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

Condensed Interim Consolidated Financial Statements as of December 31, 2019 and for the years and three-month periods ended December 31, 2019 and 2018 (unaudited) and Independent Auditor's Limited Review Report Dated February 18, 2020

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

Condensed Interim Consolidated Financial Statements as of December 31, 2019 and for the years and three-month periods ended December 31, 2019 and 2018 (unaudited)

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Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries
Condensed Interim Consolidated Statements of Financial Position
(In thousands of U. S. Dollars)

Assets	Notes	December 31, 2019 (unaudited)	December 31, 2018
Current assets:			
Cash and cash equivalents		$ 57,966	$ 51,764
Restricted cash		30,844	23,342
Finance lease receivables	8	11,354	9,809
Trade and other receivables, net		139,407	153,649
Due from unconsolidated affiliates	3, 8	36,394	45,043
Income taxes receivable		22,061	74,806
Natural gas inventories		8,270	3,516
Derivative financial instruments	8	10,267	9,474
Value added tax receivable		132,886	76,907
Carbon allowances		6,444	5,936
Other assets		9,688	9,695
Total current assets		465,581	463,941
Non-current assets:			
Due from unconsolidated affiliates	3, 8	744,609	646,297
Derivative financial instruments	8	6,974	8,146
Finance lease receivables	8	921,270	932,375
Deferred income tax		89,898	80,853
Investments in joint ventures	4	625,802	608,708
Other assets		32,836	94,060
Property, plant and equipment, net	5, 11	4,637,962	4,086,914
Right-of-use-assets, net	16	175,841	—
Carbon allowances		30,083	15,499
Intangible assets, net		180,867	190,772
Goodwill		1,638,091	1,638,091
Restricted cash		2,692	2,941
Total non-current assets		9,086,925	8,304,656
Total assets	11	$ 9,552,506	$ 8,768,597

(Continued)

Liabilities and Stockholder's Equity	Notes	December 31, 2019 (unaudited)	December 31, 2018
Current liabilities:			
Short-term debt	6	$ 1,235,379	$ 870,174
Trade and other payables		154,936	99,757
Due to unconsolidated affiliates	3	24,471	310,696
Income tax liabilities		62,699	63,044
Lease current liabilities	16	2,654	—
Derivative financial instruments	8	15,071	10,943
Other financial liabilities		26,218	24,720
Provisions		—	251
Other taxes payable		31,878	31,619
Carbon allowances		6,444	6,354
Other liabilities		33,782	28,073
Total current liabilities		1,593,532	1,445,631
Non-current liabilities:			
Long-term debt	7, 8	1,818,331	1,675,192
Due to unconsolidated affiliates	3, 8	233,597	75,161
Lease non-current liabilities	16	101,788	—
Deferred income tax liabilities		565,957	566,892
Carbon allowances		29,843	14,826
Provisions		84,842	61,903
Derivative financial instruments	8	140,860	152,880
Employee benefits		9,901	7,643
Other non-current liabilities		16,618	14,719
Total non-current liabilities		3,001,737	2,569,216
Total liabilities	11	4,595,269	4,014,847
Stockholder's equity:			
Common stock	10	955,239	963,272
Additional paid-in capital		2,342,883	2,351,801
Treasury shares	10	—	(7,190)
Accumulated other comprehensive loss		(130,919)	(104,105)
Retained earnings		1,777,280	1,536,662
Total equity attributable to owners of the Company		4,944,483	4,740,440
Non-controlling interests		12,754	13,310
Total stockholders' equity		4,957,237	4,753,750
Commitments and contingencies	14, 15	—	—
Events after the reporting period	17	—	—
Total stockholders' liabilities and equity		$ 9,552,506	$ 8,768,597

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit

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

		Year ended December 31, (unaudited)		Three-month period ended December 31, (unaudited)	
	Notes	**2019**	**2018**	**2019**	**2018**
		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Revenues	11, 12	$ 1,379,256	$ 1,368,555	$ 326,865	$ 345,903
Cost of revenues		(391,093)	(385,791)	(94,647)	(107,875)
Operating, administrative and other expenses		(210,325)	(214,519)	(47,931)	(57,813)
Depreciation and amortization		(155,799)	(137,157)	(40,155)	(34,653)
Interest income		45,665	27,449	20,101	7,013
Finance costs		(132,849)	(122,879)	(33,919)	(30,686)
Other gains (losses), net		25,619	8	28,664	(25,135)
Profit before income tax and share of profits of joint ventures	9	560,474	535,666	158,978	96,754
Income tax expense	9	(132,558)	(143,064)	(19,394)	(27,949)
Share of profits of joint ventures	4, 11	39,769	37,984	4,157	19,817
Profit for the year / period	11	$ 467,685	$ 430,586	$ 143,741	$ 88,622
Attributable to:					
Owners of the Company	13	468,241	430,592	143,972	88,638
Non-controlling interests		(556)	(6)	(231)	(16)
		$ 467,685	$ 430,586	$ 143,741	$ 88,622
Earnings per share:					
Basic and diluted earnings per share	13	$ 0.31	$ 0.28	$ 0.09	$ 0.06

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, (unaudited) 2019	Year ended December 31, 2018	Three-month period ended December 31, (unaudited) 2019	Three-month period ended December 31, (unaudited) 2018
Profit for the year / period	11	$ 467,685	$ 430,586	$ 143,741	$ 88,622
Items that will not be reclassified to profit or (loss):					
Actuarial (losses) gain on defined benefits plans		(1,057)	519	(1,057)	519
Deferred income tax related to actuarial (losses) gain on defined benefits plans		317	(156)	317	(156)
Total items that will not be reclassified to profit		(740)	363	(740)	363
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(9,727)	7,688	5,470	(14,291)
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		2,918	(2,306)	(1,641)	4,288
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(41,321)	7,665	12,633	(10,684)
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		12,396	(2,299)	(3,790)	3,206
Exchange differences on translation of foreign operations		9,660	(660)	9,383	(10,242)
Total items that may be subsequently reclassified to (loss) or profit		(26,074)	10,088	22,055	(27,723)
Other comprehensive (loss) income for the year / period		(26,814)	10,451	21,315	(27,360)
Total comprehensive income for the year / period		$ 440,871	$ 441,037	$ 165,056	$ 61,262
Attributable to:					
Owners of the Company		441,427	441,043	165,586	61,278
Non-controlling interests		(556)	(6)	(530)	(16)
		$ 440,871	$ 441,037	$ 165,056	$ 61,262

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim 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 January 1, 2018	10	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the year	11	—	—	—	—	430,592	430,592	(6)	430,586
Actuarial gain on defined benefit plans, net of income tax		—	—	—	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, net	10	—	—	(7,190)	—	—	(7,190)	—	(7,190)
Dividends paid	10	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of December 31, 2018	10	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Balance as of January 1, 2019	10	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Profit for the year	11	—	—	—	—	468,241	468,241	(556)	467,685
Actuarial loss on defined benefit plans, net of income tax		—	—	—	(740)	—	(740)	—	(740)
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(6,809)	—	(6,809)	—	(6,809)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(28,925)	—	(28,925)	—	(28,925)
Exchange differences on translation of foreign operations		—	—	—	9,660	—	9,660	—	9,660
Total comprehensive (loss) income for the year		—	—	—	(26,814)	468,241	441,427	(556)	440,871
Repurchase of ordinary shares, net	10	—	—	(9,761)	—	—	(9,761)	—	(9,761)
Retirement of treasury shares	10	(8,033)	(8,918)	16,951	—	—	—	—	—
Investment decrease in joint venture	4	—	—	—	—	(7,623)	(7,623)	—	(7,623)
Dividends paid	10	—	—	—	—	(220,000)	(220,000)	—	(220,000)
Balance as of December 31, 2019 (unaudited)	10	$ 955,239	$ 2,342,883	$ —	$ (130,919)	$ 1,777,280	$ 4,944,483	$ 12,754	$ 4,957,237

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

		Year ended December 31, (unaudited)		Three-month period ended December 31, (unaudited)	
	Notes	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities:					
Profit for the year / period	11	$ 467,685	$ 430,586	$ 143,741	$ 88,622
Adjustments for:					
Income tax expense	9	132,558	143,064	19,394	27,949
Share of profit of joint ventures, net of income tax	4, 11	(39,769)	(37,984)	(4,157)	(19,817)
Finance costs		132,849	122,879	33,919	30,686
Interest income		(45,665)	(27,449)	(20,101)	(7,013)
Loss (gain) on disposal of property, plant and equipment		5,900	13,708	(2,966)	1,631
Impairment loss (gain) recognized on trade receivables		96	(1)	18	(63)
Depreciation and amortization		155,799	137,157	40,155	34,653
Net foreign exchange (gain) loss		(27,117)	6,103	(28,532)	30,219
Net (gain) loss on valuation of derivative financial instruments		(1,559)	(3,754)	1,525	(77)
Others		9	—	196	—
		780,786	784,309	183,192	186,790
Movements in working capital:					
Decrease (increase) in trade and other receivables, net		32,938	(55,452)	23,397	(20,243)
(Increase) decrease in natural gas inventories, net		(4,754)	3,680	(2,820)	1,813
Decrease (increase) in other assets, net		52,741	(14,220)	48,677	24,467
(Decrease) increase in trade and other payables, net		(24,939)	5,134	(20,743)	16,792
Decrease in provisions, net		(36,703)	(42,463)	(152)	(10,114)
Increase (decrease) in other liabilities, net		25,707	1,088	3,281	(24,893)
Cash generated from operations		825,776	682,076	234,832	174,612
Income taxes paid		(119,122)	(57,090)	(23,782)	(12,770)
Net cash provided by operating activities		706,654	624,986	211,050	161,842

(Continued)

	Notes	Year ended December 31, (unaudited) 2019	2018	Three-month period ended December 31, (unaudited) 2019	2018
Cash flows from investing activities:					
Assets acquisition, net of cash acquired		—	(19,954)	—	—
Investment in joint ventures	4	(49,107)	(79,908)	(40,517)	(34,949)
Equity reimbursement from joint ventures		1,955	—	—	—
Marine terminals bidding fee		—	(44,355)	—	—
Interest received		18,892	563	18,700	19
Acquisitions of property, plant and equipment and others		(613,624)	(392,073)	(178,249)	(123,911)
Loans granted to unconsolidated affiliates	3	(20,726)	(134,661)	(450)	(16,731)
Receipts of loans granted to unconsolidated affiliates	3	7,607	42,275	286	2,332
Net cash used in investing activities		(655,003)	(628,113)	(200,230)	(173,240)
Cash flows from financing activities:					
Interest paid		(133,792)	(85,046)	(33,053)	(19,596)
Loans received from unconsolidated affiliates	3	155,396	70,000	155,396	—
Loans payments to unconsolidated affiliates		(267,768)	(312,032)	(132,268)	(179,232)
Proceeds from bank financing	6, 7	1,477,433	916,757	635,168	248,757
Payments on bank lines of credit	6, 7	(967,431)	(304,395)	(414,077)	(66,384)
Lease payments	16	(27,440)	—	(2,765)	—
Payments for repurchase of shares	10	(9,761)	(7,190)	—	(7,190)
Payment of Certificados Bursatiles (“CEBURES”)	7	—	(102,069)	—	—
Dividends paid	10	(220,000)	(210,000)	(220,000)	—
Net cash provided by (used in) financing activities		6,637	(33,975)	(11,599)	(23,645)
Increase (decrease) in cash, cash equivalents and restricted cash		58,288	(37,102)	(779)	(35,043)
Cash, cash equivalents and restricted cash at the beginning of the year / period		78,047	94,109	93,226	104,095
Effects of exchange rate changes on cash and cash equivalents		(44,833)	21,040	(945)	8,995
Cash, cash equivalents and restricted cash at the end of the year / period		$ 91,502	$ 78,047	$ 91,502	$ 78,047

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of December 31, 2019 and for the years and three-month periods ended December 31, 2019 and 2018 (unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (collectively, "IEnova or the Company") are located and incorporated mainly in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent") located and incorporated in the United States of America ("U. S."). The addresses of the Company's registered offices and principal places of business are disclosed in Note 19.

The Company operates in the energy sector and is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Please refer to Note 11).

The Gas segment develops, owns and operates, or holds interests in, natural gas, liquefied petroleum gas ("LPG"), ethane pipelines, storage facilities for liquefied natural gas ("LNG"), transportation, distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. It also owns and operates an LNG terminal in Baja California, Mexico, for importing, storing and regasifying LNG.

The Company develops marine and in-land terminals for the reception, storage and delivery of refined products, located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico.

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

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

Seasonality of operations. Customer demand in both Gas and Power segments experience seasonal fluctuations. For the Gas segment, the demand for natural gas service is higher in summer and winter. In the case of the Power segment, the demand for power distribution service is higher during months with hot weather.

b. *Relevant events*

1.1. 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 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. Working Capital Credit Line

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

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

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

1.4. Manzanillo and Guadalajara Terminal

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

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

1.5. 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).

1.6. Moody´s Credit Rating

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

1.7. South of Texas – Tuxpan Marine Pipeline

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

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

In September 2019, the Company executed agreements with CFE in relation to the Transportation Service Agreements corresponding to South Texas - Tuxpan marine pipeline the latter jointly developed with TC Energy. These agreements 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 had reached commercial operations.

1.8. 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.

1.9. Fitch's Credit Rating

On July 9, 2019, the Company announced that Fitch has placed IEnova's rating on "Watch Negative": BBB+ / Watch Negative (the previous rating was BBB+ / Stable), due to the events described in Note 1.7. and 1.10.

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

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

1.10. 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 establishes a new tariff structure and consider a 10-year extension. Such agreement fulfills both parties' interests while maintaining the overall integrity and economics of the original contracts.

1.11. Long-term Electric Supply contracts

On July 10, 2019, the Company executed a 15-year clean electricity supply contracts 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").

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 Megawatts ("MW") and an approximate investment of $160.0 million.

1.12. 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.

1.13. Long-term energy supply contract with Envases Universales de Mexico, S. A. P. I. de C. V. ("Envases Universales")

On October 4, 2019, the Company executed an electricity Sale and Purchase Agreement with Envases Universales for a period of ten years.

1.14. Corporate Long - Term Credit facilities

On November 19, 2019, regarding the credit mentioned in Note 7. h., the Company entered into 15-year credit facilities for $200.0 million with International Finance Corporation ("IFC"), a member of the World Bank Group, and North American Development Bank ("NADB").

1.15. Private placement of senior secured notes by Tag Norte Holding, S. de R. L. de C. V. ("TAG")

On December 16, 2019, regarding the credit mentioned in Note 4.3.a, the parent entity of the Los Ramones Norte natural gas pipeline and a joint venture between the Company and Brookfield Asset Management Inc. ("Brookfield"), issued $332.0 million dollars of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors.

1.16. Long-term Energy Supply contract with Grupo Cementos de Chihuahua, S.A.B. de C.V. ("GCC")

On December 17, 2019, the Company executed a long-term clean energy supply contract with GCC for the period of fifteen years.

2. Significant accounting policies

a. ***Statement of compliance***

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

Certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted pursuant to the interim period reporting provisions.

Therefore, the Condensed Interim Consolidated Financial Statements information should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

b. ***Basis of preparation***

The same accounting policies, presentation and methods of computation followed in these Condensed Interim Consolidated Financial Statements were applied in the preparation of the Company's annual Consolidated Financial Statements for the year ended December 31, 2018, except for the adoption of IFRS 16, *Leases* and International Financial Reporting Standards Committee ("IFRIC") 23, *Uncertainty over Income Tax Treatments,* whose effects are described in Note 2.c. and Note 16, respectively.

Comparative information

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

The 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.

The following inmaterial adjustments and reclassifications were made to conform the 2018 and 2017 Condensed Interim 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.

c. ***Leases***

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3. Transactions 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 and three-month periods ended December 31, 2019 and 2018, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Sempra Gas & Power Marketing, LLC ("SG&PM")	$ 212,237	$ 226,004	$ 53,937	$ 58,296
Sempra LNG International, LLC ("SLNGI")	102,084	38,847	25,689	25,281
Tag Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte")	25,620	23,357	6,469	5,856
Sempra International, LLC ("Sempra International")	1,802	1,763	466	439
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	1,655	1,215	446	344

	Revenues			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
ECA Liquefaction, S. de R. L. de C.V. (“ECAL”)	1,401	—	612	—
TAG	701	—	181	—
Southern California Gas Company (“SoCalGas”)	405	731	—	110
Sempra LNG International Holdings, LLC (“SLNGIH”)	—	59,588	—	—
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	—	81	—	—
Energia Sierra Juarez, S. de R. L. de C. V. (“ESJ”)	—	7	—	—

	Cost of revenues and operating, administrative and other expenses			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
SLNGI	$ 228,652	$ 230,510	$ 48,477	$ 59,664
SG&PM	113,250	139,565	32,310	41,163
Sempra North American Infrastructure, LLC (“Sempra Infrastructure”)	5,947	5,430	1,805	1,704
Sempra International	4,875	8,509	1,213	2,170
SoCalGas	2,609	2,026	690	565
Pxise Energy Solutions, LLC (“Pxise”)	1,826	—	715	—
Sempra Energy Holding, XI. B. V. (“SEH”)	128	131	56	—
Pacific Enterprises International INC (“PEI INC”)	—	366	—	366

The transactions include administrative services from affiliates of $4.9 and $8.5 million for the year ended December 31, 2019 and 2018, respectively and $1.2 and $2.2 million for the three-month periods ended December 31, 2019 and 2018, respectively, which were paid and have been properly distributed to the segments incurring those costs.

	Interest income			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
IMG	$ 41,622	$ 23,929	$ 18,894	$ 6,154
Sempra Global, LLC (“SEG”)	90	75	25	19
ESJ	36	401	—	73
ECAL	18	—	—	—

	Finance cost			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
ISL	$ 4,408	$ 9,315	$ 88	$ 2,200
Peruvian Opportunity Company, S. A. C. (“POC”)	2,618	2,941	—	803

	Finance cost			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
TAG Pipelines Norte	2,086	1,651	461	337
Sempra Energy International Holding N.V. (“SEI NV”)	1,489	209	340	209
TAG	372	—	372	—
SEH	—	2,310	—	—
Sempra Oil Trading Suisse Sàrl (“SOT Suisse”)	—	1,321	—	179

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

	Amounts due from unconsolidated affiliates (current)	
	As of	
	12/31/19	12/31/18
SG&PM	$ 30,581	$ 40,600
TAG Pipelines Norte	2,524	2,234
Sempra Infraestructure	2,349	—
SESJ	575	346
ECAL	295	—
TAG	70	—
PEI	—	1,803
SoCalGas	—	60
	$ 36,394	$ 45,043

	Amounts due to unconsolidated affiliates (current)	
	As of	
	12/31/19	12/31/18
SG&PM	$ 13,343	$ 23,412
SLNGI	10,525	18,795
Pxise	235	—
SoCalGas	227	—
Sempra International	136	122
SEH	5	10
ISL (i)	—	165,768
POC (ii)	—	102,000
PEI INC	—	390
	$ 24,471	$ 310,497

New loans or amendments as of 2019:

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's term is twelve months, with an option to extend. Interest on the outstanding balance is payable on a quarterly basis at three-month London Interbank Offered Rate (“LIBOR”) plus 63 basis points (“BPS”) per annum. Interest shall be paid on the last day on each calendar quarter.

On March 21, 2018, the Company signed an addendum modifying the contractual terms over the $85.0 million U.S. Dollar-denominated credit facilities with ISL, the new conditions are: the term was extended and is due and payable in full on March 21, 2019, interest 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, thereby paying off in full loans for U.S. $90.0 and U.S. $70.0 million and partially paying down a U.S $30.0 million loan.

On December 15, 2018, the Company signed an addendum modifying the contractual terms over $30.0 and $70.0 million principal amount 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, interest 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 contracts described above by an accumulated amount of $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, interest 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.

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

	As of	
	12/31/19	**12/31/18**
IMG (i)	$ 741,816	$ 640,775
SEG (ii)	2,793	2,111
ESJ	—	3,411
	$ 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 accruing to outstanding principal quarterly.

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

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

ii. On December 7, 2016, IEnova entered into a loan agreement with SEG, providing a credit line in an amount of up to $12.0 million U.S. Dollar-denominated with a maturity date of December 6, 2026.

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	
	12/31/19	12/31/18
TAG (i)	$ 155,769	$ —
TAG Pipelines Norte	39,368	36,701
SEI NV	38,460	38,460
	$ 233,597	$ 75,161

i. On December 16, 2019, Ductos y Energeticos del Norte, S. de R. L. de C. V. (“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 expense of key management personnel was $13.5 and $13.5 million for the year ended December 31, 2019 and 2018, respectively, and $2.5 and $1.5 million for the three-month periods ended December 31, 2019 and 2018, respectively.

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

4. Investment in joint ventures

4.1. ESJ

The joint venture formed between IEnova and Saavi Energia, started operations in June 2015. As of December 31, 2019 and 2018, the Company’s 50 percent interest in ESJ is accounted for under the equity method.

	As of	
	12/31/19	12/31/18
Total members’ equity	$ 42,496	$ 45,286
Share of members’ equity	$ 21,248	$ 22,643
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 33,369	$ 34,764

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

ESJ´s Condensed Interim Consolidated Statements of Profit are as follows:

	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Revenues	$ 49,921	$ 45,759	$ 9,500	$ 9,827
Operating, administrative and other expenses	(25,227)	(20,210)	(5,579)	(4,279)
Finance costs	(14,108)	(15,166)	(3,498)	(3,679)
Other gains (losses), net	75	48	46	(8)
Income tax expense	(2,688)	(2,780)	812	(109)
Profit for the year / period	$ 7,973	$ 7,651	$ 1,281	$ 1,752
Share of profit of ESJ	$ 3,987	$ 3,825	$ 641	$ 876

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

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

The credit facilities bear interest at LIBOR plus the applicable margin, 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 dated June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding as of December 31, 2019, is as follows:

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

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

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

4.2. IMG

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

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

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

	As of	
	12/31/19	**12/31/18**
Total members' equity	$ 673,012	$ 673,224
Share of members' equity	$ 269,205	$ 269,290
Guarantees (b)	5,018	5,018
Remeasurement of interest rate and others (c)	(70,390)	(37,653)
Share of member's equity and carrying amount of investment in IMG	$ 203,833	$ 236,655

IMG´s Condensed Interim Consolidated Statements of (Loss) Profit are as follows:

	Year ended		Three-month period ended	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Revenue	$ 140,166	$ —	$ 121,366	$ —
Operating, administrative and other expenses	(24,411)	—	(21,728)	—
Finance (costs) income, net	(54,980)	7,582	(56,460)	800
Other (losses) gains, net *	(73,299)	9,858	(71,529)	65,791
Income tax benefit (expense)	10,105	(17,657)	21,604	(25,754)
(Loss) profit for the year / period	$ (2,419)	$ (217)	$ (6,747)	$ 40,837
Other adjustments	575	—	501	—
Share of (loss) profit of IMG	$ (393)	$ (87)	$ (2,199)	$ 16,335

* 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 Condensed Interim Consolidated Statements of Profit, in the "Other gains (losses), net", net line item, a corresponding foreign exchange gain (loss) which fully offsets the aforementioned effect, is included.

a. ***Project financing for the IMG project.*** As of December 31, 2019, 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 million Mexican Pesos 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 million Mexican Pesos and $21,252.1 million Mexican Pesos, respectively. The loans accrue an annual interest rate of TIIE plus 220 BPS. Outstanding balance as of December 31, 2019, with IEnova is $13,919.1 million Mexican Pesos.

On March 23, 2018, IMG entered into a $300.0 million U. S. Dollar-denominated revolving credit facility with Scotiabank, which can be disbursed in U. S. Dollar or Mexican Pesos, to fund Value Added Tax 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 Sur de 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.*** During the twelve months ended on December 31, 2019 and 2018, 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 BPS, 10.6 and 9.8 percent average during the twelve months ended on December 31, 2019 and 2018 respectively; while the financing of the resources used by IEnova accrues interest at an average rate of 4.1 percent during the twelve months ended on December 31, 2019 and 2018.

4.3. TAG (a Subsidiary of DEN)

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

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

	As of	
	12/31/19	**12/31/18**
Total members' equity	$ 500,160	$ 476,538
Share of members' equity and carrying amount of investment in TAG	$ 250,080	$ 238,269
Goodwill	99,020	99,020
Total amount of the investment in TAG	$ 349,100	$ 337,289

TAG´s Condensed Interim Consolidated Statements of Profit are as follows:

	Year ended		**Three-month period ended**	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Revenues	$ 210,638	$ 211,002	$ 49,560	$ 55,398
Operating, administrative and other expenses	(32,668)	(32,903)	(6,893)	(8,074)
Finance costs	(73,745)	(60,052)	(31,875)	(15,002)
Other gains (losses), net	4,336	(1,564)	6,011	(1,773)
Income tax expense	(33,942)	(47,992)	(3,688)	(25,337)

	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Profit for the year / period	$ 74,619	$ 68,491	$ 13,115	$ 5,212
Share of profit of TAG	$ 37,309	$ 34,246	$ 6,557	$ 2,606

a. ***TAG Project financing***. On December 19, 2014, TAG entered into a credit agreement with Banco Santander (Mexico), S. A. ("Santander") as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of a 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. A letter of credit tranche for debt service reserve up to $60.2 million.

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

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

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

The credit facilities bear interest at LIBOR plus a 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 limit dividend payments, loans and obtaining additional financing. TAG met such covenants as of December 31, 2019.

Long-term debt due dates are as follows:

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

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

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

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

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

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

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

4.4. ECA LNG Holdings B.V.

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

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

	As of 12/31/19
Total members' equity	$ 78,999
Carrying amount of investment in ECAL	$ 39,500

ECAL´s Condensed Interim Consolidated Statements of Loss are as follows:

	Year ended 12/31/19	Three-month period ended 12/31/19
Operating, administrative and other expenses	$ (3,383)	$ (2,732)
Other losses	(109)	15
Interest gain, net	72	75
Income tax benefit	1,152	958
Loss for the year / period	$ (2,268)	$ (1,684)
Share of loss of ECAL	$ (1,134)	$ (842)

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

5. Property, plant and equipment, net

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

	As of	
	12/31/19	12/31/18
Liquid terminals (i)	$ 365,045	$ 84,379
Solar projects (ii)	169,972	210,547
Pipelines and Compression station projects (iii)	139,923	67,249
Other projects	26,451	10,330
	$ 701,391	$ 372,505

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

i. Terminals - Veracruz, Puebla, Estado de Mexico, Baja California, Colima, Jalisco and Sinaloa.
ii. Solar - Don Diego and Border Solar, in Sonora and Chihuahua, respectively.
iii. Pipelines - Compression station, in Sonora.

On April 1, 2019, management declared the completion of the construction and Commercial Operation Date ("COD") of the Pima Solar project.

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.

Borrowing costs. During the years ended December 31, 2019, and 2018, the Company capitalized interest attributable to the construction in progress in the amount of $22.5 and $10.7 million, respectively.

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.7 and 4.0 percent, for the years ended December 31, 2019 and 2018, respectively.

6. Short-term debt

Short-term debt includes:

	As of	
	12/31/19	**12/31/18**
Credit agreements (a)	$ 1,174,068	$ 808,086
Current portion of IEnova Pipelines S. de R. L de C. V. ("IEnova Pipelines") Bank Loan (Please refer Note 7.d.)	41,186	38,227
Current portion of Ventika's Bank Loan (Please refer Note 7.b.)	25,665	25,973
Multilateral Facility (Please refer Note 7.h.)	588	—
Trina Solar Holdings, B. V. ("Trina Solar") (Please refer Note 7.f.)	231	28
	$ 1,241,738	$ 872,314
Borrowing costs of credit agreement	(6,359)	(2,140)
	$ 1,235,379	$ 870,174

a. *Credit agreements*

SMBC. 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, 2019 and 2018, the available unused credit portion was $606.0 and $362.0 million, respectively.

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

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

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

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

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

7. Long-term debt

Long-term debt includes:

	As of	
	12/31/19	12/31/18
Senior Notes (a)	$ 840,000	$ 840,000
Santander – Ventika (b)	401,764	426,359
CEBURES at fixed rate (e, g)	206,949	198,142
Multilateral Facility (h)	200,000	—
BBVA Bancomer S. A. ("Bancomer") – IEnova Pipelines (d)	198,759	239,513
Trina Solar (f)	11,190	3,757
	$ 1,858,662	$ 1,707,771
Debt issuance costs	(40,331)	(32,579)
	$ 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.

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

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

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

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

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

c. ***Interest Rate Swaps.*** In order to mitigate the impact of interest rate changes, Ventika entered into interest rate swaps with Santander and BANOBRAS for almost 92.0 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 was 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, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20.0 percent, Mizuho with 15.0 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 2.0 percent per year until the fifth anniversary, LIBOR plus 2.25 percent from the fifth to the eight anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of December 31, 2019, the debt (including short and long-term) matures as follows:

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

In such credit, IEnova Pipelines was defined as debtor and TDF, S. de R. L. de C. V. ("TDF") together with Gasoductos de Tamaulipas, S. de R. L. de C. V. ("GdT"), subsidiaries of IEnova,were assigned as guarantors and collaterals through the cession of the collections 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 the following:

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

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

ii. Maintain an interest ratio of at least 2.5 to 1 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 Condensed Interim Consolidated Financial Statements, IEnova Pipelines has complied with these obligations.

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

The Company has designated the derivative financial instrument mentioned above as a cash flow hedges, as permitted by applicable accounting standards, given that, the interest rate swap's 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 payments 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, 2018 was 6.3 percent.

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.

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 paid in full in a lump sum payment at the end of the credit contract or partially paid in installments throughout the contract term.

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

g. ***Cross - currency and interest rate swaps.*** On February 14, 2013, regarding the placements of CEBURES, the Company executed cross-currency and interest rate swap contracts for hedging its exposure to the payment of its liabilities in Mexican Pesos:

i. For the debt maturing in 2023, the Company swapped a 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 is 4.12 percent.

As of December 31, 2019, the swap's total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). The contract has been designated as cash flow hedge.

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

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

i. ***Interest rate swaps of Multilateral facility***. To partially mitigate its exposure to interest rate changes associated with the Multilateral Facility loan, IEnova entered into floating-to-fixed interest rate swaps for 100 percent of the loan. The outstanding interest rate swap assigned to Credit Agricole with a trade date of November 20, 2019, and an effective date of December 5, 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.

8. Financial instruments

a. ***Foreign currency exchange rate***

Exchange rates in effect on December 31, 2019 and 2018 and February 18, 2020 were as follows:

	Mexican Pesos		
	12/31/19	**12/31/18**	**02/18/20**
One U. S. Dollar	$ 18.8452	$ 19.6829	$ 18.5712

b. ***Fair value ("FV") of financial instruments***

8.1. 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 Condensed Interim Consolidated Financial Statements approximate their fair values.

	As of			
	12/31/19		**12/31/18**	
	Carrying Amount	**FV**	**Carrying Amount**	**FV**
Financial assets				
Financial lease receivables	$ 932,624	$ 1,308,000	$ 942,184	$ 942,184
Due from unconsolidated affiliates	791,737	823,757	691,340	696,626
Financial liabilities				
Long-term debt (traded in stock exchange)	1,016,697	1,010,330	1,038,142	865,710
Loans from banks long-term	790,444	756,411	665,872	672,527
Loans from unconsolidated affiliates (Long-term)	233,597	228,578	75,161	67,963
Loans from associate (Long-term)	11,190	10,848	3,757	3,274

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

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

i. The FV of finance lease receivable 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.

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 the present value is adjusted to reflect the Company's own credit risk.

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.

8.3. FV measurements recognized in the Condensed Interim Consolidated Statements of Financial Position

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

A 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 in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit risk 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:

i. Level 1 FV measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

ii. Level 2 FV measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability as of the reporting date, either directly or indirectly.

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

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

	As of	
	12/31/19	**12/31/18**
Financial instruments assets at FV through profit or loss ("FVTPL")		
Derivative financial instrument assets (Level 2)	17,241	17,620
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	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.

9. Income taxes

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

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

Income tax for the years and three-month periods ended December 31, 2019 and 2018, are reconciled to the profit for the year / period as follows:

	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Profit before income tax and share of profits of joint ventures	$ 560,474	$ 535,666	$ 158,978	$ 96,754
Income tax expense calculated at 30%	(168,140)	(160,700)	(47,691)	(29,026)
Effects of foreign exchange rate	(35,830)	513	(30,435)	35,029
Effects of inflation adjustment	(19,169)	(28,076)	(15,085)	(12,996)
Effect of unused tax losses not recognized as deferred income tax asset	(3,157)	2,279	(1,849)	(3,987)
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	77,499	55,180	73,750	(7,432)
Tax incentive*	23,948	—	6,615	—
Other	(7,709)	(12,260)	(4,699)	(9,537)
Income tax expense recognized in the Condensed Interim Consolidated Statements of Profit	$ (132,558)	$ (143,064)	$ (19,394)	$ (27,949)

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

i. The effect of foreign currency exchange gains or losses is being calculated on Mexican Peso balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.

ii. The effect of exchange rate changes in the tax basis of property, plant and equipment, 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.

iii. The inflationary effects related to certain monetary assets and liabilities.

iv. *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.

10. Stockholders' equity

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

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

Company stockholder's	Number of shares	As of December 31, 2019 (Mexican Pesos) Fixed shares	Variable shares	Total	Total shares in USD
Semco Holdco, S . de R . L . de C .V . ("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

Company stockholder's	Number of shares	As of December 31, 2018 (Mexican Pesos) 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

10.1. Declared dividends

Pursuant to a resolution of the General Ordinary Shareholders' Meeting held on April 30, 2019, the Board of Directors, in its meeting held on October 22, 2019, resolved to pay a cash dividend of $220.0 million on November 14, 2019.

On August 21, 2018 dividends for an amount of $210.0 million were paid.

11. Segment information

11.1. Products and services from which reportable segments obtain their revenues

Information reported for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are described and presented in Note 1.

The following tables show selected information by segment from the Condensed Interim Consolidated Statements of Profit and Condensed Interim Consolidated Statements of Financial Position.

11.2. Segment revenues and profits

	Revenues			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Gas	$ 1,054,218	$ 1,058,535	$ 248,192	$ 261,503
Power	323,131	308,244	78,205	83,948
Corporate	1,907	1,776	468	452
Total revenue	$ 1,379,256	$ 1,368,555	$ 326,865	$ 345,903

Revenue by type of product or services

The following is an analysis of the Company's revenues by major type of product or service for the years and three-month periods ended December 31, 2019, and 2018:

	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Transportation of gas	$ 472,597	$ 483,458	$ 109,970	$ 117,530
Power generation	311,193	307,039	73,595	83,344
Sale of natural gas	260,838	258,966	54,051	68,147
Other operating revenues (i)	154,510	133,646	44,476	33,717
Storage and regasification capacity	113,337	112,923	28,616	27,513
Natural gas distribution	66,781	72,523	16,157	15,652
Total revenues	$ 1,379,256	$ 1,368,555	$ 326,865	$ 345,903

Other operating revenues mainly conforms of:

i. IEnova Marketing, S. de R. L. de C. V. ("IEnova Marketing"), a subsidiary of IEnova, received payments from SLNGI and SLNGIH related to the losses and obligations incurred in the amount of $102.1 and $98.5 million for the year ended December 31, 2019, and 2018, respectively and $25.7 and $25.3 million for the three-month periods ended December 31, 2019, and 2018, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

	Segment profit			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Gas	$ 449,115	$ 445,259	$ 126,110	$ 110,816
Power	89,907	65,357	16,831	14,843
Corporate	(71,337)	(80,030)	800	(37,037)
Total segment profit	$ 467,685	$ 430,586	$ 143,741	$ 88,622

Segment profit is the measure reported for purposes of resource allocation and assessment of segment performance.

11.3. Assets and liabilities by segment

	As of	
	12/31/19	12/31/18
Assets by segment:		
Gas	$ 7,030,018	$ 6,705,011
Power	1,654,192	1,356,815
Corporate	868,296	706,771
Consolidated total assets	$ 9,552,506	$ 8,768,597

	As of	
	12/31/19	12/31/18
Liabilities by segment:		
Gas	$ 1,306,150	$ 1,066,774
Power	690,230	655,386
Corporate	2,598,889	2,292,687
Consolidated total liabilities	$ 4,595,269	$ 4,014,847

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

i. All assets are allocated to reportable segments, including goodwill.
ii. All liabilities are allocated to reportable segments.

11.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	12/31/19	12/31/18	12/31/19	12/31/18
Gas	$ 4,191,996	$ 3,777,923	$ (716,867)	$ (616,526)
Power	1,402,750	1,150,247	(265,568)	(232,776)
Corporate	39,572	19,685	(13,921)	(11,639)
	$ 5,634,318	$ 4,947,855	$ (996,356)	$ (860,941)

	Share of profits of joint ventures			
	Year ended		Three-month period ended	
	12/31/19	12/31/18	12/31/19	12/31/18
Gas	$ 36,916	$ 34,158	$ 4,358	$ 18,940
Power	3,987	3,826	641	877
Corporate	(1,134)	—	(842)	—
	$ 39,769	$ 37,984	$ 4,157	$ 19,817

12. Revenues

12.1. Distribution by type of revenues

The following table shows the distribution by type of revenue shown in the Condensed Interim Consolidated Statements of Profit for the years and three-month periods ended December 31, 2019 and 2018:

	Year ended		Three-month period ended	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Revenue from operations:				
Contracts with customers	$ 818,695	$ 866,426	$ 203,706	$ 216,789
Leases	190,281	161,584	47,299	39,880
Derivatives	81,721	69,617	11,384	25,811
Others - Sale of natural gas	176,271	171,206	33,045	36,855
Other revenue - Non IFRS 15	112,288	99,722	31,431	26,568
Total revenue	$ 1,379,256	$ 1,368,555	$ 326,865	$ 345,903

12.2. Disaggregation of revenues from contracts with customers

Following is a breakdown of revenues from contracts with clients by revenue stream and date on which obligations are met for the years and three-month periods ended on December 31, 2019 and 2018:

	Year ended		Three-month period ended	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Power generation	$ 311,193	$ 307,039	$ 82,425	$ 83,345
Transportation of gas	308,347	341,464	72,703	80,820
Storage and regasification capacity	93,676	112,923	23,647	28,336
Natural gas distribution	74,277	78,657	17,942	17,649
Administrative services	31,202	26,343	6,989	6,639
Total revenue from contracts with clients	$ 818,695	$ 866,426	$ 203,706	$ 216,789
Obligations met:				
Over time	$ 818,695	$ 866,426	$ 203,706	$ 216,789

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

13. Earnings per share

13.1. Basic earnings per share

	Year ended		Three-month period ended	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Basic and diluted earnings per share	$ 0.31	$ 0.28	$ 0.09	$ 0.06

13.2. Basic and diluted earnings per share

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

	Year ended		Three-month period ended	
	12/31/19	**12/31/18**	**12/31/19**	**12/31/18**
Earnings used in the calculation of basic and diluted earnings per share	$ 468,241	$ 430,592	$ 143,972	$ 88,638
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,530,116,250	1,533,857,145	1,529,403,812	1,533,357,145

The Company does not have potentially diluted shares.

14. Commitments

Material commitments of the Company are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2019, except for the following:

a. ***Border Solar project Construction***. During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $28.0 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 104,862

b. ***Don Diego Solar project.*** During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $97.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 2,647

c. ***Puebla in-land project.*** During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $8.1 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 15,128

d. ***Estado de Mexico in-land project.*** During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $11.9 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 11,504

e. ***Veracruz Marine Terminal project.*** During 2019 the Company entered into several contracts for the construction of project. Payments under these contracts were $26.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 32,338

f. ***Baja Refinados project.*** During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $0.2 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	1,175

g. ***Manzanillo Terminal project.*** During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $0.06 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	220,723

h. ***Sonora Compression Station Projects***. During 2019 the Company entered into several contracts for the construction of the project. Payments under these contracts were $3.6 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	61,014

i. ***Enterprise Resource Planning ("ERP") project.*** During 2019, the Company entered several contracts for the services of ERP project. Payments under these contracts were $8.1 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	5,140
2021		1,989
2022		1,485
Thereafter		1,459
	$	10,073

j. ***Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM") - Contract Service Agreement ("C.S.A").*** During 2019, the Company signed the CSA contract, which covers the maintenance of the Gas and Steam Turbines, including spare parts. Payments under these contract were $6.1 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	5,140
2021		2,640
2022		6,160
Thereafter		8,500
	$	22,440

k. ***DEN project.*** During 2019 the Company entered into several contracts for construction. Payments under these contracts were $3.0 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	791

l. ***Topolobampo Marine Terminal project.*** During 2019 the Company entered into several contracts for the construction of the project. Net future payments under these contractual commitments are as follows:

Year		Amounts
2020	$	111,232

15. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2018, except for the following:

a. 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.

b. 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.

c. Federal Injunction no. 390/2018, at the 8th District Court with residence in Ensenada Baja California. filed by Santander as the representative of the trust that comprehends the land properties of Bajamar against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. The trial is currently suspended due to an appeal, filed against the admission of evidence of the plaintiff. Regarding the definite suspension or injunction of the permits, initially, the judge granted the order, however, The Company was able to revoke it.

d. 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. Energia Costa Azul, S. de R. L. de C. V. ("ECA") was recently served. The constitutional hearing is set for February 24, 2020. Regarding the definite suspension or injunction of the permits, the judge denied the petition, the plaintiff filed an appeal, and it has not been resolved.

e. Amparo lawsuit filed on February 12, 2020 by IEnova Marketing, ECAL, ECO and TDM, whereby the plaintiffs as natural gas sellers in the territory of Baja California or as purchasers of such products, challenging the "Tax on the First-hand Sale of gasoline and other derivatives due to environmental impacts" provided in the Finance Law of the State of Baja California, also challenge the articles of the Revenue Law for State of Baja California that establish the "Environmental Tax on the Sale of gasoline and other petroleum derivative due to environmental impacts", provided in the Revenue Law for the State of Baja California, approved by the Congress of Baja California, published in the Official Gazzette of the State on December 31, 2019.

16. Application of new and revised IFRS

a. *Application of new and revised IFRSs or IAS that are mandatory effective for the current year.*

In the current period, the Company has applied a number of new IFRS and amendments to IFRSs issued by the IASB that are mandatories effective for an accounting period that begins on or after January 1, 2019:

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRS 3 and IFRS 11	*Business Combination and Joint Arrangements*
IAS 12	*Income Taxes*
IAS 23	*Borrowing Costs*

The adoption of the IFRS and amendments to IFRS Standards listed above did not have a material impact on the unaudited interim condensed consolidated financial statements of the Company except for the following:

IFRS 16

IFRS 16 was issued in January 2016 and supersedes IAS 17 *Leases* and related interpretations. The new standard brings most leases on statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 was effective for periods beginning on or after January 1, 2019.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption of IFRS 16 as of January 1, 2019, is as follows:

		As of 01/01/19
Right-of-use-assets	$	164,540
Other assets and other liabilities classification		(71,030)
	$	93,510
Lease liabilities:		
Lease current liabilities *	$	(18,027)
Lease non-current liabilities		(75,483)
Total leases liabilities	$	(93,510)

* *Excluded 2,735.0 from lease liability at 2018 year-end.*

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for land and buildings (offices). Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date FV of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.
Leases previously accounted for as operating leases.

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

i. Used a single discount rate to a portfolio of leases with reasonably similar characteristics
ii. Relied on its assessment of whether leases are onerous immediately before the date of initial application
iii. Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
iv. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the aforementioned, as of January 1, 2019:

i. Right-of -use assets of $164,540.0 were recognized and presented separately in the statement of financial position.
ii. Additional lease liabilities of $96,245.0 (included in Interest bearing loans and borrowings) were recognized.
iii. Prepayments of $68,295.0 and trade and other payables of $2,735.0 related to previous operating leases were derecognized.
iv. Deferred tax liabilities increase in an amount of $28,873.5 and the deferred tax assets increase in the same amount.

The lease liabilities as of January 1, 2019, can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as of December 31, 2018	$	234,068
Less:		
Commitments related to short-term leases and leases of low value assets		22,343
Operating lease commitments as of January 1, 2019.		211,725
Weighted average incremental borrowing rate as of January 1, 2019		8.57%
Lease liabilities as of January 1, 2019	$	96,245

Amounts recognized in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

		Right of use assets		**Lease liabilities**
As at January 1, 2019	$	164,540	$	(96,245)
Additions		24,331		(24,433)
Depreciation expense		(11,784)		—
Interest expense		—		(9,401)
Payments		—		27,440
Exchange differences on translation of foreign operations		—		(3,049)
Change in minimum lease payments for inflation index update		(1,246)		1,246
As of December 31, 2019	$	175,841	$	(104,442)

Amendments to IFRS 9

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest (*"*SPPI*"*) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applied to annual periods beginning on or after 1 January 2019. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The application of the amendments did not have an impact on the Company's Condensed Interim Consolidated Financial Statements.

Amendments to IAS 28

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, a company does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The application of the amendments did not have an impact on the Company's Condensed Interim Consolidated Financial Statements.

IFRIC 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

i. Whether an entity considers uncertain tax treatments separately
ii. The assumptions an entity makes about the examination of tax treatments by taxation authorities
iii. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
iv. How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgment in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

This clarification provides that entities might have to recognize a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted with such amounts.

The Company did not have an impact on the application of the amendments in the Condensed Interim Financial Statements as no plan amendments, curtailment or settlement occur.

IFRS 3 and IFRS 11

The amendments to IFRS 3 clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at FV. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the Company as there is no transaction where a joint control is obtained during 2019.

IAS 12

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

Since the Company's current practice is in line with these amendments, they had no impact on the Condensed Interim Consolidated Financial Statements of the Company.

IAS 23

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete, if the specific borrowing remains outstanding at that date.
Since the Company's current practice is in line with these amendments, they had no impact on the Condensed Interim Consolidated Financial Statements of the Company.

b. ***New and revised IFRSs issued but not yet effective***

The Company has not applied the following new and revised IFRS that have been issued but have not being enforced:

-Amendments to IFRS 3 - *Definition of a Business*
-Amendments to IAS 1 and IAS 8 - *Definition of Material*
-IFRS 17 - *Insurance Contracts*
-Amendments to IFRS 9, IAS 39 and IFRS 7, *Financial Instruments - Interest Rate Benchmark Reform*
-Amendments to IAS 1 - *Classification of Liabilities as Current or Non-Current*
The Company is in processes to evaluate the possible impact of this amendments.

17. Events after the reporting period

17.1. Guaymas–El Oro Pipeline

In January 13, 2020, the Guaymas - El Oro contract was extended the term suspension until May 15, 2020.

17.2. ICM Capital Increase

On January 23, 2020, ICM issued 3,324,000 new shares (with a nominal value $1 U.S. Dollar per share) in favor of IEnova, with its participation increasing to 58.2 percent.

17.3. Withdrawals of credit line

On January 27 and February 11, 2020, regarding the credit line mentioned in Note 6.a. the Company withdrew $50.0 and $20.0 million, respectively, to be used for working capital and general corporate purposes.

17.4. Change in reportable segments

The Company plans to reorganize its prior reporting segments to create new structure from the perspective of disclosing performance information . The change would not affect accounting policies and preparation basis of the financial information. This change would attend how the management plans to evaluate and review the performance of its business. Disclosure will be uniformly conducted in accordance with the new segments from fiscal 2020. The new reportable segments would be Gas, Power and Storage.

18. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on February 18, 2020 and subject to the approval of the Ordinary General Shareholders' Meeting.

19. Main registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11560
  Ciudad de Mexico, Mexico.

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