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

Condensed Interim Consolidated Financial Statements as of September 30, 2019 and for the nine and three-month periods ended September 30, 2019 and 2018 (unaudited) and Independent Auditor’s Review Report Dated October 22, 2019

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

Condensed Interim Consolidated Financial Statements as of September 30, 2019 and for the nine and three-month periods ended September 30, 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**	**September 30, 2019 (unaudited)**	**December 31, 2018**
Current assets:			
Cash and cash equivalents		$ 62,467	$ 51,764
Restricted cash		28,094	23,342
Finance lease receivables	8	10,965	9,809
Trade and other receivables, net		157,596	153,649
Due from unconsolidated affiliates	3, 8	38,573	45,043
Income taxes receivable		43,415	74,806
Natural gas inventories		5,450	3,516
Derivative financial instruments	8	8,876	9,474
Value added tax receivable		128,284	76,907
Carbon allowances		6,167	5,936
Other assets		13,790	9,695
Total current assets		503,677	463,941
Non-current assets:			
Due from unconsolidated affiliates	3, 8	714,275	646,297
Derivative financial instruments	8	3,532	8,146
Finance lease receivables	8	924,484	932,375
Deferred income tax		93,574	80,853
Investments in joint ventures	4	580,756	608,708
Other assets		42,071	94,060
Property, plant and equipment, net	5, 11	4,446,454	4,086,914
Right of use assets, net	16	178,508	—
Carbon allowances		25,265	15,499
Intangible assets, net		183,343	190,772
Goodwill		1,638,091	1,638,091
Restricted cash		2,665	2,941
Total non-current assets		8,833,018	8,304,656
Total assets	11	$ 9,336,695	$ 8,768,597

(Continued)

Liabilities and Stockholder's Equity	Notes	September 30, 2019 (unaudited)	December 31, 2018
Current liabilities:			
Short-term debt	6	$ 1,197,248	$ 870,174
Trade and other payables		145,865	99,757
Due to unconsolidated affiliates	3	151,324	310,696
Income tax liabilities		39,001	63,044
Leases liabilities	16	2,556	—
Derivative financial instruments	8	9,643	10,943
Other financial liabilities		13,265	24,720
Provisions		6	251
Other taxes payable		26,549	31,619
Carbon allowances		6,167	6,354
Other liabilities		36,106	28,073
Total current liabilities		1,627,730	1,445,631
Non-current liabilities:			
Long-term debt	7, 8	1,635,038	1,675,192
Due to unconsolidated affiliates	3, 8	77,318	75,161
Lease liabilities	16	98,425	—
Deferred income tax liabilities		601,924	566,892
Carbon allowances		30,115	14,826
Provisions		66,080	61,903
Derivative financial instruments	8	155,211	152,880
Employee benefits		8,704	7,643
Other non-current liabilities		16,346	14,719
Total non-current liabilities		2,689,161	2,569,216
Total liabilities	11	4,316,891	4,014,847
Stockholder's equity:			
Common stock	10	963,272	963,272
Additional paid-in capital		2,351,801	2,351,801
Treasury shares	10	(16,951)	(7,190)
Accumulated other comprehensive loss		(152,234)	(104,105)
Retained earnings		1,860,931	1,536,662
Total equity attributable to owners of the Company		5,006,819	4,740,440
Non-controlling interests		12,985	13,310
Total stockholders' equity		5,019,804	4,753,750
Commitments and contingencies	14, 15	—	—
Events after the reporting period	17	—	—
Total stockholders' liabilities and equity		$ 9,336,695	$ 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)

	Notes	Nine-month period ended September 30, (unaudited) 2019 (Note 1)	Nine-month period ended September 30, (unaudited) 2018 (Note 1)	Three-month period ended September 30, (unaudited) 2019 (Note 1)	Three-month period ended September 30, (unaudited) 2018 (Note 1)
Revenues	11, 12	$ 1,052,391	$ 1,022,652	$ 355,098	$ 408,032
Cost of revenues		(296,446)	(277,916)	(100,164)	(135,550)
Operating, administrative and other expenses		(162,394)	(156,706)	(58,851)	(58,932)
Depreciation and amortization		(115,644)	(102,504)	(39,233)	(35,116)
Interest income		25,564	20,436	9,762	7,041
Finance costs		(98,930)	(92,193)	(33,094)	(32,331)
Other (losses) gains, net		(3,045)	25,143	(16,713)	30,318
Profit before income tax and share of profits of joint ventures	9	401,496	438,912	116,805	183,462
Income tax expense	9	(113,164)	(115,115)	(32,973)	(57,072)
Share of profits of joint ventures	4, 11	35,612	18,167	26,961	(14,243)
Profit for the period	11	$ 323,944	$ 341,964	$ 110,793	$ 112,147
Attributable to:					
Owners of the Company		324,269	341,954	111,092	112,137
Non-controlling interests		(325)	10	(299)	10
	13	$ 323,944	$ 341,964	$ 110,793	$ 112,147
Earnings per share:					
Basic and diluted earnings per share	13	$ 0.21	$ 0.22	$ 0.07	$ 0.07

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	Nine-month period ended September 30, (unaudited) 2019	2018	Three-month period ended September 30, (unaudited) 2019	2018
Profit for the period	11	$ 323,944	$ 341,964	$ 110,793	$ 112,147
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(15,197)	21,979	(1,304)	(1,291)
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		4,559	(6,594)	391	388
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(53,954)	18,349	(15,791)	31
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		16,186	(5,505)	4,737	(10)
Exchange differences on translation of foreign operations		277	9,582	(5,446)	11,089
Total items that may be subsequently reclassified to (loss) or profit		(48,129)	37,811	(17,413)	10,207
Total comprehensive income for the period		$ 275,815	$ 379,775	$ 93,380	$ 122,354
Attributable to:					
Owners of the Company		276,140	379,765	93,679	122,344
Non-controlling interests		(325)	10	(299)	10
		$ 275,815	$ 379,775	$ 93,380	$ 122,354

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 period	11	—	—	—	—	341,954	341,954	10	341,964
Additional non-controlling interests arising on the acquisition of subsidiaries		—	—	—	—	—	—	13,094	13,094
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	15,385	—	15,385	—	15,385
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	12,844	—	12,844	—	12,844
Exchange differences on translation of foreign operations		—	—	—	9,582	—	9,582	—	9,582
Total comprehensive income for the period		—	—	—	37,811	341,954	379,765	13,104	392,869
Dividends paid	10	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of September 30, 2018 (unaudited)	10	$ 963,272	$ 2,351,801	$ —	$ (76,745)	$ 1,448,024	$ 4,686,352	$ 13,104	$ 4,699,456
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 period	11	—	—	—	—	324,269	324,269	(325)	323,944
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(10,638)	—	(10,638)	—	(10,638)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(37,768)	—	(37,768)	—	(37,768)
Exchange differences on translation of foreign operations		—	—	—	277	—	277	—	277
Total comprehensive (loss) income for the period		—	—	—	(48,129)	324,269	276,140	(325)	275,815
Repurchase of ordinary shares	10	—	—	(9,761)	—	—	(9,761)	—	(9,761)
Balance as of September 30, 2019 (unaudited)	10	$ 963,272	$ 2,351,801	$ (16,951)	$ (152,234)	$ 1,860,931	$ 5,006,819	$ 12,985	$ 5,019,804

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)

	Notes	Nine-month period ended September 30, (unaudited) 2019	Nine-month period ended September 30, (unaudited) 2018	Three-month period ended September 30, (unaudited) 2019	Three-month period ended September 30, (unaudited) 2018
Cash flows from operating activities:					
Profit for the period	11	$ 323,944	$ 341,964	$ 110,793	$ 112,147
Adjustments for:					
Income tax expense	9	113,164	115,115	32,973	57,072
Share of profit of joint ventures, net of income tax	4, 11	(35,612)	(18,167)	(26,961)	14,243
Finance costs		98,930	92,193	33,094	32,331
Interest income		(25,564)	(20,436)	(9,762)	(7,041)
Loss on disposal of property, plant and equipment		8,866	12,077	4,606	11,361
Impairment loss recognized on trade receivables		78	62	50	28
Depreciation and amortization		115,644	102,504	39,233	35,116
Net foreign exchange loss (gain)		1,415	(24,116)	16,337	(35,365)
Net (gain) loss on valuation of derivative financial instruments		(3,084)	(3,677)	634	(467)
Others		(187)	—	(92)	—
		597,594	597,519	200,905	219,425
Movements in working capital:					
Decrease (increase) in trade and other receivables, net		9,541	(35,209)	(42,842)	(25,025)
(Increase) decrease in natural gas inventories, net		(1,934)	1,867	3,875	4,091
Decrease (increase) in other assets, net		4,064	(38,687)	6,730	(9,939)
(Decrease) increase in trade and other payables, net		(4,196)	(11,658)	3,828	8,668
Decrease in provisions, net		(36,551)	(32,349)	(30,073)	(25,398)
Increase in other liabilities		22,426	25,981	11,316	52,343
Cash generated from operations		590,944	507,464	153,739	224,165
Income taxes paid		(95,340)	(44,320)	(20,880)	(6,285)
Net cash provided by operating activities		495,604	463,144	132,859	217,880

(Continued)

	Notes	Nine-month period ended September 30, (unaudited)		Three-month period ended September 30, (unaudited)	
		2019	2018	2019	2018
Cash flows from investing activities:					
Assets acquisition, net of cash acquired		—	(19,954)	—	(16,965)
Investment in joint ventures	4	(8,590)	(44,959)	(6,295)	(20,186)
Equity reimbursement from joint ventures		1,955	—	1,955	—
Marine terminals counter-payment fee		—	(44,355)	—	(18,371)
Interest received		192	544	40	282
Acquisitions of property, plant and equipment		(435,375)	(268,162)	(182,164)	(121,048)
Loans granted to unconsolidated affiliates	3	(20,276)	(117,930)	(191)	(33,805)
Receipts of loans granted to unconsolidated affiliates	3	7,321	39,943	919	35,868
Net cash used in investing activities		(454,773)	(454,873)	(185,736)	(174,225)
Cash flows from financing activities:					
Interest paid		(100,739)	(65,450)	(33,550)	(25,545)
Loans received from unconsolidated affiliates	3	—	70,000	—	—
Loans payments to unconsolidated affiliates		(135,500)	(132,800)	(135,500)	(132,800)
Proceeds from bank financing	6, 7	842,265	668,000	411,382	428,000
Loans payments on bank lines of credit	6, 7	(553,354)	(238,011)	(222,594)	(102,472)
Lease payments	16	(24,675)	—	(3,507)	—
Payments for repurchase of shares	10	(9,761)	—	(1,548)	—
Payment of Certificados Bursatiles ("CEBURES")	7	—	(102,069)	—	—
Dividends paid		—	(210,000)	—	(210,000)
Net cash provided by (used in) financing activities		18,236	(10,330)	14,683	(42,817)
Increase (decrease) in cash, cash equivalents and restricted cash		59,067	(2,059)	(38,194)	838
Cash, cash equivalents and restricted cash at the beginning of the period		78,047	94,109	140,242	129,659
Effects of exchange rate changes on cash and cash equivalents		(43,888)	12,045	(8,822)	(26,402)
Cash, cash equivalents and restricted cash at the end of the period		$ 93,226	$ 104,095	$ 93,226	$ 104,095

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of September 30, 2019 and for the nine and three-month periods ended September 30, 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 fired power plant that includes two gas turbines and one steam turbine in Baja California, Mexico, owns a wind farm located in Nuevo Leon, Mexico and holds interests in a renewable energy project in a joint venture in Baja California, Mexico. The renewable energy projects use the wind resources to serve customers in Mexico and in the U.S., respectively.

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

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

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.

1.4. Manzanillo and Guadalajara Terminal

On April 30, 2019, IEnova announced the execution of two long-term contracts for the receipt, storage, and delivery of refined products in terminals that IEnova is developing in Manzanillo, Colima, and Guadalajara, Jalisco.

The terminal in Manzanillo, in which IEnova holds a 53.7 percent stake in partnership with Trafigura Holdings B. V. ("Trafigura"), has a capacity of 2.2 million barrels of storage. The marine terminal will receive refined products by ship, store and then deliver such products by rail and truck. The terminal is expected to begin commercial operations, subject to the timing of issuance of the permits, in the first quarter of 2021.

In the Guadalajara terminal, IEnova and Trafigura executed an agreement that enables the storage of up to 160,000 barrels of gasoline and diesel in a new terminal that will be able to receive refined products by rail, store and deliver the products by truck. The 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.

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, our joint venture with TC Energy, completed the construction of the 775 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 has reached commercial operations.

1.8. Terminal Services Agreement with Marathon Petroleum Corporation ("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., as well as the arbitration requests recently sent to certain natural gas pipelines developers.

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 its solid financial position, access to liquidity, 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 and the force majeure period ended 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 agreement with CFE in relation to the Transportation Service Agreements corresponding to the Guaymas - El Oro pipeline. This agreement establish a new tariff structure and consider a 10-year extension. The Guaymas - El Oro contract also extended the term suspension until January 15, 2020. Such agreements fulfill 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-years clean electricity supply contract with various subsidiaries of El Puerto de Liverpool, S. A. B. de C. V. ("Liverpool").

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

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").

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 $280,000.0. The term is two 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.

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, the amount included in short term investment in 2018 was reclassified to cash and cash equivalents.

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 (i.e., 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 nine and three-month periods ended September 30, 2019 and 2018, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Sempra Gas & Power Marketing, LLC ("SG&PM")	$ 158,300	$ 167,708	$ 54,186	$ 90,018
Sempra LNG International, LLC ("SLNGI")	76,395	17,501	26,603	17,501
Tag Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte")	19,151	13,566	6,470	2,215
Sempra International, LLC ("Sempra International")	1,336	1,324	505	449
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	1,209	871	355	304
ECA Liquefaction, S. de R. L. de C.V. ("ECAL")	789	—	90	—
Tag Norte Holding, S. de R. L. de C. V. ("TAG")	520	—	180	—
Southern California Gas Company ("SoCalGas")	405	621	—	4
Sempra LNG International Holdings, LLC ("SLNGIH")	—	59,588	—	8,855
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	—	81	—	9
Energia Sierra Juarez, S. de R. L. de C. V. ("ESJ")	—	7	—	7

	Cost of revenues and operating, administrative and other expenses			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
SLNGI	$ 102,353	$ 170,846	$ 64,928	$ 83,717
SG&PM	35,807	98,402	15,153	48,185
Sempra International	2,797	6,339	1,329	2,036
Sempra North American Infrastructure, LLC ("Sempra Infrastructure")	2,774	3,726	1,388	1,203
SoCalGas	1,314	1,461	689	520
Pxise Energy Solutions, LLC ("Pxise")	745	—	—	—
Sempra Energy Holding, XI. B. V. ("SEH")	43	—	—	—

The transactions are included administrative services from affiliates of $3.7 million and $6.3 million for the nine-month periods ended September 30, 2019 and 2018, respectively and $1.3 million and $2.0 million for the three-month periods ended September 30, 2019 and 2018, respectively, which were paid and have been properly distributed to the segments incurring those costs.

	Interest income			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
IMG	$ 22,728	$ 45,493	$ 8,662	$ 16,260
Sempra Global, LLC ("SEG")	65	56	23	24
ESJ	36	328	—	93
ECAL	18	—	5	—

	Finance cost			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Inversiones Sempra Limitada ("ISL")	$ 4,320	$ 7,115	$ 1,349	$ 2,616
Peruvian Opportunity Company, S. A. C. ("POC")	2,618	2,138	775	776
TAG Pipelines Norte	1,625	1,314	465	483
Sempra Energy International Holding N.V. ("SEI NV")	1,149	—	363	—
SEH	—	2,310	—	565
Sempra Oil Trading Suisse Sàrl ("SOT Suisse")	—	1,142	—	407

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

	Amounts due from unconsolidated affiliates (current)	
	As of	
	09/30/19	12/31/18
SG&PM	$ 33,770	$ 40,600
TAG Pipelines Norte	2,456	2,234
Pacific Enterprises International INC. ("PEI INC")	1,803	1,803
SESJ	447	346
TAG	70	—
ECAL	24	—
Sempra International	3	—
SoCalGas	—	60
	$ 38,573	$ 45,043

	Amounts due to unconsolidated affiliates (current)	
	As of	
	09/30/19	12/31/18
ISL (i)	$ 132,268	$ 165,768
SLNGI	12,689	18,795
SG&PM	6,139	23,412
SoCalGas	228	199
POC (ii)	—	102,000
PEI INC	—	390
Sempra International	—	122
SEH	—	10
	$ 151,324	$ 310,696

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 million 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.

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. In September 2019, the outstanding balance of $102.0 million was paid in full by the Company.

b. ***Loans to unconsolidated affiliates***

	As of	
	09/30/19	12/31/18
IMG (i)	$ 711,688	$ 640,775
SEG (ii)	2,587	2,111
ESJ	—	3,411
	$ 714,275	$ 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 September 30, 2019, the outstanding balance amounts to $13,974.9 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. ***Long-term loans from unconsolidated affiliates***

	As of	
	09/30/19	12/31/18
SEI NV	$ 38,460	$ 38,460
TAG Pipelines Norte	38,858	36,701
	$ 77,318	$ 75,161

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

Total compensation expense of key management personnel was $11.0 million and $12.0 million for the nine-month periods ended September 30, 2019 and 2018, respectively, and $1.8 million and $2.1 million for the three-month periods ended September 30, 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 September 30, 2019 and December 31, 2018, the Company's 50 percent interest in ESJ is accounted for under the equity method.

	As of	
	09/30/19	**12/31/18**
Total members' equity	$ 38,436	$ 45,286
Share of members' equity	$ 19,218	$ 22,643
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 31,339	$ 34,764

On September 30, 2019, pursuant to a resolution in the General Ordinary Shareholders' Meeting resolved to reduce the equity in the amount of $1,955.0.

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

	Nine-month period ended		Three-month period ended	
	09/30/19	**09/30/18**	**09/30/19**	**09/30/18**
Revenues	$ 40,421	$ 35,932	$ 12,295	$ 8,558
Operating, administrative and other expenses	(19,648)	(15,931)	(6,513)	(5,482)
Finance costs	(10,610)	(11,487)	(3,573)	(3,737)
Other gains (losses)	29	56	(16)	123
Income tax expense	(3,500)	(2,673)	(431)	(1,020)
Profit (loss) for the period	$ 6,692	$ 5,897	$ 1,762	$ (1,558)
Share of profit of ESJ	$ 3,346	$ 2,949	$ 881	$ (779)

a. ***Project financing for the ESJ project***. On June 12, 2014, ESJ entered into a $239.8 million project finance loan for the construction of the wind project with five banks: Mizuho Bank, LTD ("Mizuho") as coordinating lead arranger, the North American Development Bank ("NADB") as technical and modeling bank, 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 2015 - June 2019	2.375%
June 2019 - June 2023	2.625%
June 2023 - June 2027	2.875%
June 2027 - June 2031	3.125%
June 2031 - June 2033	3.375%

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 $216.8 million. The debt outstanding as of September 30, 2019, is as follows:

	Debt balance
Mizuho	$ 44,435
SMBC	44,435
NORD/LB	44,435
NAFINSA	32,316
NADB	32,316
	$ 197,937

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.

As of September 30, 2019 and December 31, 2018, the Company's 40 percent interest in IMG is accounted for under the equity method.

	As of	
	09/30/19	12/31/18
Total members' equity	$ 686,248	$ 673,224
Share of members' equity	$ 274,499	$ 269,290
Guarantees (b)	—	5,018
Remeasurement of interest rate and others (c)	(68,467)	(37,653)
Share of member's equity and carrying amount of investment in IMG	$ 206,032	$ 236,655

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

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Revenue	$ 18,800	$ —	$ 18,800	$ —
Operating, administrative and other expenses	(2,683)	—	(2,593)	—
Finance income	1,480	6,782	579	359
Other (losses) gains, net *	(1,770)	(55,933)	39,327	(76,876)
Income tax (expense) benefit	(11,499)	8,097	(18,101)	9,206
Profit (loss) for the period	$ 4,328	$ (41,054)	$ 38,012	$ (67,311)

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Other adjustments	74	—	74	—
Share of profit (loss) of IMG adjusted	$ 1,806	$ (16,422)	$ 15,278	$ (26,924)

* 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 September 30, 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. Loan balance as of September 30, 2019, with IEnova is $13,604.4 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. 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 $5.3 million and will terminate upon completion of all guaranteed obligations. The guarantees have terms expired in July 2019.

c. ***Remeasurement of interest rate.*** During the nine month periods ended on September 30, 2019 and 2018, the adjusted amount in the interest income for the loan between IEnova and IMG was $7.3 million and $11.9 million, respectively, derived from the difference in the capitalized interest rates of projects under construction per contract, the loan accrues interest at TIIE rate plus 220 PBS, 10.6 percent and 9.8 percent average during the nine month periods ended on September 30, 2019 and 2018 respectively; while the financing of the resources used by IEnova accrues interest at 4.1 percent average during the nine month periods ended on September 30, 2019 and 2018.

4.3. TAG (A Subsidiary of Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN"))

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

As of September 30, 2019, and December 31, 2018, the interest in TAG is accounted for under the equity method.

	As of	
	09/30/19	12/31/18
Total members' equity	$ 472,135	$ 476,538
Share of members' equity and carrying amount of investment in TAG	$ 236,068	$ 238,269
Goodwill	99,020	99,020
Total amount of the investment in TAG	$ 335,088	$ 337,289

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

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Revenues	$ 161,078	$ 155,604	$ 54,990	$ 51,421
Operating, administrative and other expenses	(25,775)	(24,829)	(8,165)	(8,934)
Finance costs	(41,870)	(45,050)	(13,741)	(15,149)
Other (losses) gains, net	(1,675)	209	(3,346)	3,615
Income tax expense	(30,254)	(22,655)	(8,134)	(4,034)
Profit for the period	$ 61,504	$ 63,279	$ 21,604	$ 26,919
Share of profit of TAG	$ 30,752	$ 31,640	$ 10,802	$ 13,460

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 the gas pipeline.

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

i. Long tranche up to $701.0 million,
ii. Short tranche up to $513.3 million and
iii. A letter of credit tranche for debt service reserve up to $60.2 million.

The credit facilities mature in December 2026 and December 2034 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, as follows:

Years	**Applicable margin BPS**
1st disbursement - (System Commercial Operation Date)	250
0 – 4	265
5 – 9	300
10 – 14	325
15 – Until credit maturity	350

As of September 30, 2019, the total outstanding loan is $1,033.0 million, with its respective maturities.

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 September 30, 2019.

Long-term debt due dates are as follows:

Year		Amount
2019	$	30
2020		59
2021		59
2022		59
Thereafter		826
Total	$	1,033

b. ***Interest rate swaps***. In December 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.

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.

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 Sempra LNG ECA Liquefaction, LLC (50 percent each).

As of September 30, 2019, the Company made contributions of $8,590.0 and recognized equity in net share of losses of ($292.4).

5. Property, plant and equipment, net

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

	As of			
		09/30/19		12/31/18
Solar projects (i)	$	212,526	$	210,547
Liquid terminals (ii)		262,997		84,379
Pipeline projects (iii)		123,128		67,249
Other projects		27,508		10,330
	$	626,159	$	372,505

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

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

Borrowing costs. During the nine-month periods ended September 30, 2019, and 2018, the Company capitalized interest attributable to the construction in progress in the amount of $16.7 million and $6.4 million, respectively.

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.8 percent and 3.9 percent, for the nine-month periods ended September 30, 2019 and 2018, respectively.

6. Short-term debt

Short-term debt includes:

	As of	
	09/30/19	**12/31/18**
Credit agreements (i)	$ 1,138,074	$ 808,086
Current portion of IEnova Pipelines S. de R. L de C. V. ("IEnova Pipelines") Bank Loan (Please refer Note 7.c.)	40,425	38,227
Current portion of Ventika's Bank Loan (Please refer Note 7.b.)	25,469	25,973
Trina Solar (Please refer Note 7.e.)	121	28
	$ 1,204,089	$ 872,314
Borrowing costs of credit agreement	(6,841)	(2,140)
	$ 1,197,248	$ 870,174

i. ***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 September 30, 2019, the Company has made withdrawals of $585.0 million and payments of $505.0 million.

As of September 30, 2019 and December 31, 2018, the available unused credit portion was $642.0 million and $362.0 million, respectively.

The weighted average interest rate on short-term debt with SMBC was 3.4 percent during the nine-month periods ended September 30, 2019.

BNS. On September 23, 2019, the Company entered into a two-year, $280 million revolving credit agreement with BNS. As of September 30, 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 a margin, 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	
	09/30/19	**12/31/18**
Senior Notes (a)	$ 840,000	$ 840,000
Santander – Ventika (b)	406,908	426,359

	As of 09/30/19	As of 12/31/18
BBVA Bancomer S. A. ("Bancomer") – IEnova Pipelines (c)	209,258	239,513
CEBURES at fixed rate (d)	198,612	198,142
Trina Solar (e)	11,022	3,757
	$ 1,665,800	$ 1,707,771
Debt issuance costs	(30,762)	(32,579)
	$ 1,635,038	$ 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 (the Company subsidiary) 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 09/30/19
NADB	$ 133,522
BANOBRAS	85,796
SANTANDER	79,533
NAFINSA	66,763
BANCOMEXT	66,763
	$ 432,377

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

c. ***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 percent contribution, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20 percent, Mizuho with 15 percent and NORD/LB with 15 percent.

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

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

As of September 30, 2019, the debt (including short and long-term) matures as follows:

Year	Amount
2019	$ 40,425
2020	44,332
2021	46,838
Thereafter	118,088
	$ 249,683

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 (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.

d. ***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 September 30, 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.

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 September 30, 2019, the swap's total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). The contract have been designated as cash flow hedge.

e. ***Trina Solar Holdings, B. V. ("Trina Solar") - ESJ Renovable I, S. de R. L. de C. V.*** 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 September 30, 2019, Trina has made withdrawals for $7.3 million.

8. Financial instruments

a. *Foreign currency exchange rate*

Exchange rates in effect on September 30, 2019, December 31, 2018 and October 22, 2019 were as follows:

	Mexican Pesos		
	09/30/19	**12/31/18**	**10/22/19**
One U. S. Dollar	$ 19.6363	$ 19.6829	$ 19.1492

b. *Fair value of financial instruments*

8.1. Fair value 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			
	09/30/19		**12/31/18**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Financial lease receivables	$ 935,449	$ 1,276,000	$ 942,184	$ 942,184
Due from unconsolidated affiliates	752,848	778,059	691,340	696,626

	As of			
	09/30/19		12/31/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Long-term debt (traded in stock exchange)	1,038,612	1,007,738	1,038,142	865,710
Loans from banks long-term	616,166	770,322	665,872	672,527
Loans from unconsolidated affiliates (Long-term)	77,318	84,100	75,161	67,963
Loans from associate (Long-term)	11,022	10,795	3,757	3,274

8.2. *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined as follows:

i. The fair value of finance lease receivable is determined by calculating the present value of discount 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 fair value of its long-term debt using prices quoted on recognized markets.

iii. For financial liabilities, other than long-term debt, accounts receivables and payables due unconsolidated affiliates the Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount the present value is adjusted to reflect the Company's own credit risk.

iv. The fair value 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. *Fair value measurements recognized in the Condensed Interim Consolidated Statements of Financial Position*

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" 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 fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit risk when measuring its liabilities at fair value.

The Company establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

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

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

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

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

	As of	
	09/30/19	**12/31/18**
Financial instruments assets at fair value through profit or loss (“FVTPL”)		
Derivative financial instrument assets (Level 2)	12,408	17,620
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	164,854	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 nine and three-month periods ended September 30, 2019 and 2018, are reconciled to the profit for the period as follows:

	Nine-month period ended		Three-month period ended	
	09/30/19	**09/30/18**	**09/30/19**	**09/30/18**
Profit before income tax and share of profits of joint ventures	$ 401,496	$ 438,912	$ 116,805	$ 183,462
Income tax expense calculated at 30%	(120,449)	(131,674)	(35,042)	(55,039)
Effects of foreign exchange rate	(5,395)	(34,516)	14,113	(36,363)
Effects of inflation adjustment	(4,084)	(15,079)	(2,926)	(9,054)
Effect of unused tax losses not recognized as deferred income tax asset	(1,308)	6,267	244	4,410
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	3,749	62,611	(11,072)	40,232
Tax incentive	17,333	—	5,773	—
Other	(3,010)	(2,724)	(4,063)	(1,258)
Income tax expense recognized in the Consolidated Statements of Profit	$ (113,164)	$ (115,115)	$ (32,973)	$ (57,072)

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. 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.

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

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 September 30, 2019 and December 31, 2018, the Company has repurchased 4,620,000 and 2,000,000 shares for a total of $16.9 and $7.2 million, respectively.

As of September 30, 2019 and December 31, 2018, the repurchase fund balance is for a nominal amount of $246.1 million ($4,679.2 million Mexican Pesos) and $242.8 million ($5,012.0 million Mexican Pesos), respectively.

The repurchased shares are held in the Company's treasury and cannot be released the Board´s approval.

		As of September 30, 2019 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**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	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

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			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Gas	$ 806,026	$ 797,032	$ 263,985	$ 306,443
Power	244,926	224,296	90,608	101,140
Corporate	1,439	1,324	505	449
Total revenue	$ 1,052,391	$ 1,022,652	$ 355,098	$ 408,032

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 nine and three-month periods ended September 30, 2019, and 2018:

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Transportation of gas	$ 362,627	$ 365,928	$ 114,788	$ 122,823
Sale of natural gas	206,787	190,819	69,694	103,329
Power generation	237,598	223,695	88,003	99,918
Other operating revenues (i)	110,034	99,929	41,980	34,876
Storage and regasification capacity	84,721	85,410	28,530	28,908
Natural gas distribution	50,624	56,871	12,103	18,178
Total revenues	$ 1,052,391	$ 1,022,652	$ 355,098	$ 408,032

Other operating revenues mainly conforms of:

i. IEnova Marketing, S. de R. L. de C. V., a subsidiary of IEnova, received payments from SLNGI and SLNGIH related to the losses and obligations incurred in the amount of $76.4 million and $73.2 million for the nine-month periods ended September 30, 2019, and 2018, respectively and $26.6 million and $22.4 million for the three-month periods ended September 30, 2019, and 2018, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

	Segment profit			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Gas	$ 323,005	$ 334,443	$ 119,412	$ 91,423
Power	73,076	50,514	27,075	17,964
Corporate	(72,137)	(42,993)	(35,694)	2,760
Total segment profit	$ 323,944	$ 341,964	$ 110,793	$ 112,147

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	
	09/30/19	12/31/18
Assets by segment:		
Gas	$ 6,924,298	$ 6,705,011
Power	1,599,797	1,356,815

	As of 09/30/19	As of 12/31/18
Corporate	812,600	706,771
Consolidated total assets	$ 9,336,695	$ 8,768,597

	As of 09/30/19	As of 12/31/18
Liabilities by segment:		
Gas	$ 1,148,782	$ 1,066,774
Power	680,390	655,386
Corporate	2,487,719	2,292,687
Consolidated total liabilities	$ 4,316,891	$ 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	
	09/30/19	12/31/18	09/30/19	12/31/18
Gas	$ 4,039,089	$ 3,777,923	$ (689,794)	$ (616,526)
Power	1,333,924	1,150,247	(256,460)	(232,776)
Corporate	33,079	19,685	(13,384)	(11,639)
	$ 5,406,092	$ 4,947,855	$ (959,638)	$ (860,941)

	Share of profits of joint ventures			
	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Gas	$ 32,558	$ 15,218	$ 26,372	$ (13,464)
Power	3,346	2,949	881	(779)
Corporate	(292)	—	(2)	—
	$ 35,612	$ 18,167	$ 27,251	$ (14,243)

12. Revenues

12.1. Distribution by type of revenues

The following table shows the distribution by type of revenue shown in the Condensed Consolidated Statements of Profit for the nine and three-month periods ended September 30, 2019 and 2018:

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Revenue from operations:				
Contracts with customers	$ 614,989	$ 635,513	$ 203,819	$ 240,081
Leases	142,982	135,828	47,284	45,607
Derivatives	70,337	43,806	19,958	25,363

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Others - Sale of natural gas	143,226	134,351	52,971	74,561
Other revenue - Non IFRS 15	80,857	73,154	31,066	22,420
Total revenue	$ 1,052,391	$ 1,022,652	$ 355,098	$ 408,032

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 nine and three-month periods ended on September 30, 2019 and 2018:

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Power generation	$ 228,768	$ 223,695	$ 84,100	$ 99,918
Transportation of gas	235,644	260,644	73,293	89,610
Storage and regasification capacity	70,029	70,463	23,647	23,773
Natural gas distribution	56,335	61,009	13,990	19,877
Administrative services	24,213	19,702	8,789	6,903
Total revenue from contracts with clients	$ 614,989	$ 635,513	$ 203,819	$ 240,081
Obligations met:				
Over time	$ 614,989	$ 635,513	$ 203,819	$ 240,081

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

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Basic and diluted earnings per share	$ 0.21	$ 0.22	$ 0.07	$ 0.07

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:

	Nine-month period ended		Three-month period ended	
	09/30/19	09/30/18	09/30/19	09/30/18
Earnings used in the calculation of basic and diluted earnings per share	$ 324,269	$ 341,964	$ 111,092	$ 112,147
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,532,456,909	1,534,023,812	1,532,456,909	1,534,023,812

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, 2018, except for the following:

a. ***Border Solar project.*** During 2019 the Company entered into several leases agreements for the project. During the nine-month period ended September 30, 2019, payments under these contracts were $0.3 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	384
2020		643
2021		643
Thereafter		9,265
	$	10,935

b. ***Don Diego Solar project.*** During 2019 the Company entered into several contracts for the construction of the project. During the nine-month period ended September 30, 2019, payments under these contracts were $87.0 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	13,046

c. ***Puebla in-land project.*** During 2019, the Company entered into several contracts for the project's construction.During the nine-month period ended September 30, 2019, payments under these contracts were $4.4 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	18,774

d. ***Estado de Mexico in-land project.*** During 2019, the Company entered into several contracts for the project's construction. During the nine-month period ended September 30, 2019, payments under these contracts were $5.9 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	16,956

e. ***Veracruz Marine Terminal project.*** During 2019, the Company entered into several contracts for the project's construction. During the nine-month period ended September 30, 2019, payments under these contracts were $16.7 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	40,837

f. ***Baja Refinados project.*** During 2019, the Company entered into several contracts for the project's construction. During the nine-month period ended September 30, 2019, payments under these contracts were $0.2 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	1,175

g. ***Sonora Compression Station Projects***. During 2019 the Company entered into several contracts for the project's construction. During the nine-month period ended September 30, 2019, payments under these contracts were $1 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	12,499

h. ***Enterprise Resource Planning ("ERP") project.*** During 2019, the Company entered into several contracts for ERP services project. During the nine-month period ended September 30, 2019, payments under these contracts were $4.9 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	1,850
2020		2,678
2021		1,989
Thereafter		2,945
	$	9,462

i. ***Termoelectrica de Mexicali, S. de R. L. de C. V. Contract Service Agreement("C.S.A").*** During 2019, the Company entered into a CSA for the maintenance, including replacement parts for power generation turbines. During the nine-month period ended September 30, 2019, payments under this contract were $5.5 million. Net future payments under this contractual commitments are as follows:

Year		Amounts
2019	$	660
2020		5,140
2021		2,640
Thereafter		14,660
	$	23,100

j. ***Ductos Energeticos del Norte 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
2019	$	3,803

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 following:

a. Amparo trial filed by TPN 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 a alleged inspection ordered in official letter 001/2019 dated February 21, 2019, carried out on February 25, 2019. TPN promoted Amparo Trial before the Third Court of Dto. in Administrative Matters in Mty, 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 TPN 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. Waiting for the Complaint Resource to be resolved, the file number of which is 293/2019, based in the First Collegiate Court in Administrative Matters, filed against the dismissal of the extension of the attempted claim, it is estimated that it will be resolved in 45 days approximately. Likewise, the Appeal for Review filed against the denial of the definitive suspension, contained in file 409/2019, also filed in the First Collegiate Court in Administrative Matters, is also for draft Resolution, as of September 27, 2019, and is estimated to be result within the next 30 days. Resolution 090/2019 of March 29, 2019, will be fought through a nullity trial before the Administrative Litigation Court based in Mty, Nuevo Leon.

b. On October 8, 2019, the Municipality of Aramberri, Nuevo Leon, notified TPN 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, will be fought through a nullity trial before the Administrative Litigation Tribunal based in Mty, Nuevo Leon.

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

d. Federal Injunction case no. 603/2018 at the 9th District Court with residence in Ensenada, B.C. filed by Bajamar Homeowners Association, against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. ECAs was recently served. The constitutional hearing is set for November 04, 2019.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.

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 fair value 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 foregoing, 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		23,042		(23,145)
Depreciation expense		(8,579)		—
Interest expense		—		(6,917)
Payments		—		24,674
Exchange differences on translation of foreign operations		—		157

	Right of use assets	Lease liabilities
Change in minimum lease payments for inflation index update	(495)	495
As of September 30, 2019	$ 178,508	$ (100,981)

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 has been 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 fair value. 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*

The Company is in processes to evaluate the possible impact of this amendments.

17. Events after the reporting period

17.1. 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 the period of ten years.

17.2. Borrowing on credit line

On October 9, 2019, regarding the credit line mentioned in Note 6.i., the Company borrowed $135.0 million, to be used for working capital and general corporate purposes.

17.3. Credit with unconsolidated affiliates

On October 9, 2019, the outstanding balance on the credit with ISL was fully paid.

17.4 Dividends declared

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 in November 2019.

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 October 22, 2019 and subject to the approval of the Ordinary Shareholders' Meeting.

19. 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.
- Carretera Escenica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C., Mexico.
- Carretera Mexicali - Tijuana Km. 14.5
  Col. Sonora, C. P. 21210
  Mexicali, B.C., Mexico.
- Avenida Tecnologico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chihuahua, Mexico.
- Avenida Constitucion Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, Nuevo Leon, Mexico.

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