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

Condensed Interim Consolidated Financial Statements for the years and three-month periods (Unaudited) ended December 31, 2018 and 2017 and Independent Auditor's Review Report Dated February 19, 2019

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

Condensed Interim Consolidated Financial Statements as of December 31, 2018 and for the years and three-month periods (Unaudited) ended December 31, 2018 and 2017

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

Assets	Notes	December 31, 2018	December 31, 2017
Current assets:			
Cash and cash equivalents		$ 51,681	$ 37,208
Short-term investments	13	83	1,081
Finance lease receivables	5, 13	9,809	8,126
Trade and other receivables, net		153,649	94,793
Due from unconsolidated affiliates	3, 13	45,043	24,600
Income taxes receivable		74,806	81,909
Natural gas inventories		3,516	7,196
Derivative financial instruments	13	9,474	6,130
Value added tax receivable		76,907	39,633
Carbon allowances	10	5,936	—
Other assets		9,695	10,327
Restricted cash	13	23,342	55,820
Assets held for sale	7	—	148,190
Total current assets		463,941	515,013
Non-current assets:			
Due from unconsolidated affiliates	3, 13	646,297	493,887
Derivative financial instruments	13	8,146	1,935
Finance lease receivables	5, 13	932,375	942,184
Deferred income tax assets		80,853	97,334
Investments in joint ventures	4	608,708	523,102
Other assets		94,060	32,658
Property, plant and equipment, net	8, 16	4,086,914	3,729,456
Carbon allowances	10	15,499	—
Intangible assets	9	190,772	190,199
Goodwill		1,638,091	1,638,091
Restricted cash	13	2,941	—
Total non-current assets		8,304,656	7,648,846
Total assets	16	$ 8,768,597	$ 8,163,859

(Continued)

Liabilities and Stockholders' Equity	Notes	December 31, 2018	December 31, 2017
Current liabilities:			
Short-term debt	11, 13	$ 870,174	$ 262,760
Trade and other payables		99,757	72,638
Due to unconsolidated affiliates	3, 13	310,696	544,217
Income tax liabilities		63,044	3,384
Derivative financial instruments	13	10,943	41,726
Other financial liabilities		24,720	10,372
Provisions		251	394
Other taxes payable		31,619	36,273
Carbon allowances	10	6,354	—
Other liabilities		28,073	19,631
Liabilities related to assets held for sale	7	—	62,522
Total current liabilities		1,445,631	1,053,917
Non-current liabilities:			
Long-term debt	12, 13	1,675,192	1,732,040
Due to unconsolidated affiliates	3, 13	75,161	73,510
Deferred income tax liabilities		566,892	551,614
Carbon allowances	10	14,826	—
Provisions		61,903	67,210
Derivative financial instruments	13	152,880	162,444
Employee benefits		7,643	6,537
Other non-current liabilities		14,719	—
Total non-current liabilities		2,569,216	2,593,355
Total liabilities	16	4,014,847	3,647,272
Stockholders' equity:			
Common stock	15	963,272	963,272
Additional paid-in capital		2,351,801	2,351,801
Treasury shares	15	(7,190)	—
Accumulated other comprehensive loss		(104,105)	(114,556)
Retained earnings		1,536,662	1,316,070
Total equity attributable to owners of the Company		4,740,440	4,516,587
Non-controlling interests	6	13,310	—
Total stockholders' equity		4,753,750	4,516,587
Commitments and contingencies	19, 20	—	—
Events after the reporting period	22	—	—
Total stockholders' liabilities and equity		$ 8,768,597	$ 8,163,859

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit

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

	Notes	Year ended December 31, 2018 (Notes 1, 7)	Year ended December 31, 2017 (Notes 1, 7)	Three-month period ended December 31, (Unaudited) 2018 (Notes 1, 7)	Three-month period ended December 31, (Unaudited) 2017 (Notes 1, 7)
Revenues	16, 17	$ 1,368,555	$ 1,222,905	$ 345,903	$ 315,530
Cost of revenues		(385,791)	(331,846)	(107,875)	(94,019)
Operating, administrative and other expenses		(214,519)	(202,982)	(57,813)	(58,097)
Depreciation and amortization		(137,157)	(119,020)	(34,653)	(33,112)
Impairment of Termoelectrica de Mexicali, S. de R.L. de C.V. ("TDM")	7	—	(63,804)	—	—
Interest income		27,449	22,808	7,013	10,462
Finance costs		(122,879)	(73,501)	(30,686)	(24,147)
Other gains (losses), net		8	(40,900)	(25,135)	(40,100)
Profit before income tax and share of profits of joint ventures	14	535,666	413,660	96,754	76,517
Income tax expense	14	(143,064)	(104,163)	(27,949)	(58,092)
Share of profits of joint ventures, net of income tax	4, 16	37,984	44,677	19,817	18,303
Profit for the year / period	16, 18	$ 430,586	$ 354,174	$ 88,622	$ 36,728
Attributable to:					
Owners of the Company		430,592	354,174	88,638	36,728
Non-controlling interests		(6)	—	(16)	—
		$ 430,586	$ 354,174	$ 88,622	$ 36,728
Earnings per share:					
Basic and diluted earnings per share	18	$ 0.28	$ 0.23	$ 0.08	$ 0.02

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017	Three-month period ended December 31, (Unaudited) 2018	Three-month period ended December 31, (Unaudited) 2017
Profit for the year / period	16, 18	$ 430,586	$ 354,174	$ 88,622	$ 36,728
Items that will not be reclassified to profit or (loss):					
Actuarial gain on defined benefits plans		519	704	519	704
Deferred income tax related to actuarial gain on defined benefits plans		(156)	(211)	(156)	(211)
Total items that will not be reclassified to profit		363	493	363	493
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	(14,291)	(861)
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes		(2,306)	(1,376)	4,288	258
Gain (loss) on valuation of derivative financial instruments held for hedging purposes of joint ventures		7,665	3,270	(10,684)	10,106
Deferred income tax on the gain (loss) on valuation of derivative financial instruments held for hedging purposes of joint ventures		(2,299)	(981)	3,206	(3,031)
Exchange differences on translation of foreign operations		(660)	6,110	(10,242)	(15,958)
Total items that may be subsequently reclassified to profit or (loss)		10,088	11,609	(27,723)	(9,486)
Other comprehensive income (loss) for the year / period		10,451	12,102	(27,360)	(8,993)
Total comprehensive income for the year / period		$ 441,037	$ 366,276	$ 61,262	$ 27,735
Attributable to:					
Owners of the Company		441,043	366,276	61,278	27,735
Non-controlling interests		(6)	—	(16)	—
		$ 441,037	$ 366,276	$ 61,262	$ 27,735

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common Shares	Additional paid-in capital	Treasury shares	Other comprehensive loss	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance as of January 1st, 2017	15	$ 963,272	$ 2,351,801	$ —	$ (126,658)	$ 1,161,896	$ 4,350,311	$ —	$ 4,350,311
Profit for the year	16, 18	—	—	—	—	354,174	354,174	—	354,174
Actuarial gain on defined benefit plans, net of income tax		—	—	—	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	15	—	—	—	—	(200,000)	(200,000)	—	(200,000)
Balance as of December 31, 2017	15	$ 963,272	$ 2,351,801	$ —	$ (114,556)	$ 1,316,070	$ 4,516,587	$ —	$ 4,516,587
Profit for the year	16, 18	—	—	—	—	430,592	430,592	(6)	430,586
Additional non-controlling interests arising on the acquisition of subsidiaries	6	—	—	—	—	—	—	13,094	13,094
Additional non-controlling interests relating to equity contributions		—	—	—	—	—	—	222	222
Actuarial gain on defined benefit plans, net of income tax		—	—	—	363	—	363	—	363
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	5,382	—	5,382	—	5,382
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	5,366	—	5,366	—	5,366
Exchange differences on translation of foreign operations		—	—	—	(660)	—	(660)	—	(660)
Repurchase of ordinary shares, net	15	—	—	(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	15	—	—	—	—	(210,000)	(210,000)	—	(210,000)
Balance as of December 31, 2018	15	$ 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 Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017	Three-month period ended December 31, (Unaudited) 2018	Three-month period ended December 31, (Unaudited) 2017
Cash flows from operating activities:					
Profit for the year / period	16, 18	$ 430,586	$ 354,174	$ 88,622	$ 36,728
Adjustments for:					
Income tax expense	14	143,064	104,162	27,949	58,091
Share of profit of joint ventures, net of income tax	4, 16	(37,984)	(44,677)	(19,817)	(18,303)
Finance costs		122,879	73,501	30,686	24,147
Interest income		(27,449)	(22,808)	(7,013)	(10,462)
Loss on disposal of property, plant and equipment		13,708	7,877	1,631	6,484
Impairment gain recognized on trade receivables		(1)	(60)	(63)	(136)
Impairment of TDM	7	—	63,804	—	—
Remeasurement of intangible assets		—	—	—	2,289
Depreciation and amortization		137,157	119,020	34,653	33,112
Foreign exchange loss		6,103	37,028	30,219	38,422
Net (gain) loss on valuation of derivative financial instruments		(3,754)	6,715	(77)	1,809
		784,309	698,736	186,790	172,181
Movements in working capital:					
(Increase) decrease in trade and other receivables, net		(55,452)	(2,368)	(20,243)	65,306
Decrease (increase) in natural gas inventories, net		3,680	(1,113)	1,813	(247)
(Increase) decrease in other assets, net		(14,220)	(4,204)	24,467	(6,092)
Increase (decrease) in trade and other payables, net		5,134	12,546	16,792	(6,085)
(Decrease) increase in provisions, net		(42,463)	(252)	(10,114)	12,932
Increase (decrease) in other liabilities, net		1,088	(2,098)	(24,893)	7,318
Cash generated from operations		682,076	701,247	174,612	245,313
Income taxes paid		(57,090)	(115,013)	(12,770)	(13,309)
Net cash provided by operating activities		624,986	586,234	161,842	232,004

(Continued)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017	Three-month period ended December 31, (Unaudited) 2018	Three-month period ended December 31, (Unaudited) 2017
Cash flows from investing activities:					
Assets acquisition, net of cash acquired	6	(19,954)	(147,638)	—	(147,638)
Investment in joint ventures	4	(79,908)	(72,067)	(34,949)	—
Marine terminals counter-payment fee	1	(44,355)	(28,179)	—	—
Interest received		563	1,089	19	—
Acquisitions of property, plant and equipment		(392,073)	(224,816)	(123,911)	(44,836)
Loans granted to unconsolidated affiliates	3	(134,661)	(505,997)	(16,731)	(205,932)
Receipts of loans granted to unconsolidated affiliates	3	42,275	8,152	2,332	916
Restricted cash		29,537	(4,457)	31,900	(6,804)
Short-term investments		998	(1,001)	3,999	(1,000)
Net cash used in investing activities		(597,578)	(974,914)	(137,341)	(405,294)
Cash flows from financing activities:					
Interest paid		(85,046)	(75,661)	(19,596)	(18,453)
Loans received from unconsolidated affiliates	3	70,000	377,926	—	56,000
Loans payments to unconsolidated affiliates	3	(312,032)	(46,702)	(179,232)	(3,166)
Payments of loans acquired through acquisition of subsidiary	6	—	(95,839)	—	(95,839)
Proceeds from bank financing	11, 12	916,757	897,000	248,757	372,000
Loans payments on bank lines of credit	11, 12	(304,395)	(1,257,531)	(66,384)	(931,228)
Proceeds from international debt offering	12	—	840,000	—	840,000
Debt issuance costs	12	—	(32,609)	—	(32,609)
Payments for repurchase of shares	15	(7,190)	—	(7,190)	—
Payment of debt securities ("CEBURES")	1, 12	(102,069)	—	—	—
Dividends paid	15	(210,000)	(200,000)	—	—
Net cash (used in) provided by financing activities		(33,975)	406,584	(23,645)	186,705
(Decrease) increase in cash and cash equivalents		(6,567)	17,904	856	13,415
Cash and cash equivalents at the beginning of the year / period		37,208	24,918	41,830	38,417
Effects of exchange rate changes on cash and cash equivalents		21,040	(5,614)	8,995	(14,624)
Cash and cash equivalents at the end of the year / period		$ 51,681	$ 37,208	$ 51,681	$ 37,208

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

As of December 31, 2018 and for the years and three-month periods (Unaudited) ended December 31, 2018 and 2017
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energetica Nova, S. A. B. de C. V. ("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 address of their registered offices and principal places of business are disclosed in Note 24.

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 16).

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

The 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 in-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 colder months. In the case of the Power segment, the demand for power distribution service is higher during months with hot weather.

b. *Relevant events*

1.1. Marine terminal, Veracruz Mexico

On January 8, 2018, ESJ Renovable III, S. de R. L. de C. V. ("ESJRIII") paid to the Administracion Portuaria Integral de Veracruz, S. A de C. V. ("Veracruz API") the remaining 50 percent of a counter-payment fee equivalent to the amount of $500.0 million Mexican Pesos for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico.

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

On January 22, 2018, in order to make more efficient and standardize the process for the issuance of letters of credit requested by governmental entities or third parties with whom the Company contracts, IEnova together with a bank syndicate formed by Banco Nacional de Mexico, S. A. ("Banamex"), Sumitomo Mitsui Banking Corporation ("SMBC"), BBVA Bancomer, S. A. ("Bancomer"), Scotiabank Inverlat, S. A. ("Scotiabank"), Mizuho Bank, LTD ("Mizuho"), BNP Paribas S. A. and Banco Santander (Mexico), S. A. ("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.

1.3. 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 12.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 12.a.).

1.4. 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 Megawatts ("MW"), with an investment of approximately $130.0 million. The beginning of commercial operations is expected to occur in the fourth quarter of 2019 (Please refer to Note 6.1.).

1.5. 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 Kilometers ("Km") North of Ensenada, Baja California, Mexico. The terminal, with 1.0 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. , a BP P. L. C. ("BP") subsidiary, for the remaining 50 percent of the terminal's storage capacity.

1.6. TDM changes to plan of sale

On June 1, 2018, the management of the Company formalized its decision to suspend the sale of TDM, and the assets and liabilities that were previously classified as held for sale were reclassified as held and used, and fixed assets depreciation was resumed. (Please refer to Note 7).

1.7. Formation of a repurchase fund its own shares

On June 14, 2018, at the Company's Ordinary General Shareholders' Meeting, the shareholders decided to approve the creation of a repurchase fund 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 15.).

1.8. 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.

1.9. 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 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 6.3.).

1.10. 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 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 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.

1.11. Railway

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.

1.12. Revolving credit

On November 30, 2018, the Company entered into a revolving credit agreement with Sempra Global ("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.

1.13. 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 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.

2. Significant accounting policies

a. *Statement of compliance*

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

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

Therefore, the Condensed Interim Consolidated Financial Statements information should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

b. ***Basis of preparation***

The same accounting policies, presentation and methods of computation followed in these Condensed Interim Consolidated Financial Statements were applied in the preparation of the Company's annual Consolidated Financial Statements for the year ended 2017, except for the adoption of IFRS 15 R*evenues from Contracts with Customers* and IFRS 9 *Financial Instruments,* whose effects are described in Note 21.

Comparative information

The Condensed Interim 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. An additional information on the Segment disclosure at the year ended and for the three period ended on December 31, 2017, is presented in these Consolidated Financial Statements due to the retrospective reclassification. (Please refer to Note 16.).

c. ***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 Condensed Interim 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.

d. ***Intangible assets***

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

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

e. ***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 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, 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 Companies previously held equity interest in the acquire 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 acquire prior to the acquisition date, that have previously been recognized in other comprehensive income ("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.

f. *Revenues*

The Company records revenue from contracts with clients at the time that the services are rendered or the goods are delivered to and accepted by that client, based in the terms and conditions established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred. Therefore, assignment of the consideration and, consequently, the timing of revenue recognition was not affected by adoption of IFRS 15.

The Company has evaluated the recognition and measurement of revenue according to the five-step model in the IFRS 15 and did not identify any significant financial impact from its adoption. The Company chose to adopt the new standard as of January 1, 2018, by applying the modified retrospective method of adoption.

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

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

g. ***Critical judgments in applying accounting policies***

In the application of the Company's accounting policies, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the Condensed Interim 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.

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

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.

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.

ii. *Finance lease*

As described in Note 5, management has determined that certain arrangements should be accounted for as leases whereby the present value of the minimum lease payments at lease inception date are discounted to equal the fair value of the related assets as of such date.

3. Transactions and balances with unconsolidated affiliates

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

a. ***Transactions and balances with unconsolidated affiliates***

During the year ended December 31, 2018 and 2017 and for the three-month periods ended December 31, 2018 and 2017, respectively, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Sempra Gas & Power Marketing, LLC (“SG&PM”)	$ 226,004	$ 140,914	$ 58,296	$ 55,333
Sempra LNG International Holdings, LLC (“SLNGIH”)	59,588	103,043	—	25,307
Sempra LNG International, LLC (“SLNGI”)	38,847	—	25,281	—
Tag Pipelines Norte, S. de R. L. de C. V. (“TAG Pipelines Norte”)	23,357	1,766	5,856	397
Sempra International, LLC (“Sempra International”)	1,763	1,844	439	440
Servicios ESJ, S. de R. L. de C. V. (“SESJ”)	1,215	1,072	344	413
Southern California Gas Company (“SoCalGas”)	731	231	110	149

	Revenues			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Sempra LNG ECA Liquefaction, LLC (“SLNGEL”)	81	217	—	30
Energía Sierra Juarez, S. de R. L. de C. V. (“ESJ”)	7	—	—	—
Ductos y Energeticos del Norte, S de R. L. de C. V. (“DEN”)	—	6,761	—	652

	Cost of revenues and operating, administrative and other expenses			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
SLNGI	$ 230,510	$ 207,505	$ 59,664	$ 51,433
SG&PM	139,565	88,144	41,163	44,158
Sempra International	8,509	7,250	2,170	2,513
Sempra Infrastructure, LLC (formerly Sempra U. S. Gas & Power, LLC)	5,430	6,936	1,704	1,217
SoCalGas	2,026	1,258	565	303
Pacific Enterprises International INC (“PEI INC”)	366	—	366	—
Sempra Energy Holdings, XI. B. V. (“SEH”)	131	—	—	—
Sempra Midstream	—	492	—	—

Included in the operational transactions are administrative services from affiliates by $8.5 million and $7.3 million for the year ended December 31, 2018 and 2017, respectively and $2.2 million and $2.5 million for the three-month periods ended December 31, 2018 and 2017, respectively, which were paid, and have been properly distributed to the segments incurring those costs.

	Interest income			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Infraestructura Marina del Golfo, S. de R. L. de C. V. (“IMG”)	$ 61,581	$ 17,211	$ 16,088	$ 9,651
ESJ	401	775	73	127
SEG	75	180	19	180
DEN	—	3,665	—	397

	Finance cost			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Inversiones Sempra Limitada (“ISL”)	$ 9,315	$ 3,491	$ 2,200	$ 1,310
Peruvian Opportunity Company, S. A. C. (“POC”)	2,941	944	803	411
SEH	2,310	937	—	660
TAG Pipelines Norte	1,651	50	337	50
Sempra Oil Trading Suisse (“SOT Suisse”)	1,321	1,265	179	308
Sempra Energy International Holdings N. V. (“SEI NV”)	209	—	209	—

	Finance cost			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Inversiones Sempra Latin America Limitada ("ISLA")	—	1,174	—	—
SEG	—	332	—	—
DEN	—	143	—	15

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

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

	Amounts due to unconsolidated affiliates	
	As of	
	12/31/18	12/31/17
ISL (i)	$ 165,768	$ 275,188
POC (ii)	102,000	102,020
SG&PM	23,412	17,525
SLNGI	18,795	16,360
PEI INC	390	—
SoCalGas	199	98
Sempra International	122	226
SEH (iii)	10	132,800
	$ 310,696	$ 544,217

New loans or amendments as of 2018:

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

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

On November 30, 2018, the Company made a payment to ISL for $179.2 million, the loans for $90.0 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 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.

ii. On June 26, 2017, IEnova entered into a $21.0 million U.S. Dollar-denominated affiliate credit facility with POC, to finance working capital and general corporate purposes. The credit is for twelve-month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at LIBOR plus 63 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 credit facility with POC, to finance working capital and general corporate purposes. The credit is for twelve-month term, with an option to extend up to four years. Interest of the outstanding balance is payable on a quarterly basis at 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, 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 by $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.

iii. 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.

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

	As of	
	12/31/18	**12/31/17**
IMG (i)	$ 640,775	$ 487,187
ESJ	3,411	6,700
SEG	2,111	—
	$ 646,297	$ 493,887

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 to $12,612.3 million Mexican Pesos, including $1,457.6 million Mexican Pesos of capitalized interest.

Transactions with unconsolidated affiliates as of the date of this report are consistent in nature with those in previous years and periods. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received regarding these loans. No expenses have been recognized in the current or prior years and periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

c. ***Loans from unconsolidated affiliates***

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

i. 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.

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

Total compensation expense of key management personnel was $13.5 million and $10.3 million for the year ended December 31, 2018 and 2017, respectively, and $1.5 million and $1.3 million for the three-month periods ended December 31, 2018 and 2017, respectively.

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

4. Investment in joint ventures

4.1. ESJ

The joint venture formed between IEnova and Saavi Energia, started operations in June 2015. As of December 31, 2018 and 2017, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method. ESJ's Condensed Interim Consolidated Statements 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	$ 1,695	$ 2,785
Other assets	24,165	18,479
Total current assets	25,860	21,264
Deferred income tax assets	2,849	4,778
Other assets	2,784	2,795
Property, plant and equipment, net	241,457	252,856
Total non-current assets	247,090	260,429

	As of	
	12/31/18	12/31/17
Total assets	$ 272,950	$ 281,693
Current liabilities	$ 16,673	$ 17,509
Non-current liabilities	210,991	231,048
Total liabilities	$ 227,664	$ 248,557
Total members' equity	$ 45,286	$ 33,136
Share of members' equity	22,643	16,568
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 34,764	$ 28,689

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

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Revenues	$ 45,759	$ 46,570	$ 9,827	$ 10,490
Operating, administrative and other expenses	(20,210)	(22,147)	(4,279)	(5,656)
Finance costs	(15,166)	(15,929)	(3,679)	(3,826)
Other gains (losses), net	48	13	(8)	(140)
Income tax expense	(2,780)	(1,340)	(109)	(1,501)
Profit (loss) for the period	$ 7,651	$ 7,167	$ 1,752	$ (633)
Share of profit (loss) of ESJ	$ 3,825	$ 3,584	$ 876	$ (317)

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"), Norddeutsche Landesbank Girozentrale ("NORD/LB") and SMBC as lenders.

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

Years	LIBOR applicable Margin
June 2015 - June 2019	2.375%
June 2019 - June 2023	2.625%
June 2023 - June 2027	2.875%
June 2027 - June 2031	3.125%
June 2031 - June 2033	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion dated June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $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 loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014, and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were entered into to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

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

4.2. IMG

The joint venture formed between IEnova and Transcanada Corporation ("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 and 2017, the Company's 40 percent interest in IMG is accounted for under the equity method. IMG's Condensed Interim Consolidated Statements 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	$ 46,333	$ 58,284
Value added tax receivable	51,371	195,350
Other assets	1	434
Total current assets	97,705	254,068
Total non-current assets	2,594,950	1,653,554
Total assets	$ 2,692,655	$ 1,907,622
Current liabilities	$ 364,716	$ 176,771
Long term debt	1,602,029	1,222,973
Deferred revenue	901	—
Deferred income tax liabilities	51,785	34,209
Total non-current liabilities	1,654,715	1,257,182
Total liabilities	$ 2,019,431	$ 1,433,953
Total members' equity	$ 673,224	$ 473,669
Share of members' equity	269,290	189,468

	As of	
	12/31/18	12/31/17
Guarantees	5,018	5,018
Remeasurement of interest rate (c)	(37,653)	—
Share of member’s equity and carrying amount of investment in IMG	$ 236,655	$ 194,486

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

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Finance income	$ 7,582	$ 78,082	$ 800	$ 73,760
Other gains, net *	9,858	692	65,791	86
Income tax expense	(17,657)	(31,233)	(25,754)	(36,990)
(Loss) profit for the period	$ (217)	$ 47,541	$ 40,837	$ 36,856
Share of (loss) profit of IMG	$ (87)	$ 19,016	$ 16,335	$ 14,742

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

a. ***Project financing for the IMG project.*** As of December 31, 2018 and 2017, 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 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 interest 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 Comisión Federal de Electricidad ("CFE") that recognizes force majeure events and payment of fixed capacity charges beginning October 31, 2018.

4.3. DEN

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

DEN´s Condensed Interim Consolidated Statement of Profit is as follows:

		Period ended 10/31/17
Revenues	$	18,532
Operating, administrative and other expenses		(7,185)
Finance costs		(7,394)
Other losses, net		(202)
Income tax expense		(7,003)
Share of profit of joint ventures, net of income tax		41,551
Profit for the period	$	38,299
Share of profit of DEN	$	19,149

4.4. *Tag Norte Holding S. de R. L. de C. V. ("TAG")*

TAG together with TAG Pipelines Norte, a joint venture between IEnova and a consortium comprised of BlackRock and First Reserve, and Pemex TRI, owns 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.

As of December 31, 2018, the interest in TAG is accounted for under the equity method. TAG'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**
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 Condensed Interim Consolidated Statements of Profit is as follows:

	Year ended	**Three-month period ended**
	12/31/18	**12/31/18**
Revenues	$ 211,002	$ 55,398
Operating, administrative and other expenses	(32,903)	(8,074)
Finance costs	(60,052)	(15,002)
Other losses	(1,564)	(1,773)
Income tax expense	(47,992)	(25,337)
Profit for the period	$ 68,491	$ 5,212
Share of profit of TAG	$ 34,246	$ 2,606

a. ***TAG Project financing***. On December 19, 2014, TAG (subsidiary of DEN), entered into a credit agreement 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. A letter of credit tranche for debt service reserve up to $60.2 million.

The credit facilities mature in December 2026 and December 2034 for the short and long tranche loan respectively, with payments due on a semi-annual basis. The credit facilities bears interest at LIBOR plus a spread, as follows:

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

As of 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 limit 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 in 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.

5. Finance lease receivables

5.1. Finance lease receivables – Natural Gas Compression Plant

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

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.

5.1.1. Amounts receivable under finance leases

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

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

The interest rate implicit 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 as of December 31, 2018 and 2017. The receivable under finance lease balance as of December 31, 2018 and 2017 is neither past due nor impaired.

5.2. Finance lease receivables – Los Ramones I Pipeline

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

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.

5.2.1. Amounts receivable under finance leases

	Minimum lease payments As of		Present value of minimum lease payments As of	
	12/31/18	12/31/17	12/31/18	12/31/17
Not later than one year	$ 86,470	$ 87,104	$ 4,517	$ 3,665
Later than one year and not later than five years	426,802	424,616	32,643	28,108
More than five years	812,855	901,512	530,245	539,297
	1,326,127	1,413,232	567,405	571,070
Less: unearned finance income	(758,722)	(842,162)	n/a	n/a
Present value of minimum lease payments receivable	$ 567,405	$ 571,070	$ 567,405	$ 571,070

No residual values of assets leased under finance lease at the end of the year/ period 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 as of December 31, 2018 and 2017. The receivable under finance lease balance as of December 31, 2018 and 2017, is neither past due nor impaired.

5.3. Finance lease receivables – Ethane Pipeline

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

Leasing arrangements.

The Company entered into a finance lease arrangement for its ethane pipeline. The lease is denominated in U. S. Dollars. The term of the finance lease is 21 years.

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 21 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 21 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 financial lease is as follows:

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

5.3.1. Amounts receivable under finance leases

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

No residual values of assets leased under finance lease at the end of the reporting year/ period 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 and 2017, respectively.

The receivable under finance lease balance as of December 31, 2018 and 2017, is neither past due nor impaired.

6. Assets acquisition

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

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

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

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

The primary purpose of the transaction was for the Company to further grow its renewable energy business through the purchase of Border Solar to develop a photovoltaic solar electric generating project located in Ciudad Juárez, 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 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 a payment for 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.

6.3. 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 consists on develop, construct, own and operate a refined hydrocarbon products terminal in Manzanillo, Colima, Mexico. ICM owns certain permits and land where, will be built the terminal for the receipt, storage and delivery of refined products.

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

7. Assets classified as held for sale and discontinued operations

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 its fixed assets, and since then, accounted it at the lower of its carrying value and fair value less costs to sell.

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 discontinued operations in the Condensed Interim 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 Condensed Interim 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.

8. Property, plant and equipment, net

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

	As of			
		12/31/18		12/31/17
Solar projects (i)	$	210,547	$	—
Liquid terminals (ii)		84,379		14,265
Pipeline projects (iii)		67,249		—
Other projects		10,298		14,682
	$	372,473	$	28,947

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

i. Solar projects, located in the states of Sonora, Aguascalientes, Baja California and Chihuahua, Mexico.

ii. Liquid terminals, located in the states of Puebla, Veracruz, Mexico City, Baja California, Colima and Sinaloa, Mexico.

iii. Mainly compression stations for the pipelines projects.

Borrowing cost. During the year ended December 31, 2018 and 2017, the Company capitalized interest attributable to the construction of projects in the amount of $10.7 million and $10.2 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 4.0 percent and 3.0 percent, for the year ended December 31, 2018 and 2017, respectively.

9. Intangible assets

	As of	
	12/31/18	**12/31/17**
Carrying amounts of:		
Renewable transmission rights (i)	$ 164,622	$ 154,144
Operation & Maintenance ("O&M") Contract (ii)	44,566	44,566
Amortization	(18,416)	(8,511)
	$ 190,772	$ 190,199

i. *Renewable transmission rights*

On December 14, 2016, regarding Ventika, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V. (jointly "Ventika") wind power generation facility acquisition, the Company recorded $154.1 million related to the renewable transmission and consumption rights associated with the projects approved under the preexisting self-supply renewable program.

On February 28, 2018, the Company acquired a $5.0 million intangible asset related to Self-Supply Permit of the Don Diego Solar Project. (Please refer to Note 6).

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 6).

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.

ii. *O&M Contract*

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

10. 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 Condensed Interim Consolidated Statements of Financial Position based on the dates when 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 Condensed Interim Consolidated Statement of Financial Position as the allowances are surrendered.

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

	As of 12/31/18
Assets:	
Current	$ 5,936
Non-current	15,499
	$ 21,435
Liabilities (a) :	
Current	$ 6,354
Non-current	14,826
	$ 21,180

a. Costs of carbon allowances of $21.9 million and $16.5 million were recorded in cost of revenues for the year ended December 31, 2018 and 2017, respectively and $6.6 million and $6.1 million for the three-month periods ended December 31, 2018 and 2017, respectively.

11. Short-term debt

Short-term debt includes:

	As of 12/31/18	As of 12/31/17
Credit agreement (i)	$ 808,086	$ 137,053
Current portion of IEnova Pipelines Bank Loan (Please refer Note 12.c)	38,227	40,631
Current portion of Ventika's Bank Loan (Please refer Note 12.d)	25,973	22,588
Trina Solar (Please refer Note 12.g)	28	—
CEBURES at variable rate (Please refer to Note 12.a and 12.b)	—	65,871
	$ 872,314	$ 200,272
Borrowing costs of credit agreement	(2,140)	(3,383)
	$ 870,174	$ 196,889

i. ***Credit agreement.*** For the twelve-months ended December 31, 2018 , the Company withdrew $808.1 million.
As of December 31, 2018 and 2017, the available unused credit portion was $362.0 million and $1,033.0 million, respectively.

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

The weighted average interest rate on short-term debt with SMBC was 3.6 percent at December 31, 2018.

12. Long-term debt

Long-term debt includes:

	As of	
	12/31/18	12/31/17
Senior Notes (f)	$ 840,000	$ 840,000
Santander – Ventika (d, e)	426,359	451,248
Bancomer – IEnova Pipelines (c)	239,513	277,175
CEBURES at fixed rate (a, b)	198,142	197,614
Trina Solar (g)	3,757	—
	$ 1,707,771	$ 1,766,037
Debt issuance costs	(32,579)	(33,997)
	$ 1,675,192	$ 1,732,040

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 6.3 percent, with semi-annual payments of interest, maturing in 2023.

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

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

For this debt, which was scheduled to mature in 2018, the Company entered into a derivative instrument contract and swapped 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 a fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U. S. Dollars for this swap was 4.12 percent during 2018.

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

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

c. ***Bancomer - IEnova Pipelines.*** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as Fiduciary. The amount of the loan is for $475.4 million, the proceeds will be used to develop IEnova Pipelines projects. The four participating credit institutions are Bancomer with a 50 percent contribution, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20 percent, Mizuho with 15 percent and NORD/LB with 15 percent.

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

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

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

Year		Amount
2019	$	38,227
2020		42,213
2021		45,054
Thereafter		152,246
	$	277,740

In such credit, IEnova Pipelines was defined as debtor, TDF, S. de R. L. de C. V. ("TDF") together with Gasoductos de Tamaulipas, S. de R. L. de C. V. ("GdT") were assigned as guarantors and collaterals through the cession of the collections rights from their portfolio of projects integrated by IEnova Pipelines, TDF and GdT as source of payment for the credit.

Covenants arising from the credit require the following:

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

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

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

As of the date of the Condensed Interim Consolidated Financial Statements, IEnova Pipelines has complied with these obligations.

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

The Company has designated the derivative financial instruments mentioned above as cash flow hedges, in terms of what is permitted by the accounting standards. Given that, the interest rate swap's hedge objective is to fix the cash flows derived from variable interest payments on the syndicated loan maturing in 2026.

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

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

Bank	Maturity date
SANTANDER	3/15/2024
BANOBRAS	3/15/2032
NADB	3/15/2032
BANCOMEX	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
NAFINSA	67,833
BANCOMEXT	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 percent of the above mentioned credit facilities. The swap contracts allow the Company to pay a fixed interest rate of 2.94 percent and 3.68 percent respectively, and to receive variable interest rate (three-month LIBOR).

f. ***Senior Notes.*** On December 14, 2017, the Company obtained $840.0 million related to an international Senior Notes offering as follows:

i. The first placement was for $300.0 million bearing interest at a rate of 3.75 percent, with semi-annual payments of interest, maturing in 2028.

ii. The second placement was for $540.0 million bearing interest at a rate of 4.88 percent, with semi-annual payments of interest, maturing in 2048.

The Company used the net proceeds from the offering to repay outstanding short-term indebtedness, 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.

13. Financial instruments

a. *Foreign currency exchange rate*

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

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

b. *Fair value of financial instruments*

13.1. Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the Condensed Interim Consolidated Financial Statements approximate their fair values.

	As of			
	12/31/18		12/31/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial lease receivables	$ 942,184	$ 942,184	$ 950,310	$ 950,310
Due to unconsolidated affiliates	691,340	696,626	535,945	592,727
Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	1,038,142	865,710	1,037,614	998,995
Loans from banks long-term	669,629	675,801	728,423	849,486
Due from unconsolidated affiliates (Short-term)	310,696	310,694	554,497	553,558
Short-term debt	872,314	872,314	266,143	266,143
Loans from unconsolidated affiliates (Long-term)	75,161	67,963	73,510	69,967

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

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

i. The fair value of finance lease 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.

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

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

iv. The fair value of commodity and other derivative positions, which include interest rate swaps, 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.

13.3. Fair value measurements recognized in the Condensed Interim Consolidated Statements of Financial Position

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

A fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit 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:

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

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

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

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

	As of	
	12/31/18	**12/31/17**
Financial instruments assets at fair value through profit or loss ("FVTPL")		
Short-term investments (Level 1)*	$ 26,366	$ 56,901
Derivative financial instrument assets (Level 2)	17,620	8,065
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2)	163,823	204,170

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 non - current restricted cash by $23.3 million and $55.8 million as of December 31, 2018 and 2017, respectively.

14. Income taxes

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

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

Income tax for the years and three-month periods ended December 31, 2018 and 2017, are reconciled to the profit for the period as follows:

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Profit before income tax and share of profits of joint ventures	$ 535,666	$ 413,660	$ 96,754	$ 76,517
Income tax expense calculated at 30%	(160,700)	(124,098)	(29,026)	(22,955)
Non-deductible expenses	(1,985)	(2,880)	(1,985)	(2,880)
Effects of foreign exchange rate	513	(17,806)	35,029	51,734
Effects of inflation adjustment	(28,076)	(32,341)	(12,996)	(9,011)
Effect of unused tax losses not recognized as deferred income tax asset	2,279	(25,965)	(3,987)	(2,983)
Non-taxable income	—	368	—	368
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses	55,180	98,880	(7,432)	(77,761)
Other	(10,275)	(321)	(7,552)	5,396
Income tax expense recognized in the Consolidated Statements of Profit	$ (143,064)	$ (104,163)	$ (27,949)	$ (58,092)

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

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

ii. The effect of exchange rate changes in the tax basis of property, plant and equipment, are valued in Mexican Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.

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

iv. Tax losses used or not recognized as deferred taxes.

As of December 31, 2018, the Company has not recognized a deferred tax asset in the amount of $23.4 million generated by the deductible temporary differences between book value and tax basis of TDM. The Company considers that there are no sufficient elements to ensure the total or partial recovery of the deferred tax asset.

15. Stockholders' equity

The Company's General Shareholders' Meeting approved the formation of a repurchase fund of the Company's own shares on June 14, 2018, of a maximum amount of $250.0 million. As of 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).

		As of December 31, 2018 (Mexican Pesos)			
Company stockholder's	**Number of shares**	**Fixed shares**	**Variable shares**	**Total**	**Total shares in USD**
SEMCO	1,019,038,312	$ 50,000	$ 16,009,083,120	$16,009,133,120	$ 751,825
Private investors	514,985,500	—	25,931,105,000	25,931,105,000	211,447
	1,534,023,812	$ 50,000	$ 41,940,188,120	$41,940,238,120	$ 963,272

15.1. Declared dividends

Pursuant to a resolution of the General Ordinary Shareholders' Meeting held on July 24, 2018, the Board of Directors resolved to pay a cash dividend on August 21, 2018 for an amount of $210.0 million. The dividends were paid in the aforementioned date.

On August 15, 2017 dividends for an amount of $200.0 million were paid.

16. Segment information

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

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

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

16.2. Segment revenues and results

The following is an analysis of the Company's revenues and results by reportable segment:

	Segment revenues			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Gas:				
Revenues from customers	$ 919,783	$ 888,647	$ 234,379	$ 224,479
Revenues from unconsolidated affiliates	138,752	103,043	27,124	25,306
Intersegment revenues	329,527	309,179	89,859	92,918
Power:				
Revenues from customers	99,592	99,164	23,522	20,679
Revenues from unconsolidated affiliates	208,652	130,192	60,426	44,611
Corporate:				

	Segment revenues			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Allocation of professional services with affiliates	1,776	1,859	452	455
Intersegment professional services	$ 34,974	$ 29,970	$ 10,427	$ 8,071
	1,733,056	1,562,054	446,189	416,519
Intersegment adjustments and eliminations	(364,501)	(339,149)	(100,286)	(100,989)
Total segment revenues	$ 1,368,555	$ 1,222,905	$ 345,903	$ 315,530

	Segment profit			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Gas	$ 445,259	$ 463,483	$ 111,835	$ 68,094
Power	65,357	(34,316)	14,843	12,003
Corporate	(80,030)	(74,993)	(38,056)	(43,369)
Total segment profit	$ 430,586	$ 354,174	$ 88,622	$ 36,728

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

16.3. *Assets and liabilities by segment*

	As of	
	12/31/18	12/31/17
Assets by segment:		
Gas	$ 6,705,011	$ 6,425,446
Power	1,356,815	1,170,970
Corporate*	706,771	567,443
Consolidated total assets	$ 8,768,597	$ 8,163,859

	As of	
	12/31/18	12/31/17
Liabilities by segment:		
Gas	$ 1,066,774	$ 1,031,448
Power	655,386	652,502
Corporate*	2,292,687	1,963,322
Consolidated total liabilities	$ 4,014,847	$ 3,647,272

**Corporate segment*

The Corporate segment holds interests in the transportation, storage, distribution, and regasification of gas, and holds interest in power generation operations in Mexico. Based on the significant investment and impact on the Liquids Terminals, the chief decision makers have decided to reclassify retrospectively the amounts of $39.7 million in assets and $0.8 million in liabilities as of December 31, 2017 included from Liquid Terminals in to the Corporate segment to the Gas segment.

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

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

16.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	12/31/18	12/31/17	12/31/18	12/31/17
Gas	$ 3,777,923	$ 3,569,528	$ (616,526)	$ (510,744)
Power	1,150,247	686,195	(232,776)	(24,885)
Corporate	19,685	18,881	(11,639)	(9,519)
	$ 4,947,855	$ 4,274,604	$ (860,941)	$ (545,148)

	Share of profits of joint ventures			
	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Gas	$ 34,158	$ 41,094	$ 18,940	$ 18,620
Power	3,826	3,583	877	(317)
	$ 37,984	$ 44,677	$ 19,817	$ 18,303

16.5. Revenue by type of product or services

The following is an analysis of the Company's revenues by major type of product or service for the years and three-month periods ended December 31, 2018 and 2017:

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Transportation of gas	$ 483,458	$ 438,277	$ 117,530	$ 113,539
Power generation	307,039	229,934	83,344	65,842
Sale of natural gas	258,966	176,334	68,147	45,948
Other operating revenues (i)	133,646	156,306	33,717	31,691
Storage and regasification capacity	112,923	109,837	27,513	27,749
Natural gas distribution	72,523	112,217	15,652	30,761
Total revenues	$ 1,368,555	$ 1,222,905	$ 345,903	$ 315,530

Other operating revenues

i. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $98.5 million and $103.0 million for the year ended December 31, 2018 and 2017, respectively, and $25.3 million and $25.3 million for the three-month periods ended December 31, 2018 and 2017, respectively. Such balances are presented within the Revenues line item in the accompanying Condensed Interim 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.

ii. 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.

17. Revenue from contracts with customers

17.1. Contracts with customers

The following table shows the distribution by type of revenue shown in the Condensed Consolidated Statements of Profit for the years and three-month periods ended December 31, 2018 and 2017:

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Revenue from operations:				
Contracts with customers	$ 866,426	$ 814,293	$ 216,789	$ 217,068
Leases	161,584	153,277	39,880	33,927
Derivatives	69,617	372	25,811	130
Others - Sale of natural gas	171,206	157,544	36,855	40,947
Other revenue - Non IFRS 15	99,722	97,419	26,568	23,458
Total revenue	$ 1,368,555	$ 1,222,905	$ 345,903	$ 315,530

17.2. Disaggregation of revenue

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 and three-month periods ended 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

	Three-month period ended 12/31/18		
	Total subsidiaries	Consolidation adjustments	Total
By type of product or service:			
Service revenues:			
Power generation	$ 146,401	$ (63,056)	$ 83,345
Transportation of gas	94,931	(14,111)	80,820
Storage of natural gas	49,089	(20,753)	28,336
Administrative services	38,737	(32,098)	6,639
Natural gas distribution	18,738	(1,089)	17,649
Total revenue from contracts with clients	$ 347,896	$ (131,107)	$ 216,789
Others - Sale of natural gas	63,845	(26,990)	36,855
Total revenue	$ 411,741	$ (158,097)	$ 253,644
Obligations met:			
Over time	$ 347,896	$ (131,107)	$ 216,789
Total revenue from contracts with clients	$ 347,896	$ (131,107)	$ 216,789
By operating segment:			
Gas	351,362	(89,859)	261,503
Power	83,948	—	83,948
Corporate	10,879	(10,427)	452
Total revenue	$ 446,189	$ (100,286)	$ 345,903

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

18. Earnings per share

18.1. Basic earnings per share

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Basic and diluted earnings per share	$ 0.28	$ 0.23	$ 0.08	$ 0.02

18.2. Basic and diluted earnings per share

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

	Year ended		Three-month period ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Earnings used in the calculation of basic and diluted earnings per share	$ 430,586	$ 354,174	$ 88,622	$ 36,728
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,533,857,145	1,534,023,812	1,147,618,020	1,534,023,812

The Company does not have potentially diluted shares.

19. Commitments

Material commitments of the Company are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2017, except for the following:

a. ***Marine terminal Veracruz.*** 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

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	$	931
2020		1,022
2021		1,068
Thereafter		26,383
	$	29,404

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

b. ***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

c. ***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

d. ***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

e. ***Rumorosa solar 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 $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

f. ***Pima solar 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 $58.9 million. Net future payments under these contractual commitments are as follows:

Year		Amounts
2019	$	1,000

g. ***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

h. ***Marine terminal in Topolobampo, Sinaloa.*** During 2018, the Company entered into a contract for the concession agreement with the Administration of Topolobampo Port. During year ended December 31, 2018, the payments under this contract were $18.4 million. Net future payments under this contractual commitment are 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 are as follows:

Year	Amounts	
2019	$	2,167
2020		2,273
2021		2,384
Thereafter		63,874
	$	70,698

i. ***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

20. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2017.

21. Application of new and revised IFRS

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

In the current 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, the 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, contracts 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 and any difference that might come up as a result IFRS 9 adoption between previous carrying amounts and the carrying amount at the beginning of the annual reporting period should be allocated within the opening retained earnings. However, there are not differences 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 category as shown in next page:

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

Trades and receivables under a finance lease scheme, although meet the Financial Asset definition, are ruled out from the IFRS 9 scope of, 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 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 and trade receivables from unconsolidated related parties. Considering the maturity, the Company is confident that simplified approach suits better for the operation 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 arose from adoption of this standard.

Please refer to Note 17 for additional disclosures concerning the nature, quantity, timing and uncertainty of revenue arising from contracts with customer.

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 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 standard will affect primarily the accounting for the group'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 1st, 2019. The Company does not intend to adopt the standard before its effective date.

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 in 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 Condensed Interim 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 choice 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.

22. Events after the reporting period

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 1.8.).

b. ***Withdrawals of credit line***

On January 9, 2019, regarding the credit line mentioned in Note 11.i. the Company withdrew $50.0 million, to be used for working capital and general corporate purposes.

c. ***Increase percent of participation in ICM***

On January 28, 2019, ICM issued 770,000 new shares to the Company, following the transaction, ownership of ICM is held as follows:

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 Border Solar acquisition, after issued the final notice for the assigned Engineering Procurement and Construction contract. (Please refer to Note 6.1.).

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.

23. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on February 19, 2019.

24. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11560
  Ciudad de Mexico, Mexico.
- Carretera Escenica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C., Mexico.
- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 21210
  Mexicali, B.C., Mexico.
- Avenida Tecnologico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chihuahua, Mexico.
- Avenida Constitucion Poniente No. 444
  Col. Monterrey Centro C. P. 64000
  Monterrey, Nuevo Leon, Mexico.

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