cooley Godward, in San Diego. Mr. Clark is a member of several law associations, of the Nacional Association of Corporate Directors, the Corporate Governance Society, the Human Resources Management Society, and World at Work. He also serves as a trustee on the Board of Directors of the La Jolla Playhouse, where he co-chairs the Nominating Committee and sits on the Finance Committee; he sits on the Board of Francis Parker School, where he chairs the Governance and Audit Committee and is a member of the Compensation, Governance, and Executive committees of The San Diego LGBT Community Center where he sits on the Executive Committee and serves as Secretary. Mr. 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.

Trevor Ian Mihalik. Mr. Mihalik is a member of the Company's Board of Directors and Executive Vice-President and Chief Financial Officer of Sempra Energy. He supervises financial and corporate development matters at Sempra Energy, including M&As. Mr. Mihalik joined Sempra Energy in 2012 as Controller and Accounting Director, and was promoted to Senior Vice-President in 2013. In 2018 he was named to his current post. He has close to 30 years' financial experience in the energy industry, with ample knowledge of equity markets, mergers and acquisitions, financial reporting, treasury, and market and credit risk. Previously, he served as Chief Financial Officer for Iberdrola Renewables, a U.S. affiliate of Iberdrola S.A., a transnational public utilities and energy company based in Bilbao, Spain. He was also Chief Financial Officer for Chevron Natural Gas and for Bridgeline Holdings, its joint venture for natural gas marketing, commerce, and storing. For the first nine years in his professional career, Mr. Mihalik worked in Houston and London in the energy branch of Pricewaterhouse. He currently sits on the Board of Directors of WE-40 and is a member of the Advisory Council of the Business Administration School of the University of San Diego. He holds a Bachelor's Degree in Accounting, specializing in Finances, from the University of Creighton, and an MBA from Rice University. He is a Certified Public Accountant.

Jennifer Frances Jett. Ms. Jett is a member of the Company's Board of Directors and Chief Governance Officer and Corporate Secretary at Sempra Energy. She is responsible for advising the Board of Directors and management team on a wide range of corporate governance matters. Previously, in 2018-2020, Ms. Jett served as Corporate Secretary for Sempra Energy and as Project Financing Director, where she was responsible for advising Sempra's operating companies on the structure, documentation, and execution of financial operations. She has also served as Governance Director and Deputy Corporate Secretary for Sempra Energy, where she oversaw a diversity of legal governance and corporate functions for Sempra and its business units and served as Corporate Secretary for of Sempra's regulated energy companies in California, San Diego Gas & Electric and Southern California Gas Co., as well as for Cameron LNG. Ms. Jett also occupied several high-responsibility posts in the legal division, where she worked on a wide range of transaction issues for Sempra Energy and its subsidiaries. Before joining Sempra Energy in 2005 as corporate advisor, she was an associate at Pillsbury Winthrop Shaw Pittman LLP, where she advised public and private companies on transaction issues and corporate values. She sits on the Board of the Corporate Directors Forum, which provides a network of peers focused on training corporate governance directors. She holds a Bachelor's Degree in Psychology and Anthropology from the University of Vermont, where she graduated summa cum laude and Phi Beta Kappa, and a Law Degree from the University of California at Berkeley.

Lisa Glatch. Ms. Glatch is a member of the Company's Board of Directors and Chief Operations Officer at Sempra LNG. She also serves as Chairman of the Board of Directors of Cameron LNG, LLC, a joint venture in which Sempra Energy holds a 50% stake. Ms. Glatch joined Sempra Energy in 2018 as a strategic initiatives officer, focusing on the company's strategic efforts in the process of becoming the most important energy infrastructure company in North America and supervising Cameron LNG Phase 1 commercial operations. Before joining Sempra Energy, she led the company's commercial development and profitable growth efforts as Executive Vice-President, Strategic Development Director, and Director of CH2M, a global consulting and program management Fortune 500 firm. Prior to joining CH2M in 2014, she served as Senior Vice-President for Global Sales at Jacobs, a global technical services company. Before that, Ms. Glatch spent 24 years at Flour Corporation, a world leader in the engineering and construction industry, where she held a variety of management positions, including President of the Flour government group and Senior Vice-President for Project Operations for Fluor's energy and chemical products division. She has 34 years' experience in the public and private energy, environment, water, and transportation sectors. She currently sits on the Board of Evoqua Water Technologies (NYSE: AQUA). She holds a Bachelor's Degree in Chemical Engineering from the University of Colorado at Boulder, where she graduated with honors. She has completed the top management programs at The Wharton School of the University of Pennsylvania and at Stanford University.

Board of Directors, composition by gender: 75% male and 25% 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 any 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 Chairman of 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 of 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 Felipe Mulás Alonso who were ratified by the Ordinary General Shareholders Meeting of the Company on November 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 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 Felipe Mulás Alonso as President, José Julián Sidaoui, Aaron Dychter Poltolarek, and Trevor Ian Mihalik, who were appointed and ratified, respectively by the Ordinary General Shareholders Meeting of November 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. Alberto Felipe Mulás Alonso, José Julián Sidaoui Dib, 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 Hydrocarbons 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 Hydrocarbons 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 shows certain information regarding the Company's senior officers:

Name	Age	Gender	Title
Carlos Ruiz Sacristán	71	Male	Chairman of the Board and Executive President
Tania Ortiz Mena López Negrete	50	Female	Chief Executive Officer
Carlos Mauer Díaz Barriga	48	Male	Chief Financial Officer
Juan Rodríguez Castañeda	56	Male	Chief Natural Gas Operating Officer
Abraham Zamora Torres	52	Male	Chief Sustainability Corporate and Public Affairs Officer
Jesús Córdoba Domínguez	60	Male	Chief Engineering and Construction Officer
Carlos Barajas Sandoval	52	Male	Chief Power and Storage Operating Officer
René Buentello Carbonell	52	Male	General Counsel and Chief Compliance Officer
Jorge Molina Casellas	51	Male	Chief Development Officer
Roberto Rubio Macías	48	Male	Vice President, Controller
Luis Miguel Osio Buch	36	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.

Carlos Mauer Díaz Barriga. Mr. Mauer has been serving as Chief Financial Officer since September 2020. From March to September 2020, he served as Chief Development Officer, leading IEnova's projects for developing energy infrastructure. Previously, he served as Vice-President-South America, for Sempra Energy, where he was responsible for Sempra's investments in Chile and Peru and led business development in the region. Additionally, Mr. Mauer served as Vice-Chairman of the Board of Directors of Chilquinta Energía y Luz del Sur. Mr. Mauer joined Sempra in 2002 as Commercial Manager for Sempra Mexico and has since held a variety of top posts in the business development, financial planning, and asset management divisions. Mr. Mauer has extensive experience in the energy industry, especially in the gas and electric infrastructure segments in the United States and Latin America. Earlier in his career, Mr. Mauer was involved in international trading operations of crude oil and refined products for Petróleos Mexicanos Internacional (PMI) based in Mexico City and London. Mr. Mauer holds a Bachelor's Degree in Chemical Engineering by the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), in Mexico.

Juan Rodríguez Castañeda. Mr. Rodríguez has been serving as Chief Operating Officer for Natural Gas since September 2018. Additionally, he serves on the Boards of TAG Pipelines Norte, Infraestructura Marina del Golfo, and Asociación Mexicana de Gas Natural. 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 industry. At Aeroméxico he served as Executive Director for Corporate Affairs and Industry in 2013-2014 and as Executive Director for Human Resources in 2010-2013. He was also Chief Executive Officer for SEAT, now known as Aeroméxico Servicios, in 2010, and Chief Executive Officer at Aeromexpress, currently Aeroméxico Cargo, in 2004-2010. Additionally, he was President of the Cámara Nacional de Aerotransportes in 2010-2011. Mr. Rodríguez was a public official in 1998-2004, working for the federal government in Mexico. During that period, he held different positions at the Ministry of Finance, the Ministry of Communications and Transportation, and Pemex, as well as the Office of the President of Mexico. His most relevant positions include having served as Chief of Staff for three Secretaries and as General Planning Coordinator at the Ministry of Communications and Transportation. He holds a Bachelor´s Degree in Economics from Instituto Tecnológico Autónomo de México (ITAM).

Jesús Córdoba Domínguez. Mr. Córdoba has been serving as Chief Engineering & Construction Officer for IEnova 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. Mr. 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. Mr. Córdoba has 37 years' experience in infrastructure project execution, including 18 years of experience in project management in the construction industry in Mexico. Mr. Cordoba holds a Bachelor's Degree in Civil Engineering from Universidad La Salle, specializing in project management.

Carlos Barajas Sandoval. Mr. Barajas has been serving as Chief Operating Officer for Electricity & Storage 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, Mr. Barajas served as CEO for the LNG Terminal in Altamira 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. Mr. 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. Mr. Buentello has been serving as 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 from Universidad Panamericana, specializing in Economic and Corporate Law, Commercial Law, and International Finance Law, at the same institution.

Jorge Molina Casellas. Mr. Molina has been serving as Chief Development Officer for IEnova since September 2020. Previously, he served as the Company's Commercial Vice President 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 IEnova, 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.

Abraham Zamora Torres. Mr. Zamora has been serving as Chief Sustainability, Corporate and Public 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 from 2013 to 2015. From 2006 to 2013, Mr. Molina served as Chief Corporate and Industry Affairs Officer at Aeroméxico and as President of the National Air Transportation Association from 2011 to 2013. In 1991-2004 he was a public official for the federal government, including posts at the Mexican Treasury Department and Department of Communications and Transportation. Mr. Zamora holds a Bachelor's Degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM), as well as an MBA and a Master's Degree in Public Policies from Columbia University, and a Master's Degree in Economic Policy from Essex University.

Roberto Rubio Macías, Mr. Rubio has been our Vice President Controller since May 2016. Before that, Mr. Rubio was General Controller for IEnova from 2012 to 2016. From 2011 to 2012, Mr. Rubio 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. Mr. Rubio is a Certified Public Accountant with the Instituto Mexicano de Contadores Públicos since 2001. He 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.

Luis Miguel Osio Buch is 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 the Company's most relevant and recent acquisitions. Mr. Osio joined the Company in 2013 holding management positions in the Development and Investor Relations divisions. 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: 90% male and 10% 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 holds 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 beliefs, 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 Diversity and Inclusion Committee chaired by the Executive Chief Sustainability, Corporate and Public Affairs Officer. 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, 2020, 2019, and 2018, was USD$20.0 million, USD$13.5 million, and USD$13.5 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, 2020, 2019, and 2018, 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 USD$3.6 million, USD$2.5 million, and USD$1.8 million, respectively.

Executive Restricted Grants Plan

In addition to salary, the Company's senior management 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 are 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, 2021

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 26.2% 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 70.2% of IEnova's capital.

Shareholders with significant influence: none

Shareholders with control: Semco Holdco, S. de R.L. de C.V., 70.2%

Semco Holdco S. de R.L. de C.V., the shareholder of 70.2% 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.

DESCRIPTION OF THE COMPANY'S CAPITAL STOCK AND BYLAWS

d) The Company's Bylaws and Other Agreements

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 Ministry of the Economy. A copy of the Company's amended and restated bylaws has been filed with the CNBV and the BMV 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, Colonia Juárez, Alcaldía Cuauhtémoc, 06600, Mexico City, Mexico. 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 1,452,281,032 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 1,452,276,032 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 and November 30, 2020, to cancel a total of 81,742,780 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 $817,427,800 pesos 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 the 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 CNBV that the registration of the Company's shares on the National 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 CNBV;
- 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 National 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 National Securities Registry as required under the Mexican Securities Market Law and the regulations issued by the CNBV. 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 CNBV 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 or in the official newspaper in the Company's address.

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 National Securities Registry

In the event of cancellation of the registration of the Company's shares with the National Securities Registry, whether at the Company's request or by resolution of the CNBV, 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 CNBV 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 CNBV 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 affect 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. All employees are responsible for:

- Complying with all national and international laws, internal policies and company procedures.

- Maintaining appropriate ethical behavior.
- Identifying situations that could result in illegal actions, or in violation of the Code of Ethics or the procedures that support it.
- Reporting 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) Federal Law for the Prevention and Identification of Operations with Resources of Illegal Origin (Law against Money Laundering) of Mexico, (vii)) General Law for Administrative Responsibilities and its Secondary Laws; (viii) Federal Criminal Code of Mexico, hereinafter the "Anti-corruption Laws", (ix) Federal Law to Prevent and Eliminate Discrimination; (x) General Law for the Protection of Personal Data.

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 the Code of Ethics.

IEnova and its employees are obliged to comply with international standards and with the Federal Law for the Prevention and Identification of Operations of with Resources of Illicit Origin. To this end, IEnova and its subsidiaries have a Policy to Combat Money Laundering establishing the guidelines that pertaint to preventing money laundering. This policy establishes the following prevention mechanisms:

- Identify and verify the customer.
- Analyze relationships.
- Analyze suspicious activities.
- Monitor transactions.
- Make reports.
- Identify red flags.

Employees must show good judgment in assessing their relationships with agents, brokers, employees, service providers, customers, or counterparts, and ensure that none of these present a legal, regulatory, or reputation risk for the Company. When the legality of a transaction comes into question, that operation should be avoided at all costs.

IEnova is committed to carrying out its activities in line with the Guiding Principles on Business and Human Rights and the Ten Principles of the Global Compact, and also to recognizing the rights established in the Universal Declaration of Human Rights.

To ensure an adequate respect of Human Rights, the following principles have been established:

- Reject child labor and forced or compulsory labor in all of IEnova's operations.
- Respect and promote diversity and inclusion. At IEnova no distinctions are made for gender, race, age, religious beliefs, political doctrines, or social of physical conditions or sexual orientation.
- The Company safeguards the health and safety of all its employees by establishing guidelines and mitigation mechanisms across all of IEnova's operations.
- The Company respects the freedom of association and collective bargaining.
- It respects the rights of ethnic minorities and indigenous people.
- It supports and promotes the well-being of its employees and the communities where the Company is present.

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, job 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 the Company's work.

When in doubt or when facing a new situation that has not been expressly addressed, employees must ask themselves the following:

- Is it legal and in adherence to the Company's policies?

- Is it fair, appropriate, and consistent with the Company's ethical values?

- Have I spoken to my superior about my concerns?

If employees do not feel comfortable with any given situation, they can consult with the Corporate Ethics Division or use any of the Company's help lines.

IEnova has a free and confidential telephone line and the Corporate Ethics Department.

Reporting line 800-062-2107.

Likewise, communications can be addressed to the confidential email: ienova@lineadedenuncia.com or on the website: lineadedenuncia.com/ienova.

These 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 a free and anonymous Ethics and Compliance Telephone Line of the majority shareholder Sempra Energy 001-770-582-5249 or via the internet, you can access the site www.semraethics.com.

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 is aimed at creating value for ourselves, the Company's shareholders, customers, employees, and the communities to which the Company belong. It is based on three main pillars: economic, social, and environmental, all founded on ethics and corporate governance.

The Company is known for its commitment to operating in strict compliance with the laws and regulations of the industry, allowing it to earn and retain the confidence of its stakeholders.

The Company's achievements during 2020 in terms of sustainability include: publication since 2013 of its Sustainability Report (with the following characteristics: GRI Standards, 40 indicators audited by Deloitte, Communication on Progress [CoP] report to the UN Global Compact, and relationship with the UN Sustainable Development Goals [SDGs]); and being part of the S&P/BMV Total Mexico ESG Index. The Company also obtained for the sixth consecutive year the Great Place to Work certification and the Socially Responsible Company (ESR) distinction granted by the Mexican Center for Philanthropy (Cemefi). IEnova is included in the FTSE4Good Index Series and in the FTSEBIVA Index, which select the companies with outstanding environmental, social, and governance practices, based on globally recognized standards. Additionally, starting on November 23, 2020, the Company was included for the first time in the Dow Jones Sustainability Emerging Markets Index. It also maintained an AA score in the MSCI and obtained the Prime ISS ESG score for the first time. Furthermore, in 2020 the Company made its first public appearance in the Carbon Disclosure Project (CDP) list, with a B score.

IEnova also received the HR Ratings score (HR PAC2+), which was the highest score granted by said agency to any company or organization in Mexico in terms of compliance with its Integrity Policy.

Fundación IEnova, A.C., was constituted in 2015 in order to support organizations and programs that contribute to the well-being of the communities where IEnova operates and to which it belongs. In 2020, through Fundación IEnova the Company granted $63.3 million pesos in donations, of which $44,193,852 pesos were allocated to victims of the COVID-19 pandemic, supporting communities in 22 Mexican states in two lines of action: personal protection equipment and medical supplies, and food security. In addition, support was granted to 20 multi-annual projects by means of 11 organizations with projects that will benefit communities in the Mexican states where IEnova has operations.

These actions show IEnova's commitment with continuous improvement and with the implementation of high standards of operation, protection, and environmental conservation; working practices; corporate governance and social responsibility within the communities where the Company operates.

For further information on the Company's sustainability efforts, please see IEnova's 2020 Sustainability Report, available on May 31, 2021 at 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 78.01 Pesos 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
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
2020	91.23	55.85	77.57	2,298,210

Source: IEnova, based on Bloomberg data. pesos per share

Quarterly highs and lows, last three years:

Year	Quarter	High	Low	Last	Average Trading Volume
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
2020	First	91.23	63.65	72.67	1,838,934
	Second	75.42	55.85	66.33	3,113,032
	Third	69.15	59.81	66.63	2,371,221
	Fourth	80.08	67.50	77.57	1,875,040

Source: IEnova, based on Bloomberg data. pesos per share

Monthly highs and lows, last six months:

Year	Month	High	Low	Last	Average Trading Volume
2020	October	75.95	67.50	70.98	2,125,667
	November	78.83	70.98	71.75	1,544,727
	December	80.08	71.20	77.57	1,936,900
2021	January	78.74	73.05	74.86	1,432,964
	February	77.89	72.81	72.81	1,394,030
	March	79.98	72.5	78.88	1,850,711

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

According to the INDEVAL certificate, during April 2021, Semco Holdco is the only registered shareholder with 1,019,038,312 shares, the rest is placed among the investing public through stockbrokers and/or financial intermediaries.

c) Market Maker

For the years 2018, 2019 and 2020 the Company did not have a market maker.

UNDERLYING ASSETS

Not applicable.

MANAGEMENT CERTIFICATION

April 30, 2021

We, Tania Ortiz Mena, Carlos Mauer Diaz Barriga, 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 CNBV, 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, 2020, 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

Carlos Mauer Diaz Barriga
Chief Financial Officer

Rene Buentello Carbonell
General Counsel and Chief Compliance Officer

EXHIBIT

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

Consolidated Financial Statements for the years ended December 31, 2020, 2019 and 2018 and Independent Auditor's Report Dated April 26, 2021

Index to the notes to the consolidated financial statements

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México
Tel: +52 (55) 5080 6000
www.deloitte.com/mx

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

(In thousands 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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.

Deloitte.

Goodwill and long-live assets impairment testing

As described in Note 12 to the consolidated financial statements, the Company maintains goodwill of $1,638,091, which originated mainly from the acquisitions of IEnova Pipelines, S. de R. L. de C. V., Ventika I, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V., and represents 16% of the total assets at December 31, 2020. As described in Note 1.2.12 to the consolidated financial statements, the Company is owner of the Guaymas- El Oro Pipeline, which following the start of commercial operations back in 2017, the Company reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 23, 2017. If the pipeline is not repaired by March 14, 2021 and the parties do not agree on a new service start date, the Company retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. If the Company is unable to make such repairs (which have not commenced) and resume operations in the Guaymas-El Oro segment of the Sonora pipeline or if the Company terminates the contract and is unable to obtain recovery, there may be a material adverse impact on Company's results of operations and cash flows and its ability to recover the carrying value of our investment. At December 31, 2020, the Guaymas-El Oro segment of the Sonora pipeline had a net book value of $426,000, which represents 4% of the total assets at December 31, 2020.

Management performed its annual goodwill and long-live assets 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.

The results of our audit procedures were reasonable.

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 26, 2021

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, 2020**	**December 31, 2019**	**December 31, 2018**
Current assets:				
Cash and cash equivalents	4, 23	$ 291,993	$ 57,966	$ 51,764
Restricted cash	4, 23	21,655	30,844	23,342
Finance lease receivables	8, 23	13,813	11,354	9,809
Trade and other receivables, net	5, 23, 28	182,587	139,407	153,649
Due from unconsolidated affiliates	6, 23	30,976	36,394	45,043
Income taxes receivable	24	69,596	22,061	74,806
Natural gas inventories	7	5,946	8,270	3,516
Derivative financial instruments	23	156	10,267	9,474
Value added tax receivable		128,593	132,886	76,907
Carbon allowances	20	47,439	6,444	5,936
Other assets	9	16,876	9,688	9,695
Total current assets		809,630	465,581	463,941
Non-current assets:				
Due from unconsolidated affiliates	6, 23	787,183	744,609	646,297
Derivative financial instruments	23	1,246	6,974	8,146
Finance lease receivables	8, 23	926,795	921,270	932,375
Deferred income tax	24	100,650	89,898	80,853
Investment in joint ventures	10	783,428	625,802	608,708
Other assets	9	35,490	32,836	94,060
Property, plant and equipment, net	13, 27	5,048,512	4,637,962	4,086,914
Right-of-use-assets, net	8	155,261	175,841	—
Carbon allowances	20	6,457	30,083	15,499
Intangible assets, net	14	170,993	180,867	190,772
Goodwill	12	1,638,091	1,638,091	1,638,091
Restricted cash	4, 23	2,688	2,692	2,941
Total non-current assets		9,656,794	9,086,925	8,304,656
Total assets	27	$ 10,466,424	$ 9,552,506	$ 8,768,597

(Continued)

Liabilities and Stockholders' Equity	Notes		December 31, 2020		December 31, 2019		December 31, 2018
Current liabilities:							
Short-term debt	21, 23	$	839,287	$	1,235,379	$	870,174
Trade and other payables	15, 23		90,673		154,936		99,757
Due to unconsolidated affiliates	6, 23		61,817		24,471		310,696
Income tax liabilities	24		28,860		62,699		63,044
Lease current liabilities	8		2,813		2,654		—
Derivative financial instruments	23		25,223		15,071		10,943
Other financial liabilities	17, 23		36,847		26,218		24,720
Provisions	19		4,952		—		251
Other taxes payable			22,570		31,878		31,619
Carbon allowances	20		47,439		6,444		6,354
Other liabilities	18		78,895		33,782		28,073
Total current liabilities			1,239,376		1,593,532		1,445,631
Non-current liabilities:							
Long-term debt	22, 23		2,838,711		1,818,331		1,675,192
Due to unconsolidated affiliates	6, 23		272,857		233,597		75,161
Lease non-current liabilities	8		86,078		101,788		—
Deferred income tax liabilities	24		604,229		565,957		566,892
Carbon allowances	20		—		29,843		14,826
Provisions	19		108,478		84,842		61,903
Derivative financial instruments	23		159,812		140,860		152,880
Employee benefits	16		12,635		9,901		7,643
Other financial liabilities			4,998		—		—
Other non-current liabilities	18, 28		17,453		16,618		14,719
Total non-current liabilities			4,105,251		3,001,737		2,569,216
Total liabilities	27		5,344,627		4,595,269		4,014,847
Stockholders' equity:							
Common stock	25		743,501		955,239		963,272
Additional paid-in capital	25		2,320,385		2,342,883		2,351,801
Treasury shares	25		—		—		(7,190)
Accumulated other comprehensive loss			(186,241)		(130,919)		(104,105)
Retained earnings			2,239,395		1,777,280		1,536,662
Total equity attributable to owners of the Company			5,117,040		4,944,483		4,740,440
Non-controlling interests			4,757		12,754		13,310
Total stockholders' equity			5,121,797		4,957,237		4,753,750
Commitments and contingencies	35, 36		—		—		—
Events after the reporting period	38		—		—		—
Total stockholders' liabilities and equity		$	10,466,424	$	9,552,506	$	8,768,597

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	**2020**	**2019**	**2018**
		(Note 1)	**(Note 1)**	**(Note 1)**
Revenues	23, 27, 28	$ 1,261,301	$ 1,379,256	$ 1,368,555
Cost of revenues	27	(297,901)	(391,093)	(385,791)
Operating, administrative and other expenses	30	(234,688)	(210,325)	(214,519)
Depreciation and amortization	13, 27, 33	(161,972)	(155,799)	(137,157)
Interest income	27, 29	58,513	45,665	27,449
Finance costs	27, 32	(144,319)	(132,849)	(122,879)
Other (losses) gains, net	31	(31,764)	25,619	8
Profit before income tax and share of profits of joint ventures	24	449,170	560,474	535,666
Income tax expense	24, 27	(145,936)	(132,558)	(143,064)
Share of profits of joint ventures	10, 27	157,832	39,769	37,984
Profit for the year	27	$ 461,066	$ 467,685	$ 430,586
Attributable to:				
Owners of the Company	34	462,115	468,241	430,592
Non-controlling interests		(1,049)	(556)	(6)
		$ 461,066	$ 467,685	$ 430,586
Earnings per share:				
Basic and diluted earnings per share	34	$ 0.31	$ 0.31	$ 0.28

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)

		Year ended December 31,		
	Notes	**2020**	**2019**	**2018**
Profit for the year	27	$ 461,066	$ 467,685	$ 354,174
Items that will not be reclassified to profit or (loss):				
Actuarial (losses) gain on defined benefits plans	16	(393)	(1,057)	519
Deferred income tax related to actuarial (losses) gain on defined benefits plans		118	317	(156)
Total items that will not be reclassified to profit		(275)	(740)	363
Items that may be subsequently reclassified to profit or (loss):				
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(29,382)	(9,727)	7,688
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		8,811	2,918	(2,306)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(36,223)	(41,321)	7,665
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		10,867	12,396	(2,299)
Exchange differences on translation of foreign operations		(9,120)	9,660	(660)
Total items that may be subsequently reclassified to (loss) or profit		(55,047)	(26,074)	10,088
Other comprehensive (loss) income for the year		(55,322)	(26,814)	10,451
Total comprehensive income for the year		$ 405,744	$ 440,871	$ 364,625
Attributable to:				
Owners of the Company		406,793	441,427	364,625
Non-controlling interests		(1,049)	(556)	(6)
		$ 405,744	$ 440,871	$ 364,619

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, 2017	25	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the year	27	—	—	—	—	430,592	430,592	(6)	430,586
Actuarial gain on defined benefit plans, net of income tax	16	—	—	—	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 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		—	—	(7,190)	—	—	(7,190)	—	(7,190)
Dividends paid	26	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of December 31, 2018	25	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Profit for the year	27	—	—	—	—	468,241	468,241	(556)	467,685
Actuarial loss on defined benefit plans, net of income tax	16	—	—	—	(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 income (loss) for the year		—	—	—	(26,814)	468,241	441,427	(556)	440,871
Repurchase of ordinary shares, net		—	—	(9,761)	—	—	(9,761)	—	(9,761)
Retirement of treasury shares		(8,033)	(8,918)	16,951	—	—	—	—	—
Investment decrease in joint venture	10	—	—	—	—	(7,623)	(7,623)	—	(7,623)
Dividends paid	26	—	—	—	—	(220,000)	(220,000)	—	(220,000)
Balance as of December 31, 2019	25	$ 955,239	$ 2,342,883	$ —	$ (130,919)	$ 1,777,280	$ 4,944,483	$ 12,754	$ 4,957,237
Profit for the year	27	—	—	—	—	462,115	462,115	(1,049)	461,066
Actuarial loss on defined benefit plans, net of income tax		—	—	—	(275)	—	(275)	—	(275)
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(20,571)	—	(20,571)	—	(20,571)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(25,356)	—	(25,356)	—	(25,356)
Exchange differences on translation of foreign operations		—	—	—	(9,120)	—	(9,120)	—	(9,120)
Total comprehensive (loss) income for the year		—	—	—	(55,322)	462,115	406,793	(1,049)	405,744
Repurchase of ordinary shares, net	25	—	—	(230,990)	—	—	(230,990)	—	(230,990)
Retirement of treasury shares	25	(211,738)	(19,252)	230,990	—	—	—	—	—
Acquisition non-controlling interests in subsidiaries and others	10	—	(3,246)	—	—	—	(3,246)	(6,948)	(10,194)
Balance as of December 31, 2020	25	$ 743,501	$ 2,320,385	$ —	$ (186,241)	$ 2,239,395	$ 5,117,040	$ 4,757	$ 5,121,797

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, 2020	2019	2018
Cash flows from operating activities:				
Profit for the year	27	$ 461,066	$ 467,685	$ 430,586
Adjustments for:				
Income tax expense	24, 27	145,936	132,558	143,064
Share of profit of joint ventures, net of income tax	10, 27	(157,832)	(39,769)	(37,984)
Finance costs	27, 32	144,319	132,849	122,879
Interest income	27, 29	(58,513)	(45,665)	(27,449)
Loss on disposal of property, plant and equipment		918	5,900	13,708
Impairment (gain) loss recognized on trade receivables		(12)	96	(1)
Depreciation and amortization	13, 27, 33	161,972	155,799	137,157
Net foreign exchange loss (gain) unearned		32,650	(27,117)	6,103
Net loss (gain) on valuation of derivative financial instruments		1,862	(1,559)	(3,754)
Others		—	9	—
		732,366	780,786	784,309
Movements in working capital:				
(Increase) decrease in trade and other receivables, net		(43,067)	32,938	(55,452)
Decrease (increase) in natural gas inventories, net		2,324	(4,754)	3,680
(Increase) decrease in other assets, net		(23,247)	52,741	(14,220)
(Decrease) increase in trade and other payables, net		(36,281)	(24,939)	5,134
Increase (decrease) in provisions, net		18,326	(36,703)	(42,463)
Increase in other liabilities		52,781	25,707	1,088
Cash generated from operations		703,202	825,776	682,076
Income taxes paid		(179,860)	(119,122)	(57,090)
Net cash provided by operating activities		523,342	706,654	624,986

(Continued)

	Notes	Year ended December 31, 2020	2019	2018
Cash flows from investing activities:				
Acquisition of subsidiaries and assets, net of cash acquired	11	—	—	(19,954)
Investment in joint ventures	10	(32,475)	(49,107)	(79,908)
Equity reimbursement from joint ventures	10	7,578	1,955	—
Marine terminals bidding fee	1	—	—	(44,355)
Interest received		55,529	18,892	563
Acquisitions of property, plant and equipment and other	13	(560,728)	(613,624)	(392,073)
Loans granted to unconsolidated affiliates		(88,694)	(20,726)	(134,661)
Receipts of loans granted to unconsolidated affiliates		2,136	7,607	42,275
Net cash used in investing activities		(616,654)	(655,003)	(628,113)
Cash flows from financing activities:				
Acquisition of Non Controlling Interest		(10,441)	—	—
Interest paid		(119,095)	(133,792)	(85,046)
Loans received from unconsolidated affiliates	6	64,000	155,396	70,000
Loans payments to unconsolidated affiliates	6	—	(267,768)	(312,032)
Proceeds from bank financing		1,111,000	1,477,433	916,757
Payments on bank lines of credit		(1,249,424)	(967,431)	(304,395)
Lease payments	37	(11,269)	(27,440)	—
Payments for repurchase of shares	25	(230,990)	(9,761)	(7,190)
Payment of debt securities ("CEBURES")	22	—	—	(102,069)
Proceeds from international debt offering		800,000	—	—
Debt issuance costs		(29,959)	—	—
Dividends paid	26	—	(220,000)	(210,000)
Net cash provided by (used in) financing activities		323,822	6,637	(33,975)
Increase (decrease) in cash, cash equivalents and restricted cash		230,510	58,288	(37,102)
Cash, cash equivalents and restricted cash at the beginning of the year		91,502	78,047	94,109
Effects of exchange rate changes on cash and cash equivalents		(5,676)	(44,833)	21,040
Cash, cash equivalents and restricted cash at the end of the year		$ 316,336	$ 91,502	$ 78,047

See accompanying notes to the Consolidated Financial Statements.

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 address of the Company's registered office and principal place of business is disclosed in Note 40.

1.2. Relevant events

1.2.1.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 22.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 22.e.).

1.2.2.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.

1.2.3.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.

1.2.4.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 repurchase fund was reestablished in the General Shareholders Meeting on April 30, 2020 per an amount of $500.0 million.. (Please refer to Note 25.).

1.2.5.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 21.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.

1.2.6.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.

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

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

1.2.8.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 $320.0 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.

1.2.9.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).

1.2.10.South of Texas – Tuxpan Marine Pipeline

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

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

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

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

1.2.11.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.

1.2.12.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.

On September 15, 2020, the Guaymas - El Oro contract's suspension term was extended until March 14, 2021.

If the pipeline is not repaired by March 14, 2021 and the parties do not agree on a new service start date, IEnova retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. If IEnova is unable to make such repairs (which have not commenced) and resume operations in the Guaymas-El Oro segment of the Sonora pipeline or if IEnova terminates the contract and is unable to obtain recovery, there may be a material adverse impact on IEnova's results of operations and cash flows and our ability to recover the carrying value of our investment. At December 31, 2020, the Guaymas-El Oro segment of the Sonora pipeline had a net book value of $426 million.

1.2.13.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.

1.2.14.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.

1.2.15.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").

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 $241.0 million dollars.

This long-term financing was agreed and the funds were received in June 2020.

On March 26, 2020, the Company entered into a 15-year credit facility for $100.0 million dollars with Japan International Cooperation Agency ("JICA").

These facilities are part of the financing structure that the Company closed in November 2019, with the International Finance Corporation ("IFC") and North American Development Bank ("NADB").

The funds are used to finance and/or refinance the construction of IEnova´s solar generation projects.

1.2.16.Private placement of senior secured notes by TAG

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

1.2.17.ICM Ventures Holdings B.V. ("ICM") Equity Increase

On January 23, 2020, IEnova made an equity contribution to ICM for an amount of $3.3 million dollars.

1.2.18.Acquisition of Non - Controlling interest

a. On March 27, 2020, IEnova acquired 8,239,437 additional shares (with a nominal value $1 U.S. Dollar per share) of ICM for an amount of $9.3 million dollars, increasing its participation to 82.5 percent.

b. On April 28, 2020, IEnova acquired additional 10 percent of participation in Tepezala solar project for an amount of $1.1 million dollars increasing its participation to 100 percent.

1.2.19.Assessment of the impact of coronavirus ("*COVID 19*")

The outbreak of the novel COVID-19 starting in late January 2020 has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The pandemic has resulted in quarantines, travel restrictions and operational slowdown in locations where IEnova does business, mainly in Mexico.

As soon as the pandemic was declared and the first cases became noticeable in Mexican territory, Sempra Energy, our controlling entity and IEnova took strategic guidelines to protect its employees and other stakeholders in Mexico, among which are the conformation of an "Activated Executive Crisis Management Task Force" to mitigate impacts of COVID-19, the implementation of travel bans, office access restrictions and increased sanitization in working areas.

In addition, as an update on the COVID-19 outbreak in alignment with Sempra Energy, we continuously monitor four main items:

• Workforce Protocol - We revised protocols for onsite employees; those that can work remotely continue to do so for 2020.

• Customer Exposure - During the 2020, non-governmental customers continue to account for more than 50 percent of total revenues.

• Volumetric Exposure - During 2020, the majority of contracts with customers remain take-or-pay and U.S. dollar denominated contracts, with an average remaining life of 21.4 years. However, IEnova will continue evaluating recoverability and collection considering the effect in the supply chain. It is possible that certain customers may experience delay in payments and others may temporarily stop operations. This could imply that our customers require additional time to pay us, which may require us to record additional allowances for doubtful accounts. As of December 31, 2020, our collection did not present recoverability issues and remains in line with the original due terms. We are continuously evaluating and working with customers to resolve any potential credit issues. As of December 31, 2020 we have not increased the allowance for doubtful accounts.

• Capital Deployment - Although we do not expect major effects such as infrastructure project cancellations, as a result of the current pandemic it is reasonable to expect that some of construction cost will be deferred from the original Commercial Operation Date ("COD") these changes are not significant.

The energy sector has been considered "essential" by Mexican Authorities, which has allowed us to operate practically uninterrupted during 2020. Although the demand for electricity, natural gas, gasoline and other fuels has declined, mainly due to social lockdown and other restrictions on mobility (similar to what was observed in the rest of the world), IEnova is expected to continue to provide energy services on a normal basis.

IEnova has enough liquidity to meet its operating costs, expenses and financial obligations. As of December 31, 2020, the Company had approximately US $1.7 billion of cash and available committed credit lines that contribute to a healthy working capital. The Company has not reduced its workforce.

As of the date of issuance of these financial statements, the COVID-19 pandemic has not had a material impact on our results of operations, however, we have observed other companies, including our current and prospective counterparties, customers and partners, as well as government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address COVID-19, and they may take further actions that alter their normal operations. These actions could result in a material reduction in cash received from our customers, which could have a material adverse effect on the cash flows, financial condition and results of operations.

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the coronavirus effects on people, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local (federal and governmental) authorities, which are beyond our control.

The Board of Directors and the management work continuously to minimize the negative impact of the COVID-19 pandemic, through crisis planning, effective communication, and cooperation.

1.2.20.Changes in Energy Renewables regulation

On April 29, 2020, Mexico's Centro Nacional de Control de Energia ("CENACE") issued an order that safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated preoperative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. IEnova's projects affected by the order filed for legal protection via amparo claims (constitutional protection lawsuit), and in June 2020, received permanent injunctive relief until the claims are resolved by the courts. Energia Sierra Juarez, S. de R. L. de C. V. ("ESJ") is not expected to be impacted because it is not interconnected to the Mexican Electric grid.

On May 15, 2020, Mexico's Secretaria de Energia ("SENER") published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. The resolution significantly changes Mexico's policy on renewable energy and includes the following key elements:

▪ provides non-renewable electricity generation facilities, primarily non-renewable power plants, preferential access or easier access to Mexico's national power grid, while increasing restrictions on access to the grid to renewable energy facilities;
▪ grants CRE and CENACE broad authority to approve or deny permits and interconnection requests by producers of renewable energy; and

▪ imposes restrictive measures on the renewable energy sector, including requiring all permits and interconnection agreements to include an early termination clause in the event the newable energy project fails to make certain additional improvements, at the request of CRE or CENACE, in accordance with a specific schedule.

IEnova's renewable energy projects, including those in construction and in service, filed amparo claims on June 26, 2020 and received permanent injunctive relief on July 17, 2020. In addition on June 22, 2020, Comision Federal de Competencia Economica ("COFECE"), Mexico's antitrust regulator, filed a complaint with Mexico's Supreme Court against SENER's resolution COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends indefinitely the resolution published in May 2020.

On May 28, 2020, CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. For IEnova's renewables' facilities that are currently holders of contracts with such legacy rates, any increases in the transmission rates would be passed through directly to their customers

IEnova and other companies affected by these new orders and regulations have challenged the orders and regulations by filing amparo claims, some of which have been granted temporary or permanent injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims, the timing of which is uncertain. An unfavorable final decision on these amparo challenges may impact our ability to operate our wind and solar facilities, which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

In October 2020, the CRE approved a resolution to amend the rules for the inclusion of new Self - Supplied partners of legacy generation and self-supply permits (the Self - Supplied Resolution), which became effective immediately.

The Self - Supplied Resolution prohibits self-supply permit holders from adding new partners that were not included in the original development or expansion plans, making modifications to the amount of energy allocated to the named Self - Supplied partners, and including load centers that have entered into a supply arrangement under Mexico's Electricity Industry Law. Don Diego Solar and Border Solar and the Ventika wind power generation facilities are holders of legacy self-supply permits and are impacted by the Self - Supplied Resolution. If IEnova is not able to obtain legal protection for these impacted facilities, IEnova expects it will sell Border Solar capacity and a portion of the Don Diego Solar capacity affected by the Self - Supplied Resolution into the spot market. Currently, prices in the spot market are significantly lower than the fixed prices in the Purchase Power Agreement ("PPA") that were entered into through self-supply permits. IEnova filed lawsuits against the Self - Supplied Resolution and is evaluating the way to obtain injunctive relief that would allow Don Diego and Border Solar to deliver electric power to their Self - Supplied partners while a final decision is reached in the lawsuits it has filed.

Additionally, Border and Don Diego Solar filed an *amparo* against the CRE's most recent suspension of terms due to COVID. In that regard, Court issued and injunctive relief against such suspension and ordered CRE to continue with pending procedures despite COVID. Border and Don Diego are waiting for the CRE to comply with the Court's order.

1.2.21.ECA LNG Liquefaction Export

Through an investment agreement, Sempra LNG ECA Liquefaction, LLC (“SLNGEL”) and IEnova are developing a proposed natural gas liquefaction project at IEnova’s existing ECA LNG Regasification facility (Energia Costa Azul S. de R. L. de C. V. (“ECA”)). The proposed liquefaction facility project, which is planned for development in two phases (a mid-scale project referred to as ECA LNG Phase 1 and a large-scale project referred to as ECA LNG Phase 2), is being developed to provide buyers with direct access to west coast LNG supplies. The ECA LNG Regasification facility currently has profitable long-term regasification contracts for 100 percent of the ECA’s capacity through 2028, making the decisions on whether and how to pursue the ECA LNG Phase 2 liquefaction project dependent, in part, on whether the investment in a largescale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts. We do not believe that the development of ECA LNG Phase 1 will disrupt operations at the ECA LNG Regasification facility.

In November 2018, Sempra LNG and IEnova signed Heads of Agreements with affiliates of TOTAL S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for ECA LNG Phase 1 in respect of LNG sales of approximately 2.5 million tons per annum (“Mtpa”) in the aggregate. In April 2020, ECA Liquefaction S. de R. L. de C. V. (“ECAL”) executed definitive 20-year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness, including our Final Investment Decision (“FID”) for the project. TOTAL S.A., it also has the option to acquire an equity interest in ECA LNG Phase 1.

In March 2019, ECA received two authorizations from the Department of Energy (“DOE”) to export U.S.-produced natural gas to Mexico and to re-export LNG to non- United States - Mexico - Canada Agreement (“USMCA”) countries from its ECA LNG Phase 1 project, a one-train natural gas liquefaction export facility with a nameplate capacity of 3.25 Mtpa and initial offtake capacity of approximately 2.5 Mtpa, and its ECA LNG Phase 2 project, each of which is in development.

On February 27, 2020, we entered into an Engineering Procurement Construction (“EPC”) contract with TechnipFMC for the engineering, procurement and construction of ECA LNG Phase 1. We have no obligation to move forward on the EPC contract, and we may release TechnipFMC to perform portions of the work pursuant to limited notices to proceed. We plan to fully release Technip USA Inc. (“Technip”) to perform all of the work to construct ECA LNG Phase 1 only after we reach a FID with respect to the project and after certain other conditions are met. The total price of the EPC contract for ECA LNG Phase 1 is estimated at approximately $1.5 billion. We estimate that capital expenditures for ECA LNG Phase 1 will approximate $2.0 billion, including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ, perhaps substantially, from our estimates.

On November 17, 2020, IEnova announced it reached a FID for the development, construction and operation of the ECA LNG Phase 1 through ECAL.

On December 9 2020, IEnova informed ECA LNG Holdings B.V, (“ECA LNG Holdings”) has signed an equity investment agreement with an affiliate of Total for its participation in ECAL Under the terms of the agreement, Total has acquired a 16.6 percent equity stake in ECA LNG Holdings, while IEnova and SLNGEL will each retain 41.7 percent ownership.

On December 9, 2020, IEnova informed that ECA Liquefaction and Total SE (“Total”), have entered into a five-year loan agreement for an aggregate amount up to $1.6 billion in relation to ECAL.

The Financing, which will not consolidate in IEnova's balance sheet, has three tranches associated with the commitments of each partner. The financial institutions related to IEnova's tranche are: The Bank of Nova Scotia ("BNS"), Sumitomo Mitsui Banking Corporation ("SMBC"), BBVA Securities Inc., and Banco Nacional de Mexico, S. A., member of Grupo Financiero Banamex.

(Please refer to Note 10.4).

1.2.22.International Senior Notes Offering

On September 15, 2020, IEnova obtained $800.0 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 notes bear interest at a rate of 4.75 percent, with semiannual payments of interest beginning on July 2021, maturing in 2051.

The Senior Notes received an investment grade rating from Fitch Ratings (BBB), Moody's Corporation ("Moody's") (Baa2) 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 ("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.

1.2.23.Sempra's Energy Non-Binding proposal

On December 2, 2020, IEnova informed the market that on December 1st, 2020 IEnova's Board of directors received a non-binding proposal from Sempra Energy to conduct a tender offer for the totality of common shares of IEnova held by private investors, which represent 29.83 percent of the total amount of IEnova's common shares. The proposed tender offer is subject to corporate and governmental approvals required by applicable laws. IEnova's Board of Directors, which the opinion of its Corporate Practices Committee, will conduct an evaluation of the proposed tender offer in the terms and timeframe required by the Mexican Securities Law.

1.2.24.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 Veracruz terminals is expected to occur in the first quarter of 2021, Puebla and Estado de Mexico are expected to occur in the second quarter of 2021, 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. COD is expected on 2H 2021.

c. *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 commercial operation date is still pending to be defined.

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.

d. *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 second 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.

e. *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 $320.0 million. The commercial operation date is still pending to be defined.

As part of the agreements, the Company also acquired 82.5 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 11.3.).

f. *Natural gas liquefaction project*

On November 17, 2020, IEnova announced it reached a FID for the development, construction and operation of the ECA LNG Phase 1 through ECAL. (Please refer to Note 1.2.25.).

1.2.25.Other matters

a. *Credit Ratings*

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 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.

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).
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).

On April 17, 2020, the Company announced that Fitch downgraded IEnova´s rating to BBB / Stable from BBB+/ Stable, following the downgrade of Mexico´s sovereign to BBB-/ Stable from BBB/ Stable.

On April 21, 2020, the Company announced that Moody's downgraded IEnova's rating to Baa2 (global scale) from Baa1 and to Aa2.mx (Mexico National Scale) from Aa1.mx. The outlook remains negative.

The rating downgrade follows the recent rating actions on the ratings and outlooks of the Mexican government (Baa1 negative), Comision Federal de Electricidad ("CFE"; Baa1/Aa1.mx negative) and Petroleos Mexicanos ("PEMEX"; Ba2/A2.mx negative).

Moody's affirms that this action is balanced by IEnova's otherwise stable cash - flow profile coming from Dollar-denominated and long term take-or-pay contracts from a diverse portfolio.

1.3. Activities

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

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

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

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

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

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

1.3.1. Gas segment

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

a. ECO is engaged in the distribution and sale of natural gas for industrial, residential and commercial use in three local distribution zones: Mexicali (serving the city of Mexicali, Baja California), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtemoc and Anahuac) and La Laguna-Durango (serving the cities of Torreon, Gomez Palacio, Lerdo and Durango), with pipelines of approximately 4,138 Km in length.

During 1996, 1997 and 1999, the CRE, granted ECO the first natural gas distribution permits for the local distribution zones of Mexicali, Baja California, Chihuahua, Chihuahua and La Laguna-Durango, under which ECO receives, transports, delivers and sells natural gas through a pipeline system.

In May 2009, the CRE approved the third five-year plan to ECO for the local distribution zones of Chihuahua, Chihuahua and Mexicali, Baja California, and in June 2010 for the local distribution zone of La Laguna-Durango. Additionally, in 2016, the CRE authorized an adjustment to the authorized tariffs to be applied in the five-year plan for the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango and in 2018 an actualization to tariffs related to inflationary effects. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2020, 2019 and 2018, ECO had over 130,000, 122,000 and 120,000 customers, respectively.

b. IEnova Gasoductos Mexico, S. de R. L. de C. V. ("IGM") is engaged in the acquisition and subscription of any kind of participation in the capital stock of a variety of companies; its subsidiaries are engaged in the compression, storage and transportation of natural gas as well as in rendering various kind of services related to such activities, including the coordination, consulting and supervision of construction and development of energy infrastructure projects.

It is primarily engaged in the compression of natural gas using compression equipment located in Naco, Sonora (also referred to as the Naco Compression Station).

In 2001, IGM entered into an agreement with Pemex TRI to provide natural gas compression services for a 20-year period. The term of the agreement may be extended up to five additional years by mutual agreement between IGM and Pemex TRI.

c. Gasoductos de Aguaprieta, S. de R. L de C. V. ("GAP"), a subsidiary of IGM, was incorporated on July 4, 2001 and commenced operations on November 20, 2002. GAP is primarily engaged in the transportation of natural gas.

On July 19, 2002, GAP obtained its natural gas transportation permit from the CRE. The term of the permit is for 30 years and is renewable every 15 years.

On June 28, 2002, GAP entered into a 25-year gas transportation agreement with El Paso Energy Marketing Mexico, S. de R. L. de C. V. (“EPEMM”), a related party until April 2010. The pipeline starts at the border of Arizona, U. S., and extends to the power plant called (“Naco-Nogales”), which is owned by Power and Energy Naco Nogales, S. A. de C. V., located in Agua Prieta, Sonora, Mexico.

Sonora pipeline: In October 2012, GAP was awarded by the CFE with two contracts to build and operate an approximately 835 Km natural gas pipeline network connecting the Northwestern Mexican states of Sonora and Sinaloa (“Northwest gas pipeline”, also known as the “Sonora Pipeline”) to the U.S. interstate pipeline.

The Sonora pipeline is comprised of two segments; the first one (Sasabe – Guaymas), has an approximate length of 505 Km, 36 inch diameter pipeline with 770 Million Cubic Feet per Day (“MMCFPD“) of transportation capacity; and the second one (Guaymas – El Oro), has an approximate length of 330 Km, and 30 inch pipeline with 510 MMCFPD of transportation capacity and started commercial operation on May 19, 2017.

On August 18, 2014, CFE granted a compliance certification for the Sasabe – Puerto Libertad segment construction. The first 220 Km, of the first segment were put into operation in the fourth quarter of 2014. The second 285 Km of the first segment (Puerto Libertad – Guaymas), 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 asset is a 42 - inch pipeline, with a length of approximately 220 Km. This pipeline 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 interconnects with the following systems: Gasoductos de Chihuahua, Tarahumara Pipeline and the Samalayuca-Sasabe pipeline. This pipeline started commercial operation on March 31, 2017. The contract length 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 asset is a 20 Km pipeline branch. This pipeline 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 in June 2002 and the second in 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 horsepower ("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 in 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 and TGN merged with and into GAP which is the surviving entity in the merger.

*TGN:*Is engaged in the transportation of natural gas in accordance with a permit issued by the CRE, through a 45 Km, 30 - inch pipeline with a designed transportation capacity of 940 MMCFPD as permitted by the CRE. TGN interconnects with the GRO pipeline system in the Tijuana, Baja California, Mexico, area and extends north to interconnect with the SDG&E, system at the Otay Mesa International border and southwest to the CFE's 1,300 MW Presidente Juarez Power Plant in Rosarito, Baja California, Mexico. The TGN pipeline system was placed in service in June 2000. A 19 Km expansion to the TGN system began operations in May 2008.

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

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

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

Thereafter, on January 1, 2013, SLNGI and IEnova Marketing entered into an LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 Million British Thermal Units ("MMBtus"). Under the terms of the agreement, SLNGI will be responsible for the transportation to the receiving terminal of all quantities of LNG sold and delivered from the delivery point to the receiving terminal and, IEnova Marketing will take LNG in order to meet its purchase commitments.

As of February 28, 2018, all end users that purchase natural gas and whose maximum annual consumption is greater than 5,000 Gigajoules ("GJ") must contract with licensed marketers for the supply thereof, said licensed 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, 2020, IEnova Marketing has a total of 156 new customers derived from the change regulation issued by the CRE.

f. IEnova Pipelines is engaged in providing natural gas and LPG transportation services through Gasoductos de Tamaulipas, S de R. L. de C. V. ("GdT"), Gasoductos del Noreste, S. de R. L. de C. V. ("GdN"). These activities are regulated by the CRE. IEnova Pipelines is also engaged 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, and is extendable for a five-year period at the customer's option.

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

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

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

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

GdS - Ethane pipeline: an approximately 224 Km system comprised of three segments. The first segment is a 20 - inch diameter pipeline with a transportation capacity of approximately 52 MMCFPD. The second segment is a 16/24 inch diameter pipeline with a transportation capacity of approximately 152 MMCFPD. The third segment is a 20 inch diameter pipeline with a transportation capacity of approximately 106,000 Bbld. The Ethane pipeline transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization plant in the State of Veracruz. Pemex TRI, the sole customer of this facility, has contracted 100 percent of its capacity for a period of 21-years under a purchase agreement on a take-or-pay basis. This system, which began operations in 2015, is Mexico's first privately-owned ethane pipeline.

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

h. *Marine pipeline.* In June 2016, IMG, the JV formed between IEnova and TC Energy, whereby TC Energy has a 60 percent interest in the partnership and IEnova owns the remaining 40 percent interest, entered into a 35-year natural gas transportation service agreement with the CFE, which was won in connection with the bid issued by CFE for the South Texas–Tuxpan marine pipeline. The pipeline reached commercial operations on September 17,2019.

1.3.2. Storage segment

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

a. ECA owns and operates an 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 independent third parties for 50 percent of the total storage capacity of the LNG Terminal. The agreements commenced in 2009.

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

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

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

1.3.3. Power segment

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

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

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

On December 2016, this contract was assigned to SGPM. In April 2018, the Company signed an addendum to the contract where the charge for placing energy 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.

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, put out for bid 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. 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.

f. Don Diego. A 15-year electricity supply contract with various subsidiaries of Liverpool. The electricity generates by a solar power plant that is located in the municipality of Benjamin Hill in the State of Sonora, Mexico. The plant has the capacity to supply Liverpool and other large energy consumers. The Company is responsible for the development, construction and operation of the project that has a capacity of 125 MW, with an investment of approximately $130.0 million. The beginning of commercial operations was reached in December 1, 2020.

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 are those inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
ii. Level 2 are those inputs derived from 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 are those inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

c. Comparative information

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

Additional information on the Segment disclosure for the years ended on December 31, 2020, 2019 and 2018, are presented in these Consolidated Financial Statements due to the change in reportable segments. (Please refer to Note 27.).

The following immaterial adjustments and reclassifications were made to conform the 2018 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, 2020 is as follows:

Company	Ownership percentage 2020
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
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
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 Pipelines, S. de R. L. de C. V. ("IEnova Pipelines")	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
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
Storage Segment:	
Energía Costa Azul, S. de R. L. de C. V.	100.00
IEnova Gas, 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
Gasoductos Servicios Corporativos, S. de R. L. de C. V.	100.00
IEnova Petroleum Liquids Holding, B. 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
ICM Ventures Holding, B. V.	82.50*
TP Terminals, S. de R.L. de C. V.	82.50*
ESJ Renovable III, S. de R. L. de C. 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
Power segment:	
Termoeléctrica de Mexicali, S. de R. L. de C. V. y Subsidiarias	100.00

Company	Ownership percentage 2020
Termoeléctrica U. S., LLC	100.00
Controladora Sierra Juárez, 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 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. (Collectively known as "Ventika")	100.00
Ventika II, S. A. P. I. de C. V. (Collectively known as "Ventika")	100.00
ESJ Renovable I, S. de R. L. de C. V.	100.00
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
Energía Sierra Juárez 2, U. S., 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
ESJ Energy, B. V.	100.00
Central Fotovoltaica 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
Eólica Cimarrón, S. A. P. I. de C. V.	100.00
Cucapa Almacenamiento, S. A. P. I. de C. V.	100.00
Renewables Portfolio Minority B. 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
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
Servicios Termoeléctrica de Mexicali, S. de R. L. de C. V.	100.00

*Proportion of equity interest held by non-controlling interests: 17.5% owner Trafigura Holdings, B.V.

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. *Leases*

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. 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.

This standard was applicable until December 31, 2018.

2.10. Investments in Joint Ventures´s ("JV")

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

The results, assets and liabilities of the JV are incorporated in these Consolidated Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under the equity method, an investment in a JV is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and OCI of the JV.

When the Company's share of losses of a JV exceeds the Company's interest in that JV (which includes any long-term interests that, in substance, form part of the Company's net investment in the JV), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the JV.

An investment in a JV is accounted for using the equity method from the date on which the investee becomes a JV. On acquisition of the investment in a JV, any excess of the cost of the investment over the Company's share of the net FV of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net FV of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit in the year in which the investment is acquired.

The requirements of IFRS 9*:* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a JV. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, as a single asset, by comparing its recoverable amount (higher of value in use and FV less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be a JV, or when the investment is classified as held for sale. When the Company retains an interest in the former JV and the retained interest is a financial asset, the Company measures the retained interest at FV at that date and the FV is regarded as its FV on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the JV at the date the equity method was discontinued, and the FV of any retained interest and any proceeds from disposing of a part interest in the JV is included in the determination of the gain or loss on disposal of the JV. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that JV on the same basis as would be required if that JV had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that JV would be reclassified to profit on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

2.11. Business combination and assets acquisition

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their FV, except for:

i. Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits,* respectively,
ii. Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the FV of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit.

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

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

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

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

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

2.12. Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Statement of Profit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit on disposal.

2.13. Carbon allowances

The Company has elected to account for carbon allowances, or emission allowances, ("CAs") under the inventory model, whereby CAs are measured at a weighted-average cost. CAs allocated by a regulatory body will have a zero-cost basis, CAs purchased at auction or from other market participants are recorded at their purchase price, and CAs acquired when the Company elects to physically settle carbon futures are recorded based on the settlement price. The weighted-average cost of CAs consumed (i.e., carbon emitted while power is generated) is charged to cost of revenue of each reporting period. The CAs' carrying value is evaluated under the "lower of cost or net realizable value" approach. The CAs inventory is classified as other current assets or other non-current assets if it is expected to surrender the inventory within the term greater than one year beginning at the Consolidated Statements of Financial Position date. The CAs' cash inflows and outflows are classified as an operating activity in the Consolidated Statements of Cash Flows. (Please refer Note 20.).

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.

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, 2020, 2019 and 2018, 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.

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 23.

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 23.

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

Derivatives are initially recognized at FV at the date the derivative contracts are entered and are subsequently remeasured to their FV at the end of each reporting period. The resulting gain or loss is recognized in profit or loss in the same line as the hedged item affects profit or loss for derivatives that are economic hedges.

2.24.1. Embedded derivatives

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

2.24.2. Own use exemption

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

2.25. Hedge accounting

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

For its hedging instruments, the Company documents the relationship between the hedging instrument and the hedged item at the inception of the hedge relationship, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in FVs or cash flows of the hedged item attributable to the hedged risk.

2.25.1. Cash flow hedges

The effective portion of changes in the FV of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in Consolidated Statements of Profit.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit in the years when the hedged item is recognized in profit, in the same line of the Consolidated Statements of Profit as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in OCI and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

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

2.25.2. FV hedges

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

The change in the FV of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the profit or loss consolidated statements of related to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The FV adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2.26. Income tax

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

2.26.1. Current tax

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

2.26.2. Deferred taxes

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in JV's, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

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

2.26.3. Current and deferred tax for the year

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

2.26.4. Tax on assets

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

2.27. Revenue recognition

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers,* from January 1, 2018. Information about the Company's accounting policies relating to contracts with customers is provided in Note 28. 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 28.

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 in Gas segment, and Fundacion IEnova and Servicios DGN de Chihuahua, S. de R.L. de C.V. ("SDGN") in the Corporate segment, which is the Mexican Peso.

In preparing the financial statements of each individual subsidiary of the Company, transactions in currencies other than the subsidiaries functional currency (U. S. Dollar or Mexican Peso) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at FV that are denominated in foreign currencies are translated at the rates prevailing at the date when the FV was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

i. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
ii. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in OCI and reclassified from equity to profit on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Company's subsidiaries with Mexican peso functional currency are translated into U. S. Dollars (the Company's reporting currency) using exchange rates prevailing at the end of each reporting period. Profit amounts are translated at the rate of the transaction date, unless there are significant currency fluctuations during the period, in which case the exchange rates at the dates of the transactions are used.Exchange differences arising, if any, are recognized in other items of comprehensive income and accumulated in equity.

On the disposal of an operation with a Mexican Peso functional currency all of the exchange differences accumulated in equity related to the disposed operation that are attributable to the owners of the Company are reclassified to profit.

3. Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

3.1. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3.2 below), that Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

3.1.1. Contingencies

The Company accrues losses for the estimated impacts of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, the Company accrues for the loss if an event has occurred on or before the date of the Consolidated Statements of Financial Position. The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

3.1.2. Own use exemption

IAS 39 and IFRS 9 contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity's own use. The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments.

If a non-financial item can be settled net either in cash or another financial instrument, or by exchange of financial instruments, it must be accounted for as a financial instrument.

There are various ways in which a contract can be settled net. Management applies judgment in assessing whether, among others, past practices of net settling similar contracts or of taking delivery and selling the item within a short period; or, the commodity is readily convertible to cash, would lead to net settlement.

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

3.1.3. Classification of its joint arrangements

The JV's are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Company's share of the profits and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities presented in the Company's Consolidated Statements of Financial Position.

3.2.1. Impairment of long-lived assets and goodwill

Determining whether goodwill and long - lived assets is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated or generated by specific group of assets. 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 24., 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.

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	
	12/31/20	**12/31/19**	**12/31/18**
Cash and cash equivalents	$ 291,993	$ 57,966	$ 51,764

The Company maintained restricted cash as a current asset by $21.7, $30.8 and $23.3 million as of December 31, 2020, 2019 and 2018, respectively, which $2.7, $2.7 and $2.9 million are presented in non-current assets as of December 31, 2020, 2019 and 2018, respectively, to make payments of certain operating costs for the execution of projects.

5. Trade and other receivables, net

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Trade receivables	$ 166,662	$ 117,276	$ 146,273
Credit Expected Losses (a)	(124)	(136)	(40)
	166,538	117,140	146,233
Other receivables	16,049	22,267	7,416
	$ 182,587	$ 139,407	$ 153,649

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	
	12/31/20	**12/31/19**	**12/31/18**
31-120 days	$ 196	$ 146	$ 33
121-180 days	59	82	18
181-270 days	31	36	11
Total	$ 286	$ 264	$ 62
Average age (days)	52	36	41

5.2. Movement in the credit expected losses

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Balance as of beginning of the year	$ (136)	$ (40)	$ (41)
Impairment losses recognized on receivables	(91)	(128)	(69)
Amounts written off during the year as uncollectible	91	37	66
Foreign exchange translation gain (loss)	12	(5)	4
Balance as of end of the year	$ (124)	$ (136)	$ (40)

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 23.9. 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		
	12/31/20	12/31/19	12/31/18
181-270 days	$ (42)	$ (52)	$ (14)
Over 270 days	(82)	(84)	(26)
Total	$ (124)	$ (136)	$ (40)

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, 2020, 2019 and 2018, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues		
	Year ended		
	12/31/20	12/31/19	12/31/18
Sempra Gas & Power Marketing, LLC (“SG&PM”)	$ 168,541	$ 212,237	$ 226,004
SLNGI	94,198	102,084	38,847
TAG Pipelines Norte	26,289	25,620	23,357
ECA Liquefaction, S. de R. L. de C.V. (“ECAL”)	2,372	1,401	—
Sempra International, LLC (“Sempra International”)	1,834	1,802	1,763
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	1,349	1,655	1,215
TAG	741	701	—
ECA Operator, S.A.P.I. de C.V. (“ECAOp”)	356	—	—
Sempra LNG LLC	166	—	—
Southern California Gas Company (“SoCalGas”)	39	405	731
ECA LNG Services, S.A.P.I. de C.V. (“ECAL Services”)	1	—	59,588
ECA Minority, S. de R. L. de C.V. (“ECAM”)	1	—	81

	Cost of revenue, administrative and other expenses		
	Year ended		
	12/31/20	12/31/19	12/31/18
SLNGI	$ 146,625	$ 228,652	$ 230,510
SG&PM	107,078	113,250	139,565
SoCalGas	3,610	2,609	2,026
Sempra North American Infrastructure, LLC ("Sempra Infrastructure")	3,457	5,947	5,430
Sempra International	2,660	4,875	8,509
Pxise Energy Solutions, LLC ("Pxise")	809	1,826	—
Sempra Energy Holding, XI. B. V. ("SEH")	127	128	131
San Diego Gas & Electric, LLC ("SDGE")	12	—	366

Included in the operational transactions are administrative services from affiliates by $2.7 million, $4.9 million and $8.5 million for the years ended December 31, 2020, 2019 and 2018, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	Interest income		
	Year ended		
	12/31/20	12/31/19	12/31/18
IMG	$ 55,314	$ 41,622	$ 23,929
ESJ	585	36	401
SEG	113	90	75
ECAL	38	18	—

	Finance costs		
	Year ended		
	12/31/20	12/31/19	12/31/18
TAG	$ 9,068	$ 372	$ —
TAG Pipelines Norte	4,919	2,086	1,651
Sempra Energy International Holding NV ("SEI NV")	912	1,489	209
Inversiones Sempra Limitada ("ISL")	—	4,408	9,315
Peruvian Opportunity Company, S. A. C. ("POC")	—	2,618	2,941
SEH	—	—	2,310
Sempra Oil Trading Suisse ("SOT Suisse")	—	—	1,321

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

	Amounts due from unconsolidated affiliates		
		As of	
	12/31/20	12/31/19	12/31/18
SG&PM	$ 19,297	$ 30,581	$ 40,600
Sempra Infraestructure	5,309	2,349	—
TAG Pipelines Norte	2,576	2,524	2,234
IMG	2,198	—	—
ESJ (i)	730	—	—
ECA OP	405	—	—
SESJ	248	575	346
ECAL	86	295	—
TAG	72	70	—
ECAL Services	55	—	—
PEI INC	—	—	1,803
SoCalGas	—	—	60
	$ 30,976	$ 36,394	$ 45,043

New loans or amendments as of 2020:

i. On January 31, 2020, IEnova entered into a $35.0 million U.S. Dollar-denominated affiliate credit facility with ESJ, to finance working capital and for general corporate purposes. All principal, interest and other amounts under this Note shall be due and payable on June 30, 2020, at one-month London Interbank Offered Rate ("LIBOR") plus 1.96 percent per annum. On June 30, 2020, the Company signed an addendum modifying the contract's terms extending the maturity to December 31, 2020.

   On November 22, 2020, the Company signed an addendum modifying the contract's terms increasing credit facility from $35.0 million to $160.0 million and extending the maturity to December 31, 2022.

	Amounts due to unconsolidated affiliates		
		As of	
	12/31/20	12/31/19	12/31/18
TAG Pipelines Norte	$ 41,050	$ —	$ —
SG&PM	11,843	13,343	23,412
SLNGI	2,381	10,525	18,795
ECAL	4,020	—	—
Sempra LNG ECA Liquefaction, LLC	1,351	—	—
Pxise	559	235	—
Sempra International	88	136	122
SoCalGas	398	227	199
ECA Operator S.A.P.I. de C.V.	115	—	—
SDGE	12	—	—
ISL (i)	—	—	165,768
POC (ii)	—	—	102,000
SEH (iii)	—	5	10
PEI INC	—	—	390
	$ 61,817	$ 24,471	$ 310,696

i. 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 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 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, 2020, 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		
	12/31/20	12/31/19	12/31/18
IMG (i)	$ 697,745	$ 741,816	$ 640,775
ESJ (ii)	85,341	—	—
SEG	3,457	2,793	2,111
ECAL (iii)	640	—	3,411
	$ 787,183	$ 744,609	$ 646,297

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, 2020, the outstanding balance amounts $13,919.1 million Mexican Pesos, including $2,521.5 million Mexican Pesos of accrued interest. During the year this loan decreased approximately in $44.0 million as a result of the increase in the exchange rate as it is denominated in Mexican Pesos. However, this impact is compensated with the gain recognized through its equity method investment in joint venture IMG. (See Note 10.2).

ii. On December 18, 2020, IEnova signed an addendum modifying the contractual terms over a $160.0 million principal amount U.S. Dollar-denominated and credit facilities with ESJ and the new conditions extended the term and is due and payable in full on December 31, 2022, interest shall be computed on a calendar quarter basis at one-month plus 1.96 percent per annum.

On December 18, 2020, IEnova entered into a loan agreement with ESJ, providing a credit line in an amount of up to $550.0 million Mexican Pesos, the maturity date of which is November 22, 2023. The applicable interest rate is the TIIE at 91 days plus 100 BPS accruing to outstanding principal quarterly.

iii. On December 9, 2020, IEnova entered into a $59.0 million principal amount Dollar - denominated and credit facility with ECAL, to finance the liquefaction project. All principal, interest and other amounts under this Note shall be due and payable in December 2025, bearing interest at LIBOR plus 1.80 percent per annum.

Transactions with unconsolidated affiliates as of the date of this report are consistent in nature with those in previous years and periods. The amounts outstanding are unsecured and will be settled in cash. No guarantees have either been given or received regarding these loans. No expenses have been recognized in the current or prior years and periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

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

	As of		
	12/31/20	12/31/19	12/31/18
TAG (iii)	$ 166,347	$ 155,769	$ —
TAG Pipelines Norte (ii)	68,049	39,368	36,701
SEI NV (i)	38,461	38,460	38,460
	$ 272,857	$ 233,597	$ 75,161

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.

On January 9, 2020, DEN entered into a $64.0 million U.S. Dollar-denominated affiliate credit facility with TAG Pipelines Norte, to finance working capital and general business purposes. The credit facility has a four-year term. Interest on the outstanding balance is payable annually at 5.50 percent 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 $20.0, $13.5 and $13.5 million, for the years ended December 31, 2020, 2019 and 2018, respectively.

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

7. Natural gas inventories

	As of		
	12/31/20	**12/31/19**	**12/31/18**
LNG	$ 5,946	$ 8,270	$ 3,516

The cost of inventories recognized within cost of revenues were $148.8, $216.3 and $222.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020, 2019 and 2018, no cost of revenue was recognized, due to write-downs of inventory to net realizable value.

8. Leasing

8.1. Finance lease receivables

8.1.1. Finance lease receivables – Natural Gas Compression Plant

	As of		
	12/31/20	**12/31/19**	**12/31/18**
Current finance lease receivables	$ 854	$ 608	$ 433
Non-current finance lease receivables	11,932	12,786	13,394
	$ 12,786	$ 13,394	$ 13,827

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.

8.1.1.1. Amounts receivables under finance leases

	Minimum lease payments			Present value of minimum lease payments		
		As of			As of	
	12/31/20	12/31/19	12/31/18	12/31/20	12/31/19	12/31/18
Not later than one year	$ 5,136	$ 5,136	$ 5,136	$ 854	$ 608	$ 433
Later than one year and not later than five years	24,396	25,680	20,544	11,933	9,435	4,348
More than five years	—	3,851	14,123	—	3,351	9,046
	29,532	34,667	39,803	12,787	13,394	13,827
Less: unearned finance income	(16,746)	(21,273)	(25,976)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 12,786	$ 13,394	$ 13,827	$ 12,787	$ 13,394	$ 13,827

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 2020, 2019 and 2018. The receivable under finance lease balance as of December 31, 2020, 2019 and 2018, is neither past due nor impaired.

8.1.2. Finance lease receivables – Los Ramones I Pipeline

		As of	
	12/31/20	12/31/19	12/31/18
Current finance lease receivables	$ 5,589	$ 5,138	$ 4,517
Non- current finance lease receivables	570,923	557,999	562,888
	$ 576,512	$ 563,137	$ 567,405

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.

8.1.2.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
		As of			As of	
	12/31/20	12/31/19	12/31/18	12/31/20	12/31/19	12/31/18
Not later than one year	$ 87,783	$ 85,742	$ 86,470	$ 5,589	$ 5,138	$ 4,517
Later than one year and not later than five years	455,126	421,344	426,802	50,359	38,203	32,643

	Minimum lease payments			Present of minimum lease payments		
	As of			As of		
	12/31/20	12/31/19	12/31/18	12/31/20	12/31/19	12/31/18
More than five years	654,618	732,821	812,855	520,564	519,796	530,245
	1,197,527	1,239,907	1,326,127	576,512	563,137	567,405
Less: unearned finance income	(621,015)	(676,770)	(758,722)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 576,512	$ 563,137	$ 567,405	$ 576,512	$ 563,137	$ 567,405

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 15.1 percent per annum for 2020 and 15.2 percent for 2019 and 2018. The receivable under finance lease balance as of December 31, 2020 ,2019 and 2018, is neither past due nor impaired.

8.1.3. Finance lease receivables – Ethane Pipeline

	As of		
	12/31/20	12/31/19	12/31/18
Current finance lease receivables	$ 6,544	$ 5,608	$ 4,859
Non-current finance lease receivables	343,940	350,485	356,093
	$ 350,484	$ 356,093	$ 360,952

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	$ 30,310
Segment II	178,240
Segment III	141,934
Total	$ 350,484

8.1.3.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
		As of			As of	
	12/31/20	12/31/19	12/31/18	12/31/20	12/31/19	12/31/18
Not later than one year	$ 53,002	$ 54,218	$ 54,704	$ 5,345	$ 5,608	$ 4,859
Later than one year and not later than five years	244,979	254,812	258,766	42,902	45,336	38,948
More than five years	248,470	311,689	416,097	309,688	305,149	317,145
	546,451	620,719	729,567	357,935	356,093	360,952
Less: unearned finance income	(195,967)	(264,626)	(368,615)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 350,484	$ 356,093	$ 360,952	$ 357,935	$ 356,093	$ 360,952

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, 2020, 2019 and 2018, respectively. The receivable under finance lease balance as of December 31, 2020, 2019 and 2018, is neither past due nor impaired.

8.1.4. Others finance lease receivables – Puebla

As of December 31, 2020, IGAS has a finance lease receivable in the amount of $ 826.0 and maturing in 2021.

8.2. The Company as a lessee

The Company leases several assets including land and buildings (offices). The average lease term is 16 years and 17 years for 2020 and 2019, respectively.

The Company obligations are secured by the lessors' title to the leased assets for such leases. The resulted in additions to right-of-use assets for 2020 and 2019 are:

8.2.1. Right-of-use assets

Right-of-use assets	Total
Cost	
At 1 January 2019	$ 164,540
Additions	24,331
At 31 December 2019	188,871
Additions	643
At 31 December 2020	$ 189,514
Accumulated depreciation	
At 1 January 2019	$ —
Charge for the year	(13,030)
At 31 December 2019	$ (13,030)
Charge for the year	(21,223)

At 31 December 2020	$	(34,253)
Carrying amount		
At 31 December 2020	$	155,261
At 31 December 2019	$	175,841

Amounts recognized in profit and loss

	Year ended			
		12/31/20		12/31/19
Depreciation expense on right-of-use assets	$	10,962	$	11,784
Interest expense on lease liabilities		9,237		9,401
Expense relating to leases of low value assets		3,614		4,758

At 31 December 2020 and 2019, the Company is committed to $2,813 and $2,654, respectively, for short-term leases.

8.2.2. Lease liabilities

		Total
At 1 January 2019	$	96,245
Additions		24,433
Interest expense		9,401
Payments and inflation index update		(28,686)
Exchange differences on translation of foreign operations		3,049
As of December 31, 2019	$	104,442
Additions		643
Interest expense		9,237
Payments and inflation index update		(21,531)
Exchange differences on translation of foreign operations		(3,900)
As of December 31, 2020	$	88,891

	As of	
	12/31/20	12/31/19
Maturity analysis:		
Year 1	$ 11,053	$ 11,328
Year 2	11,386	11,599
Year 3	11,006	12,111
Year 4	10,805	11,882
Year 5	9,835	11,846
Onwards	138,164	189,148
	192,249	247,914
Less: unearned interest	(103,358)	(143,472)
Analyzed as:		
Non–current	86,078	101,788
Current	2,813	2,654
	$ 88,891	$ 104,442

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

8.2.3. Leases that have not yet commenced at December 31, 2020.

a. *This lease was signed in ECA for ECA Liquefaction Project Phase 1*

2021	$ 958
2022	1,045
2023	1,045
2024	1,045
2025	1,045
Thereafter	5,498
Total undiscounted lease payments	$ 10,638

9. Other assets

	As of		
	12/31/20	12/31/19	12/31/18
Rights of way	$ 20,482	$ 20,021	$ 14,073
Prepayments	13,055	13,051	8,966
Renewable interconnection facilities	11,339	6,857	—
Guarantee	4,998	—	—
Pipeline interconnection rights	1,649	1,336	1,486
LOCF related costs	615	911	1,506
Pipeline integrity system	229	348	468
Veracruz marine terminal initial bidding quota (a) (Refer to Note 1.2.28.a.)	—	—	54,163
Topolobampo marine terminal initial bidding quota (a) (Refer to Note 1.2.28.d.)	—	—	18,371
Contractual tariff	—	—	5,744
Prepaid land leases	—	—	547

	12/31/20	As of 12/31/19	12/31/18
	52,367	42,524	105,324
Amortization expense	—	(1,569)	—
	$ 52,367	$ 40,955	$ 105,324
Current	16,876	9,688	9,695
Non–current	35,490	32,836	94,060
	$ 52,366	$ 42,524	$ 103,755

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 JV formed between IEnova and IG Sierra Juarez, S. de R.L. de C.V. ("Saavi Energia"), started operations in June 2015. As of December 31, 2020, 2019 and 2018, 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:

	12/31/20	As of 12/31/19	12/31/18
Cash and cash equivalents	$ 6,609	$ 4,151	$ 1,695
Other assets	25,769	24,382	24,165
Current assets	32,378	28,533	25,860
Deferred income tax assets	8,516	5,787	2,849
Other assets	2,610	2,774	2,784
Property, plant and equipment, net	301,659	229,091	241,457
Non-current assets	312,785	237,652	247,090
Total assets	$ 345,163	$ 266,185	$ 272,950
Current liabilities	$ 23,549	$ 19,045	$ 16,673
Non-current liabilities	291,592	204,644	210,991
Total liabilities	$ 315,141	$ 223,689	$ 227,664
Total members' equity	$ 30,022	$ 42,496	$ 45,286
Share of members' equity	$ 15,011	$ 21,248	$ 22,643
Goodwill	12,121	12,121	12,121
Carrying amount of investment in ESJ	$ 27,132	$ 33,369	$ 34,764

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		
	12/31/20	12/31/19	12/31/18
Revenues	$ 45,138	$ 49,921	$ 45,759
Operating, administrative and other expenses	(17,472)	(25,227)	(20,210)
Finance costs	(13,707)	(14,108)	(15,166)
Other gains, net	94	75	48
Income tax expense	(5,004)	(2,688)	(2,780)
Profit for the year	$ 9,049	$ 7,973	$ 7,651
Share of profit of ESJ	$ 4,524	$ 3,987	$ 3,826

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, 2020, is as follows:

	Debt balance
Mizuho	$ 41,148
NORD/LB	41,148
NADB	29,927
NAFINSA	29,927
SMBC	41,148
	$ 183,298

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

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

10.2. IMG

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

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

As of December 31, 2020, 2019 and 2018, 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	
	12/31/20	**12/31/19**	**12/31/18**
Cash and cash equivalents	$ 142,336	$ 71,364	$ 46,333
Accounts receivable	13,858	49,732	—
VAT receivable	37,813	77,504	51,371
Other assets	3,477	8,532	1
Total current assets	197,484	207,132	97,705
Total non-current assets	2,993,238	2,955,435	2,594,950
Total assets	$ 3,190,722	$ 3,162,567	$ 2,692,655
Current liabilities	391,066	588,643	364,716
Long-term debt	1,748,961	1,844,249	1,602,029
Deferred revenue	—	—	901
Deferred income tax liabilities	104,822	56,663	51,785
Total non-current liabilities	1,853,783	1,900,912	1,654,715
Total liabilities	$ 2,244,849	$ 2,489,555	$ 2,019,431
Total members' equity	$ 945,873	$ 673,012	$ 673,224
Share of members' equity	378,349	269,205	189,468
Guarantees (b)	5,018	5,018	5,018
Remeasurement of interest rate (c)	(65,693)	(70,390)	(37,653)
Share of members' equity and carrying amount of investment in IMG	$ 317,674	$ 203,833	$ 156,833

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

	Year ended		
	12/31/20	12/31/19	12/31/18
Revenue	$ 488,658	$ 140,166	$ —
Operating, administrative and other expenses	(111,843)	(24,411)	—
Finance (costs) income, net	(143,974)	(54,980)	7,582
Other gains (losses), net *	99,285	(73,299)	9,858
Income tax (expense) benefit	(52,530)	10,105	(17,657)
Profit (loss) for the year	$ 279,596	$ (2,419)	$ (217)
	11,838	(967)	—
Other adjustments	2,003	575	—
Share of profit (loss) of IMG	$ 113,841	$ (393)	$ (87)

* 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.

IMG Revenue is based on the fair value of services provided in a particular period which may not be the same as the amount of receivables billed in that period. In IMG case the services to be provided to major customer (CFE) is the capacity to be provided over the life of the 35-year contract.

Revenue recognition began September 17, 2019 based upon notification from CFE that the pipeline was ready for service, based at a levelized rate over the new 35-year contract. Amounts collected prior to the in-service date are in accordance with force majeure clauses of our CFE contract and have been recorded as deferred revenue and allocated during the term of the contract.

a. ***Project financing for the IMG project.*** As of December 31, 2020, 2019 and 2018 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, 2020, 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 2020 and 2019 the adjusted amount in the interest 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 2020 and 2019; 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, 2020 and 2019.

10.3. TAG

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

As of December 31, 2020, 2019 and 2018, the interest in TAG is accounted for under the equity method.

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Cash and cash equivalents	$ 74,102	$ 174,780	$ 88,977
Other assets	38,919	40,259	36,917
Total current assets	113,021	215,039	125,894
Due from unconsolidated affiliates	550,906	390,291	73,715
Finance lease receivables	1,382,359	1,397,491	1,411,308
Other assets	—	—	3,202
Property, plant and equipment, net	18,486	15,792	15,282
Total non-current assets	1,951,751	1,803,574	1,503,507
Total assets	$ 2,064,772	$ 2,018,613	$ 1,629,401
Current liabilities	95,218	81,327	69,115
Non-current liabilities	1,618,960	1,437,126	1,083,748
Total liabilities	$ 1,714,178	$ 1,518,453	$ 1,152,863
Total members' equity	$ 546,330	$ 500,160	$ 476,538
Share of members' equity and carrying amount of investment in TAG	273,165	250,080	238,269
Equity method goodwill	99,020	99,020	99,020
Total amount of the investment in TAG	$ 372,185	$ 349,100	$ 337,289

TAG's Consolidated Statement of Profit is as follows:

	Year ended 12/31/20	12/31/19	of 12/31/18
Revenues	$ 209,769	$ 210,638	$ 211,002
Operating, administrative and other expenses	(31,858)	(32,668)	(32,903)
Finance costs	(43,459)	(73,745)	(60,052)
Other (losses) gains, net	(668)	4,336	(1,564)
Income tax expense	(43,269)	(33,942)	(47,992)
Profit for the year	$ 90,515	$ 74,619	$ 68,491
Share of profit of TAG	$ 45,257	$ 37,309	$ 34,245

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, 2020, the total outstanding loan is $979.1 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, 2020.

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.

10.4. ECA LNG Holdings B.V.

In February 2019, ECAL and ECAM., (formerly IEnova´s subsidiaries) were deconsolidated. The new parent ECA LNG Holdings is an investment between IEnova and SLNGEL (41.7 percent each) and Total (16.6 percent). (Please refer to Note 1.2.25).

As of December 31, 2020, the Company's 41.7 percent interest in ECA LNG Holdings is accounted for under the equity method. ECA LNG Holdings Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	As of	
	12/31/20	**12/31/19**
Cash and cash equivalents	$ 30,796	$ 15,833
Other assets	17,397	2,349
Current assets	48,193	18,182
Property, plant and equipment, net	151,056	55,154
Deferred income tax	11,589	8,473
Non-current assets	162,645	63,627
Total assets	$ 210,838	$ 81,809
Total liabilities	$ 51,759	$ 2,920
Total members' equity	$ 159,079	$ 78,889
Carrying amount of investment in ECA LNG Holdings	$ 66,365	$ 39,445

On February 18 and June 3, 2020, the Company made capital contributions for $3.5 and $5.0 million, respectively.

ECA LNG Holdings Consolidated Statement of Loss is as follows:

	Year ended	
	12/31/20	**12/31/19**
Operating, administrative and other expenses	$ (15,052)	$ (3,600)
Other losses	158	49
Interest gain, net	68	72
Income tax benefit	3,115	1,211
Loss for the year	$ (11,711)	$ (2,268)
Share of loss of ECA LNG Holdings	$ (5,757)	$ (1,134)

a. ***Construction contract***. ECA LNG Holdings through its subsidiary ECAL entered into an EPC agreement contract with TP Oil & Gas Mexico, S. de R.L. de C.V. ("TP Oil & Gas Mexico") subsidiary of Technip, the total price of the EPC contract is estimated to be approximately $ 1.5 billion. In November 2020, a FID was reached with which the construction contract started.

b. ***Financing contract.*** On December 9, 2020, ECA LNG Holdings through its subsidiary ECAL celebrated a five – year financing agreement for $ 1,585.5 million dollars. This consists of three tranches associated with the commitments of each partner according to the percentage of participation they have in the joint business. The initial financing issuance costs were of $17,144, of which $640 is presented in IEnova's balance sheet as an account receivable from ECAL due to IEnova is part of the lenders for an amount of up to $59 million of the total financing.

The financial institutions related to the IEnova tranche are: Banco Bilbao Vizcaya Argentaria, S.A. New York Branch, Banco Nacional de México, S.A., Member of Grupo Financiero Banamex, The Bank of Nova Scotia and Sumitomo Mitsui Banking Corporation as agent bank.

The financing accrues interest at LIBOR rate plus a common applicable margin of 7.13 percent per annum, from these interests, financial institutions obtain a margin of between 1.5 and 1.8 percent in each of the three tranches associated with the partners' commitments. Interest is paid on a quarterly basis.

For the undrawn amount of the financing, a commission for non-disposal is generated at a common rate of 0.57 percent per annum; from this commission, financial institutions obtain a margin of between 0.3 and 0.54 percent in each of the three tranches associated with the commitments of the partners. Commissions for non-disposal are paid on a quarterly basis.

10.5. Others

The Company has another investments in development LNG project equity as follows:

Company	12/31/20
ECAOp	$ 22
Vista Pacifico LNG b.v.	25
ECA LNG II Holding B.V.	25
	$ 72

11. Assets acquisition

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

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

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

a. *Asset acquisition*

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

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

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

Current liabilities		(43)
Total identifiable, net assets	$	5,072

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

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

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

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

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

11.2. 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.

i. ***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.

11.3. 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.

On March 27, 2020, IEnova acquired 8,239,437 additional shares (with a nominal value $1 Dollar per share) of ICM for an amount of $9.3 million Dollars, increasing its participation to 82.5 percent. (See Note 1.2.21).

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. Goodwill

	12/31/20	As of 12/31/19	12/31/18
Cost	$ 1,638,091	$ 1,638,091	$ 1,638,091

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

Company	12/31/20	As of 12/31/19	12/31/18
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 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.

The weighted discount rate used was the WACC of 8.71 percent. Under this approach, the value in use is greater to the carrying value. Based on that, no impairment was determined.

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 2020, 2019 and 2018, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 6.8 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.

13. Property, plant and equipment, net

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Carrying amounts of:			
Buildings and plants	$ 4,852,690	$ 4,608,337	$ 4,273,297
Equipment	40,380	37,130	31,937
Other assets	166,106	155,382	135,580
	5,059,176	4,800,849	4,440,814
Accumulated depreciation and amortization	(1,132,236)	(996,356)	(851,313)
Land	135,605	132,078	124,908
Properties under construction	985,967	701,391	372,505
	$ 5,048,512	$ 4,637,962	$ 4,086,914

	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Cost						
Balance as of January 1, 2018	$ 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 11.3)	28,832	—	—	—	—	28,832
Effect of TDM reclassification to held and used	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
Additions	3,531	20,076	—	514,365	16,661	554,633
Disposals	(2)	(1,144)	(323)	(5)	(1,618)	(3,092)
Effect of foreign currency translation	(2)	(7,916)	(1,300)	(74)	(1,019)	(10,311)
Revisions and additions to decommissioning liability	—	21,721	—	—	—	21,721
Other	—	211,616	4,873	(229,710)	(3,300)	(16,521)
Balance as of December 31, 2020	$ 135,605	$ 4,852,690	$ 40,380	$ 985,967	$ 166,106	$ 6,180,748
Accumulated depreciation						
Balance as of January 1, 2018	$ —	$ (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	—	(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)
Eliminated on disposals of assets	—	544	317	—	1,313	2,174
Depreciation expense	—	(132,430)	(2,089)	—	(6,261)	(140,780)
Effect of foreign currency translation	—	2,076	393	—	483	2,952
Other	—	(36)	—	—	(190)	(226)
Balance as of December 31, 2020	$ —	$ (1,064,846)	$ (14,062)	$ —	$ (53,328)	$ (1,132,236)

The additions to property, plant and equipment during 2020, 2019 and 2018, 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.).
- 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)
- Solar - Don Diego (COD on December 1, 2020)
- Solar -Border Solar

As of December 31, 2020, 2019 and 2018, additions of property, plant and equipment that were not paid, amount to $54.7, $104.5 and $63.6 million, respectively.

Borrowing cost. During the years ended December 31, 2020, 2019 and 2018 the Company capitalized borrowing costs on qualifying assets in the amount of $26.9, $22.5 and $10.7 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.44, 3.68 and 4.02 percent, for the years ended December 31, 2020, 2019 and 2018, respectively.

13.1. Useful lives of property, plant and equipment

Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	40
Plant and equipment for LNG storage, regasification and nitrogen injection facility [1]	30-45
Plant and equipment for wind and solar 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

14. Intangible assets

	As of		
	12/31/20	**12/31/19**	**12/31/18**
Carrying amounts of:			
Renewable transmission rights (a)	$ 164,622	$ 164,622	$ 164,622
O&M contract (b)	44,566	44,566	44,566
Amortization	(38,195)	(28,321)	(18,416)
	$ 170,993	$ 180,867	$ 190,772

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 11.1.).

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 11.2.).

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***

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.

15. Trade and other payables

	As of		
	12/31/20	**12/31/19**	**12/31/18**
Trade payables	$ 83,690	$ 144,944	$ 99,713
Other miscellaneous payables	6,983	9,992	44
	$ 90,673	$ 154,936	$ 99,757

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.

16. Employee benefits

16.1. 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.

16.2. 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.

16.3. 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.

16.3.1. 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		
	12/31/20	**12/31/19**	**12/31/18**
Discount rates	8.25 %	8.75 %	9.75 %
Expected rates of salary increase	4.75 %	4.75 %	4.75 %
Long-term expected inflation	3.75 %	3.75 %	3.75 %
Exchange rate	$ 21.06	$ 19.53	$ 18.81

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 12/31/20	12/31/19	12/31/18
Current service cost recognized in administrative and other expenses	$ 1,485	$ 912	$ 836
Interest on obligation recognized in finance costs	791	672	528
Actuarial gains recognized in OCI	902	964	519

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 12/31/20	12/31/19	12/31/18
Opening defined benefit obligation	$ 9,901	$ 7,643	$ 6,537
Current service cost	1,485	912	836
Interest benefit	791	672	528
Actuarial loss (gain)	902	964	(519)
Payment	—	—	310
Benefits paid	(444)	(290)	(49)
Ending defined benefit obligation	$ 12,635	$ 9,901	$ 7,643

17. Other financial liabilities

	As of 12/31/20	12/31/19	12/31/18
Accrued interest payable (a)	$ 33,570	$ 22,711	$ 22,454
Customer deposits	3,277	3,507	2,266
	$ 36,847	$ 26,218	$ 24,720

a. Balance represents accrued interest payable on long-term debt. (Please refer to Note 22.).

18. Other liabilities

	As of 12/31/20	12/31/19	12/31/18
Wages and benefits payable	$ 29,369	$ 28,452	$ 21,302
Deferred revenue (a), (b) and (c)	64,599	16,618	11,983
Contractor withholdings	2,380	5,330	6,771
Lease liability (d)	—	—	2,736
	$ 96,348	$ 50,400	$ 42,792
Other current liabilities	$ 78,895	$ 33,782	$ 28,073
Other non - current liabilities	17,453	16,618	14,719

	As of 12/31/20	12/31/19	12/31/18
	$ 96,348	$ 50,400	$ 42,792

a. Corresponds to Guaymas-El Oro pipeline unrendered services for an amount of $11.4 million as of December 31, 2020 and 2019 and $7.6 million as of Decemeber 31, 2018, respectively.

b. Corresponds to San Isidro-Samalayuca contract unrendered services for an amount of $4.3 million, as of December 31, 2020 and 2019.

c. Corresponds to a payment received in advance from CFE for an amount of $47.1 million in the following pipelines as of December 31, 2020:

- Ramal Empalme
- Oginaga
- Sasabe - Guaymas
- Aguaprieta
- San Isidro

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

19. Provisions

	As of 12/31/20	12/31/19	12/31/18
Decommissioning liabilities (a)	$ 102,382	$ 77,648	$ 54,443
Other provisions (b)	11,048	7,194	7,711
	$ 113,430	$ 84,842	$ 62,154
Current	$ 4,952	$ —	$ 251
Non-current	108,478	84,842	61,903
Total provisions	$ 113,430	$ 84,842	$ 62,154

	Asset retirement obligations	Others	Total
Balance as of January 1, 2018	$ 58,654	$ 8,950	$ 67,604
Additional provisions recognized	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
Recognition of provision on TDM reclassification to held and used	3,620	—	3,620
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

	Asset retirement obligations	Others	Total
Balance as of December 31, 2019	$ 77,648	$ 7,194	$ 84,842
Additional provisions recognized	1,986	4,953	6,939
Increase of financial cost	3,013	—	3,013
Payments and other decreases in provisions recognized	—	(1,099)	(1,099)
Unwinding of discount and effect of changes in the discount rate	19,735	—	19,735
Balance as of December 31, 2020	$ 102,382	$ 11,048	$ 113,430

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 3.00, 3.75 and 4.64 percent as of December 31, 2020, 2019 and 2018, respectively.

b. ***Other provisions***

The balance of other provisions includes a liability by $4.9 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, 2020, 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 $6.1 million.

20. 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:	**12/31/20**	**12/31/19**	**12/31/18**
Current	$ 47,439	$ 6,444	$ 5,936
Non-current	6,457	30,083	15,499
	$ 53,896	$ 36,527	$ 21,435

Liabilities (a):

Current	$ 47,439	$ 6,444	$ 6,354
Non-current	—	29,843	14,826
	$ 47,439	$ 36,287	$ 21,180

a. Cost of carbon allowances of $24.4, $21.3 and $21.9 million were recorded in cost or revenue, for the years ended December 31, 2020, 2019 and 2018, respectively.

21. Short-term debt

As of December 31, 2020, 2019 and 2018, short-term debt includes the following:

		As of	
	12/31/20	12/31/19	12/31/18
Credit agreement (a)	$ 772,000	$ 1,174,068	$ 808,086
Current portion of IEnova Pipelines Bank Loan (Refer to Note 22.d.).	43,823	41,186	38,227
Current portion of Ventika Bank Loan (Refer to Note 22.b.)	27,098	25,665	25,973
Multilateral Facility (Refer to Note 22.h.).	611	588	—
Trina Solar (Refer to Note 22.f.).	—	231	28
	$ 843,532	$ 1,241,738	$ 872,314
Borrowing costs	(4,245)	(6,359)	(2,140)
	$ 839,287	$ 1,235,379	$ 870,174

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.

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 22.a.).

On February 11, 2019, the Company entered into an amendment agreement to increase the amount of the credit line to $1.5 billion. 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, 2020, the Company has withdrawn $392.0 million.

As of December 31, 2020, 2019 and 2018, the available unused credit portion was $1,108.0, $606.0 and $362.0 million, respectively.

The weighted average interest rate on short-term debt with SMBC was 1.90 percent during the year ended December 31, 2020.

BNS. On September 23, 2019, the Company entered into a two-year, $280.0 million revolving credit agreement with BNS. As of December 31, 2020, 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.

Scotiabank. On March 9, 2020, the Company withdrew $100.0 million from its uncommitted working capital facility with Scotiabank, the maturity was on June 8, 2020, with a variable interest rate at month LIBOR plus 30 BPS, on this date, the maturity date was extended to July 8, 2020. The loan was prepaid on June 24, 2020. On October 9, 2020, it was decided to terminate it.

On October 15, 2020, the Company withdrew $100.0 million from its uncommitted working capital facility, the maturity in three years after the date of disbursement.

On November 6, 2020, the Company withdrew $100.0 million from its uncommitted working capital facility with BNS, the maturity is on May 6, 2021 baring variable interest rate at month LIBOR plus 65 BPS.

22. Long-term debt

As of December 31, 2020, 2019 and 2018, long-term debt includes:

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Senior Notes (a)	$ 1,640,000	$ 840,000	$ 840,000
Santander – Ventika (b)	375,626	401,764	426,359
CEBURES at fixed rate (e, g)	195,501	206,949	198,142
Multilateral Facility (h)	541,000	200,000	—
Bancomer – IEnova Pipelines (d)	155,166	198,759	239,513
Trina Solar (f)	—	11,190	3,757
	$ 2,907,293	$ 1,858,662	$ 1,707,771
Debt issuance costs	(68,582)	(40,331)	(32,579)
	$ 2,838,711	$ 1,818,331	$ 1,675,192

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.

On September 15, 2020, the Company obtained $800.0 million related to an international Senior Notes offering bearing interest at a rate of 4.75 percent, with semi-annual payments of interest, maturing in 2051.

The offering costs of Senior Notes were for $30.2 million, which include discount of rate improvement, banks fees and other costs. The Company used the net proceeds from the offering to repay outstanding short-term indebtedness.

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 12/31/20**
NADB	$ 129,922
BANOBRAS	83,407
NAFINSA	64,961
BANCOMEXT	64,961
Santander	59,473
	$ 402,724

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 50.0 percent contribution, Bank of Tokyo with 20 percent, Mizuho with 15 percent and NORD/LB with 15.0 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, 2020, the long-term debt maturity are as follows:

Year		Amount
2021		68,281
2022		50,450
Thereafter		79,541
	$	198,272

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, 2020, 2019 and 2018, 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.

On April 28, 2020, the Company made the repayment of the loan including interest accrued at this date.

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, 2020, 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.

On June 10, 2020, the Company signed the First Amended and Restated Common Terms Agreement by and among the Borrower IFC, NADB, JICA and DFC.

On June 10, 2020, the Company entered into a 15-year financing with DFC for up to $241.0 million dollars.The loan bears fix interest payment at a 2.90 percent per year until maturity. This transaction is part of the financing structure that the company closed in November 2019, with IFC, a member of the World Bank Group, and NADB.

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.

j. ***JICA*** Long-term credit. On March 26, 2020, the Company entered into a 15-year credit facility for US$100.0 million with JICA. This transaction is part of the financing structure that the company closed in November 2019, with IFC, a member of the World Bank Group, and NADB.

Funds were disbursed on April 13, 2020 and integrated into those granted last year by IFC and NADB to finance and/or refinance the construction of the Company's solar generation project portfolio. The loan bears interest at LIBOR plus 1.50 percent per year until maturity.

k. ***Interest rate swap of JICA Long-term credit***. To partially mitigate its exposure to interest rate changes associated with the JICA Long-term credit, IEnova entered into floating-to-fixed interest rate swaps for 100 percent of the loan. The outstanding interest rate swap assigned to BBVA with a trade date of March 27, 2020, and an effective date of April 13, 2020, 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 for as cash flow hedge. The fixed contracted interest rate is 0.88 percent.

l. ***Scotiabank***. On October 9, 2020, the Company withdrew $20.0 million from its uncommitted working capital facility with Scotiabank, the maturity was on October 9, 2023.

23. Financial instruments

23.1. 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, 2020, 2019 and 2018, the Company had complied with the above requirements.

23.2. Categories of financial instruments

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Financial assets			
Cash and cash equivalents	$ 291,993	$ 57,966	$ 51,764
Restricted cash	24,343	33,536	26,283
FVTPL			
Held for trading	1,402	17,241	17,703
Amortized cost			
Loans and receivables	1,000,746	920,410	844,989
Financial leasing	940,608	932,624	942,184
Financial liabilities			
FVTPL			
Held for trading	$ 185,035	$ 155,931	$ 163,823
Amortized cost	4,140,192	3,492,932	3,055,700

23.3. Financial risk management objectives

The activities carried out by the Company may expose it to financial risks, including market risk, which encompasses foreign exchange, interest rate and commodity price risks, credit risk and liquidity risk. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program.

The Company may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities on the Consolidated Statements of Financial Position or off-balance sheet risks (firm commitments and highly probable forecast transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

The Company identifies, assesses, monitors and centrally manages the financial risks of its operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for permissible losses, guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy guidelines, guidelines for when instruments can be designated as hedges, and guidelines for when derivative instruments do not qualify for hedge accounting but can qualify as held-for-trading, which is the case for derivative financial instruments. Compliance with established policies and exposure limits by the Company's management is reviewed by internal audit on a routine basis.

23.4. 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.

23.5. 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	**12/31/20**	**12/31/19**	**12/31/18**
Interest rate swap and commodities	$ 50,387	$ 10,738	$ 2,258
Total VaR exposure	$ 47,868	$ 10,201	$ 2,145

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 23.7.1.

23.6. 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 23.4.).

23.7. 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	
	12/31/20	**12/31/19**	**12/31/18**
U. S. Dollar functional currency subsidiaries	$ 1,047,389	$ 1,025,682	$ 907,113
Mexican Peso functional currency subsidiaries	20,890	26,462	32,146

	Financial liabilities		
		As of	
	12/31/20	**12/31/19**	**12/31/18**
U. S. Dollar functional currency subsidiaries	$ 921,593	$ 938,184	$ 860,870
Mexican Peso functional currency subsidiaries	18,380	47,867	31,325

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			
	12/31/20	**12/31/19**	**12/31/18**	**04/26/21**
One U.S. Dollar	$ 19.9487	$ 18.8452	$ 19.6829	$ 19.8695

23.7.1. Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 23.7. 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		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Profit (loss) (i)	$ 8,005	$ 5,532	$ 2,943	$ (444)	$ (916)	$ 52
OCI	—	—	—	(4,203)	2,865	414

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.

23.8. Interest rate risk management

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

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

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

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

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

23.9. 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.

23.9.1. 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:

		As of		
	Segment	**12/31/20**	**12/31/19**	**12/31/18**
Customer 1	Gas	$ 248,440	$ 301,727	$ 317,805
Customer 2	Power & Gas	168,541	222,867	218,126
Customer 3	Gas	178,250	167,770	171,666
Customer 4	Gas	135,535	143,090	143,026
Customer 5	Gas	122,787	127,243	123,366
Customer 6	Gas	94,198	102,084	98,435
Customer 7	Gas	64,664	64,237	84,846
Customer 8	Power	33,083	38,381	36,353
Customer 9	Gas	36,393	36,366	36,723
Others **		179,410	175,491	138,209
		$ 1,261,301	$ 1,379,256	$ 1,368,555

** 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.

23.10. 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, 2020, 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 21, the Company had $892.5 million of unused lines of credits with banks.

23.10.1. 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, 2020						
Variable interest rate from banks (SMBC)		$ 392,000	$ —	$ —	$ —	$ 392,000
Variable interest rate from banks (BNS)		280,000	—	—	—	$ 280,000
Variable interest rate from banks (Scotiabank)		100,000	—	—	—	$ 100,000
Variable interest rate from banks (International debt 10 years)		11,250	33,750	56,250	322,928	424,178
Variable interest rate from banks (International debt 30 years)		26,325	78,975	131,625	1,080,151	1,317,076
Fixed interest rate for long- term debt (Note 22)		12,803	209,462	—	—	222,265
Variable interest rate loan from banks (Ventika)		51,206	101,702	82,355	343,906	579,169
Variable interest rate loan from banks (IEnova Pipelines)		54,495	107,263	46,009	27,770	235,537
Multilateral Facility		13,768	48,643	104,615	492,435	659,461
Lease liabilities		2,812	5,703	4,832	75,544	88,891
		$ 944,659	$ 585,498	$ 425,686	$2,342,734	$4,298,577
December 31, 2019						
Variable interest rate from banks (SMBC)		$1,174,068	$ —	$ —	$ —	$1,174,068
Variable interest rate from banks (Senior Notes 10 years)	3.75	11,250	33,750	56,250	334,178	435,428
Variable interest rate from banks (Senior Notes 30 years)	4.88	26,325	78,975	131,625	1,146,476	1,383,401
Fixed interest rate of long-term debt (Note 23.)	6.30	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 (IEnova Pipelines)	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

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
Variable interest rate from banks (SMBC)		$ 808,086	$ —	$ —	$ —	$ 808,086
Variable interest rate from banks (International debt 10 years)	3.75	11,250	33,750	56,250	300,000	401,250
Variable interest rate from banks (International debt 30 years)	4.88	26,325	78,975	131,625	1,066,500	1,303,425
Fixed interest rate of long-term debt (Note 22.)	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 loan from banks (Trina)	6.07	256	684	1,140	3,862	5,942
		$ 961,365	$ 267,154	$ 868,950	$1,818,254	$3,915,723

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, 2020					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ (8,264)	$ (141,806)	$ (7,805)	$ (3,659)	$ (161,534)
	$ (8,264)	$ (141,806)	$ (7,805)	$ (3,659)	$ (161,534)

	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)

23.11. FV of financial instruments

23.11.1. 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					
	12/31/20		12/31/19		12/31/18	
	Carrying amount	FV	Carrying amount	FV	Carrying amount	FV
Financial assets						
Financial lease receivables	$ 940,608	$ 1,362,000	$ 932,624	$ 1,308,000	$ 942,184	$ 942,184
Due from unconsolidated Affiliates	818,159	849,002	781,003	823,757	691,340	696,626
Financial liabilities						
-Long-term debt (traded in stock exchange)	1,776,967	2,000,569	1,016,697	1,010,330	1,038,142	865,710
-Loans from banks long-term	1,061,744	672,983	790,444	756,411	669,629	675,801
-Loans from unconsolidated affiliates (Long-term)	272,857	282,109	233,597	228,578	75,161	67,963
Loans from associate (Long-term)	—	—	11,190	10,848	3,757	3,274

23.11.2. 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.

23.11.3.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 are those inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

- Level 2 are those inputs derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 are those inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

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	
	12/31/20	**12/31/19**	**12/31/18**
Financial assets at FVTPL			
Short-term investments (Level 1)*	$ 218,483	$ 35,742	$ 26,366
Derivative financial assets (Level 2)	1,402	17,241	17,620
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	185,035	155,931	163,823

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 $21.7 million, $30.8 million and $23.3 million as of December 31, 2020, 2019 and 2018, respectively.

23.11.4. Hedging instruments

The impact of the hedging instruments on the statement of financial position as of December 31, 2020, 2019 and 2018 are as follows:

	As of 12/31/20		
	Notional value	**Carrying amount**	**Change in fair value used for measuring ineffectiveness**
U. S. Dollars			
Interest rate swap	636,170	(41,926)	(26,045)
Foreign currency	140,501	(10,362)	(4,376)
Mexican Peso			
Cross currency swap	3,900,000	(127,505)	(5,517)

	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

23.11.5. 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.

24. Income taxes

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

24.1. Income taxes recognized in the Consolidated Statements of Profit

	12/31/20	As of 12/31/19	12/31/18
Current income tax:			
ISR	$ (109,822)	$ (139,677)	$ (113,683)
	(109,822)	(139,677)	(113,683)
Deferred Income tax:			
Deferred income tax	(36,114)	7,119	(29,381)
Total taxes in the Consolidated Statements of Profit	(145,936)	(132,558)	(143,064)

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

	12/31/20	Year ended 12/31/19	12/31/18
Profit before income tax and share of profits of joint ventures	$ 449,170	$ 560,474	$ 535,666
Income tax expense calculated at 30%	(134,751)	(168,142)	(160,700)
Non-deductible expenses	(5,752)	(2,369)	(1,985)
Effects of foreign exchange rate	36,291	(35,830)	513
Effects of inflation adjustment	(28,028)	(19,169)	(28,076)
Effect of unused tax losses not recognized as deferred income tax asset	(338)	(3,157)	2,279
Non-taxable income	1,001	—	—
Effect of foreign exchange rate and inflation on the tax bases of property, plant and equipment, net and unused tax losses	(27,166)	77,499	55,180
Tax incentive *	23,302	24,108	—
Other	(10,495)	(5,498)	(10,275)
Income tax expense recognized in the Consolidated Statements of Profit	$ (145,936)	$ (132,558)	$ (143,064)

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.

24.2. Income tax recognized directly in common stock and OCI

	Year ended		
	12/31/20	**12/31/19**	**12/31/18**
Recognized directly in OCI:			
Tax related to actuarial gain on defined benefit plans	(295)	(287)	(156)
Tax on valuation of financial instruments held for hedging purposes	(3,107)	(2,020)	(4,605)
Total of income tax recognized directly in common stock and OCI	$ (3,402)	$ (2,307)	$ (4,761)

24.3. 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		
	12/31/20	**12/31/19**	**12/31/18**
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	$ 29,694	$ 21,855	$ 72,497
Accrued expenses and provisions	30,683	32,127	21,582
Effect of business combination IGM	1,846	1,257	1,355
Employee benefits	8,758	8,941	6,845
Inventories	5,140	4,941	1,909
Credit expected losses	93	127	159
Deferred income tax assets for issuance or ordinary shares under IPO and follow on	16,570	17,851	17,851
Deferred income tax asset regarding valuation of financial instruments held for hedging purposes	12,184	8,644	6,593
Total deferred income tax assets	104,968	95,743	128,791
Deconsolidation effect (a)	(4,318)	(5,845)	(47,938)
Deferred income tax asset	$ 100,650	$ 89,898	$ 80,853
Deferred income tax liabilities:			
Property, plant and equipment	$ (216,346)	$ (192,394)	$ (228,634)
Finance leases	(282,467)	(279,605)	(282,525)
Effect of assets FV and intangible of Ventika	(76,716)	(79,867)	(83,054)
Prepaid expenses	(2,576)	(6,181)	(4,396)
Other	(20,073)	(1,708)	(16,221)
Right-of-use-assets	(10,369)	(12,047)	—
Total deferred income tax liabilities	(608,547)	(571,802)	(614,830)
Deconsolidation effect (a)	4,318	5,845	47,938
Deferred income tax liabilities	$ (604,229)	$ (565,957)	$ (566,892)

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, 2020, 2019 and 2018.

i. As of December 31, 2020 , the Company has not recognized a deferred tax asset in the amount of $24.1 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.

24.4. 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	
	12/31/20	**12/31/19**	**12/31/18**
Assets	$ 100,650	$ 89,898	$ 80,853
Liabilities	$ (604,229)	$ (565,957)	$ (566,892)
	$ (503,579)	$ (476,059)	$ (486,039)

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, 2020, are as follows:

Years	**Tax-Loss Carryforwards**	**IMPAC Recoverable**
2020	$ —	$ 138
2021	—	138
2022	103	138
2023	480	138
2024	2,350	138
2025	1,464	138
2026	14,584	138
2027	3,508	138
2028	19,715	138
2029	8,847	138
2030	47,930	—
	$ 98,981	$ 1,380

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $98.9 million and $1.4 million respectively.

24.5. Current tax receivable and payable

		As of	
	12/31/20	**12/31/19**	**12/31/18**
Current tax assets:			
ISR receivable	$ 69,596	$ 22,061	$ 74,806
Current tax liabilities:			
ISR payable	$ (28,860)	$ (62,699)	$ (63,044)

25. Stockholders' equity

	As of		
	12/31/20	12/31/19	12/31/18
Common stock	$ 743,501	$ 955,239	$ 963,272
Additional paid-in equity	2,320,385	2,342,883	2,351,801
	$ 3,063,886	$ 3,298,122	$ 3,315,073

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

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

Shareholders name	Shares Class I	Shares Class II	Shares 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.

25.2. 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 repurchase fund was reestablished in the General Shareholders Meeting on April 30, 2020 per an amount of $500.0 million.

As of October 21, 2020, August 6, 2019, and December 31, 2018, the Company repurchased 77,122,780, 4,620,000 and 2,000,000 shares for a total of $231.0, $16.9 and $7.2 million, respectively. As of December 31, 2020, the Company has canceled the treasury shares.

		For the year ended December 31, 2020 (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	$ 520,976
Private investors	433,242,720	—	4,332,427,200	4,332,427,200	222,525
	1,452,281,032	$ 50,000	$ 14,522,760,320	$14,522,810,320	$ 743,501

		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 (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

26. Declared dividends

During 2019 and 2018, 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

During 2020 the Company did not declare dividends.

26.1.Dividends per share

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

27. Segment information

27.1. Change in reportable segments

In February 2020, IEnova approved a change to its reporting segments, effective January 1, 2020, to improve visibility of each business performance, and enable the business to respond to management´s needs more effectively. Therefore, the information presented in the reportable segments as of December 31,2019 and 2018 were recast. The Segment Information includes the non financial measurements in Consolidated Statements of Profit: operating income and EBITDA for purpose of the management analysis.

Aggregation criteria:

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

Gas:

The Gas segment includes IEnova assets that develop, own and operate or have an equity investment in natural gas pipelines, ethane and LPG pipelines and natural gas transportation, distribution and sales operations, in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. The aggregation criteria in this segment included the specific analysis of the distribution and transportation activities, sale of natural gas, which cannot be carried out without in the pipeline system for transportation, for which the management considers the evaluation of the performance of these activities as a whole.

In addition, the operation of transportation and distribution of natural gas, ethane and LPG is regulated by CRE, which establishes the guidelines for the operation, as well as maximum rates for each service to be charged to customers, as well the authorization for the commercialization of natural gas in Mexico.

Power:

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

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

Storage:

This segment includes the LNG terminal in Baja California, Mexico for the import, storage and regasification of LNG. Additionally, it includes the operations of four liquid gas storage spheres (“LPG”) in Jalisco, Mexico. The Company is developing projects for the construction of onshore and in land terminals for the receipt, storage and delivery of hydrocarbons, these terminals will be located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico. The aggregation in this segment is based on the nature and operation of the assets, the activities are also included in the hydrocarbons law and the clients are companies authorized to commercialize those products.

The operation of the terminals will have important synergies in the forms of operation, allocation of capacity, procedures and security protocols, as well as similarities in contracts with different clients (fixed rates for capacity and variables), ensuring the expected returns of the investment in its assets.

The following information is provided to assist the users of the financial statements during transition to the new segment reporting structure. The change affected neither the accounting policies nor the basis of preparation of the financial information.

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

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

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

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

The operating segment information as of December 31, 2020, 2019 and 2018 are as follows:

	2020				
	Gas	**Storage**	**Power**	**Corporate and eliminations**	**Consolidated**
External revenue	$ 805,377	$ 159,963	$ 289,816	$ 6,145	$ 1,261,301
Intercompany revenue	60,805	83,503	—	(144,308)	—
Revenue	866,182	243,466	289,816	(138,163)	1,261,301
Cost of revenue	(334,425)	(256)	(106,342)	143,122	(297,901)
Operating costs, administration and others	(121,827)	(57,286)	(51,194)	(4,381)	(234,688)
EBITDA	409,930	185,924	132,280	578	728,712
Depreciation and amortization	(67,977)	(47,516)	(47,255)	776	(161,972)
Operating income	341,953	138,408	85,025	1,354	566,740
Interest income					58,513
Financial costs					(144,319)
Other (loss), net					(31,764)
Profit before income tax and share of profits of joint ventures					449,170
Income tax expense					(145,936)
Share of profits of joint ventures					157,832
Profit of the year					$ 461,066

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

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

	As of 12/31/20	12/31/19	12/31/18
Assets by segment:			
Gas	$ 6,068,403	$ 5,795,587	$ 5,735,059
Storage	2,500,692	2,126,634	1,719,083
Power	1,864,801	1,720,286	1,408,760
Corporate and eliminations	32,528	(90,001)	(94,305)
Consolidated total assets	$ 10,466,424	$ 9,552,506	$ 8,768,597
Liabilities by segment:			
Gas	$ 2,166,265	$ 2,087,468	$ 2,125,645
Storage	1,053,231	776,212	408,176
Power	1,320,363	1,193,539	929,937
Corporate and eliminations	804,768	538,050	551,089
Consolidated total liabilities	$ 5,344,627	$ 4,595,269	$ 4,014,847

27.2. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	As of 12/31/20	12/31/19	12/31/18	As of 12/31/20	12/31/19	12/31/18
Gas	$2,483,361	$2,369,759	$2,251,708	$ (352,628)	$ (293,055)	$ (229,834)
Storage	2,199,294	1,892,969	1,592,817	(466,863)	(428,554)	(389,875)
Power	1,525,337	1,402,750	1,150,247	(303,287)	(265,568)	(232,776)
Corporate and eliminations	(27,244)	(31,160)	(46,917)	(9,458)	(9,179)	(8,456)
	$6,180,748	$5,634,318	$4,947,855	$(1,132,236)	$ (996,356)	$ (860,941)

	Depreciation and amortization			Additions to property, plant and equipment		
	Year ended 12/31/20	12/31/19	12/31/18	Year ended 12/31/20	12/31/19	12/31/18
Gas	$ 67,977	$ 63,238	$ 62,702	$ 132,338	$ 109,494	$ 93,221
Storage	47,516	46,544	39,571	297,950	287,340	125,590
Power	47,255	42,137	34,228	118,180	247,123	222,384
Corporate and eliminations	(776)	3,880	656	6,165	20,127	1,550
	$ 161,972	$ 155,799	$ 137,157	$ 554,633	$ 664,084	$ 442,745

27.3. Segment revenues

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

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

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

27.4. Assets and liabilities by segment

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

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

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

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

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

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

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

27.5. *External revenue by segment and subsegment*

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

	Year ended		
	12/31/20 (Note 12)	12/31/19 (Note 12)	12/31/18 (Note 12)
Distribution	$ 58,395	$ 72,880	$ 74,671
Transportation	424,100	440,339	468,582
Sale of natural gas	322,882	381,571	360,488
Storage	159,963	156,477	153,716
Power	289,816	323,131	308,244
Corporate and others	6,145	4,858	2,854
Total revenues	$ 1,261,301	$ 1,379,256	$ 1,368,555

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

a. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $94.2, $102.1 and $98.5 million for the years ended December 31, 2020, 2019 and 2018, 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.

28. Revenues

28.1. 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, 2020, 2019 and 2018:

		Year ended (Recast)	
	12/31/20	**12/31/19**	**12/31/18**
Revenue from operations:			
Contracts with customers*	786,846	$ 818,695	$ 847,729
Leases*	174,969	190,281	180,281
Derivatives	76,350	81,721	69,617
Others - Sale of natural gas	126,414	176,271	171,206
Other revenue - Non IFRS 15	96,722	112,288	99,722
Total revenue	$ 1,261,301	$ 1,379,256	$ 1,368,555

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

28.2. 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, 2020, 2019 and 2018:

		Year ended (Recast)	
	12/31/20	**12/31/19**	**12/31/18**
Power generation	$ 286,794	$ 311,193	$ 307,039
Transportation of gas*	252,933	266,337	300,730
Storage and regasification capacity*	155,354	135,686	134,970
Natural gas distribution	58,601	74,277	78,647
Administrative services	33,163	31,202	26,343
Total revenue from contracts with clients	$ 786,845	$ 818,695	$ 847,729
Obligations met:			
Over time (See 28.4)	786,845	818,695	847,729

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

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

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

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

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

i. *Renewables power*

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.

Don Diego Solar. On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of Liverpool. The electricity is generate by a new solar power plant that is located in the municipality of Benjamin Hill in the State of Sonora, Mexico.

On December 1, 2020, management declared the completion of the construction and COD of Don Diego 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.

ii. *Combined cycle power*

TDM, a natural gas-based combined cycle electric power generation plant with a capacity of 625 MW. TDM supplies the power electricity generated directly to the electricity grid of the Independent System Operator of the State of California in the United States ("CAISO") on the border with México and SGPM provides marketing, programming and supply services to TDM.

The sale of power is recorded as energy is delivered to the grid. It is invoiced based on the volume of electricity delivered. Energy sales into CAISO are subject to CAISO Tariff rules section 11 for Settlement and Billings in the Day-Ahead and Real-Time markets. All transactions are settled at the relevant Locational Marginal Prices ("LMP"). The agreement pricing is a mixture of fixed and variable components based upon contracted price and capacity.

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.

28.3 *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, 2020, 2019 and 2018.

	Contracts assets	Contract liabilities
Balance as of January 01, 2020	$ —	$ (15,765)
Advance payments	—	(47,148)
Balance as of December 31, 2020 *	$ —	$ (62,913)

	Contracts assets	Contract liabilities
Balance as of January 01, 2019	$ —	$ (11,984)
Other deferred revenue adjustments	—	(3,781)
Balance as of December 31, 2019 *	$ —	$ (15,765)

	Contracts assets	Contract liabilities
Balance as of January 01, 2018	$ —	$ (834)
Other deferred revenue adjustments	—	(6,803)
Advance payments	—	(4,347)
Balance as of December 31, 2018 *	$ —	$ (11,984)

* The contract liabilities are presented in Other non - current liabilities in the Consolidated Statements of Financial Position. (See Note 18.).

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		
	12/31/20	12/31/19	12/31/18
Accounts receivable - commercial - net	$ 98,753	$ 59,330	$ 101,038
Accounts receivable - other - net	83,833	80,077	52,611
Total	$ 182,586	$ 139,407	$ 153,649

28.4. 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.

28.5. Transaction price assigned to pending performance obligations

Remaining performance obligations	In millions
2021	$ 397
2022	401
2023	402
2024	343
2025	345
Thereafter	4,186
Total Revenues to be recognized	$ 6,074

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.

28.6. 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.

28.7. 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, 2020, 2019 and 2018.

29. Interest income

	Year ended 12/31/20	12/31/19	12/31/18
Interest income:			
Unconsolidated affiliates	$ 56,050	$ 41,766	$ 24,405
Bank investments	2,463	3,899	3,044
	$ 58,513	$ 45,665	$ 27,449

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

	As of 12/31/20	12/31/19	12/31/18
Loans and receivables	$ 56,050	$ 41,766	$ 24,405
Held-to-maturity investments	2,463	3,899	3,044
	$ 58,513	$ 45,665	$ 27,449

30. Operating, administrative and other expenses

	Year ended 12/31/20	12/31/19	12/31/18
Purchased services	$ 108,462	$ 80,306	$ 101,490
Employee benefit expenses	108,383	102,441	88,231
Purchased materials	27,028	22,774	20,750
Outside services and others	(9,185)	4,804	4,048
	$ 234,688	$ 210,325	$ 214,519

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

31. Other (losses) gains, net

	Year ended		
	12/31/20	12/31/19	12/31/18
Net foreign exchange gains (losses) (a)	$ (32,650)	$ 27,116	$ (6,104)
Net (losses) gains arising on derivative financial instruments (b)	(316)	(1,364)	3,415
Other (losses) gains	1,202	(133)	2,697
	$ (31,764)	$ 25,619	$ 8

a. A foreign exchange gain (loss) by $(43.7), $29.9 and $(2.9) million for the years ended December 31, 2020, 2019 and 2018, 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 23.).

32. Finance costs

	Year ended		
	12/31/20	12/31/19	12/31/18
Interest	$ (135,185)	$ (124,804)	$ (104,711)
Capitalized interest (a)	26,911	22,454	10,746
Decommissioning liabilities accretion expense	(3,013)	(2,803)	(2,552)
Other finance costs	(8,919)	(7,403)	(8,615)
Interest on loans from unconsolidated affiliates	(14,900)	(10,972)	(17,747)
Lease liabilities interest	(9,213)	(9,321)	—
	$ (144,319)	$ (132,849)	$ (122,879)

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

33. Depreciation and amortization

	Year ended		
	12/31/20	12/31/19	12/31/18
	(Note 13, 14, 37)	(Note 13, 14, 37)	(Note 13, 14, 37)
Depreciation of property, plant and equipment	$ 140,780	$ 133,682	$ 126,839
Rights-of-use assets amortization	10,962	11,777	—
Other assets amortization	10,230	10,340	10,318
Total depreciation and amortization expense	$ 161,972	$ 155,799	$ 137,157

34. Earnings per share

34.1. Basic earnings per share

	Year ended		
	12/31/20	**12/31/19**	**12/31/18**
Basic and diluted earnings per share	$ 0.31	$ 0.31	$ 0.28

34.2. 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		
	12/31/20	**12/31/19**	**12/31/18**
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 462,115	$ 468,241	$ 430,586
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,504,052,723	1,530,116,250	1,533,857,145

The Company does not have potentially diluted shares.

35. Commitments

35.1. 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. This plant started operations on December 22, 2009.

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 April 19, 2017 and will continue in full force until 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, 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 (COD), 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 (COD), 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 (COD), the contract was executed on January 20, 2017.

On August 25, 2020, a modification agreement was signed to the electricity purchase and sale contracts, electricity, power and CEC with CFE for the modification of the date of commencement of commercial operations as of July 21, 2020. The duration of these contracts as well as the annual energy, power and CEL's commitments contracted were not modified.

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.

On December 23, 2019, PIMA and De Acero signed an agreement to terminate the contract signed on March 24, 2017 and in turn the parties signed a new contract for the sale of electricity and CEC with a term of 19 years from the date of commencement of commercial operations which was as of January 1, 2020, in this contract the obligation is established to transfer the energy of the plant equivalent to 100MW and to deliver at least the amount corresponding to the energy guarantee of one CEC per MWh.

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.

On March 19, 2021, the Company formally declared the start of commercial operation.

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 second quarter of 2021. 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 second quarter of 2021. 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, 2018, 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 July 1, 2015 entered into natural gas SPA with SLNGI, transfering 65 percent of profits and losses under the compensation scheme dated August 3, 2018. The agreements end on August 30, 2029.

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.

On January 1, 2013 and September 1, 2014 the Company signed two natural gas purchase contracts with SLNGI. The agreements end on August 20, 2029 and December 31, 2022 respectively. The acquired annual capacity are 188,000,000 MMBtu/year and 400 MMBtu/year respectively.

n. ***GdT.*** Executed a natural gas compression and transport service contract with Pemex Gas y Petroquimica Basica, now Pemex Transformacion Industrial. Such contract was signed on December 19, 2001 and stipulates a capacity of 1,000 MPCD 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 CENAGAS.

o. ***GdN.*** On July 19, 2013, entered into an agreement to provide natural gas transportation services to Pemex Gas y Petroquimica Basica, now Pemex Transofrmacion Indistrial. 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 CENAGAS 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 20-years 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. ***Don Diego Solar.*** On February 28, 2018, the Company executed a 15-years electricity supply contract with various subsidiaries of Liverpool, with a term of 15 years from the COD, the contracted energy is 150,000 MWh per year.

On April 12, 2019, an electricity supply contract was signed with Minera Autlán with a term of 15 years from the start of commercial operation, the contracted energy is 175,000 MWh per year.

On August 2, 2019, an electricity supply contract was signed with various subsidiaries of Scotiabank Inverlat with a term of 15 years from the start of commercial operation, the contracted energy is 18,134.44 MWh per year.

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 plant started operations in December 2020 and the beginning of commercial operations is expected to occur in the second half of 2021.

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 740 thousand barrels, equivalent to 50 percent of the terminal's storage capacity.

y. ***LNG project.*** In April 2020, ECAL executed definitive 20-year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness.

z. ***Border Solar.*** On July 10, 2019, the company signed a contract with several subsidiaries of the Liverpool group for a period of 15 years from the start of commercial operation, the contracted energy is 85,000 MWh per year.

On September 15, 2019, an electricity supply contract was signed with several subsidiaries of the Círculo CCK group with a term of 15 years from the start of commercial operation, the contracted energy is 117,000 MWh per year.

On October 4, 2019, an electricity supply contract was signed with Envases Universales de México with a term of 10 years from the start of commercial operation, the contracted energy is 228,000 MWh per year.

On December 10, 2019, an electricity supply contract was signed with several subsidiaries of the Cementos de Chihuahua group with a term of 15 years from the start of commercial operation, the contracted energy is 40,000 MWh per year.

The electrical energy will be generated in a solar power plant located in Ciudad Juárez, Chihuahua, Mexico, with a capacity of 150MW. The date of commercial operation is estimated to be early 2021.

35.2. 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 2020 and 2019 were $5.9 and $6.1 million, respectively. Future contractual cash payments are as follows:

Year	Amounts	
2021	$	5,640
2022		6,160
2023		2,000
Thereafter		6,500
	$	20,300

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 2020 and 2019, payments under the agreement were $2.0 million and $1.3 million, respectively. Future contractual cash payments are as follows:

Year	Amounts	
2021	$	800

During 2020, the company entered into several contracts for corrosion service and control room construction. The payments made on these contracts were $ 0.5 million. The future payments of said contracts are mentioned below:

Year	Amounts	
2021	$	866
2022		528
2023		18
	$	1,412

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.

During 2020, the company entered into several contracts, for the replacement of the PK-191 Turbocharger at the Caracol station, replacement of the PK-171 Turbine at the Los Indios station, maintenance of the PK-172 Turbocharger and major inspection. The payments made from these contracts were $5.4 million. The future payments of said contract are mentioned below:

Year	Amounts
2021	$ 6,750
2022	996
	$ 7,746

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 2020 and 2019, payments were $5.2 and $5.2 million, respectively. Future contractual cash payments are as follows:

Year	Amounts
2021	$ 6,166
2022	5,692
2023	5,692
Thereafter	11,384
	$ 28,934

During 2020, the Company entered into a contract for the supply and commissioning of a TDF chromatograph. The payments made on these contracts were $ 0.2 million. The future payments of said contract are mentioned below:

Year	Amount
2021	$ 2,907

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 2020 and 2019, payments were $0.9 million and $3.0 million, respectively. Future contractual cash payments are as follows:

Year	Amounts
2021	$ 4,651
2022	2,790
2023	2,790
Thereafter	22,789
	$ 33,020

During 2020, the Company entered into a contract for preventive and corrective maintenance. The payments made from these contracts were $ 0.2 million. The future payments of said contract are mentioned below:

Year	Amount
2021	$ 272
2022	252
2023	21
	$ 545

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 2020 and 2019, payments were $3.0 million and $6.2 million, respectively. Future contractual cash payments are as follows:

Year		**Amounts**
2021	$	18,046
2022		7,007
2023		7,007
Thereafter		75,321
	$	107,381

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.

On November 19, 2019, this contract had an addendum. The estimated cost of this contract amounts to $18.2 million. During 2020 and 2019, payments were $0.6 million and $2.5 million, respectively. Future contractual cash payments are as follows:

Year		**Amounts**
2021	$	4,123
2022		958
2023		16
	$	5,097

GSCA and GdT. Entered into various O&M agreements during 2017. During 2019 and 2018, payments during the agreement were $1.0 million and $1.3 million, respectively.

i. ***IEnova Marketing.*** On May 1, 2008, entered into a contract with MGI Supply, LTD ("MGI"), to purchase the gas natural transportation capacity in GAP (formerly the North Baja System). The acquired capacity is 210 Dth/d. The contract term is for 14 years (ends on August 31, 2022).

On November 24, 2016, entered into a purchase natural gas capacity agreement with SG&PM, to guarantee the ongoing Supply Agreements signed with several customers. The acquired capacity is variable and the average maturity is less of 5 years.

j. ***GAP Compression stations.*** During 2018, the Company entered into several contracts for the construction of the project. For the year ended December 31, 2019, the payments made from these contracts were $ 22.6 million.

Year		**Amounts**
2021	$	2,348

k. ***Software licenses.*** During 2018, the Company entered into a contract for the purchase of software licenses. For the years ended December 31, 2020 and 2019, the payments derived from said contract were \$0.9 and \$4.7 million, respectively. Net future payments under this contractual commitment are as follows:

Year		**Amounts**
2021	$	1,100
2022		880
2023		880
	$	2,860

l. ***Tepezala solar project.*** During 2018, the Company entered into several contracts for the project. During 2020 and 2019, payments under these contracts were \$8.9 and \$59.8 million, respectively. Net future payments under these contractual commitments are as follows:

Year		**Amounts**
2021	$	2,348

During 2018, the Company entered into contracts for the assignment of permit rights and road rights related to the project. During 2020 and 2019, payments under these contracts were \$1.9 and \$0.4 million, respectively. There are no additional material future payments.

During 2018, the Company started several parcel land purchase negotiations for the site on which the project will be constructed. During 2020 and 2019, payments under these contracts were \$0.3 million. Net future payments under these contractual commitments are as follows:

Year		**Amount**
2021	$	352
2022		352
2023		352
Thereafter		5,206
	$	6,262

m. ***Border Solar project Construction.*** During 2019 the Company entered into several contracts for the construction of the solar facility in Cd. Juarez. During 2020 and 2019, payments under these contracts were \$101.0 million and \$28.0 million. Net future payments under these contractual commitments are as follows:

Year		**Amounts**
2021	$	6,208

On October 31, 2019 the Company has signed an Energy Transformers agreement to acquire some power transformers for substation at the solar facility, includes all licenses, fees, taxes, charges for packing or transport, freight and related services applicable. Net future payments under this contractual commitment will be \$1.5 million.

n. ***Don Diego Solar project.*** During 2019 the Company entered into several contracts for the construction of the solar facility in Benjamin Hill Sonora. During 2020 and 2019 the payments under these contracts were \$6.7 million and \$97.3 million. Net future payments under these contractual commitments are as follows:

Year		**Amounts**
2021	$	2,647

o. ***Sonora Compression Station Projects.*** During 2019, the Company, entered into several contracts for the engineering, procurement and construction of natural gas compression station in Pitiquito Sonora, for an amount of $ 64.6 million, this for one-year period. During 2020 and 2019, payments under these contracts were $27.6 and $3.6 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2021	$	11,479

p. ***Enterprise Resource Planning ("ERP") project.*** During 2019, the Company entered into several contracts for services derived from the implementation of the new ERP system “SAP and implementations”, the contract was signed on June 27, 2019 with no expiration date. The ERP implementation “SAP” has master data service, licenses, advisory services.

During 2020 and 2019, payments under these contracts were $7.8 million and $8.1 million, respectively. Net future payments under these contractual commitments are as follows:

Year		Amounts
2021	$	4,900
2022		1,825
2023		1,625
Thereafter		38
	$	8,388

q. ***Terminals.*** During 2018, the Companies of the liquid segment entered into several contracts for the construction of the terminal projects. During 2020 and 2019 the payments under these contracts were $234.4 million and $174.02 million, respectively and future payments are as follows:

Terminal Description		Year 2021
Puebla in-land project	$	21,599
Estado de Mexico in-land project		21,544
Veracruz marine terminal project		13,769
Baja Refinados project		1,175
Manzanillo terminal project*		205,638
Topolobampo terminal project		71,782
	$	335,507

*Amount and term are in accordance with the original provisions, which currently are under review.

r. ***DEN project.*** During 2019, the Company entered into two right of ways agreement; considering starting date December 23, 2019, first agreement expires in two-years and the second one on January 2, 2019, this agreement expires in one-year, related to the project construction. During 2020 and 2019, payments under these contracts were $0.6 million and $3.0 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2021	$	224

During 2020, the Company entered into various maintenance contracts for the project. The payments under these contracts were $ 0.3 million. The future payments of said contracts are mentioned below:

Year		Amounts
2021	$	767
2022		470
	$	1,237

s. ***GI.*** During 2020, the Company entered into 2 contracts with CEMEX for the assignment of rights for services with Ventika and Ventika II. The payments made from these contracts were $ 2.5 million. The future payments of said contract are mentioned below:

Year		Amounts
2021	$	5,000

36. Contingencies

36.1 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.

36.2 Tax Labor and Social Security Reformas

Tax legislation in Mexico has undergone various modifications so there is no guarantee that the legal regime, including, but not limited to, in tax matters will not undergo modifications in the future. Among the changes and considerations we have the following:

a. On December 8, 2020, the Decree by which various provisions of the Income Tax Law, the Value Added Tax Law and the Tax Code of the Federation (the "Tax Reform"), which entered into force on January 1, 2021. Among the main changes are the following:

i. *Income Tax*

- Several modifications are made to the regime applicable to authorized donees, among them that various entities that pay taxes under the regime of legal entities for non-profit purposes must have an authorization to receive deductible donations.

- The withholding rates applicable to individuals who obtain income through technological platforms are modified. Likewise, the sanction provided for in the Value Added Tax Law is approved in the event of non-compliance with the obligations to withhold and pay income tax.

ii. *VAT*

- It is established as a sanction to foreign technology platforms that when they incur serious tax omissions, they can block Internet access to their services.

iii. *Federal Tax Code*

- With respect to the general anti-abuse rule included in article 5-A of the Federal Tax Code, it is clarified that the resolution that derives from the application of said article must be limited to the determination of a tax credit derived from the reclassification of operations from the fiscal point of view, without implying that said resolution determines criminal consequences for taxpayers.

- New assumptions are added for which the certificates issued by the Tax Administration Service ("SAT") will be definitively canceled, for example, when the tax authorities detect that the taxpayer issuing digital tax receipts did not disprove the presumption of nonexistence of the operations covered by said vouchers and, therefore, it is definitely in that situation under the terms of the fourth paragraph of article 69-B of the Federal Tax Code.

- Refund requests will not be considered submitted when the taxpayer, or the address indicated by him, are not located before the Federal Taxpayers Registry. The term that the authorities have to notify taxpayers regarding the resolution extends from ten to twenty business days.

- It was approved to establish within the assumptions that conform to the accounting that the taxpayer must keep for all the time in which the company or contract in question subsists, the information and documentation necessary to implement the agreements reached as a result of the procedures resolution of controversies contained in the treaties to avoid double taxation.

- Likewise, to support the information contained in the meeting minutes in which the capital increase is recorded, it is established that the information and supporting documentation of said increase must also be available, such as bank statements, appraisals made, minutes containing capital reserves or decreed dividends, as well as the corresponding accounting records.

- In the case of the capitalization of liabilities, it was also approved that the meeting minutes should be kept in which said acts are recorded, as well as the documents that certify the accounting existence and the value of the liability, documents that must meet the requirements for such effects issued by the SAT through general rules.

- The adoption of a conclusive resolution may only be requested from the beginning of the powers of verification and up to within twenty days after the one in which the final act has been drawn up, the notice of observations or the provisional resolution is notified, depending on the case.

b. On December 31, 2018, the Decree of fiscal incentives for the Northern Border Region (the Decree) was published in the Official Gazette of the Federation, which entered into force as of January 1, 2019, which had an original validity. of two years, 2019 and 2020. However, its validity was extended until December 31, 2024 through the Decree that modifies the various tax incentives for the northern border region published in the Official Gazette of the Federation on 30 December 2020.

   The purpose of the Decree is to strengthen the economy on the northern border of the country, stimulate and encourage investment, promote productivity and contribute to the creation of sources of employment. Said Decree establishes fiscal 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 one third of the ISR for the year or provisional payments related to the income obtained in the region, except those derived from intangible assets and digital commerce.
   ii. A 50% reduction in 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 for the sale of real estate and intangibles and the provision of digital content.

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, 2020, 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 Reform.

c. On November 12, 2020, the Federal Executive presented a bill before the Congress of the Union that contains various reforms to the Federal Labor Law ("LFT"), Social Security Law ("LSS"), Law of the Institute of National Housing Fund for Workers ("LINFONAVIT"), Federal Tax Code ("CFF"), Income Tax Law ("LISR") and the Value Added Tax Law ("LIVA"), with the aim of regulating the labor subcontracting regime ("outsourcing") in our country.

In general, the proposal consists of the following:

• Outsourcing schemes would be prohibited by law.

• As the only exception, it is established that the provision of specialized services or the execution of specialized works, which are not part of the corporate purpose or the economic activity of the beneficiary of the services, will not be considered subcontracting of personnel.

• The contractor must obtain an authorization from the Ministry of Labor and Social Welfare to operate as a provider of specialized services.

• Economic sanctions are established for employers who benefit from outsourcing and fail to comply with the law.

• For tax purposes, it is established in a general way that the tax receipts that have been issued may not have tax effects due to the subcontracting of personnel.

• The contractors of the aforementioned specialized services will be jointly liable for the contributions paid by the contractor.

• It is proposed to establish as qualifying for the commission of the crime of tax fraud and its equivalents, the use of simulated schemes for the provision of specialized services or the execution of specialized works, as well as the execution of the subcontracting of personnel.

• The amount of employee participation in profits (PTU) that is paid to workers will have a maximum limit of three months of the worker's salary or the average of the participation received in the last three years; the amount that is most favorable to the worker will be applied.

• It is expected that the reform will be published in the Official Gazette of the Federation on May 1, 2021 and will enter into force the day after its publication.

36.3 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. It still pending of resolution.

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. It still pending of resolution.

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, which process continues.

e. 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. The Judge denied the definitive suspension of the acts claimed, which was appealed by the plaintiff. The Collegiate Court granted the suspension. A counter-guarantee was requested, so that the suspension is null and void, which was denied by the Judge, and we will appeal said refusal which is pending of resolution.

f. Amparo lawsuit filed on February 12, 2020 by IEnova Marketing, S. de R.L. de C.V. ("IEnova Marketing"), ECAL, Ecogas Mexico, S. de R.L. de C.V. and Termoelectrica de Mexicali, S. de R.L. de C.V., 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. On May 1, 2020, the Baja California Congress derogated this tax, as of the date of these Condensed Interim Consolidated Financial Statements it is no longer applicable. Based on the foregoing, the Company is waiting for the final resolution of the amparo to be issued by the corresponding Courts.

g. In May 2020, the two third-party capacity customers at the ECA LNG regasification facility, Shell Mexico and Gazprom, asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by IEnova and a force majeure event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements. IEnova has rejected the customers’ assertions and has drawn (and expects to continue to draw) on the customers’ letters of credit provided as payment security. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. In July 2020, Shell Mexico submitted a request for arbitration of the dispute and Gazprom has joined the proceeding. IEnova will avail itself of its available claims, defenses, rights and remedies in the arbitration proceeding, including seeking dismissal of the customers’ claims. Gazprom has since replenished the amounts drawn on its letter of credit and has resumed making regular monthly payments under its LNG storage and regasification agreement. Shell and Gazprom filed for preliminary relief asking the Arbitral Tribunal to prevent ECA from invoicing or collecting any payments under the contract and from drawing on the letters of credit. The preliminary relief was initially granted but revoked on December 23, 2020. A hearing to discuss the preliminary relief petitioned by Shell and Gazprom was held on January 2021 and the Arbitral Tribunal decided on February 8, 2021 to deny its petition. Shell Mexico also filed a constitutional challenge to the CRE’s approval of the update to the general terms and conditions. In October 2020, Shell Mexico’s amparo request to stay CRE’s approval was denied and, subsequently, Shell Mexico filed an appeal of that decision.

A hearing to discuss the preliminary relief petitioned by Shell and Gazprom was held on January 2021 and the Tribunal decided on February 8, 2021 to deny its petition. The new hearing was set for the week of October 18, 2021.

h. On September 2020, ECA was notified of an administrative claim filed at the Ensenada Municipality, by two companies. They are suing for the annulment of several municipal administrative permits and licenses issued in favor of ECA, related to the liquefaction plant, arguing that such permits were granted over land that they owned. The Ensenada Municipality granted a suspension of the permits and licenses, until a ruling is issued regarding their legality. ECA filed its answer to the administrative claim, defending the legality of the permits and its property titles, petitioning for a quick dismissal of the case and requesting that the plaintiffs file a bond to guarantee possible damages because of the suspension of the permits. This procedure was concluded without adverse effects for the Company.

i. IEnova Marketing generates monthly balances in favor of VAT which it requests in refund. Recently, the Tax Authority has partially denied the refund of VAT, which amount to $14.8 million approximately. The Company started a legal procedure. It is important to mention that under Company and its legal Advisor's opinion, there are enough legal arguments to recover these amounts, therefore its was not recorded any allowance.

37. 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, 2020:

Impact of the initial application of Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7).

The Company has considered the impact of interest rate benchmark reform ('IBOR reform') on its hedge accounting. The Company has adopted the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' issued in September 2019. Adopting these amendments provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continue should be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Company has a significant exposure to changes in the USD IBOR benchmark. At 31 December 2020 the Company has USD $878.7 millions on variable debt, referenced to IBOR benchmark and active interest rate swaps with a notional amount of USD $636.2 millions, which are indexed to USD LIBOR. The interest rate swaps are designated in cash flow hedge relationships hedging the various USD LIBOR term loans.

In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Company has assumed that the USD LIBOR interest rate on which the cash flows of its interest rate swap and its hedged floating rate loans are based are not altered by IBOR reform.

The Company anticipates that USD LIBOR will transition to SOFR and has considered an IBOR transition plan. This transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The Company currently anticipates that the areas of greatest change will be amendments to the contractual terms of its LIBOR referenced floating-rate swap, and updating its hedge designation.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

i. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
ii. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
iii. There is no substantive change to other terms and conditions of the lease.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the Consolidated Financial Statements of the Company.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Consolidated Financial Statements of the Company.

Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets..

These amendments had no impact on the Consolidated Financial Statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.
These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to the Company.

b. ***New and revised IFRS issued but not yet effective***

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

IFRS 17	Insurance Contracts	January 1, 2023
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	January 1, 2022

The Management do not expect that the adoption of the Standards listed above will have a material impact on the Consolidated Financial Statements of the Company in future periods.

38. Events after reporting date

38.1. Enterprise Resource Planning (“ERP”) implementation

In January 2021, IEnova implemented a new enterprise resource planning system (ERP system) to replace its legacy system. The implementation improves user access security and increases automation of internal controls in IEnova’s accounting, back office and financial reporting cycles, which we consider to be material to IEnova. Management has taken steps to ensure that controls were appropriately designed and implemented in connection with the integration of and transition to the new ERP system. IEnova continues to review and enhance the design and related documentation of its internal control over financial reporting in connection with its implementation of the new ERP system in order to maintain an effective control framework. (See Note 35.2).

38.2. Electrical Reform

On March 9, 2021, a reform to the Electricity Industry Law was published in the Official Gazette of the Federation to include the following main provisions:

- Providers of basic services are allowed to enter into Electricity Coverage Contracts outside of CENACE auctions. Before the Reform, they could only enter into medium and long-term Hedging Contracts after an auction organized by CENACE.

- Access to the Transmission Network ("RNT") and the General Distribution Networks ("RGD") is restricted, since CFE centrals are granted preferential access.

- In accordance with the Reforms, Clean Energy Certificates will be recognized for all Power Plants regardless of the date of their construction.

- The Energy Regulatory Commission is ordered, prior to the corresponding process, to revoke the self-supply permits granted in fraud of the law.

It should be noted that the application of the Law Reform to the Electricity Industry has been suspended by court order since March 11, 2021, for which the Federal Government has asked the Supreme Court of Mexico to resolve the matter.

We cannot predict the resolution of lawsuits will have on the Mexican economy and our business. These circumstances could have a material effect on our cash flows, our financial condition, results of operations and / or our prospects.

38.3. Changes in Energy Renewable regulation (update)

On February the 3, 2021, the Supreme Court of Mexico partially voided the Policy of reliability, security, continuity and quality in the National Electric System fought. Therefore, we cannot predict the impact that the political, social, and judicial landscape, including multiparty rule, civil disobedience and trials resolutions, will have on the Mexican economy and our business in Mexico.

38.4. Guaymas - El Oro Pipeline

On March 12, 2021, IEnova and the CFE agreed to extend the suspension of the agreement to September 14, 2021. Under the revised agreement, the CFE will resume making payments only when the damaged section of the Guaymas-El Oro of the Sonora pipeline is repaired.

38.5. Acquisition of the participation of SAAVI Energia in ESJ

On March 19, 2021, IEnova completed the acquisition of Saavi Energía’s 50 percent equity interest in ESJ for a purchase price of approximately $79.0 million after post-closing adjustments, plus the assumption of $355.0 million in debt, including $88.0 million owed from ESJ to IEnova that will eliminate upon consolidation. IEnova previously accounted for its 50 percent interest in ESJ as an equity method investment. This acquisition increased IEnova’s ownership in ESJ from 50 to 100 percent at closing of the acquisition. ESJ owns a fully operating wind power generation facility with a nameplate capacity of 155 MW, for which SDG&E has agreed to purchase 100 percent of the output of the facility under a long-term PPA. ESJ is constructing a second wind power generation facility, which we expect will be completed in late 2021 or in the first quarter of 2022 and will have a nameplate capacity of 108 MW.

38.6. Veracruz Terminal COD

On March 19, 2021, the Company declared the COD for the receipt, storage and delivery of refined products in the New Port of Veracruz. This project, with a capacity to store more than 2 million barrels of gasoline, diesel and jet-fuel, contributes to ensure national energy security and provide reliable, safe and efficient access to fuels in the Gulf-Center region.

38.7.Border Solar COD

On March 25, 2021, the Company declared that there is no technical or legal impediment to declare the Border Solar´s COD on the indicated date.

38.8. Acquisition of Manzanillo´s Refined Products

On March 26,2021, the Company informed the execution of a purchase and sale agreement for the acquisition of the remaining participation that Trafigura has in the Manzanillo Refined Products Terminal. The purchase price of Trafigura’s equity is approximately $6.0 million.

The transaction is expected to close during the second half of 2021 and is subject to customary closing conditions, including the approval from COFECE.

38.9. Topolobampo Terminal Service Agreement ("TSA")

On March 26,2021, the Company executed a long-term, U.S. Dollar-denominated contract with Trafigura 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.

38.10. Hydrocarbons Law ("LH")

On April 23, 2021, the President's initiative to reform the LH was approved by the Federal Legislative Power, leaving only its promulgation and publication pending. The Reform Project grants SENER and CRE additional powers to suspend and terminate early the permits for the activities of the third title of the LH to which the group companies are engaged. The suspension will now proceed for the time determined by SENER or CRE when a danger to national security, energy security, or to the national economy is foreseen, regardless of the conduct of the permit holder, who will also be sanctioned if he acts with fraud. Likewise, new grounds for the revocation of permits will be included that the permit holder (i) carries out its regulated activity with illegally imported products or with respect to which taxes have not been paid (contraband) or (ii) relapses in non-compliance with the provisions applicable to the quantity, quality and measurement of hydrocarbons and petroleum products or in the unauthorized modification of the technical conditions of systems, pipelines, facilities or equipment (assumptions that previously involved increased fines). Additionally, in the case of existing permits, the transitory articles contemplate that the competent authorities will revoke those permits that: (i) fail to comply with the minimum storage requirements established by SENER on the date the reform decree enters into force or (ii) that, upon entry into force of the reform decree, do not comply with the requirements established in the LH or violate the provisions of the LH. Similarly, permits will expire in cases where the permit holder does not exercise the rights within the term established in the permit, or in the absence of a term, for a consecutive period of three hundred and sixty-five calendar days.

38.11. IEnova´s Non-Controlling Interest

On April 5, 2021, the Company informed the market, based on the provisions of article 50, section III, subsection d) of the General Provisions Applicable to Securities Issuers and other Securities Market Participants issued by the National Banking and Securities Commission, that its controlling shareholder Sempra Energy, announced today the execution of an agreement to perform a transaction that includes a non-controlling interest in IEnova.

On April 12, 2021, IEnova announced today that the Corporate Practices Committee (the “Corporate Practices Committee”) of its Board of Directors (the “Board of Directors”) received a non-binding offer letter, dated today (the “Final Offer Letter”), from Sempra Energy (“Sempra”), pursuant to which Sempra conveyed its intention to conduct an offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova (which represent approximately 29.83% of IEnova’s issued and outstanding share capital) in exchange for Sempra common stock (the “Exchange Offer”), at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova ordinary share (the “Exchange Ratio”).

Based on the Exchange Ratio, the implied consideration per IEnova ordinary share is equal to 87.20 Mexican pesos per IEnova ordinary share, calculated using the five-day volume-weighted average price for Sempra common stock as quoted on the New York Stock Exchange and the five-day average Ps./U.S. $ exchange rate reported by the Mexican Central Bank (Banco de México) as the “FIX Rate,” in each case as of April 9, 2021, the most recent practicable trading day for which information was available prior to the delivery of the Final Offer Letter. The Exchange Offer is subject to obtaining all necessary governmental authorizations required by applicable law.

As required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores), the Board of Directors will issue an opinion on the fairness, from a financial point of view, of the equity consideration proposed by Sempra as expressed by the Exchange Ratio contained in the Final Offer Letter, after considering the recommendation of the Corporate Practices Committee, which will rely on the fairness opinion to be issued by J.P. Morgan Securities LLC, as independent financial advisor, all of which will separately be disclosed to investors.

On April 14, 2021, IEnova announced that at an extraordinary meeting of its Board of Directors (the “Board of Directors”) held on April 14, 2021 (the “Meeting”), with attendance by all the members of the Board of Directors and abstentions from discussion and voting by those members of the Board of Directors who expressed a conflict of interest, the directors participating at the Meeting unanimously resolved, among other things, to vote in favor of opining that the equity consideration proposed by Sempra Energy ("Sempra") in connection with Sempra's previously announced offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova in exchange for Sempra common stock (the "Exchange Offer") is fair to IEnova shareholders from a financial point of view. The equity consideration proposed by Sempra in connection with the Exchange Offer was expressed in an exchange ratio (the "Exchange Ratio") set forth in a non-binding offer letter, dated April 12, 2021 (the "Final Offer Letter"), from Sempra to the Corporate Practices Committee of IEnova's Board of Directors (the "Corporate Practices Committee"). The publicly held ordinary shares of IEnova represent approximately 29.83% of IEnova's issued and outstanding share capital. The Board of Directors evaluated the equity consideration proposed by Sempra in the Exchange Offer by applying the Exchange Ratio and taking into account the prevailing market price for Sempra common stock and the Ps./U.S.$ exchange rate as of the close of market on April 13, 2021.

The opinion of the Board of Directors was made in conformity with the recommendation of the Corporate Practices Committee, which recommendation was based, among other factors, on the opinion, dated April 14, 2021 (the "Independent Advisor Opinion"), issued by J.P. Morgan Securities LLC, as independent financial advisor to the Corporate Practices Committee in connection with the Exchange Offer (the "Independent Advisor"). In the Independent Advisor Opinion, the Independent Advisor opined on the fairness of the equity consideration proposed by Sempra in the Exchange Offer to IEnova shareholders from a financial point of view.

At the Meeting, the Board of Directors reviewed written certifications by the members of the Board of Directors, including IEnova's Chief Executive Officer, with respect to the number of IEnova ordinary shares held by such members and their intention with respect to such ordinary shares in connection with the Exchange Offer, as follows:

Will Tender Ordinary Shares in the Exchange Offer		Will Not Tender Ordinary Shares in the Exchange Offer		Total	
35,000	100 %	—	— %	35,000	100 %

The Board of Directors also reviewed the conflicts of interest expressed at the Meeting by Randall Lee Clark, Faisel Hussain Khan, Jennifer Frances Jett, Trevor Ian Mihalik, Erle Allen Nye, Jr., Peter Ronan Wall, Lisa Glatch, Tania Ortiz Mena López Negrete, Carlos Ruíz Sacristán and Vanesa Madero Mabama in connection with their participation and presence during discussion and voting on all matters related to the Exchange Offer, including with respect to the Final Offer Letter and the opinion of the Board of Directors required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores). Any such abstentions due to conflicts of interest did not affect the required quorum for the Meeting.

On April 26, 2021, the Company announced that Sempra launched a public exchange tender offer to acquire all of the issued and outstanding ordinary shares of IEnova not owned directly or indirectly by Sempra, which represent approximately 29.8 percent of the total outstanding shares of IEnova ("IEnova Public Shares"), in exchange for shares of Sempra common stock at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova Public Share. This announcement is made in terms of the public offer notice published today by Sempra, through the electronic information system "Emisnet" of the Mexican Stock Exchange (Bolsa Mexicana de Valores), through Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer as exchange agent.

38.12. DEN Tax refund

DEN generates monthly balances in favor of VAT which it requests in refund. Recently, the Tax Authority has denied the refund of VAT, which amount to $2.0 million (40 million pesos) approximately.

The Company started a legal procedure. It is important to mention that under Company and its legal Advisor's opinion, there are enough legal arguments to recover these amounts.

39. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved and authorized for issuance by Carlos Mauer Diaz Barriga, Chief Financial Officer on April 26, 2021 and subject to the approval of the Ordinary General Shareholders' Meeting and Board of Directors .

40. Main registered office

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.

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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, 2020, 2019 and 2018 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 26, 2021, 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 24 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, 2020.

Sincerely,

C.P.A. Erika Regalado García
External Auditor
Partner at Galaz, Yamazakí, Ruíz Urquiza, S.C.

MANAGEMENT CERTIFICATION

April 30, 2021

We, Tania Ortiz Mena, Carlos Mauer Diaz Barriga 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 2020, 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

Carloz Mauer Diaz Barriga
Chief Financial Officer

Rene Buentello Carbonell
General Counsel and Chief Compliance Officer

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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, 2020, 2019 and 2018 and for the years that ended on those dates, contained in this annual report, were audited on April 26, 2021, 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.

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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, 2020, 2019 and 2018 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 2020, 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 2020 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.