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

Condensed Interim Consolidated Financial Statements as of June 30, 2019 and for the six and three-month periods ended June 30, 2019 and 2018 (Unaudited) and Independent Auditor's Review Report Dated July 23, 2019

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

Condensed Interim Consolidated Financial Statements as of June 30, 2019 and for the six and three-month periods ended June 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	June 30, 2019 (Unaudited)	December 31, 2018
Current assets:			
Cash and cash equivalents		$ 100,867	$ 51,764
Restricted cash		36,706	23,342
Finance lease receivables	9	10,238	9,809
Trade and other receivables, net		128,061	153,649
Due from unconsolidated affiliates	3, 9	22,655	45,043
Income taxes receivable		51,016	74,806
Natural gas inventories		9,325	3,516
Derivative financial instruments	9	6,506	9,474
Value added tax receivable		115,523	76,907
Carbon allowances		5,981	5,936
Other assets		16,024	9,695
Total current assets		502,902	463,941
Non-current assets:			
Due from unconsolidated affiliates	3, 9	713,066	646,297
Derivative financial instruments	9	2,308	8,146
Finance lease receivables	9	927,839	932,375
Deferred income tax		85,035	80,853
Investments in joint ventures	4	570,782	608,708
Other assets		39,494	94,060
Property, plant and equipment, net	5, 12	4,329,207	4,086,914
Right of use assets	17	172,272	—
Carbon allowances		18,600	15,499
Intangible assets	6	185,819	190,772
Goodwill		1,638,091	1,638,091
Restricted cash		2,669	2,941
Total non-current assets		8,685,182	8,304,656
Total assets	12	$ 9,188,084	$ 8,768,597

(Continued)

Liabilities and Stockholder's Equity	Notes	June 30, 2019 (Unaudited)	December 31, 2018
Current liabilities:			
Short-term debt	7, 9	$ 991,401	$ 870,174
Trade and other payables		178,873	99,757
Due to unconsolidated affiliates	3, 9	277,280	310,696
Income tax liabilities		40,446	63,044
Leases liabilities	17	3,029	—
Derivative financial instruments	9	7,364	10,943
Other financial liabilities		25,376	24,720
Provisions		88	251
Other taxes payable		28,127	31,619
Carbon allowances		5,981	6,354
Other liabilities		30,361	28,073
Total current liabilities		1,588,326	1,445,631
Non-current liabilities:			
Long-term debt	8, 9	1,656,219	1,675,192
Due to unconsolidated affiliates	3, 9	76,779	75,161
Lease liabilities	17	91,481	—
Deferred income tax liabilities		584,653	566,892
Carbon allowances		24,273	14,826
Provisions		65,601	61,903
Derivative financial instruments	9	149,204	152,880
Employee benefits		8,352	7,643
Other non-current liabilities		15,224	14,719
Total non-current liabilities		2,671,786	2,569,216
Total liabilities	12	4,260,112	4,014,847
Stockholder's equity:			
Common stock	11	963,272	963,272
Additional paid-in capital		2,351,801	2,351,801
Treasury shares	11	(15,403)	(7,190)
Accumulated other comprehensive loss		(134,821)	(104,105)
Retained earnings		1,749,839	1,536,662
Total equity attributable to owners of the Company		4,914,688	4,740,440
Non-controlling interests		13,284	13,310
Total stockholders' equity		4,927,972	4,753,750
Commitments and contingencies	15, 16	—	—
Events after the reporting period	18	—	—
Total stockholders' liabilities and equity		$ 9,188,084	$ 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	Six-month period ended June 30, (Unaudited)		Three-month period ended June 30, (Unaudited)	
		2019 (Note 1)	**2018** (Note 1)	**2019** (Note 1)	**2018** (Note 1)
Revenues	12, 13	$ 697,293	$ 614,620	$ 316,663	$ 307,374
Cost of revenues		(196,282)	(142,366)	(68,732)	(67,994)
Operating, administrative and other expenses		(103,543)	(97,774)	(51,313)	(49,115)
Depreciation and amortization		(76,411)	(67,388)	(38,848)	(33,816)
Interest income		15,802	13,395	7,766	7,162
Finance costs		(65,836)	(59,862)	(33,040)	(29,097)
Other gains (losses), net		13,668	(5,175)	7,014	(56,944)
Profit before income tax and share of profits of joint ventures	10	284,691	255,450	139,510	77,570
Income tax expense	10	(80,191)	(58,043)	(32,177)	(19,740)
Share of profits of joint ventures	4, 12	8,651	32,410	5,228	44,482
Profit for the period	12	$ 213,151	$ 229,817	$ 112,561	$ 102,312
Attributable to:					
Owners of the Company	14	213,177	229,817	112,572	102,312
Non-controlling interests		(26)	—	(11)	—
		$ 213,151	$ 229,817	$ 112,561	$ 102,312
Earnings per share:					
Basic and diluted earnings per share	14	$ 0.14	$ 0.15	$ 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	Six-month period ended June 30, (Unaudited) 2019	Six-month period ended June 30, (Unaudited) 2018	Three-month period ended June 30, (Unaudited) 2019	Three-month period ended June 30, (Unaudited) 2018
Profit for the period	12	$ 213,151	$ 229,817	$ 112,561	$ 102,312
Items that may be subsequently reclassified to profit or (loss):					
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(13,893)	23,270	(11,732)	8,912
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		4,168	(6,982)	3,520	(2,673)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(38,163)	18,318	(20,851)	9,532
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		11,449	(5,495)	6,255	(2,859)
Exchange differences on translation of foreign operations		5,723	(1,507)	2,864	(14,434)
Total items that may be subsequently reclassified to (loss) or profit		(30,716)	27,604	(19,944)	(1,522)
Other comprehensive (loss) income for the period		(30,716)	27,604	(19,944)	(1,522)
Total comprehensive income for the period		$ 182,435	$ 257,421	$ 92,617	$ 100,790
Attributable to:					
Owners of the Company		182,461	257,421	92,628	100,790
Non-controlling interests		(26)	—	(11)	—
		$ 182,435	$ 257,421	$ 92,617	$ 100,790

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 1st, 2018	11	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the period	12	—	—	—	—	229,817	229,817	—	229,817
Additional non-controlling interests arising on the acquisition of subsidiaries		—	—	—	—	—	—	4	4
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	16,288	—	16,288	—	16,288
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	12,823	—	12,823	—	12,823
Exchange differences on translation of foreign operations		—	—	—	(1,507)	—	(1,507)	—	(1,507)
Total comprehensive income for the period		—	—	—	27,604	229,817	257,421	4	257,425
Balance as of June 30, 2018 (Unaudited)	11	$ 963,272	$ 2,351,801	$ —	$ (86,952)	$ 1,545,887	$ 4,774,008	$ 4	$ 4,774,012
Balance as of January 1st, 2019	11	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Profit for the period	12	—	—	—	—	213,177	213,177	(26)	213,151
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(9,725)	—	(9,725)	—	(9,725)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(26,714)	—	(26,714)	—	(26,714)
Exchange differences on translation of foreign operations		—	—	—	5,723	—	5,723	—	5,723
Total comprehensive income (loss) for the period		—	—	—	(30,716)	213,177	182,461	(26)	182,435
Repurchase of ordinary shares	11	—	—	(8,213)	—	—	(8,213)	—	(8,213)
Balance as of June 30, 2019 (Unaudited)	11	$ 963,272	$ 2,351,801	$ (15,403)	$ (134,821)	$ 1,749,839	$ 4,914,688	$ 13,284	$ 4,927,972

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	Six-month period ended June 30, (Unaudited) 2019	Six-month period ended June 30, (Unaudited) 2018	Three-month period ended June 30, (Unaudited) 2019	Three-month period ended June 30, (Unaudited) 2018
Cash flows from operating activities:					
Profit for the period	12	$ 213,151	$ 229,817	$ 112,561	$ 102,312
Adjustments for:					
Income tax expense	10	80,191	58,043	32,177	19,740
Share of profit of joint ventures, net of income tax	4, 12	(8,651)	(32,410)	(5,228)	(44,482)
Finance costs		65,836	59,862	33,040	29,096
Interest income		(15,802)	(13,395)	(7,766)	(7,162)
Loss on disposal of property, plant and equipment		4,260	716	3,443	410
Impairment loss recognized on trade receivables		28	34	13	12
Depreciation and amortization		76,411	67,388	38,848	33,816
Net foreign exchange (gain) loss		(14,922)	11,249	(5,996)	57,331
Net (gain) loss on valuation of derivative financial instruments		(3,718)	(3,210)	(4,642)	3,494
Others		(95)	—	—	—
		396,689	378,094	196,450	194,567
Movements in working capital:					
Decrease (increase) in trade and other receivables, net		52,383	(10,184)	38,023	9,832
Increase in natural gas inventories, net		(5,809)	(2,224)	(2,514)	(2,342)
(Increase) decrease in other assets, net		(2,666)	(28,748)	18,049	(13,775)
(Decrease) increase in trade and other payables, net		(8,024)	(20,326)	4,789	5,329
(Decrease) increase in provisions, net		(6,478)	(6,951)	3,058	721
Increase (decrease) in other liabilities, net		11,110	(26,362)	9,262	(26,030)
Cash generated from operations		437,205	283,299	267,117	168,302
Income taxes paid		(74,460)	(38,035)	(48,799)	(16,066)
Net cash provided by operating activities		362,745	245,264	218,318	152,236

(Continued)

	Notes	Six-month period ended June 30, (Unaudited) 2019	2018	Three-month period ended June 30, (Unaudited) 2019	2018
Cash flows from investing activities:					
Assets acquisition, net of cash acquired		—	(2,989)	—	—
Investment in joint ventures	4	(2,295)	(24,773)	(2,295)	—
Marine terminals counter-payment fee		—	(25,984)	—	—
Interest received		152	262	(8)	(30)
Acquisitions of property, plant and equipment		(253,211)	(147,114)	(172,689)	(88,179)
Loans granted to unconsolidated affiliates	3	(20,085)	(84,125)	(17,348)	(2,160)
Receipts of loans granted to unconsolidated affiliates	3	6,402	4,075	811	2,005
Net cash used in investing activities		(269,037)	(280,648)	(191,529)	(88,364)
Cash flows from financing activities:					
Interest paid		(67,189)	(39,905)	(21,082)	(17,755)
Loans received from unconsolidated affiliates	3	—	70,000	—	—
Proceeds from bank financing	7, 8	430,883	240,000	129,642	15,000
Loans payments on bank lines of credit	7, 8	(330,760)	(135,539)	(16,894)	(71,763)
Lease payments	17	(21,168)	—	(1,517)	—
Payments for repurchase of shares	11	(8,213)	—	(2,311)	—
Payment of Certificados Bursatiles ("CEBURES")	8	—	(102,069)	—	—
Net cash provided (used in) by financing activities		3,553	32,487	87,838	(74,518)
Increase (decrease) in cash, cash equivalents and restricted cash		97,261	(2,897)	114,627	(10,646)
Cash, cash equivalents and restricted cash at the beginning of the period		78,047	94,109	79,305	121,177
Effects of exchange rate changes on cash and cash equivalents		(35,066)	38,447	(53,690)	19,128
Cash, cash equivalents and restricted cash at the end of the period		$ 140,242	$ 129,659	$ 140,242	$ 129,659

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of June 30, 2019 and for the six and three-month periods ended June 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 in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent") located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 20.

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 12).

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") and LPG, 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, both 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 the credit line to $1.5 billion, ii) extend the term thereof from August 2020 to February 2024 and

iii) include JP Morgan Chase Bank, N. A. and Credit Agricole Corporate and Investment Bank to the lenders' syndicate, also change in interest rate was agreed.

1.2. Revolving Credit Agreement

On April 11, 2019, the Company entered into a revolving credit agreement with Scotiabank Inverlat, S. A. ("Scotiabank"), for up to $100,000. The term is three years.

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

On April 12, 2019, Infraestructura Marina del Golfo, S. de R. L. de C. V. ("IMG") issued a letter of credit to the CFE for an amount of $84,463.9 for the fixed charges for three month 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 from 52.3 percent stake with Trafigura Holdings B. V. ("Trafigura"), increased its capacity to 2.2 million barrels of storage. The marine terminal will receive refined products by ship, store and deliver them 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 290,000 barrels of gasoline and diesel in a new terminal that will be able to receive refined products by rail, store and deliver them 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") announced an expansion plan to connect approximately forty thousand new customers during the next two years, with an investment of $1,500.0 million Mexican pesos, approximately.

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 Sur de Texas - Tuxpan Pipeline, and it is 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 requires CFE's letter of acceptance. To date, CFE has not provided this acceptance, and as a result, the pipeline has not been able to commence transportation services under the contract.

In addition, in June 2019, IMG received a request for arbitration from 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. If IMG is unable to reach a satisfactory and timely resolution through discussion or arbitration, there may be a material adverse financial impact.

The Company and TC Energy are in active dialogue with CFE.

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 650,000 barrels approximately, equivalent to 30 percent of the all capacity of the marine terminal for the receipt, storage, and delivery of gasoline, diesel and jet fuel in Manzanillo, Colima.

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.d. and Note 17, 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 financial statements consolidated. Additional information on the Segment disclosure as of and for the six-month period ended on June 30, 2018, is presented in these Consolidated Interim Financial Statements due to the retrospective reclassification. (Please refer to Note 12). The Condensed Interim Consolidated Financial Statements (Statement of Profit) for the six-month period ended June 30, 2018, were represented for comparative purposes as described in Note 12 in the Condensed Interim Consolidated Financial Statements.

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

c. *Intangible assets*

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

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

d. ***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:

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.

e. ***Revenues***

The Company recognizes revenue from contracts with clients at the time that the services are rendered or the goods are delivered to and accepted by that client, based in the terms and conditions established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred.

The Company has evaluated the recognition and measurement of revenue according to the five-step model in the IFRS 15 *Revenue from Contracts with Customers*. The Company chose to adopt the new standard as of January 1, 2018, by applying the modified retrospective method of adoption.

Revenue from contracts with clients are classified based on the following revenue streams:

i. Power generation
ii. Transportation of natural gas
iii. Storage and regassification capacity
iv. Administrative services
v. Natural gas distribution

Following is a detailed description of the principal features by type of revenue streams:

i. ***Revenue from power generation***

The Company generates revenue from renewable energy generated by Ventika, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V., (collectively "Ventika"), a wind energy generation facility.

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

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

The Company, through ESJ Renovable II, S. de R. L. de C. V. ("ESJ II" or "Pima Solar Project") and Energia Sierra Juarez Holding, S. de R. L. de C. V.("ESJH" or "Rumorosa Solar Project") generates solar power revenues through solar panels.

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

The Company generates revenues from Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM") through a natural gas-fired power plant that is sell directly to TDM U. S., LLC.("TDM U. S.") and delives to interconnection point. Management considered the practical expedient in which allows companies to recognize revenue based on amounts invoiced to the customer.

ii. ***Revenue from transportation of natural gas***

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

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

iii. ***Revenue from storage and regassification capacity***

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

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

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

iv. ***Revenue from administrative services***

Revenue from services rendered under the management agreements generally arises as services are rendered and are recorded over time as clients receive and consume the benefits of such services.

Clients are invoiced for services on the basis of a fixed annual rate and payment is generally due within one month. Certain agreements allow for the reimbursement of expenses when the Company acts as agent of affiliates, such as in cases where it manages invoicing and personnel subcontracting of other affiliates. In those cases, income is recorded net of the respective expenses incurred.

v. ***Revenue from natural gas distribution***

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

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 six and three-month periods ended June 30, 2019 and 2018, respectively, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Six-month period ended		**Three-month period ended**	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Sempra Gas & Power Marketing, LLC ("SG&PM")	$ 104,114	$ 77,690	$ 30,538	$ 32,109
Sempra LNG International, LLC ("SLNGI")	49,792	—	27,141	—
Tag Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte")	12,681	11,351	6,410	6,019
Sempra International, LLC ("Sempra International")	831	875	424	521

	Revenues			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	854	567	476	299
ECA Liquefaction, S. de R. L. de C.V. ("ECAL")	699	—	453	—
Southern California Gas Company (“SoCalGas”)	405	617	62	188
Tag Norte Holding, S. de R. L. de C. V. ("TAG")	340	—	340	—
Sempra LNG International Holdings, LLC (“SLNGIH”)	—	50,733	—	26,683
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	—	72	—	—

	Cost of revenues and operating, administrative and other expenses			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
SLNGI	$ 115,247	$ 87,129	$ 37,425	$ 42,097
SG&PM	65,787	50,217	20,654	25,709
Sempra Infrastructure, LLC ("Sempra Infrastructure")	2,754	2,523	1,386	1,256
Sempra International	2,333	4,303	1,468	1,866
SoCalGas	1,230	941	625	524
Pxise Energy Solutions, LLC ("Pxise")	1,111	—	745	—
Sempra Energy Holding, XI. B. V. (“SEH”)	72	—	43	—

In the transactions are included administrative services from affiliates by $2.4 million and $4.2 million for the six-month periods ended June 30, 2019 and 2018, respectively and $1.5 million and $1.8 million for the three-month periods ended June 30, 2019 and 2018, respectively, which were paid and have been properly distributed to the segments incurring those costs.

	Interest income			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
IMG	$ 14,066	$ 29,233	$ 7,139	$ 14,826
Sempra Global, LLC (“SEG”)	42	32	22	17
Energía Sierra Juarez, S. de R. L. de C. V. (“ESJ”)	36	235	—	116
ECAL	13	—	11	—

	Finance cost			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Inversiones Sempra Limitada (“ISL”)	$ 2,972	$ 4,499	$ 1,468	$ 2,562
Peruvian Opportunity Company, S. A. C. (“POC”)	1,843	1,362	900	763

	Finance cost			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
TAG Pipelines Norte	1,160	831	505	421
Sempra Energy International Holding NV ("SEI NV")	786	—	385	—
SEH	—	1,745	—	980
Sempra Oil Trading Suisse ("SOT Suisse")	—	735	—	399

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

	Amounts due from unconsolidated affiliates (current)	
	As of	
	06/30/19	12/31/18
SG&PM	$ 17,410	$ 40,600
TAG Pipelines Norte	2,610	2,234
Pxise	1,802	1,803
SESJ	485	346
ECAL	278	—
TAG	70	—
SoCalGas	—	60
	$ 22,655	$ 45,043

	Amounts due to unconsolidated affiliates (current)	
	As of	
	06/30/19	12/31/18
ISL (i)	$ 165,769	$ 165,768
POC (ii)	102,000	102,000
SG&PM	4,632	23,412
SLNGI	4,293	18,795
Sempra International	372	122
SoCalGas	197	199
Pxise	17	—
SEH	—	10
PEI INC	—	390
	$ 277,280	$ 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-month, with an option to extend. Interest of 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 of each calendar quarter.

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

On November 30, 2018, the Company made a payment to ISL for $179.2 million, loans for $90.0 and $70.0 U.S. Dollar-denominated million were paid in full and the loan for $30.0 million was partially paid.

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

On March 21, 2019, the Company signed an addendum modifying the contract's terms over $85.0 million U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and is due and payable in full on November 29, 2019, the interest rate applicable 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.

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, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 90 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

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

	As of	
	06/30/19	**12/31/18**
IMG (i)	$ 709,729	$ 640,775
SEG (ii)	2,481	2,111
ECAL (iii)	856	—
ESJ	—	3,411
	$ 713,066	$ 646,297

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

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

As of June 30, 2019, the outstanding balance amounts to $13,604.4 million Mexican Pesos, including $2,150.3 million Mexican Pesos of capitalized 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, the maturity date is December 6, 2026.

iii. On January 7, 2019, IEnova entered into a revolving credit agreement with ECAL for up to $65.0 million U.S. Dollar-denominated, to finance working capital and general purposes. The credit matures in ten years and the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 365 BPS. Interest shall be paid on the last day of each calendar quarter.

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 neither been given nor 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	
	06/30/19	**12/31/18**
SEI NV	$ 38,460	$ 38,460
TAG Pipelines Norte	38,319	36,701
	$ 76,779	$ 75,161

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

Total compensation expense of key management personnel was $9.2 millions and $9.9 millions for the six-month periods ended June 30, 2019 and 2018, respectively, and $1.2 million and $1.0 million for the three-month periods ended June 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 June 30, 2019 and 2018, the Company’s 50 percent interest in ESJ is accounted for under the equity method.

	As of	
	06/30/19	**12/31/18**
Total members’ equity	$ 43,458	$ 45,286
Share of members’ equity	$ 21,729	$ 22,643
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 33,850	$ 34,764

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

	Six-month period ended		Three-month period ended	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Revenues	$ 28,126	$ 27,374	$ 14,449	$ 15,826
Operating, administrative and other expenses	(13,135)	(10,449)	(6,562)	(5,220)

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Finance costs	(7,037)	(7,750)	(3,513)	(3,861)
Other gains (losses), net	45	(67)	21	(128)
Income tax expense	(3,069)	(1,653)	(109)	(655)
Profit for the period	$ 4,930	$ 7,455	$ 4,286	$ 5,962
Share of profit of ESJ	$ 2,465	$ 3,728	$ 2,143	$ 2,981

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 $206.0 million. The debt outstanding as of June 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*

The 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 IEnova owns the remaining 40 percent interest of the project.

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

	As of	
	06/30/19	**12/31/18**
Total members' equity	$ 644,329	$ 673,224
Share of members' equity	$ 257,730	$ 269,290
Guarantees (b)	5,018	5,018
Remeasurement of interest rate (c)	(61,720)	(37,653)
Share of member's equity and carrying amount of investment in IMG	$ 201,028	$ 236,655

IMG´s Condensed Interim Consolidated Statements of loss are as follows:

	Six-month period ended		Three-month period ended	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Finance (costs) income, net	$ (90)	$ 6,423	$ —	$ 6,284
Other (losses) gains, net *	(40,196)	20,943	(16,922)	106,602
Income tax benefit (expense)	6,602	(1,109)	4,103	(25,189)
(Loss) profit for the period	$ (33,684)	$ 26,257	$ (12,819)	$ 87,697
Share of (loss) profit of IMG	$ (13,474)	$ 10,503	$ (5,128)	$ 35,079

* 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 June 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 June 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. 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.

As of June 30, 2019, a total of $278.7 million debt is outstanding under this credit facility.

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 ranging through July 2019.

c. ***Remeasurement of interest rate.*** As of June 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 as of June 30, 2019 and 2018 respectively; while the financing of the resources used by IEnova accrues interest at 4.1 percent average as of June 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 a consortium comprised of BlackRock and First Reserve, and Pemex Transformacion Industrial, owns Los Ramones Norte pipeline, which began operations in February 2016.

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

	As of	
	06/30/19	**12/31/18**
Total members' equity	$ 469,768	$ 476,538
Share of members' equity and carrying amount of investment in TAG	$ 234,884	$ 238,269
Equity method goodwill	99,020	99,020
Total amount of the investment in TAG	$ 333,904	$ 337,289

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

	Six-month period ended		Three-month period ended	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Revenues	$ 106,088	$ 104,183	$ 52,887	$ 51,331
Operating, administrative and other expenses	(17,610)	(15,895)	(8,950)	(8,121)
Finance costs	(28,129)	(29,901)	(14,054)	(12,890)
Other gains (losses), net	1,671	(3,406)	(306)	(3,356)
Income tax expense	(22,120)	(18,621)	(11,305)	(14,120)
Profit for the period	$ 39,900	$ 36,360	$ 18,272	$ 12,844
Share of profit of TAG	$ 19,950	$ 18,179	$ 9,136	$ 6,422

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 June 30, 2019, the total outstanding loan is $1,062.0 million, with its respective maturities. TAG hedged a portion of the loans tied to the interest rate risk through an interest rate swap, by changing the variable rate for a fixed rate.

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 June 30, 2019.

Long-term debt due dates are as follows:

Year		**Amount**
2019	$	59
2020		59
2021		59
2022		59
Thereafter		826
Total	$	1,062

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 rate is 2.9 percent for the debt maturing in December 2034.

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.were deconsolidated, their parent is now ECA LNG Holdings B . V. an investment between IEnova and Sempra LNG ECA Liquefaction, LLC (50.0 percent each).

As of June 30, 2019, the Company made contributions by $2,295.0 and recognized an equity method by an amount of ($290.0).

5. Property, plant and equipment, net

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

	As of	
	06/30/19	12/31/18
Solar projects (i)	$ 187,941	$ 210,547
Liquid terminals (ii)	178,341	84,379
Pipeline projects (iii)	92,899	67,249
Other projects	18,206	10,330
	$ 477,387	$ 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 II and Don Diego, in Aguascalientes and Sonora, respectively.
ii. Terminals - Veracruz, Puebla, Mexico City, Baja California, Colima, Jalisco and Sinaloa.
iii. Pipelines - Compression station, in Sonora.

On Apri1 1, 2019, the management declared the end of the construction and commercial operation date ("COD") of the Pima Solar project.

On June 1, 2019, the management declared the end of the construction and COD of the Rumorosa Solar project.

Borrowing costs. During the six-month periods ended June 30, 2019 and 2018, the Company capitalized interest attributable to the construction of projects in the amount of $10.8 million and $3.2 million, respectively.

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 4.1 percent, for the six-month periods ended June 30, 2019 and 2018.

6. Intangible assets

	As of	
	06/30/19	12/31/18
Carrying amounts of:		
Renewable transmission rights (i)	$ 164,622	$ 164,622
Operation & Maintenance ("O&M") Contract (ii)	44,566	44,566
Amortization	(23,369)	(18,416)
	$ 185,819	$ 190,772

i. *Renewable transmission rights*

On December 14, 2016, regarding Ventika, a wind power generation facility acquisition, the Company recorded $154.1 million related to the renewable transmission and consumption rights associated with the projects approved under the preexisting self-supply renewable program.

On February 28, 2018, the Company acquired $5.0 million of intangible asset related to Self-Supply Permit of the Don Diego Solar Project.

On August 14, 2018, the Company acquired $5.5 million of intangible asset related to Self-Supply Permit of the Border Solar Project.

Amortization is calculated using the straight-line method based on the remaining useful life of the related intangible asset, over the term of the self-supply power agreements of 20 years for Ventika and 15 years for Don Diego and Border Solar.

ii. *O&M Contract*

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

7. Short-term debt

Short-term debt includes:

		As of		
		06/30/19		**12/31/18**
Credit agreement (i)	$	933,259	$	808,086
Current portion of IEnova Pipelines S. de R. L de C. V. ("IEnova Pipelines") Bank Loan (Please refer Note 8.c)		39,737		38,227
Current portion of Ventika's Bank Loan (Please refer Note 8.b)		25,455		25,973
Trina Solar (Please refer Note 8.e)		216		28
	$	998,667	$	872,314
Borrowing costs of credit agreement		(7,266)		(2,140)
	$	991,401	$	870,174

i. ***Credit agreement with SMBC.*** On January 9 and March 28, 2019, the Company withdrew $50.0 million and $250.0 million, respectively.

On February 11, 2019, the Company entered into an amendment agreement to increase the amount of the credit line to $1.5 billion. Borrowing costs for $5.8 million were capitalized in this transaction.

On March 29, 2019, the Company paid $300.0 million of the credit agreement.

In April, 2019 the Company withdrew $105.0 million.

On June 17, 2019, the Company withdrew $20.0 million.

As of June 30, 2019 and December 31, 2018, the available unused credit portion was $567.0 million and $362.0 million, respectively.

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

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

8. Long-term debt

Long-term debt includes:

	As of 06/30/19	As of 12/31/18
Senior Notes (a)	$ 840,000	$ 840,000
Santander – Ventika (b)	414,821	426,359
BBVA Bancomer S. A. ("Bancomer") – IEnova Pipelines (c)	219,515	239,513
CEBURES at fixed rate (d)	203,459	198,142
Trina Solar (e)	9,640	3,757
	$ 1,687,435	$ 1,707,771
Debt issuance costs	(31,216)	(32,579)
	$ 1,656,219	$ 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 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 06/30/19
NADB	$ 134,488
SANTANDER	84,870
BANOBRAS	86,430
NAFINSA	67,244
BANCOMEXT	67,244
	$ 440,276

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 is for $475.4 million, the proceeds will be used to develop IEnova Pipelines projects. The four participating credit institutions are Bancomer with a 50 percent contribution, 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 June 30, 2019, debt maturity (including short and long-term) is as follows:

Year		**Amount**
2019	$	20,021
2020		42,213
2021		45,054
Thereafter		162,395
	$	269,683

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") 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 2.5 to 1 at least 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 its debt total amount. The financial instrument changes the LIBOR for a fixed rate of 2.63 percent.

The Company has designated the derivative financial instruments mentioned above as cash flow hedges, in terms of what is permitted by the 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 June 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.

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped variable rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The Company received $1,300.0 million Mexican Pesos and paid $102.0 million U. S. Dollars. The repayment ended the hedging contract and CEBURES liability.

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.

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

As of June 30, 2019, the swap's total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). These contracts have been designated as cash flow hedges.

e. ***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 Holdings, B. V. The amount of the loan is for $3.7 million, the proceeds will be used to develop the Tepezala II Solar Project. The maturity of the loan is 10 years.

The loan can be totally paid at the end of the credit contract or partially paid throughout the contract term.

The loan bears an interest at three-month LIBOR plus 365 BPS, with quarterly payments, maturing in 2028.

As of June 30, 2019, the loan increased $4.6 million, the total in balance is for $9.6 million.

9. Financial instruments

a. *Foreign currency exchange rate*

Exchange rates in effect on June 30, 2019, December 31, 2018 and July 24, 2019 were as follows:

	Mexican Pesos		
	06/30/19	**12/31/18**	**07/23/19**
One U. S. Dollar	$ 19.1685	$ 19.6829	$ 19.0123

b. ***Fair value of financial instruments***

9.1. 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			
	06/30/19		12/31/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial lease receivables	$ 938,077	$ 938,077	$ 942,184	$ 942,184
Due from unconsolidated affiliates	735,721	755,699	691,340	696,626
Financial liabilities				
Long-term debt (traded in stock exchange)	1,043,459	954,096	1,038,142	865,710
Loans from banks long-term	634,336	756,511	665,872	672,527
Due to unconsolidated affiliates (Short-term)	277,280	267,768	310,696	310,696
Short-term debt	998,667	998,667	872,314	872,314
Loans from unconsolidated affiliates (Long-term)	76,779	81,375	75,161	67,963
Loans from associate (Long-term)	9,640	9,130	3,757	3,274

9.2. 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 the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.

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.

9.3. 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 from 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 as follows:

	As of	
	06/30/19	**12/31/18**
Financial instruments assets at fair value through profit or loss ("FVTPL")		
Short-term investments (included as cash equivalents) (Level 1)	$ 37,784	$ 83
Derivative financial instrument assets (Level 2)	8,814	17,620
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	156,568	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.

10. 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 six and three-month periods ended June 30, 2019 and 2018, are reconciled to the profit for the period as follows:

	Six-month period ended		Three-month period ended	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Profit before income tax and share of profits of joint ventures	$ 284,691	$ 255,450	$ 139,510	$ 77,570

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Income tax expense calculated at 30%	(85,407)	(76,635)	(41,853)	(23,271)
Effects of foreign exchange rate	(19,508)	1,847	(8,120)	50,385
Effects of inflation adjustment	(1,158)	(6,025)	840	1,482
Effect of unused tax losses not recognized as deferred income tax asset	(1,552)	1,857	(687)	3,497
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	14,821	22,380	4,768	(50,768)
Tax incentive	11,560	—	11,560	—
Other	1,053	(1,467)	1,315	(1,065)
Income tax expense recognized in the Consolidated Statements of Profit	$ (80,191)	$ (58,043)	$ (32,177)	$ (19,740)

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 is applicable to certain taxpayers residing in the northern border region, in accordance with a decree issued on December 28, 2018.

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

11. Stockholders' equity

The Company's General Shareholders' Meeting approved the formation of a repurchase fund of the Company's own shares on June 14, 2018, of a maximum amount of $250.0 million. As of June 30, 2019 and December 31, 2018, the Company has repurchased 4,200,000 and 2,000,000 shares for a total of $15.4 and $7.2 million, respectively.

As of June 30, 2019 and December 31, 2018, the repurchase fund balance is for a nominal amount of $234.6 million ($4,854.0 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 without Board approval.

		As of June 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

12. Segment information

12.1. 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.

12.2. Segment revenues and profits

	Revenues			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Gas	$ 542,041	$ 490,589	$ 246,722	$ 245,237
Power	154,318	123,156	69,517	61,617
Corporate	934	875	424	520
Total revenue	$ 697,293	$ 614,620	$ 316,663	$ 307,374

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 six and three-month periods ended June 30, 2019 and 2018:

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Transportation of gas	$ 247,839	$ 243,105	$ 130,324	$ 124,605
Sale of natural gas	137,093	87,490	45,824	53,922
Power generation	149,595	123,777	64,167	61,528
Other operating revenues (i)	68,054	65,053	36,357	27,881
Storage and regasification capacity	56,191	56,502	26,420	28,429
Natural gas distribution	38,521	38,693	13,571	11,009
Total revenues	$ 697,293	$ 614,620	$ 316,663	$ 307,374

Other operating revenues mainly conforms of:

i. IEnova Marketing, S. de R . L. de C . V. received payments from SLNGI and SLNGIH related to the losses and obligations incurred in the amount of $49.8 million and $50.7 million for the six-month periods ended June 30, 2019 and 2018, respectively and $27.1 million and $26.7 million for the three-month periods ended June 30, 2019 and 2018 . Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

	Segment profit			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Gas	$ 203,593	$ 243,020	$ 108,347	$ 135,354
Power	46,001	32,550	24,558	21,207
Corporate	(36,443)	(45,753)	(20,344)	(54,249)
Total segment profit	$ 213,151	$ 229,817	$ 112,561	$ 102,312

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

12.3. Assets and liabilities by segment

	As of 06/30/19	As of 12/31/18
Assets by segment:		
Gas	$ 6,811,891	$ 6,705,011
Power	1,543,302	1,356,815
Corporate	832,891	706,771
Consolidated total assets	$ 9,188,084	$ 8,768,597

	As of 06/30/19	As of 12/31/18
Liabilities by segment:		
Gas	$ 1,111,917	$ 1,066,774
Power	714,930	655,386
Corporate	2,433,265	2,292,687
Consolidated total liabilities	$ 4,260,112	$ 4,014,847

For the 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.

12.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	06/30/19	12/31/18	06/30/19	12/31/18
Gas	$ 3,920,326	$ 3,777,923	$ (667,038)	$ (616,526)
Power	1,308,604	1,150,247	(247,953)	(232,776)
Corporate	28,077	19,685	(12,809)	(11,639)
	$ 5,257,007	$ 4,947,855	$ (927,800)	$ (860,941)

	Share of profits of joint ventures			
	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Gas	$ 6,186	$ 28,682	$ 3,828	$ 41,501
Power	2,465	3,728	1,400	2,981
	$ 8,651	$ 32,410	$ 5,228	$ 44,482

13. Revenues

13.1. 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 six and three-month periods ended June 30, 2019 and 2018:

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Revenue from operations:				
Contracts with customers	$ 411,170	$ 395,432	$ 182,800	$ 183,801
Leases	95,698	90,221	52,768	50,827
Derivatives	50,379	18,443	23,836	15,244
Others - Sale of natural gas	90,255	59,790	30,119	30,819
Other revenue - Non IFRS 15	49,791	50,734	27,140	26,683
Total revenue	$ 697,293	$ 614,620	$ 316,663	$ 307,374

13.2 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 six and three-month periods ended on June 30, 2019 and 2018:

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Power generation	$ 144,668	$ 123,777	$ 59,240	$ 61,528
Transportation of gas	162,351	171,034	81,771	83,839
Storage and regasification capacity	46,382	46,690	18,415	18,757
Natural gas distribution	42,345	41,132	15,513	12,839
Administrative services	15,424	12,799	7,861	6,838
Total revenue from contracts with clients	$ 411,170	$ 395,432	$ 182,800	$ 183,801
Obligations met:				
Over time	$ 411,170	$ 395,432	$ 182,800	$ 183,801

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.

14. Earnings per share

14.1. Basic earnings per share

	Six-month period ended		Three-month period ended	
	06/30/19	06/30/18	06/30/19	06/30/18
Basic and diluted earnings per share	$ 0.14	$ 0.15	$ 0.07	$ 0.07

14.2. 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:

	Six-month period ended		Three-month period ended	
	06/30/19	**06/30/18**	**06/30/19**	**06/30/18**
Earnings used in the calculation of basic and diluted earnings per share	$ 213,177	$ 229,817	$ 112,572	$ 102,312
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,539,598,745	1,534,023,812	1,535,531,834	1,534,023,812

The Company does not have potentially diluted shares.

15. 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 six-month period ended June 30, 2019, payments made under these contracts were $0.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 487
2020	746
2021	746
Thereafter	12,687
	$ 14,666

b. ***Don Diego Solar project.*** During 2019, the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2019, payments made under these contracts were $43.0 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 53,019

c. ***Puebla in-land project.*** During 2019, the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2019, payments made under these contracts were $ 0.6 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 20,789

d. ***Estado de Mexico in-land project.*** During 2019, the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2019, payments made under these contracts were $1.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 20,267

e. ***Veracruz Marine Terminal project.*** During 2019, the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2019, payments made under these contracts were $12.0 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	44,356

f. ***Enterprise Resource Planning ("ERP") project.*** During 2019, the Company entered several contracts for the services of ERP project. During the six-month period ended June 30, 2019, payments made under these contracts were $2.9 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	3,488
2020		2,020
2021		1,490
Thereafter		1,991
	$	8,989

g. ***TDM CSA.*** During 2019, the Company entered into a Contract Service Agreement ("CSA") for the maintenance, including replacement parts for power generation turbines. Net future payments under this contractual commitment are as follows:

Year		Amounts
2019	$	6,150
2020		5,140
2021		2,640
Thereafter		14,660
	$	28,590

16. 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.

17. 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 IFRS and amendments to IFRS issued by the IASB that are mandatory effective for an accounting period that begins January 1, 2019.

IFRS 16, *Leases*

IFRS 16 *Leases* 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 the IFRS Interpretations Committee ("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 were recognized and presented separately in the statement of financial position.
ii. Additional lease liabilities of $96,245 (included in Interest bearing loans and borrowings) were recognized.
iii. Prepayments of $68,295 and trade and other payables of $2,735 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 1 January, 2019	$	164,540	$	(96,245)
Additions		13,386		(13,386)
Depreciation expense		(5,654)		—
Interest expense		—		(4,434)

	Right of use assets	Lease liabilities
Payments	—	21,168
Exchange differences on translation of foreign operations	—	(1,613)
As of June 30, 2019	$ 172,272	$ (94,510)

IFRIC 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. 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 judgement 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.

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:

Annual Improvements to IFRSs 2015 - 2017 Cycle

-IFRS 3 - *Business Combinations*
-IFRS 11 - *Joint Arrangements*
-IAS 12 - *Income Taxes*
-IAS 23 - *Borrowing Costs*

IFRS 3 Business Combinations and IFRS 11, Joint Arragements

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.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted

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, Income Taxes

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.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

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 Borrowing Costs

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.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

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.

18. Events after the reporting period

18.1. Fich Places IEnovas's Credit Rating

On July 9, 2019, the Company announces that Fitch has placed IEnova's rating on "Watch Negative": BBB+ / Watch Negative (the previous rating was BBB+ / Stable), due to the previous explanation on note 1.7., as well as the arbitration requests recently sent by the developers of gas pipelines.

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 position, access to liquidity, and the support of its majority shareholder, Sempra Energy (BBB+ / Stable).

18.2. Guaymas–El Oro Pipeline

Following the start of commercial operations of the Guaymas-El Oro segment, 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 according to the contract.

The Company also received a court order in an amparo 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. If the plaintiffs appeal the ruling, the suspension order preventing the Company from repairing the damaged pipeline in the Yaqui territory will remain in place until the appeal process is exhausted.

The Company has received force majeure payments since August 2017 and the force majeure period will end in August 2019. CFE and the Company are seeking to reach an agreement to extend the force majeure period. Under the contract and prior to the expiration of the force majeure period, the Company may terminate the contract and seek to recover its reasonable and documented costs and lost profits.

In addition, in July 2019, the Company received a request for arbitration from 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.

The Company continues in an active dialogue with CFE.

18.3. Repurchase of shares

On July 22, 2019, management approves the repurchase of shares for approximately $ 28.0 million Mexican pesos, equivalent to 400,000 shares.

19. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on July 23, 2019.

20. 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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