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

Consolidated Financial Statements for the years ended December 31, 2018, 2017 and 2016 and Independent Auditor's Report Dated February 19, 2019

Index to the notes to the consolidated financial statements

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

Independent Auditors' Report to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and its Subsidiaries

Opinion

We have audited the consolidated financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and its subsidiaries (the "Company" or "IEnova"), which comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016, and the consolidated statements of profit, profit and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Infraestructura Energética Nova, S. A. B. de C. V. and its Subsidiaries as of December 31, 2018, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

Deloitte.

Relevant new contracts and transactions analysis

As described in Note 1.2 of the consolidated financial statements, the Company entered into several relevant transactions during the year, some of them requiring the determination of the appropriate accounting that can have significant implications to current and future financial statements with respect to the recognition, valuation, presentation and disclosures of the particular transaction. International Financial Reporting Standards require Management to apply its judgement to define the accounting treatment with limited specific industry guidance provided. A typical analysis requires the entity to determine whether it needs to consolidate a project; whether the arrangement contains a lease, and if so, its classification as a finance or operating lease; whether the contract meets the own use exemption or the definition of a derivative (to which hedge accounting could be applied) or it contains embedded derivatives; or, whether, it should be accounted for under another model, such as a concession arrangement. Examples of relevant transactions include agreements such as: terminal services, power sales, concessions, purchase options, and acquisition of subsidiaries.

Our audit emphasizes on the internal control and performing detailed risk assessment procedures to each transaction to determine the relevant aspects of judgement to design tailored audit procedures. We also involved our technical accounting specialists to assist us in auditing these matters.

Goodwill impairment testing

As described in Note 13 to the consolidated financial statements, the Company maintains goodwill of $1,638 million, which originated mainly from the acquisitions of IEnova Pipelines and Ventika. Management performed its annual goodwill impairment testing during the fourth quarter which uses business and valuation assumptions that require judgement, including discount rates and long term projections of revenues and costs. The most relevant matters addressed in our audit are as follows:

- The reasonableness of discount rates
- The reasonableness of the fair value from different valuation techniques

Our audit procedures focused mainly on testing relevant controls and substantive procedures over relevant assumptions. We involved an internal valuation specialist to assist us in auditing these matters.

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We do not report anything related to the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Omar Esquivel Romero
Mexico City, Mexico
February 19, 2019

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

Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	December 31, 2018	December 31, 2017	December 31, 2016
Current assets:				
Cash and cash equivalents	4, 24	$ 51,681	$ 37,208	$ 24,918
Short-term investments	24	83	1,081	80
Finance lease receivables	8, 24	9,809	8,126	7,155
Trade and other receivables, net	5, 24, 29	153,649	94,793	100,886
Due from unconsolidated affiliates	6, 24	45,043	24,600	12,976
Income taxes receivable	25	74,806	81,909	6,390
Natural gas inventories	7	3,516	7,196	6,083
Derivative financial instruments	24	9,474	6,130	6,913
Value added tax receivable		76,907	39,633	27,600
Carbon allowances	21	5,936	—	—
Other assets	9	9,695	10,327	9,289
Restricted cash	4, 24	23,342	55,820	51,363
Assets held for sale	12	—	148,190	191,287
Total current assets		463,941	515,013	444,940
Non-current assets:				
Due from unconsolidated affiliates	6, 24	646,297	493,887	104,352
Derivative financial instruments	24	8,146	1,935	1,127
Finance lease receivables	8, 24	932,375	942,184	950,311
Deferred income tax assets	25	80,853	97,334	89,688
Investment in joint ventures	10	608,708	523,102	125,355
Other assets	9	94,060	32,658	4,855
Property, plant and equipment, net	14, 28	4,086,914	3,729,456	3,614,085
Carbon allowances	21	15,499	—	—
Intangible assets	15	190,772	190,199	154,144
Goodwill	13	1,638,091	1,638,091	1,638,091
Restricted cash	4, 24	2,941	—	—
Total non-current assets		8,304,656	7,648,846	6,682,008
Total assets	28	$ 8,768,597	$ 8,163,859	$ 7,126,948

(Continued)

Liabilities and Stockholders' Equity	Notes	December 31, 2018	December 31, 2017	December 31, 2016
Current liabilities:				
Short-term debt	22, 24	$ 870,174	$ 262,760	$ 493,571
Trade and other payables	16, 24	99,757	72,638	94,566
Due to unconsolidated affiliates	6, 24	310,696	544,217	260,914
Income tax liabilities	25	63,044	3,384	13,322
Derivative financial instruments	24	10,943	41,726	10,310
Other financial liabilities	18, 24	24,720	10,372	5,877
Provisions	20	251	394	930
Other taxes payable		31,619	36,273	27,872
Carbon allowances	21	6,354	—	—
Other liabilities	19	28,073	19,631	28,861
Liabilities related to assets held for sale	12	—	62,522	35,451
Total current liabilities		1,445,631	1,053,917	971,674
Non-current liabilities:				
Long-term debt	23, 24	1,675,192	1,732,040	1,039,804
Due to unconsolidated affiliates	6, 24	75,161	73,510	3,080
Deferred income tax liabilities	25	566,892	551,614	489,607
Carbon allowances	21	14,826	—	—
Provisions	20	61,903	67,210	51,035
Derivative financial instruments	24	152,880	162,444	215,851
Employee benefits	17	7,643	6,537	5,586
Other non-current liabilities	19, 29	14,719	—	—
Total non-current liabilities		2,569,216	2,593,355	1,804,963
Total liabilities	28	4,014,847	3,647,272	2,776,637
Stockholders' equity:				
Common stock	26	963,272	963,272	963,272
Additional paid-in capital	26	2,351,801	2,351,801	2,351,801
Treasury shares	26	(7,190)	—	—
Accumulated other comprehensive loss		(104,105)	(114,556)	(126,658)
Retained earnings		1,536,662	1,316,070	1,161,896
Total equity attributable to owners of the Company		4,740,440	4,516,587	4,350,311
Non-controlling interests		13,310	—	—
Total stockholders' equity		4,753,750	4,516,587	4,350,311
Commitments and contingencies	36, 37	—	—	—
Events after the reporting date	39	—	—	—
Total stockholders' liabilities and equity		$ 8,768,597	$ 8,163,859	$ 7,126,948

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Profit

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

	Notes	Year ended December 31, 2018 (Notes 1, 12)	2017 (Notes 1, 12)	2016 (Notes 1, 12)
Revenues	24, 28, 29	$ 1,368,555	$ 1,222,905	$ 767,089
Cost of revenues		(385,791)	(331,846)	(270,885)
Operating, administrative and other expenses	31	(214,519)	(202,982)	(122,270)
Depreciation and amortization	14, 28, 34	(137,157)	(119,020)	(66,606)
Impairment of Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM")	12	—	(63,804)	(136,880)
Interest income	28, 30	27,449	22,808	6,294
Finance costs	28, 33	(122,879)	(73,501)	(21,092)
Other gains (losses), net	32	8	(40,900)	773
Remeasurement of equity method investment	11	—	—	673,071
Profit before income tax and share of profits of joint ventures	25	535,666	413,660	829,494
Income tax expense	25, 28	(143,064)	(104,163)	(117,345)
Share of profits of joint ventures, net of income tax	10, 28	37,984	44,677	42,841
Profit for the year	28, 35	$ 430,586	$ 354,174	$ 754,990
Attributable to:				
Owners of the company		430,592	354,174	754,990
Non-controlling interests		(6)	—	—
		$ 430,586	$ 354,174	$ 754,990
Earnings per share:				
Basic and diluted earnings per share	35	$ 0.28	$ 0.23	$ 0.61

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2018	2017	2016
Profit for the year	28, 35	$ 430,586	$ 354,174	$ 754,990
Items that will not be reclassified to profit or (loss):				
Actuarial gain on defined benefits plans	17	519	704	1,765
Deferred income tax related to actuarial gain on defined benefits plans		(156)	(211)	(530)
Total items that will not be reclassified to profit		363	493	1,235
Items that may be subsequently reclassified to profit or (loss):				
Gain (loss) on valuation of derivative financial instruments held for hedging purposes		7,688	4,586	(17,112)
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes		(2,306)	(1,376)	5,133
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		7,665	3,270	35,308
Deferred income tax on the gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(2,299)	(981)	(10,592)
Exchange differences on translation of foreign operations		(660)	6,110	(36,686)
Total items that may be subsequently reclassified to profit or (loss)		10,088	11,609	(23,949)
Other comprehensive income (loss) for the year		10,451	12,102	(22,714)
Total comprehensive income for the year		$ 441,037	$ 366,276	$ 732,276
Attributable to:				
Owners of the Company		441,043	366,276	732,276
Non-controlling interests		(6)	—	—
		$ 441,037	$ 366,276	$ 732,276

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common Shares	Additional paid-in capital	Treasury shares	Other comprehensive loss	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance as of December 31, 2015		$ 762,949	$ 973,953	$ —	$ (103,944)	$ 546,906	$ 2,179,864	$ —	$ 2,179,864
Profit for the year	28, 35	—	—	—	—	754,990	754,990	—	754,990
Actuarial gain on defined benefit plans, net of income tax	17	—	—	—	1,235	—	1,235	—	1,235
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(11,979)	—	(11,979)	—	(11,979)
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	24,716	—	24,716	—	24,716
Exchange differences on translation of foreign operations		—	—	—	(36,686)	—	(36,686)	—	(36,686)
Total comprehensive (loss) income for the year		—	—	—	(22,714)	754,990	732,276	—	732,276
Issuance of shares, net		200,323	1,377,848	—	—	—	1,578,171	—	1,578,171
Dividends paid	27	—	—	—	—	(140,000)	(140,000)	—	(140,000)
Balance as of December 31, 2016	26	$ 963,272	$ 2,351,801	$ —	$ (126,658)	$ 1,161,896	$ 4,350,311	$ —	$ 4,350,311
Profit for the year	28, 35	—	—	—	—	354,174	354,174	—	354,174
Actuarial gain on defined benefit plans, net of income tax	17	—	—	—	493	—	493	—	493
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	3,210	—	3,210	—	3,210
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	2,289	—	2,289	—	2,289
Exchange differences on translation of foreign operations		—	—	—	6,110	—	6,110	—	6,110
Total comprehensive income for the year		—	—	—	12,102	354,174	366,276	—	366,276
Dividends paid	27	—	—	—	—	(200,000)	(200,000)	—	(200,000)
Balance as of December 31, 2017	26	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the year	28, 35	—	—	—	—	430,592	430,592	(6)	430,586
Additional non-controlling interests arising on the acquisition of subsidiaries	11	—	—	—	—	—	—	13,094	13,094
Additional non-controlling interests relating to equity contributions		—	—	—	—	—	—	222	222
Actuarial gain on defined benefit plans, net of income tax	17	—	—	—	363	—	363	—	363
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	5,382	—	5,382	—	5,382
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	5,366	—	5,366	—	5,366
Exchange differences on translation of foreign operations		—	—	—	(660)	—	(660)	—	(660)
Repurchase of ordinary shares	26	—	—	(7,190)	—	—	(7,190)	—	(7,190)
Total comprehensive (loss) income for the year		—	—	(7,190)	10,451	430,592	433,853	13,310	447,163
Dividends paid	27	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of December 31, 2018	26	$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2018	2017	2016
Cash flows from operating activities:				
Profit for the year	28, 35	$ 430,586	$ 354,174	$ 754,990
Adjustments for:				
Income tax expense	25, 28	143,064	104,162	117,349
Share of profit of joint ventures, net of income tax	10, 28	(37,984)	(44,677)	(42,841)
Finance costs	28, 33	122,879	73,501	21,092
Interest income	28, 30	(27,449)	(22,808)	(6,294)
Loss (gain) on disposal of property, plant and equipment		13,708	7,877	(4,233)
Impairment (gain) loss recognized on trade receivables		(1)	(60)	46
Impairment of TDM		—	63,804	136,880
Remeasurement of intangible assets		—	—	(673,071)
Depreciation and amortization	14, 28, 34	137,157	119,020	66,606
Net foreign exchange loss (gain)		6,103	37,028	(4,652)
Net (gain) loss on valuation of derivative financial instruments		(3,754)	6,715	(21,001)
		784,309	698,736	344,871
Movements in working capital:				
(Increase) decrease in trade and other receivables, net		(55,452)	(2,368)	5,741
Decrease (increase) in natural gas inventories, net		3,680	(1,113)	(1,455)
(Increase) decrease in other assets, net		(14,220)	(4,204)	18,398
Increase (decrease) in trade and other payables, net		5,134	12,546	(45,302)
(Decrease) increase in provisions, net		(42,463)	(252)	16,249
Increase (decrease) in other liabilities, net		1,088	(2,098)	20,348
Cash generated from operations		682,076	701,247	358,850
Income taxes paid		(57,090)	(115,013)	(118,552)
Net cash provided by operating activities		624,986	586,234	240,298

(Continued)

	Notes	Year ended December 31, 2018	2017	2016
Cash flows from investing activities:				
Acquisition of subsidiaries and assets, net of cash acquired	11	(19,954)	(147,638)	(1,512,248)
Investment in joint ventures	10	(79,908)	(72,067)	(100,477)
Marine terminals counter-payments fee	1	(44,355)	(28,179)	—
Interest received		563	1,089	3,875
Acquisitions of property, plant and equipment	14	(392,073)	(224,816)	(315,810)
Loans granted to unconsolidated affiliates		(134,661)	(505,997)	685
Receipts of loans granted to unconsolidated affiliates		42,275	8,152	8,262
Short-term investments		998	(1,001)	19,988
Net cash used in investing activities		(627,115)	(970,457)	(1,895,725)
Cash flows from financing activities:				
Issuance of shares from follow on public offering		—	—	1,602,586
Shares issuance costs		—	—	(34,877)
Interest paid		(85,046)	(75,661)	(35,785)
Loans received from unconsolidated affiliates	6	70,000	377,926	1,240,000
Loans payments to unconsolidated affiliates	6	(312,032)	(46,702)	(1,369,600)
Payments of loans acquired through acquisition of subsidiary	11	—	(95,839)	—
Proceeds from bank financing		916,757	897,000	805,000
Payments related to bank financing		(304,395)	(1,257,531)	(459,463)
Proceeds from international debt offering	23	—	840,000	—
Debt issuance costs	23	—	(32,609)	(2,400)
Payments for repurchase of shares	26	(7,190)	—	—
Payment of debt securities ("CEBURES")	23	(102,069)	—	—
Dividends paid	27	(210,000)	(200,000)	(140,000)
Net cash (used in) provided by financing activities		(33,975)	406,584	1,605,461
(Decrease) increase in cash and cash equivalents		(36,104)	22,361	(49,966)
Increase (decrease) in restricted cash		29,537	(4,457)	46,849
Cash and cash equivalents at the beginning of the year		37,208	24,918	40,377
Effects of exchange rate changes on cash and cash equivalents		21,040	(5,614)	(12,342)
Cash and cash equivalents at the end of the year		$ 51,681	$ 37,208	$ 24,918

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018, 2017 and 2016 (In thousands of U. S. Dollars, except where otherwise stated)

1. General information and relevant events

1.1. General information

Infraestructura Energetica Nova, S. A. B. de C. V. ("IEnova") 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 addresses of their registered offices and principal places of business are disclosed in Note 41.

1.2. Relevant events

1.2.1. International Senior Notes Offering ("Senior Notes")

On December 7, 2017, IEnova obtained $840.0 million related to an international Senior Notes offering, the notes were offered and sold in a private placement to qualified institutional buyers in the U. S. pursuant to Rule 144A and outside the U. S. pursuant to Regulation S under the U. S. Securities Act of 1933, as amended (the "Securities Act").

The Senior Notes received an investment grade rating from Fitch Ratings (BBB+), Moody's Corporation ("Moody's") (Baa1) and Standard & Poor's Global Ratings ("S&P") (BBB). The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

The Senior Notes may not be offered or sold in Mexico absent authorization by the Comision Nacional Bancaria y de Valores (the "CNBV") in accordance with the Ley del Mercado de Valores ("Mexican Securities Market Law") and all applicable regulations and the registration of the Senior Notes in the Registro Nacional de Valores ("National Securities Registry") maintained by the CNBV; or in the U. S. absent registration under the Securities Act or an exemption from registration therefrom.

On December 14, 2017, the Company entered into an international Senior Notes offering comprised of $300.0 million aggregate principal amount of the Company's 3.75 percent Senior Notes due 2028 and $540.0 million aggregate principal amount of the Company's 4.88 percent Senior Notes due 2048. (Please refer to Note 23.f.)

1.2.2. Global Offering

On October 13, 2016, the Company carried out a Global Offering. The Company issued 380,000,000 shares of common stock at $80.0 Mexican Pesos per share. After the Global offering, the additional and over-allotment option was exercised, the free float represented approximately 33.57 percent of IEnova's outstanding ownership interest.

Total capital raised, net of expenses and the corresponding taxes, was $29,941.0 million Mexican Pesos (approximately $1.6 billion of U.S. Dollars), the proceeds were used to repay a bridge loan to its affiliate Sempra Global ("SEG"), used to purchase the remaining 50.0 percent of IEnova Pipelines, S. de R. L de C. V. (" IEnova Pipelines") from Pemex Transformacion Industrial ("Pemex TRI"), to fund a portion of the acquisition of the Ventika wind-farm and to fund capital expenditures and general corporate purposes. (Please refer to Note 26.2.).

As a result of the Global Offering, the Company raised $30,400.0 million Mexican Pesos, and the issuance costs amounted to $659.5 million Mexican Pesos (Please refer to Note 26.2.).

The Company in order to complete the transaction mentioned in Note 1.2.8., entered into four forward exchange rate contracts with a maturity date in October 2016. The effect of these forwards was $3.4 million, and was recognized in the Consolidated Statement of Profit within other gains and losses.

1.2.3. CEBURES

On February 8, 2018, the Company made the repayment of its CEBURES public debt, of the second placement for an amount of $1,300.0 million of historical Mexican Pesos (Please refer to Note 23.a.).

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The Company received $1,300.0 million Mexican Pesos and paid $102.2 million U. S. Dollars. The repayment ended the hedging contract and CEBURES liability. (Please refer to Note 23.a.).

1.2.4. Credit agreements

On August 21, 2015, IEnova as a debtor, entered into a revolving credit line of up to $400.0 million with a syndicate group of four banks including, Banco Santander (Mexico), S. A. ("Santander"), Bank of Tokyo Mitsubishi ("Bank of Tokyo"), The Bank of Nova Scotia and Sumitomo Mitsui Banking Corporation ("SMBC"). The revolving credit has the following characteristics:

i. U.S. Dollar-denominated.
ii. Twelve-month term, with an option to extend up to five years.
iii. Financing to repay and cancel the previous loans contracted in 2014 with Santander and SMBC, as well as to finance working capital and for general corporate purposes.

Restructuring of credit agreement and new credit agreement

On December 22, 2015, the Company entered into an amended agreement, in connection with the existing unsecured revolving credit agreement with Banco Nacional de Mexico, S. A. ("Banamex"), SMBC, as Administrative Agent, and the financial institutions party thereto, as Lenders, (the "Credit Agreement") whereby it agreed to increase the amount of the credit line under the Credit Agreement to a maximum aggregate in the amount of $600.0 million from the previously authorized maximum in the amount of $400.0 million. (Please refer to Note 22.a.).

On November 3, 2016, the Company entered into a second amendment agreement, in connection to the revolving credit mentioned above, in which Bank of America, N. A. ("BofA"), BBVA Bancomer S. A. ("Bancomer"), Institucion de Banca Multiple, Grupo Financiero BBVA Bancomer and Mizuho Bank, LTD ("Mizuho"), joined as new lenders and with the existing lenders whereby agreed to increase the amount of the credit line under the Credit Agreement to a maximum aggregate in the amount of $1,170.0 million from the previously authorized maximum of $600.0 million. (Please refer to Note 22.a.).

1.2.5. Execution of Standby Letter of Credit Facility ("LOCF") and Reimbursement Agreement

On January 22, 2018, in order to make more efficient and standardize the process for the issuance of letters of credit requested by governmental entities or third parties with whom the Company contracts, IEnova together with a bank syndicate formed by Banamex, SMBC, Bancomer, Scotiabank Inverlat, S. A. ("Scotiabank"), Mizuho, BNP Paribas S. A. and Santander, entered into a letter of credit facility and reimbursement agreement, up to an amount equivalent to $1.0 billion U. S. Dollars, which will be in effect for five years.

i. The agreement, among other things, will allow IEnova to expedite the administrative processes for the issuance or renewal of standby letters of credit and to have a standard process for the issuance of all its standby letters of credit.

ii. The LOCF and the standby letters of credit issued under this agreement do not constitute IEnova's debt.

1.2.6. Revolving credit

On November 30, 2018, the Company entered into a revolving credit agreement with SEG for up to $320.0 million and maturity date on August 2020. The funds will be used for working capital, investments and other general corporate purposes.

1.2.7. Plan to market and sell TDM

In February 2016, the Company's management approved a plan to market and sell TDM, a 625-Megawatts ("MW") natural gas-fired power plant located in Mexicali, Baja California, Mexico.

1.2.7.1. TDM changes to plan of sale

On June 1, 2018, the management of the Company formalized its decision to suspend the sell of TDM, and the assets and liabilities that were previously classified as held for sale were reclassified as held and used, and depreciation resumed. (Please refer to Note 12.).

1.2.8. Purchase agreement of remaining interest in IEnova Pipelines ("formerly Gasoductos de Chihuahua, S. de R. L. de C. V.") from Petroleos Mexicanos ("Pemex").

On July 31, 2015, the Company announced an agreement with Pemex to purchase Pemex's 50.0 percent equity interest in IEnova Pipelines in the amount of $1,325 million. The assets involved in the acquisition include three natural gas pipelines; one ethane pipeline; one liquid petroleum gas ("LPG") pipeline; and one LPG storage terminal. Under the terms of the agreement, Pemex and IEnova maintain their existing partnership in the Los Ramones II Norte pipeline project through the project holding company, Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN").

On September 14, 2015, the Ordinary and Extraordinary Shareholders' Meeting approved the purchase of Pemex's 50 percent equity interest hold in IEnova Pipelines.

Resolution was obtained from the Comision Federal de Competencia Economica ("COFECE") in connection with the purchase agreement of the remaining interest in IEnova Pipelines from Pemex.

In December 2015, the COFECE rejected the transaction to purchase Pemex's interest in IEnova Pipelines as proposed. The parties restructured the transaction so that Pemex could proceed in accordance with the COFECE ruling.

In July 2016, IEnova announced it had reached an agreement with Pemex TRI to restructure the transaction to purchase Pemex's interest in IEnova Pipelines that was objected by the COFECE in December 2015. This agreement allowed i) Pemex TRI to satisfy the conditions imposed by the former COFECE in connection with its indirect participation in the assets known as Gasoducto San Fernando and LPG Ducto TDF and ii) IEnova to acquire Pemex TRI's participation in IEnova Pipelines once such conditions were satisfied.

On September 21, 2016, the COFECE authorized IEnova's acquisition of 50.0 percent of the equity of IEnova Pipelines ("IEnova Pipelines acquisition"), owned by Pemex TRI.

On September 26, 2016, IEnova Pipelines' acquisition was completed through IEnova Gasoductos Holding, S. de R. L. de C. V., ("IGH") a subsidiary of IEnova; therefore, the Company now holds 100 percent of IEnova Pipelines' shares. The final price of the transaction was $1,077.6 million, net of cash acquired. IEnova Pipelines joint venture with Pemex TRI remains after the acquisition, as originally contracted, each holding 50.0 percent of the shares in DEN. Through DEN, IEnova and Pemex TRI preserved their energy infrastructure joint venture of the construction of the Los Ramones Norte pipeline and the potentially development of new projects. Please refer to Note 1.2.9. related to financing transaction. Please refer to Note 1.2.11. for purchase agreement of DEN.

IEnova Pipelines has been included in the Company's Consolidated Financial Statements since the acquisition date (September 26, 2016). (Please refer to Note 11.1.).

1.2.9. Bridge loan for IEnova Pipelines acquisition

a. On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount of $800.0 million with SEG. The loan had the following characteristics:

    i. U.S. Dollar-denominated.
    ii. Two-month term.
    iii. Used to finance the acquisition of IEnova Pipelines.

    In October 2016, the Company repaid this Bridge Loan.

b. On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount of $350.0 million with Semco Holdco, S. de R. L. de C. V. ("SEMCO"). The loan had the following characteristics:

    i. U.S. Dollar-denominated.
    ii. Two-month term.
    iii. Used to finance the acquisition of IEnova Pipelines.

    In October 2016, SEMCO bought IEnova's shares from the common stock follow-on equity offering ("Global Offering"). SEMCO acquired 83,125,000 shares, at a value per share of $80.0 Mexican Pesos, the total amount of this transaction amounted to approximately $350.0 million, equivalent to the amount of this loan, therefore SEMCO relieved IEnova from the payment obligation of the loan as settlement for shares.

1.2.10. Purchase agreement of Ventika wind farm

On September 2, 2016, the Company agreed to acquire IEnova Ventika Holding, B. V. ("formerly Fisterra Energy Netherlands III, B. V."), IEnova Ventika Holding II, B. V. ("formerly Fisterra Energy Netherlands IV, B. V."), IEnova Ventika Mexico, S. de R. L. de C. V. ("formerly Fisterra Energy Mexico III, S. de R. L. de C. V."), IEnova Ventika Mexico II, S. de R. L. de C. V. ("formerly Fisterra Energy Mexico IV, S. de R. L. de C. V."), Ventika, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V. (collectively "Ventika"), a 252-MW wind generation facility, located in the state of Nuevo Leon, Mexico. Ventika was jointly developed by Fisterra Energy and Cementos Mexicanos, S. A. de C. V. The construction was completed in December 2015 and commercial operations started in April 2016.

This transaction was approved in an Extraordinary Shareholders' Meeting on October 7, 2016.

In December 2016, the COFECE authorized the acquisition of 100.0 percent of the equity interest in Ventika. The transaction was completed on December 14, 2016 through Controladora Sierra Juarez, S. de R. L. de C. V. ("CSJ") a subsidiary of IEnova. The final price of the transaction was $434.7 million, plus the assumption of outstanding debt of $485.3 million.

The loans fully mature in March 2032, and bear interest equal to a fixed base rate or London Interbank Offered Rate ("LIBOR") plus a spread of 3.03 percent to 3.93 percent, which varies over the term of the loans. To moderate the exposure to interest rate and associated cash flow variability, Ventika entered into floating-to-fixed interest rate swaps to have almost 92.0 percent of the full amount of the loans fixed.

Ventika has been included in the Consolidated Financial Statements since the acquisition date (December 14, 2016). (Please refer to Note 11.2.).

1.2.11. Purchase agreement of DEN

On October 6, 2017, the Company announced the agreement to acquire Pemex TRI's participation in DEN.

On November 10, 2017, the COFECE authorized the transaction. The purchase price paid was $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of existing debt, and the proportional amount of Los Ramones II Norte pipeline project financing of $289.0 million. This debt will not be consolidated on IEnova's Consolidated Financial Statements.

This acquisition increased IEnova's indirect participation in the Los Ramones II Norte pipeline from 25.0 percent to 50.0 percent through TAG Norte Holding, S. de R. L. de C. V. ("TAG").

Please refer to Notes 10.4., 10.5. and 11.3.

1.2.12. Formation of a fund to repurchase its own shares

On June 14, 2018, at the Company's Ordinary General Shareholders' Meeting, the shareholders decided to approve the creation of a fund to repurchase its own shares for a maximum amount of $250.0 million. Such amount shall not exceed the Company's total net profits, including retained earnings, as stated in the Company's 2017 Financial Statements, which were approved in the Ordinary General Shareholders' Meeting on April 27, 2018. (Please refer to Note 26.).

1.2.13. Projects under development

a. *Marine pipeline*

In June 2016, Infraestructura Marina del Golfo, S. de R. L. de C. V. ("IMG"), the joint venture formed between IEnova and TransCanada Corporation ("TransCanada"), whereby TransCanada has 60 percent interest in the partnership and IEnova owns the remaining 40 percent interest, resulted the winner of a bidding process and entered into a 25-year natural gas transportation service agreement with the Comision Federal de Electricidad ("CFE"), in connection with the bid issued by CFE for the South Texas–Tuxpan marine pipeline. IMG shall be responsible for the development, construction, and operation of the 42-inch pipeline, with a capacity of 2,600 Million Cubic Feet per Day ("MMCFPD") and a length of approximately 800 kilometers ("km"). The project will require an investment of approximately $2.4 billion, equivalent to $1.0 billion with IEnova's 40 percent share, and is expected to occur in early second quarter of 2019. (Please refer to Note 10.3.).

b. *La Rumorosa Solar Project and Tepezala II Solar Project*

On September 28, 2016, the Company was declared winner of two solar projects, bided by the Centro Nacional de Control de Energia ("CENACE"), La Rumorosa Solar Complex ("La Rumorosa") and Tepezala II Solar Complex ("Tepezala II") with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezala II project will be developed and constructed in collaboration with Trina Solar Holdings, B. V. ("Trina Solar") who will have a 10 percent stake in this project.

The Company, through its subsidiaries will be responsible for the development, construction, operation and maintenance of these projects, including the permits, rights, financing and land acquisition. The estimated investment for these projects is $150.0 million and the beginning of commercial operations is expected to occur in the first quarter 2019 and second quarter of 2019, respectively.

Trina Solar has the option to sell, Trina Solar's ownership interest at the end of the construction period, before operations commence.

c. *Pima Solar Project*

In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with Deacero, S. A. P. I. de C. V. to provide energy, clean energy certificates, and capacity from a new solar power plant located in Caborca, Sonora, Mexico.

The Company will be responsible for all aspects of the project implementation, including permitting, acquisition of land and rights of way, engineering, procurement, construction, financing, operations and maintenance.

The solar power plant will have a 110 MW capacity. The estimated investment for this project is $115.0 million. The beginning of commercial operations is expected to occur in the first quarter of 2019.

d. *Veracruz marine terminal and in-land terminal projects*

On July 12, 2017, the Company won the Administracion Portuaria Integral de Veracruz, S. A. de C. V. ("Veracruz API") bid for a 20-year transfer of its concession rights of an area to build and operate a marine terminal for the reception, storage and delivery of refined products.

According to the bidding basis, the Company made a onetime counter-payment offered for the right to build, use, leverage and benefit from the operation of the Veracruz marine terminal, in two installments, each equivalent to the 50 percent of the total amount, the first payment of $500.0 million Mexican Pesos ($28.2 million U. S. Dollars) was settled on August 1, 2017, prior to the execution of the concession agreement, as per bidding basis.

On August 3, 2017, the Company executed the 20-year concession agreement with the Veracruz API to develop, construct and operate the aforementioned marine terminal. The concession includes the transfer, during 2018, of the waterfront lot where the terminal will be built.

With an investment of approximately $170.0 million U.S. Dollars, the terminal will have a capacity of 2,100,000 barrels and is expected to begin operations in the fourth quarter of 2019.

Additionally, the Company will build and operate two storage terminals that will be strategically located in Puebla and Mexico City, and will have initial storage capacities of approximately 650,000 barrels, each one. With an investment of approximately $145.0 million U.S. Dollars, the two in-land terminals will start operations in the first quarter 2020.

The Company will be responsible for the implementation of the projects, including the obtaining of permits, engineering, procurement, construction, operation, maintenance, financing and providing services.

On July 29, 2017, the Company executed three long-term firm capacity contracts with Valero Marketing and Supply de Mexico, S. A. de C. V. ("Valero") for the receipt, storage capacity and delivery of hydrocarbons in the Veracruz marine terminal and for the two in-land terminals to be constructed in Puebla and Mexico City, for a 20-years term, the contracts are denominated in U.S. Dollars.

Valero plans to import refined products including gasoline, diesel and jet fuel, and store them at the Veracruz marine terminal. Locally, the products will be distributed by truck and transported to Puebla and Mexico City by rail.

After commercial operations, and subject to all relevant regulatory and corporate authorizations as well as the approval of the API of Veracruz, Valero will have the option to acquire 50 percent of the equity in each of the three terminals.

On January 8, 2018, ESJ Renovable III, S. de R. L. de C. V. ("ESJRIII") paid to the Veracruz API the remaining 50 percent of a counter-payment fee equivalent to the amount of $500.0

million Mexican Pesos ($25.9 million U. S. Dollars) for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico.

On November 22, 2018, ESJRIII signed a contract with the Veracruz API for land, which will be used exclusively for the construction and operation of a railway and its respective roads with term on June 11, 2038.

e. *Wind power generation facility*

On November 16, 2017, the Company through Energia Sierra Juarez 2 U. S., LLC, its wholly owned subsidiary, executed a 20-year power purchase agreement with San Diego Gas & Electric Company (“SDG&E”), a IEnova’s unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW and will require an investment of approximately $150.0 million. The development of this project is subject to the receipt of regulatory approvals, including from the California Public Utilities Commission and the U.S. Federal Energy Regulatory Commission. It is also subject to obtaining consents from financing parties and partners.

f. *Long-term electric supply contract*

On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of El Puerto de Liverpool, S. A. B. de C. V. (“Liverpool”). The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico. The plant will have the capacity to supply Liverpool and other large energy consumers. The Company will be responsible for the development, construction and operation of the project that will have a capacity of 125 MW, with an investment of approximately $130.0 million. The beginning of commercial operations is expected to occur in the second half of 2019. (Please refer to Note 11.4.).

g. *Marine terminal, Baja California, Mexico.*

On April 12, 2018, the Company announced a project to develop, construct, and operate a marine terminal that will be located 23 Km North of Ensenada, Baja California, Mexico. The terminal, with one million barrels of initial storage capacity will receive, store, and deliver hydrocarbons, primarily gasoline and diesel. The investment will be approximately $130.0 million. The terminal is expected to begin commercial operations in the fourth quarter of 2020.

On April 12, 2018, the Company signed a long-term contract with Chevron Combustibles de Mexico S. de R. L. de C. V., a Chevron Corporation (“Chevron”) subsidiary, for approximately 50 percent of the terminal’s storage capacity. Additionally, another Chevron subsidiary will have the right to acquire 20 percent of the terminal equity after commercial operations begin. The option does not meet the definition of an equity instrument under IAS 32 and is therefore within the scope of IFRS 9 as a financial instrument, the option is required to be initially recognized at fair value which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for fair value, as such the Company will not record a fair value.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP Estaciones y Servicios Energeticos, S. A de C. V. ("BP") , a BP P. L. C. ("BP LC") subsidiary, for the remaining 50 percent of the terminal’s storage capacity.

h. *Marine terminal in Topolobampo, Sinaloa, Mexico*

On July 8, 2018, the Company was awarded by the Administracion Portuaria Integral de Topolobampo, S. A. de C. V. (“Topolobampo API”) with a bid for a 20-year transfer of its concession rights of an area to build and operate a marine terminal for the receipt and storage of hydrocarbons and other liquids.

The terminal will be located in Topolobampo, Sinaloa, Mexico and will have an initial storage capacity of approximately one million barrels, for storage primarily of gasoline and diesel. The investment is expected to be approximately $150.0 million, and commercial operations are expected to commence in the fourth quarter of 2020.

In September and October 2018, the Company announced the execution of two long-term, U. S. Dollar-denominated contracts with subsidiaries of Chevron and Marathon Petroleum Corporation (“Marathon”) for the storage and delivery of refined products, primarily gasoline and diesel, at the terminal, for the receipt, storage and delivery in Topolobampo, Sinaloa, Mexico. The agreements will allow Chevron and Marathon to each utilize approximately 50 percent of the terminal’s initial one million barrels of storage capacity. Additionally, another subsidiary of Chevron will have the right to acquire up to 25 percent of the equity of the terminal after commercial operations begin. The option does not meet the definition of an equity instrument under IAS 32 and is therefore within the scope of IFRS 9 as a financial instrument, the option is required to be initially recognized at fair value which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for fair value, as such the Company will not record a fair value.

According to the bidding basis, the Company is committed to make a onetime counter-payment offered for the right to build, use, leverage and benefit from the operation of the Topolobampo marine terminal, payable in two installments, each equivalent to 50 percent of the total amount. The first payment of $350.5 million Mexican Pesos ($18.4 million U. S. Dollars) was made in July 2018.

i. *Marine terminal in Manzanillo, Colima, Mexico*

On September 26, 2018, the Company executed a long-term contract with Trafigura Mexico S.A. de C. V. ("Trafigura"), for 740 thousand barrels, equivalent to 50 percent of the terminal’s storage capacity.

On September 28, 2018, the Company announced a project to develop, build and operate a marine terminal for the receipt, storage and delivery of refined products, primarily gasoline and diesel, that will be located in Manzanillo, Colima, Mexico. In its initial stage, the terminal is expected to have a storage capacity of 1.48 million barrels. The project’s estimated investment is approximately $200.0 million, and the Company anticipates, subject to the timing of issuance of the remaining permits, the start of commercial operations in the fourth quarter of 2020.

As part of the agreements, the Company also acquired 51 percent of the equity of ICM Ventures Holding B. V. ("ICM"), owner of the land where the project will be built. Affiliates of Trafigura retained 49 percent of the equity interest in the project. (Please refer to Note 11.6.).

j. *Natural gas liquefaction project*

On November 7, 2018, the Company announced, together with Sempra LNG & Midstream, the signature of three agreements with affiliated companies of Total S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the Energia Costa Azul, S. de R.L. de C.V. (“ECA”) liquefied natural gas project located in Ensenada, Baja California, Mexico.

The project’s phase 1 is a single-train liquefaction facility to be located adjacent to the existing receipt terminal and is expected to produce approximately 2.4 million tonnes of liquefied natural gas ("LNG") per annum.

The three agreements for the phase 1 contemplate the parties negotiating and finalizing definitive 20-year liquefied natural gas sales-and-purchase agreements. A final investment decision for this project is targeted in late 2019 with potential first LNG deliveries in 2023.

k. *Power purchase agreement*

On December 17, 2018, the Company, through one of its subsidiaries, executed a 15-year electric supply contract with Compañia Minera Autlan, S.A.B. de C.V., ("Autlan") to provide energy for 1,175.0 MW from the Company's portfolio of solar generation project's.

The beginning of commercial operations is expected to occur in the fourth quarter of 2019.

1.2.14. Other matters

a. *Energy Reforms*

On December 20, 2013, Mexico's president enacted constitutional reform with respect to laws governing the energy sector, which was approved by the national congress and the majority of state congresses. The Reform modifies Articles 25, 27 and 28 of the Mexican Constitution, allowing for private investment in the following areas: exploration and production of hydrocarbons, petrochemicals, refining, transportation, storage and distribution of petroleum products and power transmission and distribution. On August 11, 2014, the secondary legislation derived from the reform was enacted and on October 31, 2014, its most relevant regulations were published in the Federal Official Gazette. 2015 and 2016 witnessed the implementation of the Reform since particular regulation (General Administrative Procedures) regarding natural gas, electricity, renewables and liquids were issued by the Energy Regulatory Commission ("CRE"). The Centro Nacional de Control del Gas Natural ("CENAGAS") and CENACE started functioning as the Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural ("SISTRANGAS") and National Electrical System, Pemex and CFE had important corporate restructures.

b. *Credit Ratings*

On November 30, 2017, S&P gave the Company a global corporate credit rating of BBB with a stable outlook, and Fitch Ratings gave IEnova long-term foreign and local currency issuer default ratings of BBB+ with a stable outlook.

On November 19, 2018, Fitch Raitings confirmed the credit rating of BBB granted in 2017. S&P Global Ratings affirmed IEnova's global scale corporate credit rating of BBB and revised its global outlook from stable to negative because of similar action on Sempra Energy. As a result, IEnova's local credit rating changed from AAA to AA+.

1.3. Activities

The Company operates in the energy sector and is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova. (Please refer to Note 28.).

The Gas segment develops, owns and operates, or holds interests in, natural gas, LPG, ethane pipelines, storage facilities for 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 Power segment develops 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 develops marine and land terminals for the reception, storage and delivery of refined products, located in Veracruz, Mexico City, Puebla, Baja California, Sinaloa and Colima, Mexico.

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

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

1.3.1. Gas segment

The Company's subsidiaries included in this reportable segment are:

a. Ecogas Mexico, S. de R. L. de C. V. ("ECO") is engaged in the distribution and sale of natural gas for industrial, residential and commercial use in three local distribution zones: Mexicali (serving the city of Mexicali, Baja California), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtemoc and Anahuac) and La Laguna-Durango (serving the cities of Torreon, Gomez Palacio, Lerdo and Durango), with pipelines of approximately 3,925 km in length.

   During 1996, 1997 and 1999, the CRE, granted ECO the first natural gas distribution permits for the local distribution zones of Mexicali, Baja California, Chihuahua, Chihuahua and La Laguna-Durango, under which ECO receives, transports, delivers and sells natural gas through a pipeline system.

   In May 2009, the CRE approved the third five-year plan to ECO for the local distribution zones of Chihuahua, Chihuahua and Mexicali, Baja California, and in June 2010 for the local distribution zone of La Laguna-Durango. Additionally, in 2016, the CRE authorized an adjustment to the authorized tariffs to be applied in the five-year plan for the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango and in 2018 an actualization to tariffs related to inflationary effects. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2018, 2017 and 2016, ECO had over 122,000, 120,000 and 119,000 customers, respectively.

b. Servicios DGN de Chihuahua, S. A. de C. V. ("SDGN") provides administrative, and operational services to other affiliates of the group.

c. IEnova Gasoductos Mexico, S. de R. L. de C. V. ("IGM") is engaged in the acquisition and subscription of any kind of participation in the capital stock of a variety of companies; its subsidiaries are engaged in the compression, storage and transportation of natural gas and LPG as well as in rendering all kind of services related to such activities, including the coordination, consulting and supervision of construction and development of energy infrastructure projects.

   It is primarily engaged in the compression of natural gas using compression equipment located in Naco, Sonora (also referred to as the Naco Compression Station).

   In 2001, IGM entered into an agreement with Pemex TRI to provide natural gas compression services for a 20-year period. The term of the agreement may be extended up to five additional years by mutual agreement between IGM and Pemex TRI.

d. Gasoductos de Aguaprieta, S. de R. L de C. V. (“GAP”), a subsidiary of IEnova Gasoductos Mexico, was incorporated on July 4, 2001 and commenced operations on November 20, 2002. GAP is primarily engaged in the transportation of natural gas.

   On July 19, 2002, GAP obtained its natural gas transportation permit from the CRE. The term of the permit is for 30 years and is renewable every 15 years.

   On June 28, 2002, GAP entered into a 25-year gas transportation agreement with EPEMM, a related party until April 2010. The pipeline starts at the border of Arizona, U. S., and extends to the power plant called "Naco-Nogales", which is owned by Power and Energy Naco Nogales, S. A. de C. V., located in Agua Prieta, Sonora, Mexico.

   Sonora pipeline: In October 2012, GAP was awarded by the CFE with two contracts to build and operate an approximately 835 km natural gas pipeline network connecting the Northwestern Mexican states of Sonora and Sinaloa (“Northwest gas pipeline”, also known as the “Sonora Pipeline”) to the U.S. interstate pipeline.

   The Sonora pipeline is comprised of two segments; the first one (Sasabe – Guaymas), has an approximate length of 505 km, 36-inch diameter pipeline with 770 MMCFPD of transportation capacity; and the second one (Guaymas – El Oro), has an approximate length of 330 km, and 30-inch pipeline with 510 MMCFPD of transportation capacity and started commercial operation on May 19, 2017.

   On August 18, 2014, CFE granted a compliance certification for the Sasabe – Puerto Libertad segment construction. The first 220 km, of the first segment were put into operation in the fourth quarter of 2014. The second 285 km of the first segment (Puerto Libertad – Guaymas), this segment started commercial operation in the third quarter of 2015.

   The capacity of the Sonora pipeline is contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

   Ojinaga - El Encino pipeline: In December 2014, GAP, entered into the Ojinaga pipeline natural gas transportation services agreement with the CFE, which has a term of 25 years. The CFE contracted 100 percent of the transportation capacity of the Ojinaga pipeline, equal to 1.4 billion Cubic Feet Per Day ("CFPD"). The 42-inch pipeline, with a length of approximately 220 km. This segment started commercial operation on June 30, 2017.

   San Isidro - Samalayuca pipeline: During 2015, the Company, through its subsidiary GAP, was declared winner of the CFE tender for a natural gas transportation contract through a pipeline from San Isidro to Samalayuca in the State of Chihuahua. Such project consists of a header facility with a capacity of 3 billion CFPD and a 23 km pipeline with a capacity of 1,135 MMCFPD of natural gas. The system supplies natural gas to the Norte III Combined Cycle Power Plant and interconnect with the following systems: Gasoductos de Chihuahua, Tarahumara Pipeline and the Samalayuca-Sasabe pipeline. This segment started commercial operation on March 31, 2017. The contract maturity is 25 years.

   El Empalme pipeline branch: In May 2016, IEnova entered into a natural gas transportation service agreement with CFE for a 21 year term, denominated in U.S. Dollars, for 100 percent of the transportation capacity of the Ramal Empalme pipeline, equal to 226 MMCFPD of natural gas. The 20 km pipeline branch. This segment started commercial operation on June 24, 2017.

   Gasoducto Rosarito, (“GRO”) renders services of transportation of natural gas, providing the energy requirements of Baja California, Mexico. GRO operates the Gasoducto system comprised of three natural gas pipelines (*Rosarito Mainline, LNG Spur and Yuma Lateral)* and two 32,500 horse power (“HP”) compression stations located in Baja California, Mexico. The total length of GRO system is approximately 302 km. The system begins at the interconnection with the El Paso Natural Gas Co. pipeline near Ehrenberg, Arizona, U. S. (“North Baja Pipeline”), and ends in southern Tijuana, Baja California at the interconnection with the Transportadora de Gas Natural de Baja California, ("TGN"), pipeline. The Mexican portion of the pipeline begins at the interconnection in Algodones, Baja California with the North Baja Pipeline and travels through Mexicali and Tecate, Baja California ending at the interconnection with TGN. These three pipelines operate under one transportation permit issued by the CRE.

Rosarito Mainline: This system was originally placed in service in August 2002 to supply natural gas from the U.S. to several power plants and industrial customers in the Baja California, Mexico market. This system is a 30-inch diameter pipeline with a length of approximately 225 km and a designed transportation capacity of 534 MMCFPD.

LNG Spur: This system was completed in May 2008 and transports natural gas to the Rosarito Mainline for delivery to power plants to the Baja California market. This system is a 42-inch diameter pipeline with a length of approximately 72 km and a designed transportation capacity of 2,600 MMCFPD.

Yuma Lateral: This system was the latest addition to the GRO transportation system and was placed in service in March 2010 to transport natural gas to the Arizona border. This system is a 12-inch diameter pipeline with a length of approximately 5 km and a designed transportation capacity of 190 MMCFPD.

Effective August 1, 2017, GRO was merged with and into GAP which is the surviving entity in the merger.

TGN is engaged in the transportation of natural gas in accordance with a permit issued by the CRE, through a 45 Km, 30-inch pipeline with a designed transportation capacity of 940 MMCFPD as permitted by the CRE. TGN interconnects with the GRO pipeline system in the Tijuana, Baja California, Mexico, area and extends north to interconnect with the SDG&E, system at the Otay Mesa International border and southwest to the CFE's 1,300MW Presidente Juarez Power Plant in Rosarito, Baja California, Mexico. The TGN pipeline system was placed in service in June 2000. A 19 km expansion to the TGN system began operations in May 2008.

Effective August 1, 2017, TGN was merged with and into GAP which is the surviving entity in the merger.

e. IGH is engaged in the acquisition and subscription of any participation in the share capital of various companies.

f. ECA, owns and operates an LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, Mexico.

   During 2007, ECA obtained all necessary operating permits from Mexican regulatory agencies and operations commenced in May 2008.

   In December 2009, ECA completed the construction of a nitrogen injection facility to allow customers to deliver LNG with a greater range of gross heating value. The nitrogen injection facility produces nitrogen that can be mixed with natural gas when it is necessary to lower the heating content to meet pipeline gas quality standards in Mexico and the U. S.

   ECA entered into two 20-year firm storage service agreements with third independent parties for the 50 percent of the total storage capacity of the LNG Terminal. The agreements commenced in 2009.

g. IEnova Marketing, S. de R. L. de C. V. ("IEnova Marketing") provides LNG services related to the purchase and sale of LNG and natural gas. In May 2008, IEnova Marketing began operations jointly with ECA. Up to that date, the activities of IEnova Marketing were primarily focused on obtaining necessary permits to operate.

In November 2009, IEnova Marketing entered into an agreement with Sempra LNG International, LLC (“SLNGI”), whereby SLNGI agreed to deliver and sell LNG cargoes to IEnova Marketing from startup date of the LNG Terminal. Accordingly, IEnova Marketing entered into transportation and storage capacity service agreements to commercialize the LNG.

Thereafter, on January 1, 2013, SLNGI and IEnova Marketing entered into an LNG sale and purchase, transportation and supply agreement expiring on August 20, 2029. The minimum annual quantity committed for delivery is 188 million British Thermal Units (“MMBtus”). Under the terms of the agreement, SLNGI will be responsible for the transportation to the receiving terminal of all quantities of LNG sold and delivered from the delivery point to the receiving terminal and, IEnova Marketing will take LNG in order to meet its purchase commitments.

As of February 28, 2018, all end users that purchase natural gas and whose maximum annual consumption is greater than 5,000 Gigajoules ("GJ") must resort to licensees marketers for the supply thereof, said licensees marketers must have a supply issued by the CRE. During the period from January to March 2018, IEnova Marketing signed 93 natural gas purchase agreements with third parties which are located in Mexicali, Chihuahua, Torreon and Durango. The majority of the customers were previously consumers from ECO. (Please refer to Note 1.3.1.a.)

As of December 31,2018, IEnova Marketing has a total of 147 new customers derived from the change regulation issued by the CRE.

h. IEnova Pipelines is engaged in providing natural gas and LPG transportation services through Gasoductos de Tamaulipas, S de R. L. de C. V. (“GdT”), Gasoductos del Noreste, S. de R. L. de C. V. (“GdN”) and TDF, S. de R. L. de C. V. (“TDF”), respectively, it also stores gas for the supply of LPG, through Transportadora del Norte SH, S. de R. L. de C. V. (“TdN”, TDF’s holding company). These activities are regulated by the CRE. IEnova Pipelines is also engaged as well in the ethane gas transportation service through Gasoductos del Sureste, S. de R. L. de C. V. (“GdS”).

IEnova Pipelines has to follow the rulings authorized by the CRE. Those contain among other things, general service provision conditions for the service supply, tariff limits, the approved maximum revenues and the route followed by the gas pipeline proposed by the companies. The construction program and established investments in each permit must have been developed by IEnova Pipelines. In addition, the rulings require that a review of the maximum revenue be performed every five years to make any adjustments required regarding revenue and the related tariffs.

GdT - San Fernando pipeline: a fully bi-directional system that is comprised of a 36-inch diameter pipeline with an approximate length of 114 km and a capacity of 1,460 MMCFPD and two compression stations with a total of 95,670 HP. The pipeline extends from the El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas. CENAGAS, as transferee of Pemex TRI, is the sole customer of the San Fernando pipeline and also purchases the system’s unused compression capacity on an as-needed basis pursuant to an interruptible transportation services agreement. The services agreement with CENAGAS has an initial term of 20 years beginning in 2003, but is extendable for a five-year period at the customer’s option.

IEnova Pipelines - Samalayuca pipeline: a 24-inch diameter pipeline with an approximate length of 37 km and a capacity of 400 MMCFPD. The Samalayuca pipeline, which began operations in 1997, was the first privately-owned natural gas pipeline in Mexico. The Samalayuca pipeline extends from Ejido San Isidro, Chihuahua, to CFE’s Samalayuca power plant and interconnects with a separate, 16-inch diameter pipeline owned by Pemex TRI that extends from Ciudad Juarez to Chihuahua. IEnova Pipelines has entered into long-term transportation service agreements with the Samalayuca pipeline’s customers, which have 50 percent of the system’s design capacity contracted on a firm basis.

IEnova Pipelines - Gloria a Dios compression station: a 14,300 HP compressor with a capacity of 60 MMCFPD. It is installed at the interconnection point of the Samalayuca pipeline and Pemex TRI's Ciudad Juarez–Chihuahua natural gas pipeline in Gloria a Dios, Chihuahua. CFE, which is the station's sole customer, has contracted 100 percent of the station's capacity on a firm basis through 2021, at the rates established by the CRE, pursuant to a transportation and compression services agreement.

Under this agreement, the Gloria a Dios compression station provides compression services for the Chihuahua II power plant, transports natural gas from an interconnection between Kinder Morgan's pipeline system and the Samalayuca pipeline at the Mexico–U.S. border, and delivers the compressed gas to the interconnection point of the Samalayuca pipeline and Pemex TRI's pipeline system.

TDF - LPG pipeline: a system comprised of approximately 190 km of 12-inch diameter pipeline with an average daily transportation capacity of 34,000 Barrels per day ("Bbld") of LPG, a pumping station located near the pipeline's point of delivery, and a reception facility that includes two storage spheres with a combined storage capacity of 40,000 Bbld.

The TDF's LPG pipeline, which was the first private LPG pipeline in Mexico, extends from Pemex TRI's Burgos LPG production area in the State of Tamaulipas to a delivery facility near Monterrey, Nuevo Leon. The TDF's LPG pipeline has in place a firm transportation services agreement with Pemex TRI, which expires in 2027.

TdN - Guadalajara LPG terminal: in 2013 TdN completed the construction of an LPG storage facility with a capacity of 80,000 Bbld near Guadalajara, Jalisco. This facility consists of four storage spheres, each with a capacity of approximately 20,000 Bbld, ten loading bays, and an interconnection with a separate LPG pipeline system that is owned by Pemex TRI. The Company has entered into several 15-year storage service agreements with Pemex TRI, pursuant to which it has contracted 100 percent of the terminal's capacity through 2028.

GdN - Los Ramones I pipeline: the system is comprised of a 48-inch diameter pipeline with an approximate length of 116 km and two compression stations with a total of 123,000 HP. The Los Ramones I pipeline transports natural gas from northern Tamaulipas, near the Mexico-U.S. border, to the interconnection point with the Los Ramones II Norte pipeline and Mexico's national pipeline system in Los Ramones, Nuevo Leon. CENAGAS, as transferee of Pemex TRI, is the sole customer of this facility under a 25-year firm transportation services agreement.

GdS - Ethane pipeline: an approximately 224 km system comprised of three segments. The first segment is a 20-inch diameter pipeline with a transportation capacity of approximately 52 MMCFPD (0.6 MMThd). The second segment is a 16/24-inch diameter pipeline with a transportation capacity of approximately 100 MMCFPD (1.8 MMThd). The third segment is a 20-inch diameter pipeline with a transportation capacity of approximately 106,000 Bbld (1.9 MMThd). The Ethane pipeline transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization plant in the State of Veracruz. Pemex TRI, the sole customer of this facility, has contracted 100 percent of its capacity for a period of twenty one years under a purchase agreement on a take-or-pay basis. This system, which began operations in 2015, is Mexico's first privately-owned ethane pipeline.

i. DEN provides operation and maintenance services to the Los Ramones II Norte pipeline system under a 25-year term agreement, starting in February 2016, the commercial operations date DEN owned 50 percent of TAG, which owned 99.99 percent of TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte"), under which the Los Ramones II Norte pipeline was built. On November 15, 2017, IEnova completed the acquisition of Pemex TRI 50 percent interest in DEN, through this acquisition IEnova increased its ownership interest in TAG from 25 percent to 50 percent. DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.3.).

1.3.2. Power segment

The Company's subsidiaries included in this reportable segment are:

a. TDM, a 625-MW natural-gas-fired, combined-cycle power generation facility located in the city of Mexicali, Baja California, is engaged in the generation and sale of electricity. In August 2001, TDM received a favorable resolution by the CRE to generate and export electricity.

   On January 1, 2013 (with an effective date of January 1, 2012), Sempra Generation, LLC. ("SGEN") and TDM entered into a new commercial agreement, for which TDM delivers all of its power output directly to the California's Independent System Operator power grid ("CAISO") in the U. S. at the Mexico border, and SGEN provides marketing, scheduling and dispatch services for TDM.

   On December 2016, this contract was assigned to SGPM. In April 2018, the Company signed an addendum to the contract where the payment for the sale of electricity was eliminated.

b. In October 2013, ESJ began the construction of the 155 MW first phase of the wind generation project, which is fully contracted by SDG&E and started operations in June 2015. The ESJ project is designed to provide up to 1,200 MW of capacity if fully developed. In June 2014, the ESJ wind project entered into a $240.0 million loan agreement to finance the construction project. The credit facilities mature on June 30, 2033.

   The loan agreement also provides for a $31.7 million letter of credit facility. ESJ also entered into a separate Mexican Peso denominated credit facility for up to $35.0 million U.S. Dollar equivalent to fund the VAT of the project. On December 23, 2015, ESJ repaid and canceled the total credit facility related to VAT. (Please refer to Note 10.2.).

c. In December 2016, the Company acquired 100 percent of the equity interests of Ventika's wind farm, located in the State of Nuevo Leon, approximately 56 km from the U.S. border. It is powered by 84 turbines, provides an aggregate of up to 252 MW of generating capacity, and is connected to CFE's transmission line. Ventika's location has one of the strongest wind resources in the country. It started operations in April 2016, and substantially all of Ventika's generation capacity is contracted to private companies through 20-year, U.S. Dollar-denominated, energy supply agreements.

1.3.3. Corporate segment

The Corporate Segment holds interests in the transportation, storage, distribution, and regassification, holds interest and is developing projects for power generation facilities in Mexico. The Company develops marine and in-land terminals for the reception, storage and delivery of refined products. Based on the significant investment and impact on the Liquids Terminals, the chief decision makers have decided to reclassify retrospectively the amounts as of December 31, 2017, included from Liquid Terminals in to the Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. The amounts of December 31, 2016, has not been restated as the investment and operation on terminals began during 2017. (Please refer to Note 28.).

a. IEnova Holdco, S. de R.L. de C.V. (formerly known as Sempra Servicios Energeticos, S. de R. L. de C. V.) is a holding company that invests in affiliated companies.

b. Fundacion IEnova, A. C., was established as a non-profit organization.

2. Significant accounting policies

2.1. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2. Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments, and assets and liabilities recognized upon business combinations that are measured at revalued amounts of fair values at the end of reporting period, as explained in the accounting policies below. (Please refer to Note 11.).

a. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b. *Fair value*

Fair value ("FV") is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, *Leases* and measurement that have some similarities for fair value but are not fair value, such as net realizable value in IAS 2, *Inventories* or value in use in IAS 36, *Impairment of assets.*

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
ii. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
iii. Level 3 inputs are unobservable inputs for the asset or liability.

Comparative information

The Consolidated Financial Statements provide comparative information in respect of the previous period. In addition, the Company presents an 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. A additional information for the Segment disclosure as of December 31, 2017, is presented in these Consolidated Financial Statements due to the retrospective reclassification. (Please refer to Note 28.).

For cash flow reporting purposes, balances restricted cash now form part of the cash and cash equivalents. Accordingly, changes in restricted cash in 2017 and 2016 are no longer reported as cash flows from investing activities.

2.3. *Consolidation of Financial Statements*

2.3.1. Basis of consolidation

The Consolidated Financial Statements of IEnova incorporate the Financial Statements of all entities where it maintains control (its subsidiaries). Control is achieved when the Company:

i. Has power over the investee;
ii. Is exposed, or has rights, to variable returns from its involvement with the investee; and
iii. Has the ability to use its power to affect its returns.

The Company reassesses whether or not controls an investee if facts and circumstances indicate that there are changes to one or more of the three control elements that were listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

i. The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
ii. Potential voting rights held by the Company, other vote holders or other parties;
iii. Rights arising from other contractual arrangements; and
iv. Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit and Other Comprehensive Income ("OCI") from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Company accounting policies.

All intercompany transactions, assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

IEnova's equity ownership in subsidiaries for the year ended December 31, 2018 is as follows:

Company	**Ownership percentage 2018**
Gas Segment:	
Ecogas Mexico, S. de R. L. de C. V.	100.00
PE International Canada, S. de R. L. de C. V. ("merged in 2018 with IEnova Holdco, S. de R. L. de C. V. ")	100.00
Servicios DGN de Chihuahua, S. A. de C. V.	100.00
IEnova Gasoductos Mexico, S. de R. L. de C. V.	100.00
Gasoducto de Aguaprieta, S. de R. L. de C. V.	100.00
IEnova Gasoductos Holding, S. de R. L. de C. V.	100.00

Company	Ownership percentage 2018
Energia Costa Azul, S. de R. L. de C. V.	100.00
IEnova Marketing, S. de R. L. de C. V.	100.00
Ductos e Insfraestructura Marina, S. de R. L. de C. V.	100.00
IEnova Gas, S. de R. L. de C. V.	100.00
IEnova Pipelines, S. de R. L. de C. V.	100.00
Gasoductos de Tamaulipas, S. de R. L. de C. V.	100.00
Gasoductos del Noreste, S. de R. L. de C. V.	100.00
Transportadora del Norte SH, S. de R. L. de C. V.	100.00
TDF, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos Servicios Subholding, S. de R. L. de C. V.	100.00
Gasoductos Ingenieria, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Norte, S. de R. L. de C. V.	100.00
IEnova Infraestructura Marina Holding, B. V.	100.00
IEnova Petroleum Liquids Holding, B. V.	100.00
IEnova Gasoductos Holding, LLC	100.00
Sempra Ecogas Holdings, LLC	100.00
IEnova Petroliferos Holdings, S. de R. L. de C. V.	100.00
IEnova Petroliferos III, S. de R. L. de C. V.	100.00
IEnova Petroliferos IV, S. de R. L. de C. V.	100.00
IEnova Petroliferos V, S. de R.L. de C. V.	100.00
IEnova Petroliferos VI, S. de R.L. de C. V.	100.00
ECA Liquefaction, S. de R. L. de C. V.	100.00
Servicios Energia Costa Azul, S. de R. L. de C. V.	100.00
ICM Ventures Holding, B. V.	51.00
TP Terminals, S. de R. L. de C.V.	51.00
ECA Minority, S. de R. L. de C. V.	100.00
ECA LNG Holdings, B. V.	50.00
ESJ Renovable III, S. de R. L. de C. V.	100.00
Power segment:	
Termoelectrica de Mexicali, S. de R. L. de C. V. and Subsidiaries	100.00
Termoelectrica U.S., LLC	100.00
Servicios Termoelectrica de Mexicali, S. de R. L. de C. V.	100.00
Controladora Sierra Juarez, S. de R. L. de C. V.	100.00
IEnova Ventika Holding, B. V.	100.00
IEnova Ventika Holding II, B. V.	100.00
IEnova Ventika Mexico, S. de R. L. de C. V.	100.00
IEnova Ventika Mexico II, S. de R. L. de C. V.	100.00
Ventika, S. A. P. I. de C. V.	100.00
Ventika II, S. A. P. I. de C. V.	100.00
ESJ Renovable I, S. de R. L. de C. V.	90.00
ESJ Renovable II, S. de R. L. de C. V.	100.00
Ventika Energy B. V. (formerly known as IEnova Renewable Holding I, B. V.)	100.00

Company	Ownership percentage 2018
IEnova Renewable Holding II, B. V.	100.00
Energia Sierra Juarez 2, U. S., LLC	100.00
Energia Sierra Juarez 2, S. de R. L. de C. V.	100.00
Energia Sierra Juarez Holding, S. de R. L. de C. V.	100.00
ESJ Energy, B.V.	100.00
Central Fotovoltáica Border Solar Norte, S. A. de C.V.	100.00
Don Diego Solar Netherlands, B. V.	100.00
Don Diego Solar Holding, S. de R. L. de C. V.	100.00
Don Diego Solar, S. A. P. I. de C. V.	100.00
IEnova Suministro Calificado, S. de R. L. de C. V.(formerly known as BC Transmision, S. de R. L. de C. V.)	100.00
Corporate segment:	
IEnova Holdco, S. de R. L. de C. V. (formerly known as Sempra Servicios Energeticos, S. de R. L. de C. V.)	100.00
Fundacion IEnova, A. C.	100.00
Inmobiliaria IEnova, S. de R. L. de C. V.	100.00

2.4. Classification of costs and expenses

The costs and expenses are presented according to their function because this is the practice of the industry in which the Company operates.

2.5. Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that are highly liquid and easily convertible into cash, mature within three months as of their acquisition date, and are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in the Consolidated Statements of Profit.

2.6. Restricted cash

Restricted cash comprises the amounts of cash of escrows used by the Company to make payments of certain operating costs, which are guaranteed until the completion of the projects. It also comprises the restricted cash under the project financing structure.

2.7. Short-term investments

Short-term investments consist mainly in money market funds, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks and are maintained for purposes other than operation.

2.8. Natural gas inventories

Liquefied natural gas inventory is recorded at the lower of cost or net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to sell.

2.9. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the benefits. All other leases are classified as operating leases.

2.9.1. The Company as lessor

Amounts payable by lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is distributed in the accounting periods to reflect a constant periodic rate of return on the Company´s net investment with respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.9.2. Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statements of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's accounting policy on borrowing costs (Please refer to Note 2.18). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that income incentives received for holding operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.10. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of the joint venture are incorporated in these Consolidated Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under the equity method, an investment in a joint venture is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and OCI of the joint venture.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit in the year in which the investment is acquired.

The requirements of IFRS 9, *Financial instruments:* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, *Impairment of Assets*, as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that joint venture would be reclassified to profit on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in a joint venture but the Company continues to use the equity method, the Company reclassifies to profit the proportion of the gain or loss that had previously been recognized in OCI regarding that reduction in ownership interest if that gain or loss would be reclassified to profit on the disposal of the related assets or liabilities.

When the Company conducts transactions with joint ventures, non-realized profit and losses are eliminated at the Company's ownership percentage in the joint venture.

2.11. Business combination and assets acquisition

A Company shall determine whether a transaction or other event is a business combination by applying the definition of IFRS 3 *Business Combinations*, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the Company shall account for the transaction or other event as an asset acquisition.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for:

i. Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits,* respectively,
ii. Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in OCI are reclassified to profit where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

When a transaction or other event does not meet the definition of a business combination due to the asset or group of assets not meeting the definition of a business, it is termed an "asset acquisition". In such circumstances, the acquirer:

i. Identifies and recognizes the individual identifiable assets acquired and liabilities assumed; and,
ii. Allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

In addition, in an asset acquisition, the acquirer generally capitalizes transaction costs as part of the cost of the assets acquired, applies the exception to recognition of deferred taxes arising upon the initial recognition of assets and liabilities, and, does not recognize contingent liabilities.

2.12. Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Statement of Profit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit on disposal.

2.13. Carbon allowances

The Company has elected to account for carbon allowances, or emission allowances, ("CAs") under the inventory model, whereby CAs are measured at a weighted-average cost. CAs allocated by a regulatory body will have a zero cost basis, CAs purchased at auction or from other market participants are recorded at their purchase price, and CAs acquired when the Company elects to physically settle carbon futures are recorded based on the settlement price. The weighted-average cost of CAs consumed (i.e., carbon emitted while power is generated) is charged to cost of revenue of each reporting period. The CAs' carrying value is evaluated under the "lower of cost or net realizable value" approach. The CAs inventory is classified as other current assets or other non-current assets if it is expected to surrender the inventory within the term greater than one year beginning at the Consolidated Statements of Financial Position date. The CAs' cash inflows and outflows are classified as an operating activity in the Consolidated Statements of Cash Flows. (Please refer Note 21).

2.14. Property, plant and equipment

Property, plant and equipment are presented in the Consolidated Statements of Financial Position and recorded at acquisition cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Acquisition costs include labor, material costs and construction service agreements.

The Company recognizes decommissioning liabilities for the present value of liabilities of future costs expected to be incurred when assets are retired from service, if the retirement process is legally required and if a reasonable estimate of fair value can be made.

Property, plant and equipment include major expenditures for improvements and replacements parts, which extend useful lives or increase capacity. Routine maintenance costs are expensed as incurred.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. The buildings, equipment and other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write-off the cost of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit.

2.15. Intangible assets

Intangible assets acquired in a business combination and/or assets acquisition and recognized separately from goodwill and are initially recognized at their 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.

2.16. Impairment of tangible and intangible assets (other than goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit.

When non-current assets and disposal groups are classified as held for sale, they are required to be measured at the lower of their carrying amount and fair value less costs to sell. The comparison of carrying amount and fair value less costs to sell is carried out at each reporting date while it continues to meet the held for sale criteria. As described in Note 12, an impairment loss related to TDM has been recognized in the Consolidated Statements of Profit.

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, a gain or loss could arise once an actual sale is completed.

2.17. Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

A discontinued operation is a component of a company that either has been disposed of or is classified as held for sale and represents (or is part of a single coordinated plan to dispose of) a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

A discontinued operation is presented as a single amount in the Consolidated Statements of Profit comprising the total of post-tax profit or loss of discontinued operations and gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets constituting the discontinued operation.

If the entity does not meet with the criteria established in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* or decides to make changes to a plan of sale and the non-current asset ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale), it is measured at the lower of:

i. Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale; and
ii. Its recoverable amount at the date of the subsequent decision not to sell or distribute.

The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria of the IFRS 5 are no longer met and will be changed, as a result the Financial Statements of the periods from the classification of as held for sale. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any.

If an entity ceases to classify a component as held for sale, the results of operations of the component previously presented in discontinued operations should be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods should be described as having been re-presented.

The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the comparative Consolidated Statement of Financial Position should not be reclassified or re-presented.

2.18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that the Company generally borrows funds and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. For a relationship designated as cash flow hedging, none of the effects of the derivative are included in capitalized interest.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit in the period in which they are incurred.

2.19. Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans, which include pension plans as well as its seniority premium benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement comprising actuarial gains and losses and the effect of the changes on the floor of the asset (if applicable), are immediately recognized in the Consolidated Statement of Financial Position charged to the credit recognized in the Consolidated Statements of Profit and OCI in the period in which they occur.

Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. The Company presents service costs within administrative and other expenses in the Consolidated Statements of Profit. The Company presents net interest cost within finance costs in the Consolidated Statements of Profit. The retirement benefit obligation recognized in the Consolidated Statements of Financial Position represents the present value of the defined benefit obligation as of the end of each reporting year.

2.19.1. Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service and are presented in other liabilities.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

2.19.2. Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost of sales line item in the Consolidated Statement of Profit and Other Comprehensive Income.

As result of the 2014 Income Tax Law, as of December 31, 2018, 2017 and 2016, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

2.20. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.21. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit.

2.21.1. Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument or financial liability and of allocating interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.21.2. Fair value

Fair value is defined in Note 2.2.b.

2.22. Financial assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" ("FVTPL"), investments held to maturity, financial assets "available for sale" ("AFS") and 'loans and receivables' (amortized cost). The classification depends on the nature and purpose of the financial assets and is determined at initial recognition. All purchases or sales of financial assets made routinely identified and removed based on the trade date. Purchases or sales regularly are those purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or custom in that market.

2.22.1. Amortized cost /effective interest rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income or interest cost during the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition.

2.22.2. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

i. It has been acquired principally for the purpose of selling it in the near term; or
ii. On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
iii. It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if, certain conditions are met. The Company has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the cost of revenues and in other gains and losses line items in the Consolidated Statements of Profit. Fair value is determined in the manner described in Note 2.2.b.

2.22.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Company does not hold any held-to-maturity financial assets.

2.22.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and amounts due from unconsolidated affiliates) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.22.5. Impairment of financial assets

Financial assets are subject to impairment tests at the end of each reporting period. It is considered that financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For all other financial assets, objective evidence of impairment could include:

i. Significant financial difficulty of the issuer or counterparty;
ii. Non-payment of interest or principal;
iii. It is probable that the borrower will enter bankruptcy or financial reorganization; or
iv. The disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable where the carrying amount is reduced through an account of allowance for doubtful accounts. When a receivable is uncollectible, it is removed from the estimate. Subsequent recoveries of amounts previously written off become claims against the estimate. Changes in the carrying amount of the allowance account are recognized in the Consolidated Statement of Profit.

2.22.6. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

If a financial asset is derecognized, the difference between the book value of the asset and the compensation received is recognized in the Consolidated Statements of Profit.

For changes related to the adoption of IFRS 9 and IFRS 7, refer to notes 38 and 24.9, respectively.

2.23. Financial liabilities and equity instruments

2.23.1. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.23.2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.23.3. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2.23.3.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

i. It has been acquired mainly for the purpose of repurchasing it in the near term; or
ii. It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of making profits in the short term; or
iii. It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if, certain conditions are met. The Company has not designated any financial liabilities as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the Consolidated Statements of Profit. Fair value is determined as described in Note 24.

2.23.3.2. Other financial liabilities

Other financial liabilities (including borrowings, due to unconsolidated affiliates, trade payables and customers deposits) are subsequently measured at amortized cost using the effective interest method.

2.23.3.3. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in Consolidated Statements of Profit.

2.24. Derivative financial instruments

The Company enters into derivative financial instruments to reduce its exposure to risks. These instruments are negotiated with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is to carry out transactions with derivative financial instruments for the purpose of offsetting its exposure to such risks through risk management. Further details of derivative financial instruments are disclosed in Note 24.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value on the Consolidated Statements of Financial Position, regardless of its intent for holding them.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss in the same line as the hedged item affects profit or loss for derivatives that are economic hedges.

2.24.1. Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.24.2. Own use exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements fall within the "own use" (or "normal purchase or sale") exemption. Under this scope exemption, ordinary physical supply arrangements are excluded from derivative accounting treatment.

2.25. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivative with respect to foreign currency risk, either as fair value hedges, cash flow hedges, or hedges of a net investment in a transaction foreign. The hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

For its hedging instruments, the Company documents the relationship between the hedging instrument and the hedged item at the inception of the hedge relationship, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

2.25.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in Consolidated Statements of Profit.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit in the years when the hedged item is recognized in profit, in the same line of the Consolidated Statements of Profit as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in OCI and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit.

2.25.2. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the profit or loss consolidated statements of related to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2.26. Taxation

Income Tax expense represents the sum of the current and deferred tax.

2.26.1. Current tax

Current income tax is recognized in the results of the year in which it is incurred.

2.26.2. Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.26.3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.26.4. Tax on assets

The assets tax ("IMPAC") expected to be recoverable is recorded as a tax credit and is presented in the balance sheet in the income taxes receivable line item.

2.27. Revenue recognition

The Company has initially applied IFRS 15 from 1 January 2018. Information about the Company's accounting policies relating to contracts with customers is provided in Note 29. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 29.

2.27.1. Sale of goods

Revenue from the sale of goods are recognized over the time when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Management considered practical expedient which allows companies to recognize revenues based on amount invoiced to the customer when the amount of the invoice corresponds directly with the value transferred.

The following revenue streams related to the sale of goods are recognized in accordance with the previous accounting policy :as disclosed in more detail below:

i. Sales of natural gas and the related costs are recognized upon the transfer of title, which coincides with the physical delivery of natural gas to customers; and,
ii. Power generation on revenues are recognized when generated power is delivered.

2.27.2. Rendering of services

Under IFRS 15 revenue is recognized upon the satisfaction of an entity's performance obligation which occurred when contract service transfers to the costumer at a point in time or over time.

The main services are consumed simultaneously therefore the performance obligation is eligible for recognition over the time.

Management considered practical expedient which allows companies to recognize revenues based on amount invoiced to the customer when the amount of the invoice corresponds directly with the value transferred.

The following revenue streams related to the rendering of services are recognized in accordance with the previous accounting policy as disclosed in more detail below:

i. Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements;

ii. Revenues and related costs and expenses from gas distribution and transportation are recognized when the distribution or transportation services are rendered;
iii. Revenues also include net realized gains and losses and the net change in the fair value of unrealized gains and losses on derivative contracts for natural gas; and,
iv. Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.27.3. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset´s net carrying amount on initial recognition.

2.27.4. Rental income

The Company's policy for recognition of revenue from finance leases is described in Note 2.9.1.

2.28. Foreign currencies

The Company's functional currency is the U. S. Dollar, except for ECO, PEI and SDGN in its Gas segment, and Fundacion IEnova in the corporate segment, which is the Mexican Peso.

In preparing the Consolidated Financial Statements of each individual subsidiary of the Company, transactions in currencies other than the subsidiaries functional currency (U. S. Dollar or Mexican Peso) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

i. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
ii. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in OCI and reclassified from equity to profit on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Company's subsidiaries with Mexican peso functional currency are translated into U. S. Dollars (the Company's reporting currency) using exchange rates prevailing at the end of each reporting period. Profit amounts are translated at the rate of the transaction date, unless there are significant currency fluctuations during the period, in which case the exchange rates at the dates of the transactions are used.Exchange differences arising, if any, are recognized in other items of comprehensive income and accumulated in equity.

On the disposal of an operation with a Mexican Peso functional currency all of the exchange differences accumulated in equity related to the disposed operation that are attributable to the owners of the Company are reclassified to profit.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company´s accounting policies, the management of the Company required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the Consolidated Financial Statements.

The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

3.1. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3.2 below), that Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

3.1.1. Finance leases

Management has determined that certain arrangements should be accounted for as a finance lease as the present value of the minimum lease payments at inception date of the arrangement amounted to substantially all of the fair value of the compression station as of such date. Details of the finance lease asset are included in Note 8.

3.1.2. Regulatory accounting

Rate regulation is the setting, by regulatory bodies or governments of prices that can be charged to customers for services or products through regulations, often where a company has a monopoly or dominant market position that gives it significant market power.

As of December 31, 2018, 2017 and 2016, there is no explicit guidance under IFRS regarding whether entities operating in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation. Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP") provide specific guidance on this matter.

The IFRS Interpretations Committee ("IFRIC") has previously commented that the U.S. GAAP recognition criteria pertaining to rate-regulated accounting are not consistent with IFRS. The IASB, issued IFRS 14, *Regulatory deferral accounts* on January 30, 2014, as a part of its project on this matter, however, such standard is not applicable to the Company as it is not a first-time adopter of IFRS. As a result, the Company does not recognize rate-regulated assets or liabilities in its Consolidated Financial Statements. Management will continue to monitor the status of future deliberations by the IASB and IFRIC as it relates to this matter and its potential impact on the Company's Consolidated Financial Statements.

3.1.3. Contingencies

The Company accrues losses for the estimated impacts of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, the Company accrues for the loss if an event has occurred on or before the date of the Consolidated Statements of Financial Position. The Company does not accrue contingencies that might result in gains. The Company continuously assesses contingencies for litigation claims, environmental remediation and other events.

3.1.4. Own use exemption

IAS 39 contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity's own use. The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments.

If a non-financial item can be settled net either in cash or another financial instrument, or by exchange of financial instruments, it must be accounted for as a financial instrument.

There are various ways in which a contract can be settled net. Management applies judgment in assessing whether, among others, past practices of net settling similar contracts or of taking delivery and selling the item within a short period; or, the commodity is readily convertible to cash, would lead to net settlement.

Management analyzes each of its physical delivery contracts of nonfinancial items for determining if they are within the own use exemption from derivative accounting treatment.

3.1.5. Determining whether an arrangement contains a lease

The Company evaluates if an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a series of payments should be accounted for as a lease. The Company's management uses its judgment to determine, whether, based on facts and circumstances existing at the inception of the contract, it is remote that parties other than the purchaser will take more than an insignificant amount of the output of the related asset.

3.1.6. Classification of its joint arrangements

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profits and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities presented in the Company's Consolidated Statements of Financial Position.

3.2.1. Estimated useful lives of property, plant and equipment

As described in Note 2.14., the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Please refer to Note 14.1. for useful lives of property, plant and equipment.

3.2.2. Impairment of long-lived assets (goodwill)

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment testing is performed on an annual basis.

3.2.3. Asset decommissioning obligation

The estimated cost of decommissioning at the end of the useful lives of the Company's long-lived assets is reviewed periodically and is based on estimates at the date of the Consolidated Statements of Financial Position of the present value of future costs expected to be incurred when assets are retired from service as required by law or per its contractual obligations. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the long-lived assets, but are currently anticipated to be between 25 to 50 years. The Company uses its long-term "borrowing cost" rate as the discount rate for calculating its provision related to its decommissioning liabilities, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by Bloomberg.

3.2.4. Valuation of financial instruments (fair value measurement)

The Company uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of certain types of financial instruments. Please refer to Note 24. for detailed information about the key assumptions used in the determination of the fair value of financial instruments.

The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

3.2.5. Allowance for doubtful accounts (expected losses)

The methodology for determining the allowance for doubtful accounts on trade and other receivables is set out in Note 5. The estimates and assumptions used to determine the allowance are reviewed periodically. Although the expected loss recognized is considered appropriate, changes in economic conditions could lead to changes in the allowance and, therefore, impact profit.

3.2.6. Recoverability of deferred tax assets

As mentioned in Note 25., the Company has accumulated tax loss carryforward benefits, for which an evaluation of recoverability is performed on an annual basis.

The use of estimates and assumptions are particularly important in the recognition of deferred income tax assets.

3.2.7. Measurement of defined benefit obligations: key actuarial assumptions

As described in Note 17., the Company uses actuarial valuations that include inputs that are based on published statistic and mortality tables. The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the benefit obligations.

3.2.8. Key sources of estimation uncertainty for IEnova Pipelines

Selected Valuation Methodology.

IEnova Pipelines is a regulated business that will earn a return of its costs and a reasonable return on its invested capital, without other consideration; the value of the assets of a regulated business is the value of its invested capital. Under this premise, the FV of the fixed assets of regulated businesses is equivalent to carrying value for financial reporting purposes, as carrying value reflects the basis for which invested capital is derived, and for which a regulated business is allowed to earn a reasonable return.

The Company concluded that the carrying value of the fixed assets is deemed to be representative of FV for IFRS purposes.

3.2.9. Key sources of estimation uncertainty for Ventika

Selected Valuation Methodology.

Based on the nature of the power facility and generally accepted industry practice, the Company relied on the Income Approach, specifically the Discounted Cash Flow ("DCF") method.

Associated intangibles such as rights of way / easements are embedded in the value of the property plant and equipment.

While the Cost Approach was not relied upon to derive the fair value estimate, provided the Income Approach being the preferred approach to valuing an operational wind power facility, it was considered for corroboratory purposes in relation to the fair value estimate derived utilizing the Income Approach. It is noted that the derived fair value estimate embeds a developer margin (i.e., margin above the cost to develop/ construct the power project) that is within the reasonable range of developer margins expected for this type of power facility and at the stage of development associated with Ventika (i.e., recently entering commercial operation).

In addition to what is described above, the Company used different estimates relating to operating statistics, revenues, operating expenses and cash flow items.

4. Cash and cash equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash, banks and investments in instruments in the money market funds, net of bank overdrafts.

Cash and cash equivalents at end of year as shown in the Consolidated Statements of Cash Flows can be reconciled to the related items in the Consolidated Statements of Financial Position as follows:

		As of	
	12/31/18	12/31/17	12/31/16
Cash and cash equivalents	$ 51,681	$ 37,208	$ 24,918

The Company maintained restricted cash , as a current asset and non current asset $26.3 million wich $2.9 millions are presented in non cuarrent asstes, $55.8 million and $51.4 million as of December 31, 2018, 2017and 2016, respectively, to make payments of certain operating costs for the execution of projects.

5. Trade and other receivables, net

		As of	
	12/31/18	12/31/17	12/31/16
Trade receivables	$ 146,273	$ 93,299	$ 90,523
Allowance for doubtful accounts (a)	(40)	(41)	(101)
	146,233	93,258	90,422
Other receivables	7,416	1,535	10,464
	$ 153,649	$ 94,793	$ 100,886

(a) For the Gas segment, ECO, has recognized an allowance for doubtful accounts of 80 percent against all receivables outstanding between 180 and 269 days and 100 percent against all receivables outstanding over 270 days, based on historical experience.

The Company revised methodology based on IFRS 9: Expected losses and compared versus the amount determined under the described methodology and the amount recorded is appropriate.

Allowances for doubtful accounts are recognized against trade receivables for customers whose outstanding balances are outstanding between 30 and 179 days when such receivables are estimated not to be recoverable based on an analysis of the customers' financial position.

For all the other companies within the Gas segment and for the Power segment, the average credit period on trade receivables is 30 days.

Trade receivables disclosed above include amounts (see below for aging analysis) that are past due at the end of the reporting year for which the Company has not recognized an allowance for doubtful debts because the amounts are still considered recoverable.

5.1. Age of receivables that are past due but not impaired

	As of 12/31/18	As of 12/31/17	As of 12/31/16
31-120 days	$ 33	$ 61	$ 35
121-180 days	18	21	7
181-270 days	11	5	3
Total	$ 62	$ 87	$ 45
Average age (days)	41	29	30

5.2. Movement in the allowance for doubtful accounts

	As of 12/31/18	As of 12/31/17	As of 12/31/16
Balance as of beginning of the year	$ (41)	$ (101)	$ (147)
Impairment losses recognized on receivables	(69)	(90)	(46)
Amounts written off during the year as uncollectible	66	152	65
Foreign exchange translation gain (loss)	4	(2)	27
Balance as of end of the year	$ (40)	$ (41)	$ (101)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. See Note 24.9. for more details of the Company's credit risk management and concentration of credit risk assessment.

5.3. Age of impaired trade receivables

	As of 12/31/18	As of 12/31/17	As of 12/31/16
181-270 days	$ (14)	$ (20)	$ (10)
Over 270 days	(26)	(21)	(91)
Total	$ (40)	$ (41)	$ (101)

6. Transaction and balances with unconsolidated affiliates

Transactions and balances between IEnova and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note.

6.1. Transactions and balances with unconsolidated affiliates

During the years ended December 31, 2018, 2017 and 2016, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues		
	Year ended		
	12/31/18	12/31/17	12/31/16
Sempra Gas & Power Marketing, LLC (“SG&PM”)	$ 226,004	$ 140,914	$ 62
Sempra LNG International Holdings, LLC (“SLNGIH”)	59,588	103,043	101,998
SLNGI	38,847	—	—
TAG Pipelines Norte	23,357	1,766	—
Sempra International, LLC (“Sempra International”)	1,763	1,844	1,746
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	1,215	1,072	1,243
Southern California Gas Company (“SoCalGas”)	731	231	12
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	81	217	2,026
ESJ	7	—	94
DEN	—	6,761	—
SGEN	—	—	101,130

	Cost of revenue, administrative and other expenses		
	Year ended		
	12/31/18	12/31/17	12/31/16
SLNGI	$ 230,510	$ 207,505	$ 178,145
SG&PM	139,565	88,144	4,124
Sempra International	8,509	7,250	8,301
Sempra Infrastructure, LLC. (formerly Sempra U.S. Gas & Power, LLC “USGP”)	5,430	6,936	6,930
SoCalGas	2,026	1,258	1,450
Pacific Enterprises International INC ("PEI INC")	366	—	—
Sempra Energy Holdings, XI. B. V. (“SEH”)	131	—	—
Sempra Midstream, Inc. (“Sempra Midstream”)	—	492	688
SGEN	—	—	25,335

Included in the operational transactions are administrative services from affiliates by $8.5 million, $7.3 million and $8.3 million for the years ended December 31, 2018, 2017 and 2016, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	Interest income		
	Year ended		
	12/31/18	12/31/17	12/31/16
IMG	$ 61,581	$ 17,211	$ —
ESJ	401	775	1,122
SEG	75	180	24
DEN	—	3,665	4,082

	Finance costs		
	Year ended		
	12/31/18	12/31/17	12/31/16
Inversiones Sempra Limitada ("ISL")	$ 9,315	$ 3,491	$ 534
Peruvian Opportunity Company, S. A. C. ("POC")	2,941	944	4
SEH	2,310	937	1,236
TAG Pipelines Norte	1,651	50	—
Sempra Oil Trading Suisse ("SOT Suisse")	1,321	1,265	1,363
Sempra Energy International Holdings, N. V. ("SEI NV")	209	—	—
Inversiones Sempra Latin America Limitada ("ISLA")	—	1,174	1,618
SEG (i)	—	332	831
DEN	—	143	46
SEMCO (ii)	—	—	364

i. On September 26, 2016, IEnova entered into a $800.0 million of U.S. Dollar-denominated loan with SEG, to finance IEnova Pipelines acquisition. The agreement was for two-month term. Interest is payable on a monthly basis at LIBOR plus 110 Basis Points ("BPS") of outstanding balances. In October 2016, with the proceeds from the Global Offering, the Company repaid this loan including the corresponding interests.

ii. On September 26, 2016, IEnova entered into a $350.0 million of loan with SEMCO, to finance IEnova Pipelines acquisition. The agreement was for two-month term. Interest was payable on a monthly basis at LIBOR plus 110 BPS of outstanding balances.

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

	Amounts due from unconsolidated affiliates		
	As of		
	12/31/18	12/31/17	12/31/16
SG&PM	$ 40,600	$ 10,723	$ —
TAG Pipelines Norte	2,234	4,289	—
PEI INC	1,803	—	—
SESJ	346	371	174
SoCalGas	60	21	—
SLNGIH	—	9,162	6,456
SLNGEL	—	34	53
DEN	—	—	5,754
ESJ	—	—	539
	$ 45,043	$ 24,600	$ 12,976

	Amounts due to unconsolidated affiliates		
	As of		
	12/31/18	12/31/17	12/31/16
ISL (iii)	$ 165,768	$ 275,188	$ 30,025
POC (iv)	102,000	102,020	20,004
SG&PM	23,412	17,525	491
SLNGI	18,795	16,360	11,135
PEI INC	390	—	—
SoCalGas	199	98	120
Sempra International	122	226	582
SEH (v)	10	132,800	—
ISLA (iii)	—	—	160,091
SOT Suisse (vi)	—	—	38,460
Sempra Midstream	—	—	6
	$ 310,696	$ 544,217	$ 260,914

iii. On March 2, 2015, IEnova entered into a $90.0 million and a $30.0 million U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements are nine-month term, with an option to be extended for up to four years. Interest is payable on a quarterly basis a rate of 1.98 percent per annum of outstanding balances.

In December 2016, the Company signed addendums modifying the initial contracts and the new characteristics are: the term was extended and was due and payable in full on December 15, 2017. The applicable interest shall be computed and paid on a quarterly basis at the rate of 1.75 percent per annum.

On December 27, 2016, IEnova entered into a $70.0 million U.S. Dollar-denominated affiliate revolving credit facility with ISLA, to finance working capital and for general corporate purposes. The credit facility has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at a rate of 1.75 percent per annum. Interest shall be paid on the last day of each calendar quarter.

On March 21, 2017, IEnova entered into an $85.0 million U.S. Dollar-denominated affiliate credit facility with ISL, to finance working capital and for general corporate purposes. The credit is a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 60 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

Effective June 1, 2017, ISLA was merged with and into ISL which is the surviving entity in the merger, the agreements conditions between ISL and IEnova remain the same.

On December 15, 2017, the Company signed addendums modifying the contracts terms over the $90.0 million, $30.0 million and $70.0 million U.S. Dollar-denominated credit facilities with ISL and the new conditions are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On January 16, 2018, IEnova entered into a $70.0 million U.S. Dollar-denominated affiliate credit facility with ISL, to finance working capital and for general corporate purposes. The credit is a twelve-month term, with an option to extend. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

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

On November 30, 2018, the Company made a payment to ISL for $179.2 million, the loans for $90.0 million and $70.0 million was paid in full and the loan for $30.0 million was partially paid leaving a balance to pay $165.8 million.

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

iv. On December 27, 2016, IEnova entered into a $20.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest on the outstanding balance is payable on a quarterly basis at rate of 1.75 percent per annum.

On April 27, 2017, IEnova entered into a $19.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend for up to four years. Interest on the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 60 BPS per annum.

On June 26, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum. On June 26, 2018, IEnova signed an addendum modifying the contract term to December 15, 2018.

On September 29, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend it for up to four years. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 70 BPS per annum. On September 28, 2018, IEnova signed an addendum modifying the contract term to December 15, 2018.

On December 15, 2017, the Company signed an addendum modifying the contract term over the $20.0 million U.S. Dollar-denominated revolving credit facilities with POC and the new characteristics are: the term was extended and are due and payable in full on December 15, 2018, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 63 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On December 28, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate revolving credit facility with POC, to finance working capital and general corporate purposes. The credit has a twelve-month term, with an option to extend for up to four years. Interest on the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 63 BPS per annum.

On December 15, 2018, the Company signed an addendum modifying the following contracts:

- $20.0 million (originally issued on December, 27, 2016)
- $19.0 million (originally issued on April 27, 2017)
- $21.0 million (originally issued on June 26, 2017)
- $21.0 million (originally issued on September, 29, 2017)
- $21.0 million (originally issued on December, 28, 2017)

The new conditions of the contract in relation to $102.0 million U.S. Dollar-denominated credit facilities with POC are: the term was extended and is due and payable in full on December 15, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 90 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

v. On August 23, 2017, IEnova entered into a $132.8 million U.S. Dollar-denominated affiliate credit facility with SEH, to finance working capital and general corporate purposes. The credit facility is for a six-month term. Interest of the outstanding balance is payable on a quarterly basis at three-month LIBOR plus 61 BPS per annum.

On February 6, 2018, IEnova signed an addendum modifying the contract term to August 22, 2018. In August 2018, the outstanding balance of $132.8 million was paid in full by the Company.

vi. During 2018, 2017 and 2016, related to the loan with SOT Suisse, the Company paid interest in the amount of $1.2 million, $1.3 million and $1.4 million, respectively. The loan bears variable interest based on U. S. Treasury mid-term applicable federal rate plus 200 BPS (an average annual rate of 3.99 percent, 3.29 percent and 3.58 percent in 2018, 2017 and 2016, respectively).

Transactions with unconsolidated affiliates during 2018, 2017 and 2016, have been carried out in accordance with applicable transfer pricing requirements, as of December 31, 2018, and as of the date of this report, the nature and amount of transactions are consistent with previous years. The amounts outstanding are unsecured and will be settled in cash.

No guarantees have been given nor received. No expenses have been recognized in the current or prior periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

6.2. Loans to unconsolidated affiliates

	As of 12/31/18	As of 12/31/17	As of 12/31/16
IMG (i)	$ 640,775	$ 487,187	$ —
ESJ	3,411	6,700	14,307
SEG	2,111	—	—
DEN	—	—	90,045
	$ 646,297	$ 493,887	$ 104,352

i. On April 21, 2017, IEnova entered into a loan agreement with IMG, providing a credit line in an amount of up to $9,041.9 million Mexican Pesos, the maturity date is March 15, 2022. The applicable interest rate is the Mexican Interbank Interest Rate (“TIIE”) at 91 days plus 220 BPS capitalized quarterly.
On December 6, 2017, the Company signed an addendum modifying the amount of the loan up to $14,167.9 million Mexican Pesos.

As of December 31, 2018, the outstanding balance amounts $12,612.3 million Mexican Pesos, including $1,457.6 million Mexican Pesos of accrued interest.

6.3. Loans from unconsolidated affiliates

	As of 12/31/18	As of 12/31/17	As of 12/31/16
SEI NV (i)	$ 38,460	$ —	$ —
TAG Pipelines Norte (ii)	36,701	35,050	—
SOT Suisse (i)*	—	38,460	—
DEN	—	—	3,080
	$ 75,161	$ 73,510	$ 3,080

* This amount was reclassified in 2016 to current liabilities.

i. On March 17, 2017, IEnova entered into an amended agreement with SOT Suisse in order to extend the loan to seven years. The interest is payable on an annually basis at three-month LIBOR plus 180 BPS.

   On November 9, 2018, the contract signed between the Company and SOT Suisse was transferred to SEI NV with no modifications in the original terms and conditions except for the modification in interest rate of three-month LIBOR plus 137 BPS per annum. The credit matures on March 17, 2024.

ii. On December 19, 2017, DEN entered into a $35.0 million U.S. Dollar-denominated affiliate credit facility with TAG, to finance working capital and general business purposes. The credit facility has a four years term. Interest on the outstanding balance is payable on a quarterly basis at six-month LIBOR plus 290 BPS per annum.

6.4. Compensation of key management personnel

Total compensation paid to key management personal was $13.5 million, $10.3 million and $5.0 million, for the years ended December 31, 2018, 2017 and 2016, respectively.

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

7. Natural gas inventories

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Liquefied natural gas	$ 3,516	$ 7,196	$ 6,083

The cost of inventories recognized within cost of revenues were $222.0 millions, $194.0 millions and $164.4 millions for the years ended December 31, 2018, 2017 and 2016, respectively.

For the years ended December 31, 2018, 2017 and 2016, no cost of revenue was recognized, due to write-downs of inventory to net realizable value.

8. Finance lease receivables

8.1. Finance lease receivables – Natural Gas Compression Plant

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Current finance lease receivables	$ 433	$ 308	$ 219
Non-current finance lease receivables	13,394	13,827	14,135
	$ 13,827	$ 14,135	$ 14,354

Leasing arrangements.

The Company entered into a finance lease arrangement for one of its compression stations. The lease is denominated in U. S. Dollars. The term of the finance lease is 25 years.

8.1.1. Amounts receivables under finance leases

	Minimum lease payments			Present value of minimum lease payments		
		As of			As of	
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Not later than one year	$ 5,136	$ 5,136	$ 5,136	$ 433	$ 308	$ 219
Later than one year and not later than five years	20,544	21,828	22,458	4,348	3,464	3,403
More than five years	14,123	17,975	24,395	9,046	10,363	10,732
	39,803	44,939	51,989	13,827	14,135	14,354
Less: unearned finance income	(25,976)	(30,804)	(37,635)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 13,827	$ 14,135	$ 14,354	$ 13,827	$ 14,135	$ 14,354

No residual values of assets leased under finance lease at the end of the year are estimated.

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term.

The average effective interest rate contracted is approximately 34.5 percent per annum for 2018, 2017 and 2016. The receivable under finance lease balance as of December 31, 2018, 2017 and 2016, is neither past due nor impaired.

8.2. *Finance lease receivables – Los Ramones I Pipeline*

		As of	
	12/31/18	12/31/17	12/31/16
Current finance lease receivables	$ 4,517	$ 3,665	$ 3,383
Non- current finance lease receivables	562,888	567,405	571,070
	$ 567,405	$ 571,070	$ 574,453

Leasing arrangements.

The Company entered into a finance lease arrangement for one of its natural gas pipelines and compression stations. The lease is denominated in U. S. Dollars. The term of the finance lease is 25 years.

8.2.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
		As of			As of	
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Not later than one year	$ 86,470	$ 87,104	$ 87,639	$ 4,517	$ 3,665	$ 3,383
Later than one year and not later than five years	426,802	424,616	428,582	32,643	28,108	23,997
More than five years	812,855	901,512	984,650	530,245	539,297	547,071
	1,326,127	1,413,232	1,500,871	567,405	571,070	574,451
Less: unearned finance income	(758,722)	(842,162)	(926,418)	n/a	n/a	n/a

	Minimum lease payments			Present of minimum lease payments		
	As of			As of		
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Present value of minimum lease payments receivable	$ 567,405	$ 571,070	$ 574,453	$ 567,405	$ 571,070	$ 574,451

No residual values of assets leased under finance lease at the end of the reporting year are estimated.

The interest rate inherent in the finance lease is fixed at the contract date for the entire lease term.

The average effective interest rate contracted is approximately 15.2 percent per annum for 2018, 2017 and 2016. The receivable under finance lease balance as of December 31, 2018 ,2017 and 2016, is neither past due nor impaired.

8.3. *Finance lease receivables – Ethane Pipeline*

	As of		
	12/31/18	12/31/17	12/31/16
Current finance lease receivables	$ 4,859	$ 4,153	$ 3,553
Non-current finance lease receivables	356,093	360,952	365,106
	$ 360,952	$ 365,105	$ 368,659

Leasing arrangements.

The Company entered into a finance lease arrangement for its ethane pipeline. The lease is denominated in U. S. Dollars.

The transportation system refers to:

Segment I. Transports ethane from Ethylene Complex XXI Braskem-IDESA to Cangrejera (Veracruz), through a 20-inch and 4 km length pipeline. The term of the finance lease is 20.5 years.

Segment II. Transports ethane from Nuevo Pemex (Tabasco) to Cactus (Chiapas) through a 16-inch and 15 km length pipeline and from Cactus to the Ethylene XXI Complex Braskem-IDESA through a 24-inch and 133.5 km length pipeline. The term of the finance lease is 20.5 years.

Segment III. Transports liquid ethane from Ciudad Pemex to Nuevo Pemex (Tabasco) through a 20-inch and 73.5 km length pipeline. The term of the finance lease is 21 years.

The breakdown as of December 31, 2018, of this finance lease is as follows:

	Amount
Segment I	$ 31,257
Segment II	183,814
Segment III	145,881
Total	$ 360,952

8.3.1. Amounts receivables under finance leases

	Minimum lease payments			Present of minimum lease payments		
		As of			As of	
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Not later than one year	$ 54,704	$ 55,393	$ 55,976	$ 4,859	$ 4,153	$ 3,553
Later than one year and not later than five years	258,766	264,235	268,951	38,948	33,512	28,779
More than five years	416,097	388,982	439,651	317,145	327,440	336,327
	729,567	708,610	764,578	360,952	365,105	368,659
Less: unearned finance income	(368,615)	(343,505)	(395,919)	n/a	n/a	n/a
Present value of minimum lease payments receivable	$ 360,952	$ 365,105	$ 368,659	$ 360,952	$ 365,105	$ 368,659

No residual values of assets leased under finance lease at the end of the reporting year are estimated.

The average effective interest rate contracted is approximately 16.0 percent for segment I and 14.0 percent for segments II and III as of December 31, 2018, 2017 and 2016, respectively. The receivable under finance lease balance as of December 31, 2018, 2017 and 2016, is neither past due nor impaired.

9. Other assets

		As of	
	12/31/18	12/31/17	12/31/16
Veracruz marine terminal initial bidding quota (Refer to Note 1.2.13.d)	$ 54,163	$ 28,179	$ —
Topolobampo marine terminal initial bidding quota (Refer to Note 1.2.13.h)	18,371	—	—
Rights of way	14,073	—	—
Prepayments	8,966	9,621	9,495
Contractual tariff	5,744	—	—
Standby letter credit Facility (LOCF) related costs	1,506	—	—
Pipeline interconnection rights	1,486	1,637	1,792
Prepaid land leases	547	526	839
Pipeline integrity system	468	593	—
IMPAC recoverable	—	1,455	1,698
Natural gas imbalance	—	974	320
	$ 105,324	$ 42,985	$ 14,144
Amortization expense (a)	$ (1,569)	$ —	$ —
	$ 103,755	$ 42,985	$ 14,144
Current	$ 9,695	$ 10,327	$ 9,289
Non–current	94,060	32,658	4,855
	$ 103,755	$ 42,985	$ 14,144

a. The amortization expense as of December 31, 2018, is for an amount of $1,504.0 million and $65.0 million related to Veracruz and Topolobampo marine terminals, respectively.

10. Investment in joint ventures

10.1. IEnova Pipelines

Until September 26, 2016, the Company owned a 50 percent interest in IEnova Pipelines, a joint venture with Pemex TRI a Pemex subsidiary. IEnova Pipelines operates three natural gas pipelines, five natural gas compression stations, one LPG system and one ethane pipeline, in the states of Chiapas, Chihuahua, Nuevo Leon, Tabasco, Tamaulipas and Veracruz and one LPG storage facility in the state of Jalisco, Mexico.

Beginning September 27, 2016, the Company fully consolidates IEnova Pipelines. (Please refer to Note 11.1.).

10.2. ESJ

The joint venture formed between IEnova and Saavi Energia, started operations in June 2015. As of December 31, 2018, 2017 and 2016, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method. ESJ's Consolidated Statements of Financial Position and the Company's equity method investment are summarized as follows:

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Cash and cash equivalents	$ 1,695	$ 2,785	$ 9,601
Other assets	24,165	18,479	15,201
Current assets	25,860	21,264	24,802
Deferred income tax assets	2,849	4,778	5,413
Other assets	2,784	2,795	2,650
Property, plant and equipment, net	241,457	252,856	264,468
Non-current assets	247,090	260,429	272,531
Total assets	$ 272,950	$ 281,693	$ 297,333
Current liabilities	$ 16,673	$ 17,509	$ 17,777
Non-current liabilities	210,991	231,048	255,070
Total liabilities	$ 227,664	$ 248,557	$ 272,847
Total members' equity	$ 45,286	$ 33,136	$ 24,486
Share of members' equity	$ 22,643	$ 16,568	$ 12,243
Goodwill	12,121	12,121	12,121
Carrying amount of investment in ESJ	$ 34,764	$ 28,689	$ 24,364

ESJ's Consolidated Statements of Profit are as follows:

	Year ended		
	12/31/18	12/31/17	12/31/16
Revenues	$ 45,759	$ 46,570	$ 44,283
Operating, administrative and other expenses	(20,210)	(22,147)	(20,773)
Finance costs	(15,166)	(15,929)	(16,731)
Other gains, net	48	13	221
Income tax expense	(2,780)	(1,340)	(1,886)
Profit for the year	$ 7,651	$ 7,167	$ 5,114
Share of profit of ESJ	$ 3,825	$ 3,583	$ 2,557

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

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

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 date June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding as of December 31, 2018, is as follows:

	Debt balance
Mizuho	$ 46,256
SMBC	46,256
NORD/LB	46,256
NAFINSA	33,640
NADB	33,640
	$ 206,048

b. ***Interest rate swaps***. To partially mitigate its exposure to interest rate changes associated with the term 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 constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

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

10.3. IMG

The joint venture formed between IEnova and TransCanada, for the construction of the South Texas - Tuxpan marine pipeline, where by TransCanada has 60 percent interest in the partnership and IEnova owns the remaining 40 percent interest of the project.

As of December 31, 2018, 2017 and 2016, the Company's 40 percent interest in IMG is accounted for under the equity method. IMG's Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Cash and cash equivalents	$ 55,333	$ 58,284	$ 128,110
Accounts receivable	$ 60,322	—	—
Value added tax receivable	51,371	195,350	12,264
Other assets	1	434	683
Total current assets	167,027	254,068	141,057
Total non-current assets	2,594,950	1,653,554	135,494
Total assets	$ 2,761,977	$ 1,907,622	$ 276,551
Current liabilities	$ 364,716	$ 176,771	$ 27,916
Long term debt	1,602,029	1,222,973	—
Deferred revenue	56,754	—	—
Deferred income tax liabilities	51,785	34,209	2,678
Total non-current liabilities	1,710,568	1,257,182	2,678
Total liabilities	$ 2,075,284	$ 1,433,953	$ 30,594
Total members' equity	$ 686,693	$ 473,669	$ 245,957
Share of members' equity	$ 274,677	$ 189,468	$ 98,383
Guarantees	5,018	5,018	—
Remeasurement of interest rate (c)	(37,653)	—	—
Share of members' equity and carrying amount of investment in IMG	$ 242,042	$ 194,486	$ 98,383

IMG's Consolidated Statements of (loss) profit are as follows:

	Year ended		
	12/31/18	12/31/17	12/31/16
Finance income (costs), net	$ 7,582	$ 78,082	$ (467)
Other gains (losses), net*	9,858	692	(1,646)
Income tax expense	(17,657)	(31,233)	(3,122)
(Loss) profit for the year	$ (217)	$ 47,541	$ (5,235)
Share of (loss) profit of IMG	$ (87)	$ 19,016	$ (2,094)

* Includes a foreign exchange impact mainly related to the Mexican Peso-denominated inter-affiliate loan granted by the Company and TransCanada to IMG for the proportionate share of the project financing. In the Consolidated Statements of Profit, in the "Other gains (losses), net", net line item, a corresponding foreign exchange gain (loss) which fully offsets the aforementioned effect, is included.

a. ***Project financing for the IMG project.*** As of December 31, 2018, 2017 and 2016, 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 TransCanada, parent entities, for $9,041.9 million Mexican Pesos and $13,513.1 million Mexican Pesos, respectively.

On December 6, 2017, IEnova and TransCanada 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 December 31, 2018, with IEnova is $12,612.3 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 a 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 December 31, 2018, a total of $278.7 million debt is outstanding under this credit facility.

b. ***Guarantees.*** IEnova and TransCanada 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 December 31, 2018, the adjusted amount in the financial income for the loan between IEnova and IMG was $37.7 million, derived from the difference in the capitalized interest rates of projects under construction, by contract loan accrues interest at TIIE rate plus 220 PBS, 10.2 percent average during 2018; while the financing of the resources used by IEnova accrues interest at 3.9 percent average during 2018.

d. ***Capital contributions.*** On February 28, 2018, the Company made a capital contribution of $24.8 million to IMG.

On September 20, 2018, the Company made a capital contribution of $20.2 million to IMG.

On October 30, 2018, the Company made a capital contribution of $34.9 million to IMG.

e. ***Other disclosures.*** Offshore mainline construction was completed in May 2018 and the project continues to progress toward an anticipated in-service date in early second quarter of 2019, with an investment of approximately $2.4 billion, equivalent to $1.0 billion with IEnova's 40 percent share. An amending agreement has been signed with the Comision Federal de Electricidad ("CFE") that recognizes force majeure events and payment of fixed capacity charges beginning October 31, 2018.

10.4. DEN

Until October 31, 2017, the Company owned a 50 percent interest in DEN, a joint venture with Pemex TRI.

In November 2017, the Company fully consolidated DEN.

DEN's Consolidated Financial Statements of Financial Position and the Company's equity method investment, are summarized as follows:

	As of	
	10/31/17	**12/31/16**
Cash and cash equivalents	$ 17,257	$ 8,819
Due from unconsolidated affiliates	4,135	4,012
Other assets	7,166	4,278
Total current assets	28,558	17,109
Deferred income tax assets	$ 10,361	$ 17,364
Investments in join ventures	195,981	155,327
Property, plant and equipment, net	1,795	1,689
Total non-current assets	208,137	174,380
Total assets	$ 236,695	$ 191,489
Current liabilities	$ 68	$ 646
Non-current liabilities	194,010	185,627
Total liabilities	$ 194,078	$ 186,273
Total members' equity	$ 42,617	$ 5,216
Share of members' equity and carrying amount of investment in DEN	$ 21,309	$ 2,608

DEN's Consolidated Statements of Profit is as follows:

	Period ended 10/31/17	**Year ended 12/31/16**
Revenues	$ 18,532	$ 5,623
Operating, administrative and other expenses	(7,185)	(5,310)
Finance costs	(7,394)	(2,126)
Other losses	(202)	(341)
Income tax (expense) benefit	(7,003)	3,464
Share of profit of joint venture, net of income tax	41,551	2,604
Profit for the period / year	$ 38,299	$ 3,914
Share of profit of DEN	$ 19,150	$ 1,957

On November 15, 2017, IEnova completed the acquisition of Pemex's TRI 50 percent interest in DEN.

In November, 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.3.).

10.5. TAG

TAG, together with TAG Pipelines Norte a joint venture between IEnova and a consortium comprised of BlackRock and First Reserve, own Los Ramones Norte pipeline, which began operations in February 2016.

In November 2017, the Company increased its indirect participation in TAG from 25 percent to 50 percent.(Please refer to Note 11.3.).

As of December 31, 2018, the interest in TAG is accounted for under the equity method. TAG's Consolidated Statement of Financial Position and the Company's equity method investment are summarized as follows:

	As of	
	12/31/18	**12/31/17**
Cash and cash equivalents	$ 88,977	$ 81,823
Other assets	36,917	22,293
Total current assets	125,894	104,116
Due from unconsolidated affiliates	73,715	70,698
Finance lease receivables	1,411,308	1,431,703
Other assets	3,202	16,466
Property, plant and equipment, net	15,282	15,471
Total non-current assets	1,503,507	1,534,338
Total assets	$ 1,629,401	$ 1,638,454
Current liabilities	$ 69,115	$ 58,023
Non-current liabilities	1,083,748	1,178,616
Total liabilities	$ 1,152,863	$ 1,236,639
Total members' equity	$ 476,538	$ 401,815
Share of members' equity and carrying amount of investment in TAG	$ 238,269	$ 200,907
Equity method goodwill	99,020	99,020
Total amount of the investment in TAG	$ 337,289	$ 299,927

TAG's Consolidated Statement of Profit is as follows:

	Year ended 12/31/18	**For the period of 11/01/17 to 12/31/17**
Revenues	$ 211,002	$ 32,411
Operating, administrative and other expenses	(32,903)	(6,876)
Finance costs	(60,052)	(10,517)
Other (losses) gains, net	(1,564)	217
Income tax expense	(47,992)	(9,378)
Profit for the period	$ 68,491	$ 5,857
Share of profit of TAG	$ 34,246	$ 2,928

a. ***TAG Project financing.*** On December 19, 2014, TAG, (subsidiary of DEN), entered into a credit contract with Santander as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of the gas pipeline.

During 2016 and 2015, there were amendments to the credit contract in order to include additional banks as lenders. The total amount of the credit is $1,274.5 million, divided in tranches: i) long tranche, up to $701.0 million, ii) short tranche up to $513.3 million and iii) the letter of credit tranche for debt service reserve up to $60.2 million.

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 the 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 December 31, 2018, 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 limits dividend payments, loans and obtaining additional financing. TAG met such covenants as of December 31, 2018.

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 at December 2034.

c. ***Exchange rate forwards.*** In September 2017, TAG Pipelines Norte entered into forward contracts to exchange Mexican Pesos for U. S. Dollars of a portion of the project revenues for 2018; maturing from March 2018 through February 2019. Additionally, in September 2018, 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.

11. Business combinations and assets acquisition

11.1. IEnova Pipelines, business combination

On September 26, 2016, IEnova acquired the remaining 50 percent of IEnova Pipelines shares at a value of $1,143.8 million, which was recorded using the acquisition method as it obtained control over IEnova

Pipelines as of such date. The result of this acquisition has been included in the accompanying Consolidated Financial Statements as of the acquisition date.

a. ***Subsidiaries acquired***

Entity	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
IEnova Pipelines	Gas transportation	September 26, 2016	50%	$1,143,834

b. ***Consideration transferred***

The costs associated with the acquisition have been excluded from the consideration transferred and have been recognized as an expense in the period within "Operating, administrative and other expenses" in the Consolidated Statements of Profit.

c. ***Assets acquired and liabilities recognized at the acquisition date and goodwill on acquisitions***

		As of 9/26/16
Fair value of business combination:		
Cash consideration (fair value of total consideration)	$	1,143,834
Total fair value of business combination	$	2,287,668
Cash and cash equivalents		66,250
Trade and other receivables		66,739
Finance lease receivables		945,104
Property, plant and equipment, net		309,186
Other assets		933
Current liabilities		(112,980)
Non-current liabilities (i)		(484,572)
Total identifiable, net assets		1,275,232
Goodwill	$	1,497,008

i. Includes $364.0 million related to bank loans.

None of the goodwill is expected to be deductible for tax purposes.

Key sources of estimation uncertainty

Selected Valuation Methodology.

IEnova Pipelines is a regulated business, that will earn a return of its costs and a reasonable return on its invested capital, without other consideration; the value of the assets of a regulated business is the value of its invested capital. Under this premise, the FV of the fixed assets of regulated businesses is equivalent to carrying value for financial reporting purposes, as carrying value reflects the basis for which invested capital is derived, and for which a regulated business is allowed to earn a reasonable return.

The Company concluded that the carrying value of the fixed assets is deemed to be representative of FV for IFRS purposes.

d. ***Net cash flow from acquisition of subsidiaries***

		As of 09/26/16
Consideration paid in cash	$	1,143,834
Less: balances of cash and cash equivalents acquired		(66,250)
Consideration paid in cash, net	$	1,077,584

e. ***Impact of acquisitions on the results of the period***

The results of the year ended December 31, 2016, includes a gain of $673.1 million for the excess of the acquisition-date fair value of IEnova's previously held equity interest in IEnova Pipelines over the carrying value of that interest, included as remeasurement of equity method investment on the Consolidated Statements of Profit.

11.2. Ventika, business combination

On December 14, 2016, IEnova acquired the 100 percent of the shares of Ventika at a value of $434.7 million, which was recorded using the acquisition method as it obtained control over Ventika as of such date. The result of this acquisition has been included in the accompanying Consolidated Financial Statements as of the acquisition date.

a. ***Subsidiaries acquired***

Entity	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Ventika	Wind Generation Facility	December 14, 2016	100%	$434,688

b. ***Consideration transferred***

The costs associated with the acquisition have been excluded from the consideration transferred and have been recognized as an expense in the period within "Operating, administrative and other expenses" in the Consolidated Statements of Profit.

c. ***Assets acquired and liabilities recognized at the acquisition date and goodwill on acquisitions***

		As of 12/14/16
Fair value of business combination:		
Cash consideration (fair value of total consideration)	$	309,724
Total fair value of business combination	$	309,724
Cash and cash equivalents		24
Trade and other receivables, net		14,939
Restricted cash		68,299
Other assets		51,216
Property, plant and equipment, net		673,410
Intangible assets		154,144
Current liabilities		(145,912)
Non-current liabilities		(621,825)
Total identifiable, net assets	$	194,295

		As of 12/14/16
Goodwill	$	115,429

During the fourth quarter of 2017, the Company received additional information regarding Ventika's deferred income taxes as of the acquisition date, primarily related to net operating loss carryforwards. As a result, the Company recorded measurement period adjustments that resulted in a net decrease to goodwill and an increase in deferred tax assets of $13.7 million, respectively.

d. ***Net cash flow used in acquisition of subsidiaries***

		As of 12/14/16
Consideration paid in cash	$	434,688
Less: balances of cash and cash equivalents acquired		(24)
Consideration paid in cash, net	$	434,664

11.3. DEN, asset acquisition

On November 15, 2017, IEnova completed the acquisition of Pemex TRI's 50 percent interest in DEN, a joint venture that holds a 50 percent interest in the Los Ramones Norte pipeline, through TAG, for a purchase price of $164.8 million (exclusive of $17.2 million of cash and cash equivalents acquired), plus the assumption of $95.8 million of intercompany debt. This acquisition increases IEnova's ownership interest in TAG from 25 percent to 50 percent. IEnova Pipelines previously accounted for its 50 percent interest in DEN as an equity method investment. In November, 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. DEN will continue to account for its interest in TAG as on equity method investment.

This transaction was accounted as an asset acquisition because DEN does not meet the definition of a business, since it does not have substantive inputs or processes. DEN's most significant asset is its equity method investment in TAG, the entity that owns the Los Ramones Norte pipeline. The excess consideration over the fair value of assets acquired and liabilities assumed was allocated on a relative fair value basis between the equity investment in TAG and an acquired intangible asset (Please refer to Note 15.).

a. ***Assets acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
DEN	Holds equity investment in TAG	November 15, 2017	50%	$164,752

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 11/15/17
Fair value of assets acquisition:		
Cash paid	$	164,752
Acquisition costs		143
Total fair value of assets acquisition	$	164,895
Cash and cash equivalents		17,257
Trade and other receivables		12,284

	As of 11/15/17
Deferred income tax assets	10,481
Investment in TAG	295,002
Property, plant and equipment, net	1,795
Other intangible assets	44,566
Current liabilities	(99,343)
Non-current liabilities	(95,839)
Total identifiable, net assets	$ 186,203
Less: Carrying value of equity interest in DEN immediately prior to acquisition	(21,308)
Total fair value of assets acquisition	$ 164,895

Valuation of DEN's Assets and Liabilities. DEN is substantially comprised of two assets. The first asset is DEN's equity method investment in TAG. The second asset is an acquired intangible asset, with an amortization period of 23 years, representing a favorable Operation & Maintenance ("O&M") agreement. Both assets were valued using an income approach. For substantially all other assets and liabilities, the Company determined that historical carrying value approximates fair value due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

	As of 11/15/17
Consideration paid in cash	$ 164,752
Plus: Acquisition costs paid	143
Less: balances of cash and cash equivalents acquired, net of acquisition costs	(17,257)
Consideration paid in cash, net	$ 147,638

11.4. Don Diego Solar Netherlands, B. V ("Don Diego"), asset acquisition

On February 28, 2018, IEnova acquired 100 percent of the shares of Fisterra Energy Netherlands II,B.V. ("Fisterra") at a value of $5.1 million, which was renamed to Don Diego after the acquisition. Don Diego, a 125 MW solar project facility in Benjamin Hill municipality in the state of Sonora, Mexico, is comprised of a Self-Supply Permit granted by the CRE in 2016. The Self-Supply Permit allows generators to compete directly with the CFE retail tariffs and thus have access to Power Purchase Agreements ("PPAs") with significantly higher prices.

This transaction was accounted as an asset acquisition because Don Diego does not meet the definition of a business, since it does not have substantive inputs or processes.

a. ***Asset acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Don Diego	Energy infrastructure investments / Development of solar project	February 28, 2018	100%	$5,072

b. ***Assets acquired and liabilities recognized at the acquisition date***

		As of 02/28/18
Fair value of assets acquisition:		
Cash consideration	$	5,072
Total fair value of assets acquisition	$	5,072
Cash and cash equivalents		24
Trade and other receivables		112
Other assets		2
Intangible assets		4,977
Current liabilities		(43)
Total identifiable, net assets	$	5,072

Valuation of Don Diego's assets and liabilities. Don Diego is substantially comprised of an intangible asset resulting from valuation of the Self-Supply Permit granted to the company by the CRE. This advantageous transmission tariff structure reduces the administrative costs to manage transmitting power to off- takers, providing an attractive opportunity for both the generator and the off-taker. With the recent reform to the renewable energy market in Mexico, self- supply permits are no longer being issued. New renewable power projects now receive a permit under the Electric Industry Law ("LIE"), which requires the renewable power facilities to pay higher tariffs/charges, including transmission, CENACE fees, imbalance, and distribution.

Based on the nature of the Self-Supply Permit and generally accepted industry practice, an income approach was utilized, based on a cash flow differential approach, to value the Self-Supply Permit. For all other assets and liabilities, the Company determined that the historical carrying value approximates fair value due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

		As of 02/28/18
Cash consideration (i)	$	5,072
Less: balances of cash and cash equivalents acquired		(24)
Cash consideration, net	$	5,048

i. There was a cash payment for the amount of $3.0 million at closing and an amount of $2.1 million paid on February 5, 2019, after the Company issued the final notice for the assigned Engineering Procurement and Construction contract.

11.5. Central Fotovoltaica Border del Norte. S. A. de C. V. ("Border Solar"), asset acquisition

On August 14, 2018, IEnova acquired 100 percent of the shares of Border Solar at a value of $3.6 million. Border Solar is comprised of a Self-Supply Permit granted by the CRE in 2015. The Self-Supply permit allows generators to compete directly with CFE's retail tariffs and thus have access to PPAs with significantly higher prices.

The primary purpose of the transaction was for the Company to further grow its renewable energy business through the purchase of Border Solar to develop a photovoltaic solar electric generating project located in Ciudad Juarez, Chihuahua, Mexico with a nominal capacity rating of approximately 150 Megawatt Alternating Current ("MWac") / 192 Megawatt Direct Current ("MWdc").

According to the purchase and sale agreement, the acquisition date was subject to the subsequent condition, which consisted in the seller to complete the subdivision of the land that was completed on August 14, 2018.

This transaction was accounted as an asset acquisition because Border Solar does not meet the definition of a business, since it does not have substantive inputs or processes.

a. ***Asset acquisition***

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Border Solar	Energy infrastructure investments / Development of solar project	August 14, 2018	100%	$3,580

b. ***Assets acquired and liabilities recognized at the acquisition date***

	As of 08/14/18
Fair value of assets acquisition:	
Cash consideration (i)	$ 3,580
Total fair value of assets acquisition	$ 3,580
Tax receivables	514
Intangible assets	5,490
Current liabilities	(2,424)
Total identifiable, net assets	$ 3,580

Valuation of Border Solar assets and liabilities. Border Solar is substantially comprised of an intangible asset resulting from valuation of the Self-Supply Permit granted to the Company by the CRE. This advantageous transmission tariff structure reduces the administrative costs to manage transmitting power to off- takers, providing an attractive opportunity for both the generator and the off-taker. With the recent reform to the renewable energy market in Mexico, self supply permits are no longer being issued. New renewable power projects now receive a permit under the LIE, which requires the renewable power facilities to pay higher tariffs/ charges, including transmission, CENACE fees, imbalance, and distribution.

Based on the nature of the Self-Supply Permit and generally accepted industry practice, an income approach was utilized, based on a cash flow differential approach, to value the Self-Supply Permit. For all other assets and liabilities, the Company determined that the historical carrying value approximates fair value due to their short-term nature.

c. ***Net cash flow from acquisition of assets***

	As of 08/14/18
Cash consideration, net (i)	$ 3,580

(i) There was a cash payment for an amount of $0.5 million at the closing of the acquisition, and the remaining amounts will become due and payable as follows:

- $ 1.7 million subject to the execution of a PPA.
- $ 0.6 million at the start of project construction.
- $ 0.7 million on the date on which the project reaches commercial operation.

11.6. ICM, asset acquisition

On September 26, 2018, IEnova signed a purchase-sale agreement with Trafigura Holdings, B.V. ("Trafigura") for 51 percent of the shares of ICM, at a value of $16.4 million and Trafigura retained the remaining 49 percent of the equity of ICM.

The purpose of the acquisition is to develop, construct, own and operate a refined hydrocarbon products terminal in Manzanillo, Colima, Mexico. ICM owns certain permits and land where, the terminal for the receipt, storage and delivery of refined products will be built.

This transaction was accounted as an asset acquisition because ICM does not meet the definition of a business, since it does not have substantive inputs or processes.

a. *Asset acquisition*

Entity	Main activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
ICM	Development of marine terminal project for the storage of refined products	September 26, 2018	51%	$16,442

b. *Assets acquired and liabilities recognized at the acquisition date*

		As of 09/26/18
Fair value of assets acquisition:		
Cash consideration	$	16,442
Total fair value of assets acquisition	$	16,442
Cash and cash equivalents		2
Taxes receivable		554
Other receivables		17
Property, plant and equipment (land)		28,832
Deferred income taxes		483
Current liabilities		(351)
Total identifiable, net assets		29,537
Non-controlling interest	$	(13,095)

Valuation of ICM's assets and liabilities. ICM substantially comprised of two assets of property plant and equipment that corresponds to five plots of land at the shore of the Pacific Ocean in Manzanillo, Colima, Mexico, equivalent to 87.92 hectares, where the marine terminal will be built. The assets were valued using an income approach. For substantially all other assets and liabilities, the Company determined that historical carrying value approximates fair value due to their short-term nature.

c. ***Non-controlling interest***

The non-controlling interest (49 percent ownership interest in ICM held by Trafigura) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $13.1 million, this fair value was estimated by applying an income approach.

d. ***Net cash flow from acquisition of assets***

	As of 09/26/18
Cash consideration	$ 16,442
Less: balances of cash and cash equivalents acquired	(2)
Cash consideration, net	$ 16,440

12. Assets classified as held for sale and discontinued operations

i. In February 2016, the management of the Company approved a plan to market and sell TDM, a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As a result, the Company classified TDM as held for sale, stopped depreciating the plant, and since recorded it each period at the lower of its carrying value and fair value less costs to sell.

Assets and liabilities held for sale corresponding to TDM are as follows:

	As of 12/31/17	As of 12/31/16
Cash and cash equivalents	$ —	$ 434
Other assets	64,263	32,813
Total current assets	64,263	33,247
Deferred income tax assets	201	193
Other assets	1,515	1,125
Carbon allowance	2,272	22,089
Property, plant and equipment, net	79,939	134,633
Total non-current assets	83,927	158,040
Total assets	$ 148,190	$ 191,287
Current liabilities	$ 54,336	$ 7,974
Non-current liabilities	8,186	27,477
Total liabilities	$ 62,522	$ 35,451

As a result of the allocation in assets held for sale property, made during this year, the Company carried out a review of the recoverable amount of these assets. The review led to the recognition of an after-tax impairment loss of $63.8 and $136.9 million during 2017 and 2016 respectively, which have been recognized in the Consolidated Statements of Profit. The Company also estimated the fair value less costs of disposal of property, plant and equipment, which is based on the recent market prices of assets with similar age and obsolescence.

ii. On June 1, 2018, the management of the Company terminated its sales process for TDM due to evolving strategic considerations for projects under development at the Company. As a result, the assets and liabilities that were previously classified as held for sale were reclassified as held and used, and the depreciation of its fixed assets were resumed.

The property, plant and equipment has been measured at fair value as of the date of the subsequent decision not to sell, since the fair value was lower than the carrying amount before it was classified as held for sale, adjusted for depreciation expense that would have been recognized had it been continuously classified as held and used. The difference between the carrying value and fair value at the date of the subsequent decision not to sell was negligible.

As a result of the reclassification of TDM to held and used, the operating asset category, discontinued operations in the Consolidated Financial Statements of Profit were reclassified and re-presented in the line item of "Profit for the period" for the current and prior periods. There was no gain or loss recognized in the Consolidated Financial Statements of Profit as a result of the change to the plan of sale of TDM and subsequent reclassification to held and used within the Power Segment.

13. Goodwill

	As of		
	12/31/18	12/31/17	12/31/16
Cost	$ 1,638,091	$ 1,638,091	$ 1,638,091

There are no accumulated impairment losses. The breakdown of goodwill is as follows:

	As of		
Company	12/31/18	12/31/17	12/31/16
IEnova Pipelines	$ 1,497,008	$ 1,497,008	$ 1,497,008
Ventika	115,429	115,429	115,429
IGM	25,654	25,654	25,654
Total	$ 1,638,091	$ 1,638,091	$ 1,638,091

Allocation of goodwill to cash-generating units

IEnova Pipelines

Management expects IEnova Pipeline’s acquisition to have strategic benefits, including opportunities for expansion into other infrastructure projects and larger platform and presence in Mexico to participate in energy sector. As such, IEnova Pipelines goodwill is tested at the Company’s Cash Generated Unit ("CGU"), IEnova Transportation.

The Company used DCF analysis to determine the fair value of the CGU. The DCF includes cash flows through contracted period of the pipelines and the gas storage terminal exit multiple of 6.0x. The discount rate used was the weighted average cost of capital ("WACC") calculated in 7.8 percent. Under this approach, the value in use was greater to the carrying value. Based on that, no impairment was determined.

Ventika

Management expects Ventika’s acquisition to have strategic benefits, including opportunities for expansion into other infrastructure projects and larger platform and presence in Mexico to participate in energy sector. As such, Ventika’s goodwill is tested at the Company’s CGU, IEnova Renewables.

There are no significant changes in Ventika’s operations that would indicate potential impairment since acquisition, including the following: a) its financial results have been consistent with management initial projections, b) there has not been a material change in macroeconomic indicators, and c) there have been no significant changes in workforce, strategy, market trends or impacts due to recent acquisitions/integrations.

In the case of Ventika, the Company considered appropriate to use cash flows from the acquisition model and reviewed consistency with the actual results in 2017. The discount rate used was the WACC of 9.2 percent. Under this approach, the value in use is greater to the carrying value. Based on that, no impairment was determined.

During the fourth quarter of 2017, the Company received additional information regarding Ventika's deferred income taxes as of the acquisition date, primarily related to net operating loss carryforwards. As a result, the Company recorded a measurement period adjustment that resulted in a net decrease to goodwill of $13.7 million. (Please refer to Note 11.2.c.).

IGM

Goodwill has been allocated for impairment testing purposes to IEnova Gasoductos Mexico's CGU, which is included in the IEnova Transportation.

The recoverable amount of this CGU is determined based on a 10-year DCF analysis of IEnova Gasoductos Mexico's projected results. The DCF for 2018, 2017 and 2016, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 7.8 percent, which was the same rate used at the acquisition date.

There are no significant changes in IEnova Gasoductos Mexico's operations that would indicate potential impairment since acquisition, including the following: a) its financial results have been consistent with management's initial projections, b) the changes on the macroeconomic indicators may have not had adverse effect on the Company's operations (i.e. risk free rates are unchanged or lower than acquisition date and the change of Sovereign average rating from BBB to BBB+ for Mexico), c) changes in the regulatory environment have not had adverse effect on the Company's operations and, d) there have been no significant changes in workforce, strategy, market trends or impacts due to recent acquisitions/integrations.

Although, the Company's management believes the current discount rate may be lower as market rates have declined since the acquisition, the discount rate used as of the acquisition date was deemed to be a reasonable rate for goodwill impairment testing purposes.

14. Property, plant and equipment, net

	As of 12/31/18	12/31/17	12/31/16
Carrying amounts of:			
Buildings and plants	$ 4,273,297	$ 4,017,315	$ 3,110,525
Equipment	31,937	28,674	96,017
Other assets	135,580	117,279	59,670
	4,440,814	4,163,268	3,266,212
Accumulated depreciation and amortization	(851,313)	(545,148)	(433,074)
Land	124,908	82,389	82,404
Properties under construction	372,505	28,947	698,543
	$ 4,086,914	$ 3,729,456	$ 3,614,085

	Land	Buildings and plants	Equipment	Properties under construction	Other assets	Total
Cost						
Balance as of January 1, 2016	$ 76,524	$ 2,586,775	$ 86,965	$ 364,296	$ 38,843	$ 3,153,403
Assets held for sale	(674)	(436,077)	(7,525)	(533)	(2,935)	(447,744)
Additions	282	15,523	17,085	332,682	17,386	382,958
Business combination IEnova Pipelines (Refer to Note 11.1.)	6,026	296,520	—	—	8,750	311,296
Business combination Ventika (Refer to Note 11.2.)	252	673,531	—	—	—	673,783
Disposals	—	(1,021)	(164)	—	(738)	(1,923)
Effect of foreign currency translation	(6)	(26,882)	(344)	(724)	(1,636)	(29,592)
Revisions and additions to decommisioning liability	—	4,978	—	—	—	4,978
Balance as of December 31, 2016	$ 82,404	$ 3,113,347	$ 96,017	$ 695,721	$ 59,670	$ 4,047,159
Additions	13	886,917	192	(705,173)	33,318	215,267
Assets acquisition DEN (Refer to Note 11.3)	—	—	203	—	1,592	1,795
Disposals	(30)	(7,501)	(59)	(325)	(2,146)	(10,061)
Effect of foreign currency translation	2	(10,662)	—	16,013	837	6,190
Revisions and additions to decommisioning liability	—	10,814	—	—	—	10,814
Other	—	24,400	(67,679)	22,711	24,008	3,440
Balance as of December 31, 2017	$ 82,389	$ 4,017,315	$ 28,674	$ 28,947	$ 117,279	$ 4,274,604
Additions	12,982	27,863	110	360,893	12,065	413,913
Assets acquisition ICM (Refer to Note 11.6)	28,832	—	—	—	—	28,832
Effect of TDM reclassification to held and used (Refer to Note 12)	733	235,007	966	523	12,695	249,924
Disposals	(28)	(9,873)	—	(518)	(5,336)	(15,755)
Effect of foreign currency translation	—	351	72	(193)	9	239
Revisions and additions to decommisioning liability	—	(13,685)	—	—	—	(13,685)
Other	—	16,319	2,115	(17,147)	(1,132)	155
Balance as of December 31, 2018	$ 124,908	$ 4,273,297	$ 31,937	$ 372,505	$ 135,580	$ 4,938,227
Accumulated depreciation						
Balance as of January 1, 2016	$ —	$ (523,842)	$ (10,606)	$ —	$ (23,115)	$ (557,563)
Assets held for sale	—	178,795	—	—	1,622	180,417
Eliminated on disposals of assets	—	271	111	—	270	652
Depreciation expense	—	(57,741)	(2,241)	—	(3,468)	(63,450)
Effect of foreign currency translation	—	6,732	186	—	886	7,804
Other	—	(934)	—	—	—	(934)
Balance as of December 31, 2016	$ —	$ (396,719)	$ (12,550)	$ —	$ (23,805)	$ (433,074)
Eliminated on disposals of assets	—	890	146	—	1,572	2,608
Depreciation expense	—	(102,805)	(911)	—	(6,745)	(110,461)
Effect of foreign currency translation	—	(1,314)	(234)	—	(666)	(2,214)
Other	—	(3,379)	3,579	—	(2,207)	(2,007)
Balance as of December 31, 2017	$ —	$ (503,327)	$ (9,970)	$ —	$ (31,851)	$ (545,148)
Eliminated on disposals of assets	—	1,591	11	—	866	2,468
Effect of TDM reclassification to held and used (Refer to Note 12)	—	(180,017)	(404)	—	(1,209)	(181,630)
Depreciation expense	—	(117,446)	(974)	—	(8,419)	(126,839)
Effect of foreign currency translation	—	(5)	1	—	(3)	(7)
Other	—	(45)	—	—	(112)	(157)
Balance as of December 31, 2018	$ —	$ (799,249)	$ (11,336)	$ —	$ (40,728)	$ (851,313)

The additions to property, plant and equipment during 2018, 2017 and 2016, are mainly comprised of construction in process, related to the following projects:

- Solar - Pima, Tepezala II and Rumorosa (Please refer to Note 1.2.13.).
- Terminals - Veracruz, Puebla, Mexico City and Baja California (Please refer to Note 1.2.13.).
- Pipelines - Compression station, in Sonora.
- Pipelines - San Isidro - Samalayuca (COD on March 31, 2017)
- Pipelines - Guaymas - El Oro (COD on May19, 2017)
- Pipelines - El Empalme pipeline branch (COD on June 24, 2017)
- Pipelines - Ojinaga - El Encino (COD on June 30, 2017)

As of December 31, 2018, 2017 and 2016, additions of property, plant and equipment that were not paid, amount to $63.6 million, $41.7 million and $49.8 million, respectively.

Borrowing cost. During the years ended December 31, 2018, 2017 and 2016 the Company capitalized borrowing costs on qualifying assets in the amount of $10.7 million, $10.2 million and $14.8 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 4.02 percent, 2.98 percent and 3.33 percent, for the years ended December 31, 2018, 2017 and 2016, respectively.

14.1. Useful lives of property, plant and equipment

Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Years
Buildings	40
Plant and equipment for LNG storage, regasification and nitrogen injection facility [1]	5-45
Plant and equipment for wind power generation facilities [1]	20-30
Pipelines system for transportation and distribution of gas [1]	34-50
Plant and equipment for generation of electricity [1]	37
Fiber optic network [2]	5-20
Leasehold improvements [2]	3-10
Machinery and other equipment [2]	3-10
Other assets [2]	3-20

1 Useful lives related to plant and equipment category
2 Useful lives related to other assets category

15. Intangible assets

	As of 12/31/18	**12/31/17**	**12/31/16**
Carrying amounts of:			
Renewable transmission rights (a)	$ 164,622	$ 154,144	$ 154,144
O&M contract (b)	44,566	44,566	—
Amortization	(18,416)	(8,511)	—
	$ 190,772	$ 190,199	$ 154,144

a. *Renewable transmission rights*

On December 14, 2016, regarding Ventika's 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 a $5.0 million intangible asset related to Self-Supply Permit of the Don Diego Solar Project. (Please refer to Note 11.).

On August 14, 2018, the Company acquired a $5.5 million intangible asset related to Self-Supply Permit of the Border Solar Project. (Please refer to Note 11.).

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 to Ventika and 15 years to Don Diego and Border Solar.

b. ***O&M Contract***

In November 2017, the Company, through DEN's asset acquisition, acquired a $44.6 million intangible asset related to the O&M contract with TAG, the amortization is calculated on a straight-line basis until the expiration of the Agreement in February 2041, equivalent to 23 years. (Please refer to Note 11).

16. Trade and other payables

	As of		
	12/31/18	12/31/17	12/31/16
Trade payables	$ 99,713	$ 72,603	$ 93,731
Other miscellaneous payables	44	35	835
	$ 99,757	$ 72,638	$ 94,566

The average credit period on purchases of goods and services is between 15 to 30 days. No interest has been charged on trade payables. The Company has policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. Employee benefits

17.1. Defined contribution component

The Company provides a defined contribution plan for all permanent full-time employees in Mexico. Employees that leave the Company obtain the capital accumulated with the contributions according to the following vesting schedule: a) Basic Contribution: 100 percent immediately for the capital accumulated. b) Additional Contribution: for the capital accumulated the vesting rates are: 100 percent in case of death or disability, and in case of voluntary termination according with the Company policy.

17.2. Defined benefit component

The Company also provides defined benefit plans for all permanent full-time employees of its subsidiaries in Mexico. Under the plans, the employees are entitled to retirement benefits varying between 55 percent and 100 percent of their final salary upon reaching the retirement age of 65 years. No other post-retirement benefits are provided to these employees.

17.3. Seniority premium benefits

The Company provides seniority premium benefits, which consist of a lump sum payment of 12 days of wages per each year worked, calculated using the employee’s most recent salary, not to exceed twice the minimum wage established by law.

17.3.1. Costs and obligations for post-employment and other long-term employee benefits

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at		
	12/31/18	12/31/17	12/31/16
Discount rates	9.75%	8.25%	8.00%
Expected rates of salary incrase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	$ 18.81	$ 18.20	$ 19.72

Amounts recognized within current earnings and OCI as well as benefits paid with respect to the Company's post-employment and other long-term employee benefits were as follows:

	As of		
	12/31/18	12/31/17	12/31/16
Current service cost recognized in administrative and other expenses	$ 836	$ 155	$ 646
Interest on obligation recognized in finance costs	528	457	345
Actuarial gains recognized in OCI	519	704	1,765

The amount included in the Consolidated Statements of Financial Position arising from the Company's obligation related to its defined benefit plans, and changes in the present value of the defined benefit obligation in the current year, were as follows:

	As of		
	12/31/18	12/31/17	12/31/16
Opening defined benefit obligation	$ 6,537	$ 5,586	$ 4,295
Current service cost	836	105	585
Interest benefit	528	422	309
Actuarial (gain) loss	(519)	482	435
Payment	310	—	115
Benefits paid	(49)	(58)	(153)
Ending defined benefit obligation	$ 7,643	$ 6,537	$ 5,586

18. Other financial liabilities

	As of		
	12/31/18	12/31/17	12/31/16
Accrued interest payable (a)	$ 22,454	$ 6,959	$ 4,855
Customer deposits	2,266	1,333	1,022
Guarantee liability (b)	—	2,080	—
	$ 24,720	$ 10,372	$ 5,877

a. Balance represents accrued interest payable on long-term debt. (Please refer to Note 23.).

b. IEnova and its partner on the Sur of Texas-Tuxpan natural gas pipeline, Transcanada, have a jointly guaranteed obligation for constructions services during the construction of the pipeline. (Please refer to Note 10.3.).

19. Other liabilities

	As of 12/31/18	12/31/17	12/31/16
Wages and benefits payable	$ 21,302	$ 19,012	$ 14,995
Deferred revenue (a) and (b)	11,983	—	—
Contractor withholdings	6,771	619	13,866
Payable lease (c)	2,736	—	—
	$ 42,792	$ 19,631	$ 28,861
Other current liabilities	$ 28,073	$ 19,631	$ 28,861
Other non current liabilities	14,719	—	—
	$ 42,792	$ 19,631	$ 28,861

a. Corresponds to Guaymas-El Oro pipeline unrendered services for an amount of $7.6 millions. It is expected to place in operation by the end of 2019.

b. Corresponds to San Isidro-Samalayuca contract unrendered services for an amount of $4.3 millions.

c. Corresponds to fixed monthly contribution of API Veracruz given land use.

20. Provisions

	As of 12/31/18	12/31/17	12/31/16
Decommissioning liabilities (a)	$ 54,443	$ 58,654	$ 41,618
Other provisions (b)	7,711	8,950	10,347
	$ 62,154	$ 67,604	$ 51,965
Current	$ 251	$ 394	$ 930
Non-current	61,903	67,210	51,035
Total provisions	$ 62,154	$ 67,604	$ 51,965

	Asset retirement obligations	Others	Total
Balance as of January 1, 2016	$ 34,236	$ 1,293	$ 35,529
Additional provisions recognized	1,705	9,380	11,085
Increase of financial cost	1,745	—	1,745
Payments and other decreases in provisions recognized	—	(326)	(326)
Unwinding of discount and effect of changes in the discount rate	3,932	—	3,932
Balance as of December 31, 2016	$ 41,618	$ 10,347	$ 51,965
Additional provisions recognized	4,239	—	4,239
Increase of financial cost	1,983	—	1,983
Payments and other decreases in provisions recognized	—	(1,397)	(1,397)

	Asset retirement obligations	Others	Total
Unwinding of discount and effect of changes in the discount rate	10,814	—	10,814
Balance as of December 31, 2017	$ 58,654	$ 8,950	$ 67,604
Recognition of provision on TDM reclassification to held and used	6,922	—	6,922
Increase of financial cost	2,552	—	2,552
Payments and other decreases in provisions recognized	—	(1,239)	(1,239)
Unwinding of discount and effect of changes in the discount rate	(13,685)	—	(13,685)
Balance as of December 31, 2018	$ 54,443	$ 7,711	$ 62,154

a. ***Decommissioning liabilities***

For long-lived assets, the Company recognized decommissioning liabilities for the present value of future costs expected to be incurred when assets are withdrawn from service, if the Company has a legal or constructive obligation and if the Company can make a reasonable estimate of that obligation. The discount rates used by the Company were 4.64 percent, 3.90 percent and 4.54 percent as of December 31, 2018, 2017 and 2016, respectively.

b. ***Other provisions***

The balance of other provisions include a liability by $0.3 million due to an onerous contract representing the present value of future losses that the Company expects to incur under one of their service contracts. Because the related asset is operating below full capacity, management of the Company utilized a present value model to determine the provision utilizing a discount rate of 10 percent.

As of December 31, 2018, the balances of the Specific Services Contract ("CSE") related to the authorized provision stipulated under the O&M contract with Pemex TRI regarding the acquisition of materials, spare parts and services for the maintenance of the pipelines transportation system amounts $7.4 million.

21. Carbon allowances

The Company is required by California Assembly Bill 32 to acquire carbon allowance for every metric ton of carbon dioxide equivalent emitted into the atmosphere during electricity generation. Under the bill, TDM is subject to this extraterritorial regulation, despite being located in Baja California, Mexico since their end users are located in California, U. S.

The Company records carbon allowances at the lower of weighted average cost or market value, and includes them as current or non-current on the Consolidated Statements of Financial Position based on the dates that they are required to be surrendered. The Company measures the compliance of the obligation, which is based on emissions, at the carrying value of allowances held plus the fair value of additional allowances necessary to satisfy the obligation. The Company derecognized the assets and liabilities from the Consolidated Statement of Financial Position as the allowances are surrendered.

Carbon allowances are shown in the Consolidated Statements of Financial Position as follows:

Assets:	As of 12/31/18
Current	$ 5,936
Non-current	15,499
	$ 21,435

Liabilities (a):

Current	$	6,354
Non-current		14,826
	$	21,180

a. Cost of carbon allowances of $21.9 millions, $16.5 millions and $12.8 millions were recorded in cost or revenue, for the years ended December 31, 2018, 2017 and 2016, respectively.

22. Short-term debt

As of December 31, 2018, 2017 and 2016, short-term debt includes the following:

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Credit agreement (a)	$ 808,086	$ 137,053	$ 446,034
Current portion of IEnova Pipelines Bank Loan (Refer to Note 23.c.).	38,227	40,631	38,682
Current portion of Ventika Bank Loan (Refer to Note 23.d.)	25,973	22,588	13,482
Trina Solar (Refer to Note 23.g.).	28	—	—
CEBURES at variable rate (Refer to Note 23.a.).	—	65,871	—
	$ 872,314	$ 200,272	$ 498,198
Borrowing costs	(2,140)	(3,383)	(4,627)
	$ 870,174	$ 196,889	$ 493,571

a. ***Credit agreement.*** On August 21, 2015, the Company entered into an agreement for a $400.0 million, U.S. Dollar-denominated, five-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lenders are Banamex, SMBC, Santander, The Bank of Tokyo and The Bank of Nova Scotia.

Withdrawal of credit line. In June and July 2016, the Company withdrew $20.0 million and $380.0 million, respectively, of the credit line to be used for working capital and general corporate purposes. In December 2016, the Company withdrew $375.0 million to finance a portion of Ventika's acquisition and for general corporate purposes.

On October 21, 2016, the Company paid $250.0 million of the credit agreement.

On November 3, 2016, the Company renegotiated the credit line of the credit agreement for an amount up to $1,170.0 million, U.S. Dollar-denominated. On December 30, 2016, a portion of this revolving credit was repaid in the amount of $200.0 million.

On November 14, 2017, the Company withdrew $260.0 million, a portion of this disposition was used to finance the acquisition of DEN. (Please refer to Note 11.3.).

On December 14, 2017, with the proceeds received from the Senior Notes offering the Company paid a portion of this revolving credit by $730.0 million. (Please refer to Note 23.f.).

As of December 31, 2018, 2017 and 2016, the available unused credit portion was $362.0 million, $1,033.0 million and $724.0 million, respectively.

b. ***Financing of project's VAT*** - On April 8, 2014, Ventika entered into a line of credit with NAFINSA and BANCOMEXT, as lenders. On December 17, 2015, there was an amendment to increase the line for up to $569.4 million Mexican Pesos and $713.3 million Mexican Pesos, respectively. Interest was accrued at the TIIE plus 250 BPS payable on a quarterly basis. The credit line under this contracts was used to finance the VAT on the Ventika's projects. In 2016, the Company decided to repay and accordingly canceled the total credit facility.

23. Long-term debt

As of December 31, 2018, 2017 and 2016, long-term debt includes:

		As of	
	12/31/18	12/31/17	12/31/16
Senior Notes (f)	$ 840,000	$ 840,000	$ —
Santander – Ventika (d, e)	426,359	451,248	472,781
BBVA Bancomer, S. A. de C. V. ("Bancomer") – IEnova Pipelines (c)	239,513	—	—
CEBURES at fixed rate (a, b)	198,142	277,175	317,279
Trina Solar (g)	3,757	—	62,911
CEBURES at variable rate (a, b)	—	197,614	188,734
	$ 1,707,771	$ 1,766,037	$ 1,041,705
Debt issuance costs	(32,579)	(33,997)	(1,901)
	$ 1,675,192	$ 1,732,040	$ 1,039,804

a. ***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 6.30 percent, with semi-annual payment of interest, maturing in 2023.

ii. The second placement was for $102.1 million ($1,300.0 million of historical Mexican Pesos) bearing interest at variable rate based on the TIIE plus 30 BPS, with monthly payments of interest, maturing in 2018. The average annual rate as of December 31, 2018, 2017 and 2016, was 6.93 percent, 7.25 percent and 4.64 percent, respectively.

On February 8, 2018, the Company made the repayment of the second placement of the public debt issuance, CEBURES, for an amount of $1,300.0 million of historical Mexican Pesos.

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The Company received $1,300.0 million Mexican Pesos and paid $102.2 million U. S. Dollars. The repayment ended the hedging contract and CEBURES liability.

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

i. For the debt maturing in 2023, the Company swapped fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U. S. Dollars for this swap was 4.12 percent in 2018.

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

As of December 31, 2018, the swaps' total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). These contracts have been designated as cash flow hedges.

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 U. S. Dollars, the proceeds of which will be used to develop the IEnova Pipelines projects in process. The four participating credit institutions are Bancomer with a 50 percent contribution, The 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 2.0 percent per year until the fifth anniversary, LIBOR plus 2.25 percent from the fifth to the eight anniversary, LIBOR plus 2.50 percent, from the eighth to twelfth anniversary and LIBOR plus 2.75, percent from the thirteenth anniversary until maturity LIBOR plus 2.75 percent.

As of December 31, 2018, the long term debt maturity are as follows:

Year		Amount
2019	$	38,227
2020		42,213
2021		45,054
Thereafter		152,247
	$	277,741

In such credit, IEnova Pipelines was defined as debtor, TDF together with 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 for the following:

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

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

ii. Maintain an interest ratio of 2.5 to 1 at least on a consolidated basis (EBITDA to interest), for the payment of interest.

As of the date of the Consolidated Financial Statements, the Company has complied with these obligations.

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

The Company has designated derivative financial instruments mentioned above under the model of cash flow hedges, in terms of what is permitted by the accounting standards. Given that, this interest rate swap, hedge objective is to set the flowing cash derived from interest payments on the syndicated loan maturing in 2026.

d. ***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, the NADB, Banco Nacional de Obras y Servicios Publicos, S. N. C. Institucion de Banca de Desarrollo ("BANOBRAS"), 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 is as follows:

Bank		As of 12/31/18
NADB	$	135,666
SANTANDER		92,701
BANOBRAS		87,214
BANCOMEXT		67,833
NAFINSA		67,833
Interest payable		1,085
	$	452,332

e. ***Interest Rate Swaps.*** In order to mitigate the impact of interest rate changes, Ventika entered into interest rate swaps with Santander and BANOBRAS; this allows Ventika to have almost 92.0 percent of the mentioned credit facilities above fixed. The swap contracts allow for 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).

f. ***Senior Notes.*** On December 14, 2017, the Company entered into an agreement for $840.0 million international Senior Notes as follows:

i. The first placement was for $300.0 million bearing interest at a rate of 3.75 percent, with semi-annual payment 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 payment of interest, maturing in 2048.

As of December 31, 2018, the debt issuance costs amounts $32.6 million.

The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, with the remainder for general corporate purposes.

g. ***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.

24. Financial instruments

24.1. Capital management

The Company expects its cash flows from operations to fund a substantial portion of future capital expenditures and dividends.

The Company is subject to externally imposed capital requirements for its regulated subsidiaries in the gas segment. According to applicable regulations the subsidiaries need to include in their bylaws the requirement to have a minimum fixed capital, without withdrawal rights, equivalent to 10 percent of their investment.

Also, the Company has a commitment with the Mexican regulator for capital contributions based on invested capital for its projects. As of December 31, 2018, 2017 and 2016, the Company had complied with the above requirements.

24.2. Categories of financial instruments

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Financial assets			
Cash and cash equivalents	$ 51,681	$ 37,208	$ 24,918
Short term investment	83	1,081	80
Restricted cash	26,283	55,820	51,363
FVTPL			
Held for trading	17,703	9,146	8,120
Amortized cost			
Loans and receivables	844,989	613,280	218,214
Financial leasing	942,184	950,310	957,466
Financial liabilities			
FVTPL			
Held for trading	$ 163,823	$ 204,170	$ 226,161
Amortized cost	3,055,700	2,695,537	1,897,812

24.3. Financial risk management objectives

The activities carried out by the Company may expose it to financial risk, including market risk, which encompasses foreign exchange, interest rate and commodity price risks, credit risk and liquidity risk. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program.

The Company may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities on the Consolidated Statements of Financial Position or off-balance sheet risks (firm commitments and highly probable forecasted transactions). Both financial risk management and the use of derivative and non-derivative financial instruments are governed by Company policies.

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

24.4. Market risk

Market risk is the risk of erosion of the Company's cash flows, earnings, asset values and equity due to adverse changes in market prices and interest and foreign currency rates.

The Company has policies governing its market risk management and trading activities. The Parent's senior officers are members of committees that establish policies, oversee energy risk management activities, and monitor the results of trading and other activities to ensure compliance with the Company's stated energy risk management and trading policies. These activities include, but are not limited to, daily monitoring of market positions that create credit, liquidity and market risk. The respective oversight organizations and committees are independent from the energy procurement departments.

The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price, interest rate and foreign currency exchange rate risks, including:

- Interest rate swaps to mitigate the risk of rising interest rates or foreign currencies under which certain liabilities are denominated (and its related tax impacts); and,
- Commodity price contracts to hedge the volatility in the prices and basis of natural gas.

There has been no material change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

24.5. Value at Risk ("VaR") analysis

The VaR measure estimates the potential loss in pre-tax profit, under normal market conditions, over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Along with other tools, the Company uses VaR to measure its exposure to market risk primarily associated with commodity derivative instruments that the Company holds. The Company uses historical volatilities and correlations between instruments and positions in the calculations.

The Company uses a one-day holding period and a 95.0 percent confidence interval in its VaR calculations.

The one-day 95.0 percent VaR number reflects the 95.0 percent probability that the daily loss will not exceed the reported VaR.

The variance-covariance approach was used to calculate the VaR values.

	As of		
VaR History (95%, one day) by risk type	**12/31/18**	**12/31/17**	**12/31/16**
Interest rate swap and commodities	$ 2,258	$ 2,581	$ 4,025
Total VaR exposure	$ 2,145	$ 2,452	$ 3,824

VaR is a statistical estimate of how much a portfolio may lose in the given time horizon for the given confidence interval. By using a VaR with a 95.0 percent confidence interval, the potential losses above that percentile are not considered; by using historical data possible adverse extreme movements might not be captured, since these did not occur during the time period considered in the calculations; and there is no guarantee that the actual losses will not exceed the calculated VaR.
While VaR captures the Company's daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in commodity prices and interest rates over a year. Details of sensitivity analysis for foreign currency risk are set out in Note 24.7.1.

24.6. Commodity price risk

Market risk related to physical commodities is created by volatility in the prices and basis of certain commodities. The Company's various subsidiaries are exposed, in varying degrees, to price risk, primarily to prices in the natural gas markets. The Company's policy is to manage this risk within a framework that considers the unique market and operating and regulatory environments of each subsidiary.

The Company is generally exposed to commodity price risk, indirectly through its LNG, gas pipelines and storage, and power generating assets. The Company may utilize commodity transactions in the course of optimizing these assets. These transactions are typically priced based on market indexes, but may also include fixed price purchases and sales of commodities. (Please refer to Note 24.4.).

24.7. Foreign currency risk management

The Company has investments in entities whose functional currency is not the U. S. Dollar; additionally, it also has balances in Mexican Pesos held by its U. S. Dollar functional currency subsidiaries, exposing the Company to currency fluctuations.

The Company's primary objective in reducing foreign currency risk is to preserve the economic value of the investments and to reduce earnings volatility that would otherwise occur due to exchange rate fluctuations.

As mentioned above, the Company enters into transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency-denominated financial assets and financial liabilities, in relation to its subsidiaries' functional currencies, at the end of the reporting period are as follows:

	Financial assets		
		As of	
	12/31/18	12/31/17	12/31/16
U. S. Dollar functional currency subsidiaries	$ 907,113	$ 746,038	$ 171,462
Mexican Peso functional currency subsidiaries	32,146	33,594	19,900

	Financial liabilities		
		As of	
	12/31/18	12/31/17	12/31/16
U. S. Dollar functional currency subsidiaries	$ 860,870	$ 853,067	$ 779,000
Mexican Peso functional currency subsidiaries	31,325	26,478	34,012

For the Company's U.S. Dollar functional currency subsidiaries their Mexican Peso balances include: bank accounts and short-term investments, VAT, income tax receivables or payables, prepaid expenses, guarantee deposits, intercompany loans, long-term debt, trade accounts payable and other tax withholdings.

For the Company's Mexican Peso functional currency subsidiaries, their U.S. Dollar balances include: bank accounts, intercompany loans, trade accounts receivables or payables and provisions.

Exchange rates in effect as of the date of the Consolidated Financial Statements and their issuance date are as follows:

	Mexican Pesos			
	12/31/18	12/31/17	12/31/16	02/19/19
One U.S. Dollar	$ 19.6829	$ 19.7354	$ 20.6640	$ 19.3625

24.7.1. Foreign currency sensitivity analysis

The Company's account balances disclosed in Note 24.7. are exposed to the Mexican Peso for its U. S. Dollar functional currency subsidiaries and to the U. S. Dollar for its Mexican Peso functional currency subsidiaries.

The following table details the Company's profit and OCI sensitivity to a 10.0 percent increase and decrease in the U. S. Dollar against the Mexican Peso. The sensitivity rate used to report foreign currency risk internally to key Company's management is 10.0 percent, which represents management's benchmark of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10.0 percent change in foreign currency rates. The sensitivity analysis includes intercompany loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A negative number below indicates a decrease in profit or equity where the U. S. Dollar strengthens 10.0 percent against the Mexican Peso for U. S. Dollar functional currency subsidiaries. For a 10.0 percent weakening of the U. S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be positive.

For U. S. Dollar functional currency entities, the sensitivity analysis to changes in the Mexican Peso to U. S. Dollar exchange rate is determined on a pre-tax basis due to the complexity of determining the tax impacts (tax laws recognize taxable or deductible exchange gains and losses based on the U. S. Dollar monetary position, regardless of the functional currency).

For Mexican Peso functional currency subsidiaries, a positive number below indicates an increase in profit or equity where the U. S. Dollar strengthens 10.0 percent against the Mexican Peso. For a 10.0 percent weakening of the U. S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	U.S. Dollar functional currency			Mexican Peso functional currency		
	2018	2017	2016	2018	2017	2016
Profit (loss) (i)	$ 2,943	$ 6,811	$ 38,662	$ 52	$ (453)	$ 898
OCI	—	—	—	414	2,580	(9,486)

(i) This is mainly attributable to the exposure to outstanding Mexican Peso receivables in the U. S. Dollar functional currency subsidiaries at the end of each reporting period.

The U. S. Dollars functional currency subsidiaries sensitivity to foreign currency decreased mainly due to higher intercompany loans with unconsolidated affiliates.

The Mexican Peso functional currency subsidiaries sensitivity to foreign currency has increased mainly due to higher trade and other trade receivables balances.

24.8. Interest rate risk management

In September 2005, the Company entered into derivative transactions to hedge future interest payments associated with forecasted borrowings of $450.0 million from third parties for ECA, which were designated as cash flow hedges.

In 2007, the original hedged items became probable of not occurring due to a change in the Company's external borrowing needs. Accordingly, a cash flow hedge gain of $30.0 million was reclassified from OCI in members' equity to current earnings, and changes in the fair value of these instruments were recognized in current earnings prospectively within other gains and losses line item.
As of December 31, 2014, there was one remaining interest-rate swap agreement with a notional amount of $151.2 million under which IEnova received a variable interest rate (three-month LIBOR) and paid a fixed interest rate of 5.0 percent.

The original terms of the swap expire on December 15, 2027. On September 16, 2015, the Company, through an early termination clause, made a prepayment in the amount of $29.8 million and as a result, such derivative was canceled. The one-year VaR information related to the interest rate swap is included in Note 24.5.

24.8.1. Interest rate swaps contracts entered into by the Company's joint ventures

As described in Note 10.2.b. the joint venture with Saavi Energia entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings.

As described in Note 10.5.b. the joint venture with BlackRock entered into swap contract that effectively hedges the interest rate risk due to variable rate financings.

The fair value of derivative instruments is based on the market values in place as of the date of the Consolidated Financial Statements, which impacts investment in joint venture with a debit to current earnings.

The Company's management considers the results of the sensitivity analysis for these derivatives to be imaterial.

24.9. Credit risk management

Credit risk is the risk of loss that would be incurred as a result of nonperformance of the Company's counterparties contractual obligations. The Company monitors credit risk through a credit-approval process and the assignment and monitoring of credit limits. The Company establishes these credit limits based on risk and return considerations under terms customary for the industry.

As with market risk, the Company has policies and procedures to manage credit risk, which are tailored for each business segment, administered by each subsidiary's respective departments and overseen by their management.

In ECO, depending on the type of service requested by the customer, different criteria are applied as follows:

Minor customers (residential customers for household consumption):

- Copy of official identification;
- Proof of residence or power of attorney from landlord, in case of rental residences;
- Personal references, (which are confirmed); and,
- Registration with tax agency for commercial customers with minor consumption.

Major customers (customers for industrial and commercial consumption):

- Power of attorney;
- Legal representative official identification;
- Copy of articles of incorporation;
- Proof of address; and,
- Depending on consumption volume, a guarantee is required, which could include letter of credit, cash deposit, or promissory notes among others.

The oversight includes a monthly review of 100.0 percent of the balances of major customers by the credit and collection department, to make sure that payments are made on a timely manner and to ensure that they are in compliance with the agreed terms of their contract.

The Company believes that it has allocated adequate reserves for counterparty's nonperformance.
For all other entities of the Gas and Power segments, when the Company's development projects become operational, they rely significantly on the ability of their suppliers to perform on long-term agreements and on the ability to enforce contract terms in the event of nonperformance.
Also, the factors that the Company considers in evaluating a development project include negotiating customer and supplier agreements and, therefore, rely on these agreements for future performance.

24.9.1.Concentration of credit risk

The Company conduct their businesses based upon ongoing evaluations of their customers' financial conditions and certain guarantees, except when such clients qualify for credit based on their long-term debt credit ratings issued by S&P's or other credit rating agency in the U. S. or Canada.

The management believes that the risk arising from its concentration of credit is mitigated since all of their major customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected.

The following table shows the Company's revenue concentration by customer:

	Segment	12/31/18	12/31/17	12/31/16
Customer 1	Gas	$ 317,805	$ 317,055	$ 226,496
Customer 2	Power & Gas	218,126	142,445	—
Customer 3	Gas	171,666	168,937	40,592
Customer 4	Gas	143,026	113,086	6,143
Customer 5	Gas	123,366	114,093	30,040
Customer 6	Gas	98,435	103,043	101,998
Customer 7	Gas	84,846	87,160	88,646
Customer 8 *	Power	36,353	35,389	3,594
Customer 9	Gas	36,723	36,397	35,839
Customer 10	Power	—	—	110,576
Others **		138,209	105,300	123,165
		$ 1,368,555	$ 1,222,905	$ 767,089

* Please refer to Note 12.

** Within others, there are no customers with revenue concentration greater than 9.0 percent.

As mentioned above, all major customers pay on a monthly basis, otherwise service can be suspended until due amounts are collected, and as a result, the Company's management does not estimate the Company is exposed to significant credit risks.

The Company's maximum credit risk exposure as of December 31, 2018, 2017 and 2016, was $350.9 million, $313.6 million and $190.2 million, respectively.

24.10. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Parent's directors and IEnova's key executives, who have established an appropriate liquidity risk management framework for management of the Company's funding and liquidity management requirements. As of December 31, 2018, the projects were funded with resources obtained from the Global Offering (Note 1.2.2.), unconsolidated affiliates loans and bank financing. The Company's current liabilities exceed its current assets mainly due to loans from unconsolidated affiliates and short-term debt. As explained in Notes 6 and 22, the Company had $1,033.0 million of unused lines of credits with banks.

24.10.1.Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on contractual maturity, which is the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
December 31, 2018						
Variable interest rate from banks (SMBC)		$ 808,086	$ —	$ —	$ —	$ 808,086
Variable interest rate from banks (International debt 10 years)	3.75	11,250	33,750	56,250	300,000	401,250

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
Variable interest rate from banks (International debt 30 years)	4.88	26,325	78,975	131,625	1,066,500	1,303,425
Fixed interest rate for long- term debt (Note 23)	6.3	12,483	37,449	199,286	—	249,218
Variable interest rate loan from banks (Ventika)	6.49	53,649	83,028	197,086	447,892	781,655
Variable interest rate loan from banks (GdC)	4.63	49,316	33,268	283,563	—	366,147
Variable interest rate for long-term (Trina)	6.07	256	684	1,140	3,862	5,942
		$ 961,365	$ 267,154	$ 868,950	$1,818,254	$3,915,723
December 31, 2017						
Variable interest rate from banks (SMBC)		$ 137,053	$ —	$ —	$ —	$ 137,053
Variable interest rate from banks (Senior Notes 10 years)	3.75	6,563	33,750	56,250	316,875	413,438
Variable interest rate from banks (Senior Notes 30 years)	4.88	15,356	78,975	131,625	1,105,988	1,331,944
Variable interest rate of short-term debt (Note 23.)	4.14	65,871	—	—	—	65,871
Fixed interest rate of long-term debt (Note 23.)	6.30	12,623	37,868	211,378	—	261,869
Variable interest rate loan from banks (Ventika)	5.60	48,211	76,868	210,235	472,467	807,781
Variable interest rate loan from banks (IEnova Pipelines)	4.63	53,642	39,034	341,697	—	434,373
		$ 339,319	$ 266,495	$ 951,185	$1,895,330	$3,452,329
December 31, 2016						
Variable interest rate from banks (SMBC)		$ 442,560	$ —	$ —	$ —	$ 442,560
Variable interest rate of short-term debt (Note 23.)	4.14	2,512	57,613	—	—	60,125
Fixed interest rate of long-term debt (Note 23.)	6.30	12,055	36,166	24,111	177,769	250,101
Variable interest rate loan from banks (Ventika)	5.59	38,767	75,855	50,570	645,630	810,822
Variable interest rate loan from banks (IEnova Pipelines)	4.63	53,576	44,682	29,788	361,961	490,007
		$ 549,470	$ 214,316	$ 104,469	$1,185,360	$2,053,615

Prepayments on intercompany loans can be made at the Company's discretion.

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn-up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or commodity prices forward curves at the end of the reporting period.

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2018					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ 176	$ (1,920)	$ (159,750)	$ (2,909)	$ (164,403)
	$ 176	$ (1,920)	$ (159,750)	$ (2,909)	$ (164,403)

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2017					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ (38,978)	$ (3,032)	$ (12,579)	$ (141,516)	$ (196,105)
	$ (38,978)	$ (3,032)	$ (12,579)	$ (141,516)	$ (196,105)

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
December 31, 2016					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	$ (3,848)	$ (54,361)	$ (13,089)	$ (146,824)	$ (218,122)
	$ (3,848)	$ (54,361)	$ (13,089)	$ (146,824)	$ (218,122)

24.11. Fair value of financial instruments

24.11.1.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 Consolidated Financial Statements approximate their fair values.

	As of					
	12/31/18		12/31/17		12/31/16	
	Carrying amount	Fair value	Carrying amount	Fair Value	Carrying amount	Fair value
Financial assets						
Financial lease receivables	$ 942,184	$ 942,184	$ 950,310	$ 950,310	$ 957,466	$ 957,466
Due to unconsolidated Affiliates	691,340	696,626	535,945	592,727	117,328	103,965
Financial liabilities						

	As of					
	12/31/18		12/31/17		12/31/16	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair value**
-Financial liabilities held at amortized cost:						
-Long-term debt (traded in stock exchange)	1,038,142	865,710	1,037,614	998,995	249,744	232,812
-Loans from banks long-term	669,629	675,801	728,423	849,486	790,060	678,649
-Due from unconsolidated affiliates (Short-term)	310,696	310,694	554,497	553,558	260,914	257,589
-Short-term debt	872,314	872,314	266,143	266,143	498,198	491,879
-Loans from unconsolidated affiliates (Long-term)	75,161	67,963	73,510	69,967	3,080	3,080

24.11.2.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:

- The fair value of finance lease receivables 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.

- The Company determined the fair value of its long-term debt using prices quoted on recognized markets.

- For financial liabilities other than long-term debt, 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 to present value is adjusted to reflect the Company's own credit risk.

- The fair value of commodity and other derivative positions, which include interest rate swaps, are determined using market participant assumptions to price these derivatives. Market participants' assumptions include those about risk, and the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

Significant assumptions used by the Company in determining the fair value of the following financial assets and liabilities are set out below.

24.11.3.Fair value measurements recognized in the Consolidated Statements of Financial Position

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" is defined in Note 2.2.b.

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 standing 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:

- 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;

- 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 reporting date, either directly or indirectly.

- 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 2 in the fair value hierarchy as shown below:

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Financial assets at FVTPL			
Short-term investments (Level 1)*	$ 26,366	$ 56,901	$ 51,443
Derivative financial assets (Level 2)	17,620	8,065	8,040
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	163,823	204,170	226,161

The Company does not have financial assets or liabilities classified as Level 3 and there were no transfers between Level 1 and 2 during the reporting periods presented.

* The short term investments include restricted cash by $23.3 million, $55.8 million and $51.4 million as of December 31, 2018, 2017 and 2016, respectively.

24.11.4. Commodities and other derivative positions

The Company enters into derivative financial instrument agreements to hedge the volatility of its income tax impact attributable to the fluctuation of the Mexican Peso relative to the U. S. Dollar. Certain monetary assets and liabilities of the Company are denominated in U. S. Dollars (functional currency); however, they are remeasured in Mexican Pesos throughout the year for Mexican tax purposes. The remeasurement of these assets and liabilities gives rise to foreign currency gains and losses for Mexican tax purposes and impacts the Mexican income tax liability.

The Company recognized the change in fair value and the settlements in the “cost of revenue” line item within the Consolidated Statements of Profit.

25. Income taxes

The Company is subject to ISR. The rate of current income is 30 percent.

25.1. Income taxes recognized in the Consolidated Statements of Profit:

	As of 12/31/18	As of 12/31/17	As of 12/31/16
Current income tax:			
ISR	$ (113,683)	$ (39,376)	$ (102,950)
IETU-IMPAC	—	(205)	—
	(113,683)	(39,581)	(102,950)
Deferred Income tax:			
Deferred income tax	(29,381)	(64,582)	(14,395)
Total taxes in the Consolidated Statements of Profit	$ (143,064)	$ (104,163)	$ (117,345)

Income tax expense is reconciled with the profit before tax as follows:

	Year ended 12/31/18	Year ended 12/31/17	Year ended 12/31/16
Profit before income tax and share of profits of joint ventures	$ 535,666	$ 413,660	$ 829,494
Income tax expense calculated at 30%	(160,700)	(124,098)	(248,848)
Non-deductible expenses	(1,985)	(2,880)	(2,546)
Effects of foreign exchange rate	513	(17,806)	38,884
Effects of inflation adjustment	(28,076)	(32,341)	(8,779)
Effect of unused tax losses not recognized as deferred income tax asset	2,279	(25,965)	(23)
Effect of the remeasurement of equity method investment	—	—	201,921
Non-taxable income	—	368	1,055
Effect of foreign exchange rate and inflation on the tax bases of property, plant and equipment, net and unused tax losses	55,180	98,880	(97,792)
Other	(10,275)	(321)	(1,217)
Income tax expense recognized in the Consolidated Statements of Profit	$ (143,064)	$ (104,163)	$ (117,345)

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

- The effect of foreign currency exchange gains or losses is being calculated on Mexican Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.
- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Mexican Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.
- The inflationary effects relative to certain monetary assets and liabilities.
- Tax losses used or not recognized as deferred taxes.

25.2. *Income tax recognized directly in common stock and OCI*

	Year ended		
	12/31/18	12/31/17	12/31/16
Recognized directly in common stock:			
Issuance or ordinary shares under IPO and Follow-on	$ —	$ 17,851	$ 10,463
Recognized directly in OCI:			
Tax related to actuarial gain on defined benefit plans	(156)	(211)	(530)
Tax on valuation of financial instruments held for hedging purposes	(4,605)	(2,357)	(5,459)
Total of income tax recognized directly in common stock and OCI	$ (4,761)	$ 15,283	$ 4,474

25.3. *Deferred income tax assets and liabilities balances*

The following is the analysis of deferred income tax assets (liabilities) presented in the Consolidated Statements of Financial Position:

	As of		
	12/31/18	12/31/17	12/31/16
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	$ 72,497	$ 171,015	$ 265,310
Accrued expenses and provisions	21,582	43,381	28,940
Effect of business combination IEnova Gasoductos Mexico	1,355	1,453	1,550
Employee benefits	6,845	5,941	4,835
Inventories	1,909	2,768	3,861
Allowance for doubtful accounts	159	139	123
Deferred income tax assets for issuance or ordinary shares under IPO and follow on	17,851	17,851	17,851
Deferred income tax asset regarding valuation of financial instruments held for hedging purposes	6,593	10,360	19,899
Others	—	—	(1,720)
Total deferred income tax assets	128,791	252,908	340,649
Deconsolidation effect (a)	(47,938)	(155,574)	(250,961)
Deferred income tax asset	$ 80,853	$ 97,334	$ 89,688
Deferred income tax liabilities:			
Property, plant and equipment	$ (228,634)	$ (318,297)	$ (340,451)
Finance leases	(282,525)	(285,000)	(287,240)
Effect of assets fair value and intangible of Ventika	(83,054)	(86,241)	(88,355)
Prepaid expenses	(4,396)	(4,693)	(11,263)
Other	(16,221)	(12,957)	(13,259)
Total deferred income tax liabilities	(614,830)	(707,188)	(740,568)
Deconsolidation effect (a)	47,938	155,574	250,961
Deferred income tax liabilities	$ (566,892)	$ (551,614)	$ (489,607)

a. The effects of tax deconsolidation in deferred income tax are presented to reflect that the Company no longer has the right to offset income taxes of its subsidiaries and, therefore, they are presented separately in the Consolidated Statements of Financial Position as of December 31, 2018, 2017 and 2016.

During 2017, the Company has not recognized a deferred tax asset in the amount of $15.2 million generated from the deductible temporary differences between book value and tax basis as a result of the decision to sale the partnership interest in TDM.

Additionally, the Company has not recognized a deferred tax asset in the amount of $23.4 million generated from the deductible temporary differences between book value and tax basis of TDM.

The Company considers that there are no sufficient taxable profits available to recognize all or part of the deferred tax asset.

25.4. Deferred income tax in the Consolidated Statements of Financial Position

The following is an analysis of the deferred tax assets (liabilities) included in the Consolidated Statements of Financial Position:

	As of		
	12/31/18	**12/31/17**	**12/31/16**
Assets	$ 80,853	$ 97,334	$ 89,688
Liabilities	$ (566,892)	$ (551,614)	$ (489,607)
	$ (486,039)	$ (454,280)	$ (399,919)

Deferred tax assets have been recognized for tax-loss carryforwards and the IMPAC paid which provide for future tax benefits in the form of future deductible amounts and tax credits, respectively, and can be realized subject to compliance with certain requirements. Expiration dates and restated amounts as of December 31, 2018, are as follows:

Years	**Tax-Loss Carryforwards**	**IMPAC Recoverable**
2019	$ 1,675	$ 147
2020	1,630	147
2021	1,358	147
2022	537	147
2023	458	147
2024	2,243	147
2025	19,696	147
2026	206,996	147
2027	1,241	147
2028	5,824	151
	$ 241,658	$ 1,474

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for $241.7 million and $1.5 million respectively.

25.5. Current tax receivable and payable

	As of 12/31/18	12/31/17	12/31/16
Current tax assets:			
ISR receivable	$ 74,806	$ 81,909	$ 6,390
Current tax liabilities:			
ISR payable	$ (63,044)	$ (3,384)	$ (13,322)

26. Stockholders' equity

	As of 12/31/18	12/31/17	12/31/16
Common stock	$ 963,272	$ 963,272	$ 963,272
Additional paid-in equity	2,351,801	2,351,801	2,351,801
	$ 3,315,073	$ 3,315,073	$ 3,315,073

26.1. Issued member's equity is comprised as follows:

Pursuant to a resolution of the general ordinary member's meeting on February 15, 2013, member's equity increase was approved at $1.00 Mexican Peso per share, which was subscribed and paid by SEH an unconsolidated affiliate, increasing the value of its social part; also, Company's name change from Sempra Mexico, S. de R. L. de C. V. to "Sociedad Anonima de Capital Variable" ("S. A. de C. V.", Public limited Company) was approved. As a result of such resolution, the change of social parts for shares was performed; as of February 15, 2013, the distribution of such shares was as follows:

Shareholders name	Shares Class I	Class II	Total
Sempra Energy Holdings XI, B.V.	4,990	935,908,312	935,913,302
Sempra Energy Holdings IX, B.V.	10	—	10
	5,000	935,908,312	935,913,312

Shareholder's equity consists of nominative shares with no-par value. The theoretical value per share is $10.00 Mexican Pesos. The Class I and II represent the fixed and the variable part of shareholder's equity, respectively. Variable capital may be increased without limitation.

On March 6, 2013, SEH subscribed for a capital increase in SEMCO (a subsidiary of Sempra Energy), agreeing to pay for such capital increase through a contribution of IEnova's shares in an amount to be determined based on the price per share in the Global Offering, and subject to the shares being duly registered with the Mexican National Securities Registry ("RNV", by its initials in Spanish). On March 21, 2013, the effective date of the Global Offering and registration of IEnova's shares with the RNV, SEMCO acquired 100-percent of the Shares of SEH pursuant to the above described terms; therefore, beginning on this date, SEMCO was the new Parent Company of IEnova.

On March 21, 2013, the Company carried out a Global Offering of shares. Through such Global Offering, the Company issued 189,661,305 shares at a placement price of $34.00 Mexican Pesos per share; such offering included an over-allotment option up to 28,449,196 shares. The amount of this Global Offering was $520,707 ($6,448.4 million Mexican Pesos).

In connection with the Global Offering, on March 27, 2013, the underwriters in Mexico and abroad exercised the over-allotment option. The amount of over-allotment was $78,106.0 ($967.0 million Mexican Pesos), related to 28,449,196 shares at the placement price of $34.00 Mexican Pesos per share.

On September 14, 2015, the Ordinary and Extraordinary Shareholder's Meeting approved the proposal of an equity offering through a combined global offering which consists of a public offering in Mexico to the general public and a concurrent international offering as defined by Rule 144A and in Regulation S, under the United States Securities Act of 1933.

In addition an equity increase was approved for up to $3,300.0 million Mexican Pesos in Ordinary and Extraordinary Shareholder's Meetings; of which 330 million ordinary shares were issued. As of December 31, 2015, such shares have been neither subscribed nor paid, and therefore no impacts have been reflected in the Consolidated Financial Statements.

26.2. Global Offering

On October 13, 2016, the Company carried out a Global Offering. The Company issued 380,000,000 shares of common stock at $80.0 Mexican Pesos per share. After the Global Offering, the additional and over-allotment option was exercised, the free float represented approximately 33.57 percent of IEnova's outstanding ownership interest.

Total capital raised, net of offering costs, was approximately $1.6 billion U. S. Dollars. As a result of the Global Offering, the Company raised $30,400 million Mexican Pesos, net of issuance costs for $659.5 million Mexican Pesos ($34.8 million U. S. Dollars). Subsequent to the Company's Global Offering, subscribed and paid common stock of IEnova is represented by a total of 1,534,023,812 shares.

26.3. Formation of a repurchase fund its own shares

The Company's General Shareholders' Meeting celebrated on June 14, 2018, approved the formation of a fund to purchase the Company's own shares, considering an a maximum amount por that purpose as of December 31, 2018, of $250.0 million. As of December 31, 2018, the Company had repurchased 2,000,000 shares for a total of $7.2 million. The repurchased shares are held in the Company's treasury and cannot be released without board approval. As of December 31, 2018, the repurchase fund balance is for an amount of $242.8 million ($5,012 million Mexican Pesos).

		For the year ended December 31, 2018 and 2017 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**Fixed capital**	**Variable capital**	**Total**	**Total shares in USD**
SEMCO	1,019,038,312	$ 50,000	$ 10,190,333,120	$ 10,190,383,120	$ 751,825
Private investors	514,985,500	—	5,149,855,000	5,149,855,000	211,447
	1,534,023,812	$ 50,000	$ 15,340,188,120	$15,340,238,120	$ 963,272

27. Declared dividends

During 2018, 2017 and 2016, pursuant to the resolution of Extraordinary Stockholders' Meetings, payments of dividends in cash were approved, to be paid from retained CUFIN balances. Under Mexican tax regulation, dividends paid from CUFIN balances are not taxed, dividends were declared and paid, for the following amounts:

Meeting date		**Amount**
July 24, 2018 (*)	$	210,000
July 25, 2017	$	200,000
August 9, 2016	$	140,000

* Dividends were paid on August 21, 2018.

27.1. Dividends per share

	Cents per share for year ended		
	12/31/18	12/31/17	12/31/16
IEnova	$ 0.14	$ 0.13	$ 0.11

28. Segment information

28.1. Products and services from which reportable segments derive their revenues

Information reported for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are described and presented in Note 1.3.

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

28.2. Segment revenues and results

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment:

	Segment revenues Year ended		
	12/31/18	12/31/17	12/31/16
Gas:			
Revenues from customers	$ 919,783	$ 888,647	$ 548,947
Revenues from unconsolidated affiliates	138,752	103,043	101,998
Intersegment revenues	329,527	309,179	238,147
Power:			
Revenues from customers	99,592	99,164	12,315
Revenues from unconsolidated affiliates	208,652	130,192	101,192
Corporate:			
Allocation of professional services with affiliates	1,776	1,859	2,637
Intersegment professional services	34,974	29,970	29,484
	1,733,056	1,562,054	1,034,720
Intersegment adjustments and eliminations	(364,501)	(339,149)	(267,631)
Total segment revenues	$ 1,368,555	$ 1,222,905	$ 767,089

	Segment profit Year ended		
	12/31/18	12/31/17	12/31/16
Gas	$ 445,259	$ 463,483	$ 912,370
Power	65,357	(34,316)	(104,900)
Corporate	(80,030)	(74,993)	(52,480)
Total segment profit	$ 430,586	$ 354,174	$ 754,990

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

28.3. Assets and liabilities by segment

	As of 12/31/18	12/31/17	12/31/16
Assets by segment:			
Gas	$ 6,705,011	$ 6,425,446	$ 5,716,175
Power	1,356,815	1,170,970	1,241,689
Corporate*	706,771	567,443	169,084
Consolidated total assets	$ 8,768,597	$ 8,163,859	$ 7,126,948
Liabilities by segment:			
Gas	$ 1,066,774	$ 1,031,448	$ 983,424
Power	655,386	652,502	641,479
Corporate*	2,292,687	1,963,322	1,151,734
Consolidated total liabilities	$ 4,014,847	$ 3,647,272	$ 2,776,637

**Corporate segment*

The chief decision makers have decided to reclassify retrospectively the amounts of $39.7 in assets and $0.8 in liabilities as of December 31, 2017, related to Liquid Terminals included in Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 2.29.).

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

- All assets are allocated to reportable segments. Goodwill is allocated to reportable segments.
- All liabilities are allocated to reportable segments.

28.4. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	As of			As of		
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Gas	$ 3,777,923	$ 3,569,528	$ 3,354,683	$ (616,526)	$ (510,744)	$ (424,639)
Power	1,150,247	686,195	677,440	(232,776)	(24,885)	(1,807)
Corporate	19,685	18,881	16,191	(11,639)	(9,519)	(7,783)
	$ 4,947,855	$ 4,274,604	$ 4,048,314	$ (860,941)	$ (545,148)	$ (434,229)

	Depreciation and amortization			Additions to property, plant and equipment		
	Year ended			Year ended		
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Gas	$ 100,794	$ 86,182	$ 60,703	$ 218,811	$ 205,452	$ 692,853
Power	34,228	31,049	4,356	222,384	8,373	673,808
Corporate	2,135	1,789	1,547	1,550	3,237	1,376
	$ 137,157	$ 119,020	$ 66,606	$ 442,745	$ 217,062	$ 1,368,037

	Interest income			Finance (cost) income		
	Year ended			Year ended		
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Gas	$ 2,105	$ 813	$ 959	$ (12,074)	$ 3,371	$ 23,144
Power	804	963	1,176	(23,631)	(25,573)	(1,542)
Corporate	24,540	21,032	4,159	(87,174)	(51,299)	(42,694)
	$ 27,449	$ 22,808	$ 6,294	$ (122,879)	$ (73,501)	$ (21,092)

	Share of profits of joint ventures			Income tax (expense) benefit		
	Year ended			Year ended		
	12/31/18	12/31/17	12/31/16	12/31/18	12/31/17	12/31/16
Gas	$ 34,158	$ 41,094	$ 40,284	$ (107,875)	$ (97,340)	$ (132,951)
Power	3,826	3,583	2,557	(22,861)	(3,972)	30,889
Corporate	—	—	—	(12,328)	(2,851)	(15,283)
	$ 37,984	$ 44,677	$ 42,841	$ (143,064)	$ (104,163)	$ (117,345)

28.5. Revenue by type of product or services

The following is an analysis of the Company's revenue from its major type of product or service:

	Year ended		
	12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Transportation of gas	$ 483,458	$ 438,277	$ 175,217
Power generation	307,039	229,934	113,127
Sale of natural gas	258,966	176,334	145,912
Other operating revenues	133,646	156,306	145,943
Storage and regasification capacity	112,923	109,837	97,168
Natural gas distribution	72,523	112,217	89,722
	$ 1,368,555	$ 1,222,905	$ 767,089

Other operating revenues

a. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $98.5 million, $103.0 million and $102.0 million for the years ended December 31, 2018, 2017 and 2016, respectively; such balances are presented within the revenues line item in the Consolidated Statements of Profit.

   On August 3, 2018, as a part of dissolution of SLNGIH there was a deed of termination executed between IEnova Marketing and SLNGIH, transferring indemnity obligations under the deed of indemnity from SLNGIH back to SLNGI by executing the Third Amended and Restated LNG Sale and Purchase Agreement (LNG SPA) between IEnova Marketing and SLNGI.

b. The Company reported damage and declared a force majeure event for the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory that has interrupted its operations since August 23, 2017. There is no material economic impact due to this event. The Sasabe-Puerto Libertad-Guaymas segment remains in full operation.

29. Revenue from contracts with customers

29.1. Contracts with customers

The Company has initially applied IFRS 15 from 1 January 2018. The following table shows the distribution by type of revenue shown in the Consolidated Statements of Profit for the years ended on December 31, 2018:

		Year ended 12/31/18
Revenue from operations:		
Contracts with customers	$	866,426
Leases		161,584
Derivatives		69,617
Others - Sale of natural gas		171,206
Other revenue - Non IFRS 15		99,722
Total revenue	$	1,368,555

29.2. Disaggregation of revenue from regular operations

Following is a breakdown of income from contracts with clients by type of product or service, operating segment and date on which obligations are met, as well as a reconciliation of total revenue per segment for the years ended on December 31, 2018 :

	Year ended 12/31/18		
	Total subsidiaries	Consolidation adjustments	Total
By type of product or service:			
Service revenues:			
Power generation	$ 525,409	$ (218,370)	$ 307,039
Transportation of gas	392,875	(51,411)	341,464
Storage of natural gas	195,229	(82,306)	112,923
Administrative services	149,322	(122,979)	26,343
Natural gas distribution	81,941	(3,284)	78,657
Total revenue from contracts with clients	$ 1,344,776	$ (478,350)	$ 866,426
Others - Sale of natural gas	262,436	(91,230)	171,206
Total revenue	$ 1,607,212	$ (569,580)	$ 1,037,632
Obligations met:			
Over time	$ 1,344,776	$ (478,350)	$ 866,426
Total revenue from contracts with clients	$ 1,344,776	$ (478,350)	$ 866,426
By operating segment:			
Gas	1,388,062	(329,527)	1,058,535
Power	308,244	—	308,244
Corporate	36,750	(34,974)	1,776
Total revenue	$ 1,733,056	$ (364,501)	$ 1,368,555

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

The Company records revenue from services and from the generation of wind and electric energy at the time those services are rendered or delivered to and accepted by that client, in the terms of the programs established in each contract. That income is assigned on the basis of independent sales prices established in the contract and on the basis of amounts incurred. Assignment of the consideration, and therefore the schedule of income recognition, required no changes as a result of adopting IFRS 15.

Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect.

Following is a detailed description of the principal features by type of product or service:

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

The Company generates revenue from renewable energy generated by Ventika, a wind energy generation facility acquired in December 2016.

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

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

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

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

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

iii. ***Revenue from storage of natural gas***

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

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 for the period in which the service is rendered. The charge per unit is recorded as revenue when volumes are injected into or withdrawn from the storage units.

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 said services.

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

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

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

29.3 Balances from revenue arising from contracts with customers

Revenue from rendering services to customers prior to expiration of the payment date is recorded as contractual assets until the remaining performance obligations are satisfied.

When payments are received prior to complying with the performance obligations associated with contracts with customers, that revenue is deferred as a contractual liability and is generally amortized in line with profits during the lifetime of the contract, provided performance obligations are met.

The following table shows the reconciliation of balances at the opening and closing of contracts with clients for Company, contractual assets and liabilities as of December 31, 2018.

	Contracts assets	Contract liabilities
Balance as of January 01, 2018	$ —	$ (834)
Adjustments for adoption of IFRS 15	—	—
Revenue from performance obligation satisfied during reporting period	—	—
Revenue from performance obligation satisfied in previous reporting periods	—	—
Other deferred revenue adjustments		(6,803)
Cash receipts	—	—
Advance payments	—	(4,346)
Reclassifications to accounts receivable	—	—
Balance as of December 31, 2018 *	$ —	$ (11,983)

* The contract liabilities are presented in Other non - current liabilities in the Consolidated Statements of Financial Position.

i. ***Accounts receivable from contracts with customers***

The following table shows the receivable balances associated with contracts with customers shown in the Consolidated Statements of Financial Position.

		Year ended
		12/31/2018
Accounts receivable - commercial - net	$	101,038
Accounts receivable - other - net		52,611
Total	$	153,649

29.4. *Performance obligations*

Company revenue from contracts with customers are principally related to the generation, transfer and distribution of electricity and the transfer, distribution and storage of natural gas via our regulated public services. Likewise, other midstream services are provided as well as others pertaining to renewable energy.

The Company considers the transfer of electricity and natural gas, as well as natural gas storage services, to be continuous and integrated services. Electricity and natural gas services are generally received and consumed by the client simultaneously. Therefore, the performance obligation related to the services is met over time and represents a series of differentiated services which are substantially the same and show the same transfer-to-client pattern. Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect

Payment conditions in contracts with clients vary. There is generally an unconditional right to client payment, which expires once the performance obligation to the client has been complied with.

Therefore, there are no material contractual assets or contractual liabilities in the Consolidated Statements of Financial Position. The lapse from the date of invoicing to the expiration date is not significant, i.e., usually from 10 to 90 days.

Therefore, revenue is usually recognized when the agreed basic service has been rendered to the clients and an amount has been invoiced to the clients reflecting the consideration to which it is entitled in exchange for those services.

29.5. *Transaction price assigned to pending performance obligations*

The Company elected to implement the practical expedient so as not to disclose information concerning its pending performance obligations, because it records revenue from regular operations based on compliance with the performance obligation.

Remaining performance obligations		
2019	$	508
2020		508
2021		509
2022		512
2023		506
Thereafter		2,732
Total Revenues to be recognized	$	5,275

No information is disclosed concerning remaining performance obligations for (a) contracts with an expected duration of one year or less, (b) revenue recorded in the amount the entity is entitled to invoice for services rendered, and (c) a variable consideration assigned to performance obligations that have remained entirely unsatisfied.

29.6. Significant judgments

The Company uses the product method to record revenue from regular operations under contracts with clients related to performance obligations satisfied over time so as to determine the schedule for satisfaction of said performance obligations, as the value of the delivery of electricity or natural gas to the client can be measured directly on the basis of units delivered. In most cases, the right to the consideration of the client corresponds directly to the value transferred to the client and is recorded in income in the amount the entity is entitled to invoice.

The Company records revenue from services and from the generation of wind and electric energy at the time those services are rendered or delivered to and accepted by that client, in the terms of the programs established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred. Therefore, assignment of the consideration and, consequently, the schedule for revenue recognition was not affected by adoption of IFRS 15.

29.7. Assets recorded for costs incurred in order to secure or comply with a contract with a client.

The Company has not recorded assets pertaining to costs incurred in order to secure or comply with a contracts with clients at December 31, 2018.

30. Interest income

	Year ended		
	12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Interest income:			
Unconsolidated affiliates	$ 24,405	$ 21,651	$ 5,198
Bank investments	3,044	1,157	1,071
	$ 27,449	$ 22,808	$ 6,269

The following is an analysis of interest income by category of asset:

	As of		
	12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Loans and receivables (including cash and bank balances)	$ 24,405	$ 21,651	$ 5,198
Held-to-maturity investments	3,044	1,157	1,071
	$ 27,449	$ 22,808	$ 6,269

31. Operating, administrative and other expenses

	Year ended		
	12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Purchased services	$ 101,490	$ 81,954	$ 42,082
Employee benefit expenses	88,231	78,033	55,625
Purchased materials	20,750	22,305	11,775
Outside services and others	4,048	20,690	12,788
	$ 214,519	$ 202,982	$ 122,270

Outside services and others include charges related to leases of land and buildings with lease terms between five and ten years. Operating lease contracts greater than five years includes review periods of five years to rent. The Company does not have an option to purchase the leased land at the end of the leasing periods.

32. Other gains (losses), net

	Year ended 12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Net gains (losses) arising on derivative financial instruments (b)	$ 3,415	$ (6,135)	$ (3,477)
Other gains (losses)	2,697	2,262	(402)
Net foreign exchange (losses) gains (a)	(6,104)	(37,027)	4,652
	$ 8	$ (40,900)	$ 773

a. A foreign exchange loss by $2.9 million and $34.9 million for the years ended December 31, 2018 and 2017, on a peso-denominated inter-affiliate loan granted to IMG for the development of the South Texas - Tuxpan marine pipeline project for our proportionate share of the project´s financing is included. (Please refer to Note 10.3.).

b. The amount represents a change in fair value arising from the cross currency swaps, interest rates swaps and foreign exchange forwards and the related settlements. (Please refer to Note 24.).

33. Finance costs

	Year ended 12/31/18 (Note 12)	12/31/17 (Note 12)	12/31/16 (Note 12)
Capitalized interest (a)	$ 10,746	$ 10,181	$ 14,876
Decommissioning liabilities accretion expense	(2,552)	(2,249)	(1,686)
Other finance costs	(8,615)	(5,037)	(3,865)
Interest on loans from unconsolidated affiliates	(17,747)	(8,338)	(17,268)
Long - term interest	(104,711)	(68,058)	(13,149)
	$ (122,879)	$ (73,501)	$ (21,092)

a. Please refer to Note 14., for the capitalized interest on qualified assets.

34. Depreciation and amortization

	Year ended 12/31/18 (Note 14)	12/31/17 (Note 14)	12/31/16 (Note 14)
Depreciation of property, plant and equipment	$ 126,839	$ 110,461	$ 66,003
Amortization of other assets	10,318	8,559	603
Total depreciation and amortization expense	$ 137,157	$ 119,020	$ 66,606

35. Basic and diluted earnings per share

	Year ended 12/31/18	12/31/17	12/31/16
Basic and diluted earnings per share	$ 0.28	$ 0.23	$ 0.61

35.1. Earnings used in the calculation of basic and diluted earnings per share

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

	Year ended 12/31/18	12/31/17	12/31/16
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 430,586	$ 354,174	$ 754,990
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,533,857,145	1,534,023,812	1,235,758,229

The Company does not have potentially diluted shares.

36. Commitments

36.1. Sales commitments

a. ***GRO.*** Eentered into firm transportation service agreements ("FTSAs") with eight customers. Under the FTSAs, the Company is committed to provide firm natural gas transportation service up to certain daily quantities of natural gas, defined as Maximum Daily Quantities ("MDQ") measured in dekatherms per day ("Dth/d"). The FTSAs establish a transportation service rate which can be a conventional rate or a regulated rate. Such rates are applied to customers' reserved daily transportation capacity. Conventional rates typically remain fixed during the term of the contract. The regulated rates are adjusted annually for inflation and other factors per regulations and the CRE authorization. The range of effective periods and the agreed-upon MDQ for each agreement described above are from 5 to 25 years and from 800 to 1,307,000 Dth/d, respectively.

b. ***TGN.*** Entered into FTSAs with two clients. Through FTSAs the Company commits to surrender transportation services up to a certain daily amount of natural gas. The FTSAs establish conventional or regulated transportation rates.

c. ***ECA.*** The Company has a contract to sell 50 percent of the LNG Terminal's capacity to a third party for 20 years commencing in May 2008. As of April 2009, the customer assigned a portion of its contracted capacity to another independent third party.

The Company built a nitrogen facility to provide nitrogen injection services to agreed storage capacity parties. Agreement terms were embedded into the LNG Terminal's FTSAs with same period term of 20 year.

d. ***GAP.*** Entered into a 25 year capacity contract with CFE corresponding to segment Sasabe Guaymas, which started operations in December 2014 and has a capacity of 793,100 Dth/d.
The Company, entered into a 25 year capacity contract with CFE related to next segments:

	Sasabe Puerto Libertad	Puerto Libertad Guaymas	San Isidro Samalayuca	Guaymas El Oro	Ojianga El Encino
Capacity	793.1 Dth/d		1,169.02 Dth/d	525.3 Dth/d	1,396.7 Dth/d
Started Operation	10/01/2015	08/01/2015	03/31/2017	05/19/2017	06/30/2017
Zone	Sonora		Chihuahua	Sonora and Sinaloa	Chihuahua

The Company, entered into a 21 year capacity contract with CFE corresponding to segment El Ramal Empalme which started operations in June 2017 and has a capacity of 232.8 Dth/d. This agreement was executed on May 5, 2016.

The Company, has entered into Interruptible Transportation and Compression of natural gas Service Agreements ("ITSAs") with Shell Trading Mexico, S. de R. L. de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 1,000 Dth/d defined as MDQ. The ITSAs establish a transportation service rate which has to be approved by CRE. This agreement was executed on May 15, 2017, and will continue in full force until May 15, 2022.

The Company, has entered into ITSAs with Union Energetica del Noroeste, S. A de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 3,600 Dth/d defined as MDQ. The customer will pay the regulated fee applicable in accordance with the latest publication by the Official Gazzete of the Federation and according to the modifications approved by the CRE. This agreement will be valid as of the date on which the customer notifies to GAP that is ready to start the natural gas tests and will be in force until such tests are concluded. This agreement was executed on January 4, 2017.

e. ***IEnova Pipelines.*** The Company has entered into ITSAs with two customers. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation and compression service up to certain daily quantities of natural gas, defined as MDQ measured in Gigacalories per day ("Gcal/d"). The ITSAs establish a transportation and compression service rate published in the Official Gazette of the Federation in accordance with the applicable regulations. The range of effective periods and the agreed-upon MDQ for each agreement described above are from one to three years and from 3,822 to 10,000 Gcal/d respectively. The agreements were executed on March 22, 2017 and April 19, 2017, and will continue in full force until March 22, 2018 and April 30, 2020, respectively.

On February 15, 2001, entered into a contract with to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with the right of renewal for additional five years. The maximum daily capacity covered by this contract is 60 MMCFPD.

On October 22, 2014, entered into a natural gas transportation services contract, under the TF-1 firm transport service scheme with CFE for a firm base reserved capacity of 100 MMCFPD with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On October 22, 2014, entered into an agreement to provide natural gas transportation service under the TI-1 interruptible transport service scheme to CFE for an interruptible capacity of 72 MMCFPD with a regulated rate. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On October 31, 2014, entered into a natural gas transportation services contract, under the TI-2 interruptible transport service scheme with CFE for an interruptible capacity of 50 million cubic feet per day with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TF-1 firm transport service scheme with PGPB signed on December 11, 2009, for a firm base reserved capacity of 40 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with PGPB signed on December 11, 2009 for an interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered the into a fifth natural gas transportation services amending agreement, under the TI-2 interruptible transport service scheme with PGPB signed on December 11, 2009 for a interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year periods. The agreement is currently in effect with Pemex TRI.

On December 16, 2014, entered into a second natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Energia Chihuahua signed on December 21, 2012, for an interruptible capacity of 80 MMCFPD. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On February 17, 2012, signed a service contract to LPG storage with Pemex TRI. This contract provides base storage capacity reserved of 4,470 MMCFPD to 30,000 Bbld. The contract term is 15 years with a conventional rate, which represents the rate regulated by the CRE minus 1.2 percent. This contract was given in all rights and obligations, together with all attachments to TdN, by signing an amendment agreement dated on June 18, 2012, between IEnova Pipelines, TdN and Pemex TRI.

f. ***GAP.*** In October 2012, was awarded by the CFE with two contracts to build and operate an approximately 835 km (500 miles) natural gas pipeline network connecting the northwestern Mexican states of Sonora and Sinaloa (“Northwest gas pipeline”, also known as the “Sonora Pipeline”) to the U.S. interstate pipeline. The Northwest gas pipeline will comprised of two segments; the first one is for an approximate length of 505 km, 36-inch diameter pipeline with 770 MMCFPD of transportation capacity; and the second one, is for an approximate length of 330 km, 30-inch pipeline with 510 MMCFPD of transportation capacity. The estimated price per MMCFPD is approximately $250.0. The Company estimates the total cost of the Northwest gas pipeline will be $1.0 billion. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-year firm contracts denominated in U.S. Dollars.

In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Northwest gas pipeline, GAP issued 2 irrevocable standby credit letters, for $90.0 million and $65.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until November 30, 2039 and until October 31, 2041, respectively.

g. ***La Rumorosa solar project.*** Entered into an Electricity Sales and Purchase Agreement ("SPA") with CFE for 15 years and has a contracted energy of 114,115.9 MWh by year and shall take effect from Commercial Operation Date ("COD") which is on June 15, 2019; the contract was executed on January 20, 2017.

The Company, signed a Clean Energy Certificates ("CEC") SPA with CFE for 20 years. During this period ESJH acquired the obligation to sell to CFE 117,064 CEC per year. This commitment will take effect from COD which is expected to occur on June 15, 2019, the contract was executed on January 20, 2017.

h. ***Tepezala solar project.*** Entered into an Electricity SPA with CFE for 15 years and has contracted energy of 278,357.76 MWh per year and shall take effect from COD which is expected to occur on June 15, 2019; the contract was executed on January 20, 2017.

The Company, entered into an Power SPA with CFE for 15 years and has a contracted power of 10 MW per year and shall take effect from COD which is expected to occur on June 15, 2019, the contract was executed on as of January 20, 2017.
The Company, signed a CEC with CFE for 20 years, during this period ESJRI acquired the obligation to sell to CFE 285,606 CEC per year, this commitment will take effect from COD which is expected to occur on June 15, 2019, the contract was executed on January 20, 2017.

i. ***Pima solar project.*** Entered into an electricity, power and CEC with Deacero, this contract was executed on March 24, 2017 and will have a duration of 20 years counted from the COD which is expected to occur in the first quarter of 2019.

Must deliver for each contract year at least the amount of CEC corresponding to the guaranteed Energy that will be one CEC per MWh and is obligated to transfer the net power of the power plant which is 110 MW.

j. ***Marine terminal Veracruz proyect.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD is expected to take place in December 2018 and include 775,000 barrels of shell storage capacity. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

k. ***Puebla in-land terminal project.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 480,000 barrels of shell capacity. The parties expect the COD to occur twenty two months after the effective date. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

l. ***Mexico City in-land project.*** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 780,000 barrels of shell capacity. The parties expect the COD to occur twenty two months after the effective date. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

m. ***IEnova Marketing.*** On July 1, 2008, entered into a contract with CFE, for supply natural gas at the delivery points from an LNG Storage Plant, the contract ends on December 31, 2022, equivalent to 14.5 years.

The Company, has entered into a base contract for sale and purchase of natural gas (the "Base Contract"), through this contract IEnova Marketing celebrated a Supply Agreement with several clients to supply natural gas. The terms and conditions of the Supply Agreement are variable for each customer. As of December 31, 2017, IEnova Marketing support seven ongoing supply agreements with an average maturity less of 5 years.

On July 1, 2015, entered into a contract with SLNGIH, to transfer 65 percent of profits and losses under the deed of indemnity until August 30, 2029.
On February 1, 2013, entered into a Scheduling Agreement with SG&PM; the agreement ends on December 31, 2022. The objective of the agreement is to engage in the service of SGEN to supply natural gas at the delivery points of SG&PM.

On January 1, 2013 and September 1, 2014, entered into two natural gas purchase agreement with SLNGI. The agreements end on August 20, 2029 and December 31, 2022, respectively (equivalent to 16.6 years and 8.3 years respectively). The acquired capacities are 188,000 MMBtu/Year and 400 MMBtus/Day, respectively.

n. ***GdT.*** Executed a natural gas compression and transport service contract with PGPB. Such contract was signed on December 19, 2001, and stipulates a capacity of 1,000, million cubic feet of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (the starting date of commercial operations). On January 1, 2016, this agreement was transferred to CENACE.

o. ***GdN.*** On July 19, 2013, entered into an agreement to provide natural gas transportation services to Pemex TRI. The agreement has a term of 25 years from COD the system with a regulated rate. This contract is under scheme firm transport capacity reserved of 2,100 Mcfd. This contract was transferred to CENACE on January 1, 2016.

p. ***DEN.*** On December 15, 2014, entered an agreement with TAG to provide O&M services. This agreement expires in 25 years from the pipeline commercial operations.

On January 1, 2016, entered an agreement with TAG to provide commercial services for a period equal Natural Gas Transport Permit G/335/TRA/2014 in favor of TAG, starting from the firm contract date.

q. ***Ventika.*** During 2014, entered into a 10 to 20-year contract with their customer's shareholders to sell 100 percent of the renewable energy produced from the wind energy project. Such agreement commenced in April 2016 once Ventika started commercial operations.

r. ***TDF.*** On December 15, 2005, entered into a LPG transport service contract with Pemex TRI, under firm base capacity reserved of 4,470 MMCFPD equivalent to 30,000 Bbld. This agreement expires 20 years after COD.

s. ***GdS.*** On December 13, 2012, entered into an ethane gas transportation services contract with Pemex TRI. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme for a firm base reserved capacity of: Segment I Cangrejera– Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI–Cangrejera 29,500 BPD, Segment II Nuevo Pemex km 3 66,000 BPD, Segment II Cactus–km 3 38,000 BPD, Segment II km 3–Complejo Etileno XXI 95,500 BPD and Segment III Cd. Pemex–Nuevo Pemex 105,600 BPD.

t. ***Wind power generation facility.*** On November 16, 2017, the Company through Energia Sierra Juarez 2 U. S., LLC, its wholly owned subsidiary, executed a 20-year power purchase agreement with SDG&E, a IEnova's unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW.

u. ***Long-term electric supply contract.*** On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of Liverpool. The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico with a capacity of 125 MW. The beginning of commercial operations is expected to occur in the second half of 2019.

v. ***Marine terminal, Baja California, Mexico.*** On April, 2018, the Company signed a long-term contract with Chevron, for approximately 50 percent of the terminal's storage capacity.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP, for the remaining 50 percent of the terminal's storage capacity.

w. ***Marine terminal in Topolobampo, Sinaloa, Mexico.*** In September and October 2018, the Company announced the execution of two long-term, U. S. dollar-denominated, contracts with subsidiaries of Chevron and Marathon for the storage and delivery of refined products, primarily gasoline and diesel, at the terminal, for the receipt, storage and delivery in Topolobampo, Sinaloa, Mexico. The agreements will allow Chevron and Marathon to each utilize approximately 50 percent of the terminal's initial one million barrels of storage capacity.

x. ***Marine terminal in Manzanillo, Colima, Mexico***. On September 26, 2018, the Company executed a long - term contract with Trafigura, for 740 thousand barrels, equivalent to 50 percent of the terminal's storage capacity.

y. ***Liquefied natural gas project.*** On November 7, 2018, the Company announced together with Sempra LNG & Midstream, the signature of three agreements with affiliated companies of Total S. A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the ECA liquefied natural gas project located in Baja California, Mexico.

The project's phase 1 is a single-train liquefaction facility to be located adjacent to the existing receipt terminal and is expected to produce approximately 2.4 million tonnes of LNG per annum with potential first LNG deliveries in 2023.

z. ***Power purchase agreement.*** On December 17, 2018, the Company, executed a 15-year electric supply contract with Autlan to provide energy from the Company's portfolio of solar generation project's.

The beginning of commercial operations is expected to occur in the fourth quarter of 2019.

36.2. Purchase commitments

a. ***Rumorosa solar project.*** In 2017, entered into several land leases for the development and construction of two photovoltaic solar power systems in Baja California and Sonora, Mexico, respectively. The agreements are a 20-year term. During 2018 and 2017 payments under the agreements were \$0.1 million, and \$0.1 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	111
2020		111
2021		111
Thereafter		1,662
	$	1,995

During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were \$5.8 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	7,072

During 2018, the Company started several parcel land purchase negotiations for the site on which the project will be constructed. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	185
2020		150
2021		160
Thereafter		3,087
	$	3,582

b. ***PIMA solar project.*** In 2017, ESJH and ESJRII entered into several land leases for the development and construction of two photovoltaic solar power systems in Baja California and Sonora, Mexico, respectively. The agreements are a 20-year term. During 2018 and 2017, payments under the agreements were \$0.2 million and \$0.2 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	201
2020		201
2021		201
Thereafter		3,013
	$	3,616

In the fourth quarter of 2017, ESJH, ESJR I and ESJR II entered into various engineering, procurement and construction agreements with third parties for the PIMA Solar Project.

During 2018 and 2017, payments under the agreement were \$116.5 million and \$3.1 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	8,097

During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were $9.0 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 1,000

c. The Company leases the building space of its administrative offices in the cities of Hermosillo, Monterrey, Guadalajara, Mexicali, Chihuahua, Durango, and Mexico City. During 2018, 2017 and 2016, the rent expense amounted to $4.1 million, $3.7 million and $4.2 million, respectively.

The leases expire in 2016 through 2021 and establish the following future contractual payments:

Year	Amounts
2019	$ 3,968
2020	2,078
2021	1,404
Thereafter	2,507
	$ 9,957

d. ***TDM.*** During 2003, entered into a Long Term Services Agreement ("LTSA") with a third party, which covers certain periodic maintenance, including replacement parts for power generation turbines. The term of the agreement is based on turbine usage, that can not exceed 24 years.

Payments under the agreement consist of a fixed fee of $24.0 per month, plus a variable escalation percentage and a variable fee based upon unit run-hours and starts.

The fixed monthly fee payments are expensed as incurred. The variable payments are classified as prepayments on the statements of financial position and are capitalized as property, plant and equipment if they relate to the replacement of major components, or expensed when such payments occur. While some services are provided ratably throughout the year, the primary cost driver is planned outages at the facility. Variable payments are subject to fluctuations based on the timing and scope of the services being provided.

During 2018, 2017 and 2016, payments, under the LTSA, were $0.2 million, $0.4 million, and $0.5 million, respectively; variable payments under such LTSA were $2.4 million,$4.3 million and $6.1 million, respectively. This agreement was terminated in June 1, 2018.

SGEN and TDM. On January 1, 2013 (with effective date on January 1, 2012), entered into an schedule coordination, energy management and related services agreement, with term of 5 years (with possibility to extend the term one more year), for which TDM will continue to deliver all of its power output directly to the CAISO and SGEN provides marketing, scheduling, and dispatch services for TDM, among others. On December 1, 2016 this contract was assigned to Sempra Gas & Power Management LLC.

During 2018, 2017 and 2016, payments under the agreement were $6.8 million, $5.1 million and $5.5 million, respectively. Future contractual cash payments are as follows:

Year	Amounts
2019	3,500

e. ***ECA.*** Entered into a service agreement with Turbinas Solar, S. A. de C. V. ("Turbinas Solar") which provides extended service and maintenance for five gas turbines. As of April 2014, Turbinas Solar assigned this agreement to Servicios de Turbinas Solar, S. A. de C. V. The agreement establishes two main types of services: a monthly fee covers operational support and extended product warranty for $124.4 million and a variable cost based on turbine usage, expensed as incurred, for major turbine maintenance, that will be capitalized and amortized over a five-year period based on its estimated useful life. The term of the agreement is 60-months starting from the date of first beneficial use. During 2013, the Company renegotiated the agreement-terms until 2018.

During 2018, 2017 and 2016, payments under the agreement were $1.4 million, $3.6 million and $3.6 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	208

Entered into various technical service and maintenance agreements with third parties. During 2018, 2017 and 2016, payments under such agreements were $4.9 million, $8.2 million and $11.6 million, respectively. Future contractual cash payments of such commitments are as follows:

Year		Amounts
2019	$	3,111
2020		1,250
2021		1,200
Thereafter		16,800
	$	22,361

f. On January 1, 2013, the Company entered into an Information Technology Services Agreement with Sempra Infrastructure, LLC ("Sempra Infrastructure") (formerly U.S. Gas & Power) (a related party in U.S.). Pursuant to this agreement, Sempra Infrastructure will provide certain software and information technology services, including software, support and security services. The Company pays an approximate annual rate of $6.8 million. This agreement has an initial term of five years, and for subsequent five year Renewal Terms thereafter.

g. On February 28, 2013, the Company entered into a Management, Technical and Advisory Services Agreement with Sempra International (a related party in U.S.); pursuant to which Sempra International (directly or through affiliates) will provide with certain support services. The Company paid $6.5 million, $8.3 million and $5.8 million during 2018, 2017 and 2016, respectively.

h. ***ECO.*** Entered into purchase agreement of natural gas contract with British Petroleum from February 1, 2015 to January 31, 2017 for 14,000 MmBtu daily. In 2016, the contract changed from British Petroleum to IEnova Marketing (consolidated affiliate).

i. ***GdT.*** On December 5, 2012, entered into an agreement with Pemex TRI through which it receives compression services based on interruptible by PGPB to GdT, on investment of $4.6 million will be used for the rehabilitation of compression station 19 and PGPB reinstate costs in 75 percent and only paid 25 percent to Pemex TRI. On January 1, 2016 this agreement was transferred to CENAGAS.

j. ***TDF.*** On December 15, 2005, entered into an agreement with Pemex TRI, through which it receives O&M services for liquid gas transport system. This agreement expires 20 years after COD. The agreement is currently in effect with Pemex Logistica.

During 2018 and 2017, payments during the agreement were $5.2 million and $5.2 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	5,155
2020		5,155
2021		5,155
Thereafter		20,620
	$	36,085

k. ***TdN.*** On February 21, 2012, entered into an agreement with PGPB, through which it provides operation and maintenance services for the LPG transportation services. This agreement expires 20 years after COD. This agreement is currently in effect with Pemex Logistica.

During 2018 and 2017, payments during the agreement were $3.0 million and $3.1 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	3,047
2020		3,047
2021		3,047
Thereafter		30,974
	$	40,115

l. ***GdS.*** On April 16, 2014, entered into an agreement with Pemex TRI, through which it provides operation and maintenance services for the ethane gas transportation services. This agreement expires in 20.5 years after the first segment commercial operational date. This agreement is currently in effect with Pemex Logistica.

During 2018 and 2017, payments during the agreement were $6.2 million and $6.2 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	6,201
2020		6,201
2021		6,201
Thereafter		79,057
	$	97,660

m. ***Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V. ("GSCA").*** On March 30, 2017, entered into an agreement with GE Oil & Gas Products and Services, S. de R. L. de C. V. ("GE") for the maintenance of GdT's turbines. This agreement will expire upon the first occur considering the following:

a) The date upon which all covered units have reached their performance end date, or
b) Eight years from the contract effective date.

The estimated cost of this contract amounts to $18.2 million.

During 2018 and 2017, payments during the agreement were $2.5 million and $0.6 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	3,061
2020		5,038
2021		3,080
Thereafter		2,312
	$	13,491

GSCA and GdT. Entered into various O&M agreements during 2017. During 2018 and 2017, payments during the agreement were $1.3 million and $1.4 million, respectively.

Future contractual cash payments are as follows:

Year		Amounts
2019	$	1,041

n. ***Veracruz marine terminal project.*** Entered into an agreement with the Veracruz API as concessionary, for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico, with an obligation for the Company to pay a fixed fee from 2019 until maturity date in 2037, during 2018 payments were $26.0 million.

Under the concession contract signed in 2017, the Company is subject to a monthly fee. Net future payments of this contractual commitment are as follows:

Year		Amounts
2019	$	2,457
2020		3,893
2021		4,069
Thereafter		100,524
	$	110,943

During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were $36.4 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	45,944

During 2018, the Company started several contracts for land improvement. During the year ended December 31, 2018, payments under these contracts were $3.3 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	2,966

o. ***Ventika.*** Has acquired the rights to a 20-year land lease agreement to use land for generating and transmitting electricity using wind turbines. The agreement can be extended by another 20-year term.

During 2018 and 2017, payments during the agreement were $0.5 million and $0.5 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	544
2020		581
2021		620
Thereafter		10,298
	$	12,043

On June 3, 2013, entered into 5-year O&M agreement with Acciona Energia Servicios Mexico, S. de R. L. de C. V. ("Acciona") which commenced after the commissioning of the last wind turbine units, and covers operation, service and maintenance activities. The agreement can be extended by another 20-year term.

During 2018 and 2017, payments during the agreement were $6.5 million and $7.6 million, respectively. Future contractual cash payments are as follows:

Year		Amounts
2019	$	7,433
2020		6,773
2021		2,839
	$	17,045

On April 8, 2014, entered into a 5-year asset management services agreements with Cemex, S. A. B. de C. V. Payments under the agreement consist of an annual fixed fee plus a variable administration commission.

During 2018 and 2017, payments during the agreement were $5.0 million and $5.0 million, respectively. Future expected payments for Ventika are as follows:

Year	Amounts
2019	$ 5,308
2020	5,379
2021	3,484
	$ 14,171

p. ***IEnova Marketing.*** On May 1, 2008, entered into a contract with MGI Supply, LTD ("MGI"), to purchase the gas natural transportation capacity in the North Baja System. The acquired capacity is 210 Dth/d. The contract term is for 14 years (ends on August 31, 2022).

On November 24, 2016, entered into a purchase natural gas capacity agreement with SG&PM, to guarantee the ongoing Supply Agreements signed with several customers. The acquired capacity is variable and the average maturity is less of 5 years.

q. ***Puebla in-land terminal project***. During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were $6.1 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 10,988

During 2018, the Company started several parcel land purchase negotiations for the site on which the project will be constructed. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 5,833

r. ***Mexico City in-land project.*** During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were $6.2 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 22,212

During 2018 the Company started several parcel land purchase negotiations for the site on which the project will be constructed. During the year ended December 31, 2018 payments under these contracts were $0.7 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 3,826

s. ***Tepezala II solar project.*** During 2018, the Company entered into several contracts for the project. During the year ended December 31, 2018, payments under these contracts were $13.7 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2019	$ 76,970

During 2018, the Company entered into assignment agreements of the permits and rights of way. During the year ended December 31, 2018, payments under these contracts were $3.3 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	2,388

During 2018, the Company started several parcel land purchase negotiations for the site on which the project will be constructed. During the year ended December 31, 2018, payments under these contracts were $0.2 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	305
2020		285
2021		285
Thereafter		4,272
	$	5,147

t. ***Compression stations.*** During 2018, the Company entered into several contracts for the construction of the project. During the year ended December 31, 2018, payments under these contracts were $3.9 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	26,562

u. ***Topolobampo, Sinaloa terminal project.*** During 2018, the Company entered into a contract for the concession agreement with the Administration of Topolobampo Port. During the year ended December 31, 2018, the payments under this contract were $18.4 million. Net future payments under this contractual commitment is as follows:

Year		Amounts
2019	$	17,894

Under the aforementioned concession agreement the Company is subject to a monthly fee. Net future payments under this contractual commitment is as follows:

Year		Amounts
2019	$	2,167
2020		2,273
2021		2,384
Thereafter		63,874
	$	70,698

v. ***Software licenses.*** During 2018, the Company entered into a contract for the purchase of software licenses. Net future payments under this contractual commitment are as follows:

Year		Amounts
2019	$	4,880
2020		880
2021		880
Thereafter		1,760
	$	8,400

37. Contingencies

37.1. Matters related with tax authorities

Additional income taxes payable could arise in transactions with nonresident unconsolidated affiliates if the Mexican Tax Authority (Servicio de Administracion Tributaria, "SAT" by its initials in Spanish), during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

37.2. Judicial, administrative or arbitral proceedings

The Company may become involved in litigation and administrative proceedings relating to claims arising out of its operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, there are no material governmental, legal or arbitration proceedings against the Company which may have a material adverse effect on its business, financial position or results of operations:

Matters on ECA

a. *Motions for review (recurso de revision) against MIA of the ECA Terminal, filed by Castro, Valdez y Palafox.* In May 2003, *Hiram Castro Cruz* and *Roberto Valdez Castañeda ("Castro* and *Valdez"),* jointly, and Monica Fabiola Palafox ("Palafox"), acting individually filed *motions for review* before the Ministry of the Environment and Natural Resources *(Secretaria de Medio Ambiente y Recursos Naturales, SEMARNAT)* to challenge the issuance of the MIA to the ECA Terminal granted in April 2003, based on allegations similar to IVG's allegations. SEMARNAT dismissed the motions and the plaintiffs filed before the Federal Court of Tax and Administrative Justice *(Tribunal Federal de Justicia Fiscal y Administrativa, TFJFA),* in Mexico city, motions for annulment against the respective rulings. In January 2006 and May 2013, the TFJFA issued the judgments declaring null and void the rulings through which SEMARNAT dismissed the motions for annulment ordering SEMARNAT to issue new rulings in the terms set forth in such judgments. In the case of Castro and Valdez*,* SEMARNAT admitted the motion and in January 2012 it issued a resolution ratifying the validity of the MIA. In March 2012, Valdez filed before the TFJFA a motion for annulment against the ruling issued by SEMARNAT and ECA filed before the Collegiate Circuit Court for the Federal District, a motion against the ruling whereby the TFJFA ordered the admittance of the motion filed by *Valdez.* In the case of Palafox, SEMARNAT has not issued its resolution on the MIA yet. The management of the Company deems that the claims of Castro, Valdez and Palafox are unfounded.

   Finally, against the resolution of dismissal Roberto Valdes filed an annulment proceeding that was resolved denying the annulment to the complainant by means of a judgment published in January 2017.

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

After several adjourned hearings, on June 9, 2015, the parties were duly notified of these proceedings. On that same date, the hearing was held, during which the disputed issues were set and the evidence of all the parties was offered. Given the amount of evidentiary material, the Court reserved the right of study and assessment thereof to subsequently set a new date of hearing. It was held on September 2015, where there was no resolution, later it was programmed the relief of an expert test in the field for the November 3, 2016. This test was released and to the date was submitted to the Agrarian Court.

On November 3, 2017, a diligence for inspection and study in the field was carried out by various experts offered by the litigants. To date all experts have surrendered their respective opinions. The Agrarian Court has ordered the issuance of an expert opinion of a third party in dispute and is requesting the Superior Agrarian Court, the appointment of an expert for this purpose.

c. Criminal Investigation. In May 2009, Sanchez Ritchie filed before the Attorney General Office of Ensenada a criminal complaint arguing that "Sempra's affiliates", several employees of ECA's Terminal and several former employees of such Office committed the crime of procedural fraud as to a criminal complaint filed by ECA, which owns ECA's Terminal against Sanchez Ritchie in 2006 as part of the conflict related to the possession of an immovable property adjacent to ECA's Terminal, which is property of the Company. In September 2006, ECA accused Sanchez Ritchie of the crime of dispossession for having trespassed ECA's immovable property. As part of such proceedings, the public prosecutor issued a provisional order to remove Sanchez Ritchie from the immovable property. In the criminal complaints filed in 2009, Sanchez Ritchie argued that ECA and the other defendants provided false information to obtain such order. The public prosecutor responsible of the case determined that there was not enough evidence to prosecute the defendants and closed the investigation; and, in March 2011, the criminal court of Tijuana ratified the withdrawal of the action. In September 2011, Sanchez Ritchie filed a constitutional claim against the respective ruling before the Collegiate District Court of Ensenada. The hearing to analyze the substantive aspects of the constitutional claim was held in March 2012 and in July 2012 the judge granted the protection regarding the omission in the study, by the criminal judge, of certain evidence and arguments submitted by Sanchez Ritchie. The district judge ordered the criminal judge to issue a new resolution considering such issues. ECA's Terminal appealed the resolution in the Federal Circuit Court, which as of December 31, 2015, had not issued a ruling on the matter. On October 19, 2016, the District Judge dismissed the amparo suit filed by Sanchez Ritchie. This resolution caused a state of affairs and the judgment was filed as a closed case.

d. On September 8, 2016, in the First Collegiate Court of the XV Circuit, unanimously and definitively overruled the resolution previously issued by the Third District Court and Federal Proceedings of Baja California, in connection with the constitutional appeal filed by Sanchez Ritchie in which he challenged the effectiveness of all permits and authorizations related to the construction and operation of the natural liquefied gas storage and regasification terminal property of its subsidiary ECA, located at Ensenada, Baja California. On October 19, 2016, Sanchez Ritchie overruled resolution on the constitutional appeal was ratified by the corresponding authorities, closing this case.

e. Lawsuit challenging issued driving licenses of Agency for Safety, Energy and Environment (Agencia de Seguridad, Energia y Ambiente ASEA) and Mexican Ministry of Energy (Secretaria de Energia de Mexico SENER) related to Environmental Impact Evaluation and Social Impact Evaluation, respectively, from one of our ECA's liquefaction projects. On August 2018, the Bajamar's Leading Resort through Banco Santander Mexico, S. A. Institucion de Banca Multiple Grupo Financiero Santander Mexico, Institucion Fiduciaria in the Trust 53153-0, filed a lawsuit before a District Judge with residency in Ensenada, Baja California, against the Environmental Impact Evaluation and Social Impact Evaluation from one of our ECA's liquefaction projects, which was issued in late 2017, by ASEA and SENER, respectively. The lawsuit was admitted by District Judge, who granted the temporary suspension in order to keep things in the state they are, and not to suspend the procedure, and no final resolution was issued over the works and construction or operation of the project from which results the claimed acts, until it happened.

Incidental audience that was scheduled on October 23, 2018, was postponed to January 28, 2019. ECA presented a complaint resort against the order was granted temporary suspension.

38. Application of new and revised International Financial Reporting Standards

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

In the current year, the Company has applied a number of amendments to IFRS issued by the IASB that are mandatory effective for an accounting period that begins January 1, 2018.

IFRS 9 ***Financial Instruments***

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date.

These requirements should be applied in a retrospective manner and as permitted by transitional provisions of IFRS 9, entities are entitled not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognized in the opening retained earnings of the current period.

Classification and measurement

The classification criteria depends on a combination of two important factors: a) business model definition, which refers to how an entity manages its financial assets in order to generate cash flows and b) cash flow characteristics which should be represented by solely payments of principal and interest. Upon of these factors fulfillment, the asset can be measured as following:

i. Amortized cost: financial instruments under a business model for which objective is to collect principal and interest cash flows, no significant unjustified sales exist and fair value is not a key factor in managing these financial assets and cash flows features substantially represent a “basic lending agreement” (Solely Payments of Principal and Interest ("SPPI")). Unjustified sales are different from sales related with an increase in the asset’s credit risk or unanticipated funding needs.

ii. Fair value with changes recognized through other comprehensive income ("FVOCI"): financial instruments held in a business model for which objective is to collect principal and interest cash flows and the sale of these assets, and fair value is a key factor in their management. Additionally, the contractual cash flow characteristics substantially represent a “basic financing agreement”.

iii. Fair value with changes recognized through profit or loss ("FVTPL"): financial instruments included in a business model whose objective is not achieved through the above-mentioned models, fair value is a key factor in managing these assets, and financial instruments for which contractual cash flow characteristics do not substantially represent a “basic financing agreement”.

Impairment

With the introduction of the new impairment model in IFRS 9, the IASB addressed the key concern that the incurred loss model in IAS 39 *Financial Instruments,* contributed to the delayed recognition of credit losses which arose as a result of the financial crisis. The new impairment requirements are based on a forward-looking expected credit loss ("ECL") model. The model applies to debt instruments measured at amortized cost or at FVOCI, as well as lease receivables, trade receivables, contract assets (as defined in IFRS 15), and loan commitments and financial guarantee contracts that are not at FVPL.

In applying the IFRS 9 impairment requirements, an entity needs to apply one of the following approaches:

i. The general approach, which applies to most loans and debt securities.

ii. The simplified approach, which applies to most trade receivables.

IFRS 9 *implementation analysis*

The Company´s adoption date for IFRS 9 is on January 1, 2018. At the date of initial application and upon transitional provision under IFRS 9, the Company did not restate prior periods for comparative figures purposes. Difference that might arise as a result of adopting IFRS 9 between previous carrying amounts and the carrying amount at the beginning of the annual reporting period should be allocated to opening retained earnings. However, no differences were identified.

As a result of the implementation strategy towards IFRS 9 adoption and based upon the classification and measurement requirements fulfillment, the Company conclude that all of its financial assets would continue to be recognized under the current categories as follows:

Assets	IAS 39 Measurement basis	IFRS 9 Measurement basis	Change
Cash and cash equivalents / restricted cash	Amortized cost	Amortized cost	No
Short term investments	FVTPL	FVTPL	No
Trade and other receivable, net	Amortized cost	Amortized cost	No
Trade receivables from unconsolidated related parties	Amortized cost	Amortized cost	No
Financial derivatives	FVTPL	FVTPL	No

Although receivables under a finance leases scheme meet the definition of financial asset, are exclude from the scope of IFRS 9. However lease receivables recognized by a lessor and finance lease payables recognized by a lessee are subject to the derecognition requirements of IFRS 9 and in the case of lease receivables by the lessor, impairment requirements under IFRS 9 are also applicable.

In general, equity or debt instruments classified as available-for-sale financial assets will continue to be measured at FVOCI.

Regarding financial liabilities, classification and measurement criteria under IAS 39 has been carried forward to IFRS 9, including the fair value option. The change is that IFRS 9 addresses the issue related to own credit risk for financial liabilities and calls for recognition under other comprehensive income. There are no financial liabilities within the Company's Financial Statements that are subject to this requirement.

Based on the implementation strategy towards IFRS 9 impairment adoption, the Company concludes that the financial assets mainly affected by impairment losses under the expected loss model are trade and other receivables, net. The Company is confident that the simplified approach is better suited to its operations and no significant financial impact in the financial statements was determined.

However, changes in the credit quality and probability of default of accounts receivable and assets with significant financing components will be monitored in order to adjust the probability of default, severity and expected loss if necessary.

Accounting for Hedges

IFRS 9 provides an accounting policy option which establishes that the entities may continue to apply the hedge accounting requirements in IAS 39, waiting for the end of the macro hedging project, or apply the IFRS 9.

This choice of accounting policy will be applied to the entire hedge accounting portfolio and cannot be performed on a hedge by hedge basis. In this regard, the Company chose to continue using IAS 39 methodology.

This choice of accounting policy is applied only to the application of hedge accounting and has no impact on the implementation of the principles of IFRS 9 regarding "Classification and Measurement" and "Impairment".

IFRS 15 ***Revenue from Contracts with Customers***

On January 1, 2018, the Company adopted the provisions of new IFRS 15 *Revenue from Contracts with Customers* applying the modified retrospective adoption method. The Company has not adopted in advance any interpretation or amendments issued but not yet effective.

The Company has evaluated revenue recognition and measurement based on the five-step model specified in IFRS 15 and has identified no significant financial impact. As a result, no significant adjustments have resulted from adoption, although a relevant change is the significant increase in the disclosures required in the Financial Statements.

Please refer to Note 29 for additional disclosures concerning the nature, quantity, timing and uncertainty of revenue arising from contracts with customers.

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:

i. Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures* (1)
ii. IFRS 16, *Leases* (2)
iii. Amendments to IFRSs, *Annual Improvements to IFRS Standards 2015-2017 Cycle (2)*
iv. IFRS 17, *Insurance Contracts* (3)
v. International Financial Reporting Interpretations Committee Interpretation ("IFRIC") 23, *Uncertainty over Income Tax Treatments* (2)

(1) Effective date is deferred indefinitely, early adoption of the September 2014 amendments-continues to be permitted.
(2) Effective for annual periods beginning on or after January 1, 2019.
(3) Effective for annual periods beginning on or after January 1, 2021.

Amendments to IFRS 10 ***Consolidated financial statements and IAS 28 Investment in Associates and Join Venture***

Amendments to IAS 28 require that gains and losses resulting from transactions between an entity and its associate or joint venture relate only to assets that do not constitute a business. As well, a new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's Financial Statements.

Additionally, an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

On the other hand, for Consolidated Financial Statements, an exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.The adoption of this amendment would not have a significant effect when become effective.

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 balance sheet 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 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

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.

Regarding the transition methodology to be used, the Company will be using the modified retrospective method. The Company will recognize a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee shall choose, on a lease-by-lease basis, to measure that right-of-use asset an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments. However, The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Company does not intend to adopt the standard before its effective date.

Expected impact from adoption of the lease standard

		As of 01/01/19
Other assets (reclassification from prepayments and other liabilities) (Refer to Notes 9 and 19)	$	(68,295)
Right of use assets:		164,540
	$	96,245
Lease liabilities:		
Lease current liabilities	$	(25,768)
Lease non current liabilities		(70,477)
Total leases liabilities	$	(96,245)

Annual Improvements to IFRSs 2015 - 2017 Cycle

The Annual Improvements include amendments to IFRS 3 and IFRS 11, IAS 12 and IAS 23 which are effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 3 *Business Combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business.

The amendments to IFRS 11 *Joint Arrangements* clarify that when an entity obtains control of a business that is not a joint operation, the entity does not remeasure previously held interest in that business.

Amendments to IAS 12 *Income Tax* clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regarding of how the tax arises.

Amendments to IAS 23 *Borrowing Cost* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization on general borrowings.

The Company is in the process of determining the potential impacts that will derive from the adoption of these amendments in its Consolidated Financial Statements.

IFRS 17 *Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement of IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of: 1) discounted probability-weighted cash flows, 2) an explicit risk adjustment, and 3) a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows to choose between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their Financial Assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items.
When applying, the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the Financial Statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is applied for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted for entities that apply IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.

The Company is in the process of evaluating the potential effects of implementing this new standard in its financial information.

IFRIC 23 *Uncertainty over Income Tax Treatments*

This new Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income taxes* when there is uncertainty over income tax treatments. Uncertain tax treatments are a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

An entity shall apply IFRIC 23 for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted and the fact must be disclosed. On initial application, the Interpretation must be applied retrospectively under the requirements of IAS 8 or retrospectively with the cumulative effect of initially applying the interpretation as an adjustment to the opening balance of retained earnings.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date. The Company not expect any significant effect on its consolidated financial statements.

39. Events after reporting date

a. *Topolobampo marine terminal*

On January 4, 2019, IEnova Petroliferos IV, S. de R. L. de C. V. paid the remaining 50 percent of a counter-payment fee equivalent to the amount in Mexican Pesos for the right to build, use, leverage and benefit from the operation of the marine terminal in Topolobampo, the counter-payment amounts to $350.5 million Mexican Pesos. (Please refer to Note 1.2.13.h.).

b. *Withdrawals of credit line*

On January 9, 2019, regarding the credit line mentioned in Note 23.a. the Company withdrew $50.0 million, to be used for working capital and general corporate purposes.

c. *ICM asset acquisition*

On January 28, 2019, ICM issued 770,000 new shares to the Company, following the transaction, ownership of ICM is held as follows, (Please refer to Note 11.6.):

Shareholder	Shares Held	Ownership Percentage
IEnova	15,577,708	52.35%
Trafigura	14,178,013	47.65%

d. *Don Diego asset acquisition*

On February 5, 2019, the Company paid the remaining of the consideration for Don Diego acquisition, after issued the final notice for the assigned Engineering Procurement and Construction contract. (Please refer to Note 11.4.).

e. *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. The interest rate will be libor + 90 bps and the payment commitment will be 24 bps.

f. *Repurchase of shares*

During the month of February 2019, repurchases of shares were carried out for a total of $ 5.8 million, equivalent to 1,600,000 shares.

40. Approval of Financial Statements

The accompanying Consolidated Financial Statements were authorized for issuance on February 19, 2019, by Manuela Molina Peralta, Chief Financial Officer, and subject to the approval of the Management Board and the ordinary shareholders of the Company, who may be modified in accordance with the provisions of the General Law of Commercial.

41. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11550
  Ciudad de Mexico, Mexico.
- 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.

* * * * * *