



**BEYOND
ENERGY**

OUR SUSTAINABILITY
+ FINANCIAL REPORT
2019



BEYOND
ENERGY

I ENOVA MEANS GROWTH

WE PROMOTE DEVELOPMENT
IN OUR COUNTRY



BEYOND
ENERGY

I ENOVA MEANS LEADERSHIP

WE MANAGE OUR BUSINESS WITH THE
HIGHEST OPERATING STANDARDS



BEYOND
ENERGY

IENOVA MEANS **COMMITMENT**

WE ENABLE THE DEVELOPMENT OF THE
COMMUNITIES WHERE WE OPERATE



BEYOND
ENERGY

IENOVA MEANS CONSCIOUSNESS

WE CARE FOR THE ENVIRONMENT TO
ENSURE A RESPONSIBLE OPERATION

THE ENVIRONMENT 150



30 OUR BUSINESS MODEL



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90 SOCIAL VALUE



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SUSTAINABILITY AND IENOVA



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WE ARE IENOVA

**WE DEVELOP, BUILD AND OPERATE
ENERGY INFRASTRUCTURE TO FOSTER
MEXICO'S DEVELOPMENT AND THE
WELL-BEING OF ITS CITIZENS.**

Through our sustainability practices and in line with our values, we are firmly committed to developing, building and operating strategic energy infrastructure for Mexico and to providing reliable, safe and affordable energy services that contribute to the country's energy security and to its economic and social development.

OUR VISION

To be the leading energy infrastructure company in Mexico that contributes to the country's sustainable development.

OUR MISSION

To develop, build, and operate energy infrastructure, contributing to the growth of Mexico, within a framework of ethics, safety, respect, and commitment to our employees, the environment, the communities to which we belong, our customers and shareholders.

OUR VALUES

DO THE RIGHT THING

We are guided by our ethics, our focus on safety and our willingness to stand for what is right.

CHAMPION PEOPLE

We invest in people and value diversity and inclusion because it elevates performance and helps us partner responsibly.

SHAPE THE FUTURE

We are forward thinkers who innovate and collaborate with stakeholders to make a positive difference.



LETTER FROM THE
CHAIRMAN OF
THE BOARD
OF DIRECTORS

102-14

ENERGY INFRASTRUCTURE IS A
NECESSARY CONDITION FOR
DEVELOPMENT IN MEXICO; AND IN
IENOVA WE DIRECTLY CONTRIBUTE
TO ACHIEVING THIS.

For 23 years we have been improving the lives of millions of Mexicans because IEnova goes far beyond energy: we are a strong, forward-looking company, committed to Mexico's development.

We are a strong company that has continued to grow steadily. In 2019, this growth was the result of greater diversification of our business, of a more conscious dialogue with our stakeholders and of our determination to continue to strengthen our business.

We are a forward-looking company that will continue to develop, build and operate energy infrastructure for Mexico's development and its citizens' well-being, while contributing to the global sustainable development agenda. Therefore, the Board of Directors is constantly evaluating the risks and opportunities that Mexico and our company face, so that we can continue to generate greater positive impacts in our surroundings.

We are a committed company that has reaffirmed its comprehensive approach to sustainability. Climate change is real: the energy transition promotes the use of more environmentally-friendly energy resources - without neglecting the existing demand for conventional energy services. We are also aware that it is essential to maintain good relationships with the communities where we operate, and to act with the highest transparency standards among our stakeholders.

With all this in mind, and with the guidance of my fellow board directors, in 2019 we conducted an analysis of what we are; where we want to be; and the risks and opportunities that may impact our business. The findings helped us define the direction that will allow us to continue to base our successes on a culture of sustainability.

I am convinced that IEnova will continue to grow and actively contribute to the development of Mexico, while preserving and strengthening our culture and values.

CARLOS RUIZ SACRISTÁN
Chairman of the Board of Directors and
Executive Chairman
Infraestructura Energética Nova, S.A.B. de C.V.



**MESSAGE FROM
THE CHIEF
EXECUTIVE OFFICER**

102-14

THIS YEAR I CELEBRATED 20 YEARS IN IENOVA AND ALTHOUGH IT HAS BEEN A VERY CHALLENGING YEAR, IT HAS ALSO BEEN FULL OF GREAT OPPORTUNITIES.

Mexico began profound changes in 2019, including in the energy sector. Our team managed to understand the circumstances and respond with serenity, discipline and creativity. The communications channels that we built with the Government placed us as reliable allies due to our values, to our operational quality, and to the important contribution that we make to energy security in the country.

USD \$6.83
MILLION

INVESTED IN COMMUNITIES,
ENVIRONMENT, HEALTH, SAFETY AND
COMPLIANCE IN 2019

This allowed us to take important steps towards the proposed strategy in 2019. We increased our IEnova Adjusted EBITDA by 7% and increased the value of our assets by USD\$800 million. We announced upcoming projects, such as Border Solar - a fully-contracted 150 MW_{AC} solar project in northern Mexico that will begin operations in 2020 and we executed long-term contracts for the receipt, storage and delivery of refined products. We received a Green Loan from the World Bank's International Finance Corporation (IFC) and the North American Development Bank (NADB) for USD\$200 million. We initiated operations in three solar power generation facilities: Pima, Rumorosa and Tepezalá Solar, highlighting our commitment to mitigate climate change.

We continue to be one of the leading sustainable companies in Mexico. We invested USD\$6.83 million in communities¹, the environment, health, safety, and compliance. For the sixth consecutive year we received the Great Place to Work (GPTW) certification, and we were included among the top 25 in the 100 best companies to work for in Mexico ranking. We have reaffirmed our commitment to the United Nations' Ten Principles of the Global Compact and Sustainable Development Goals (SDGs).

This Report contains further details of the aforementioned achievements, none of which would have been possible without the effort, commitment and professionalism of each and every one of IEnova's employees- without you, this would have not been possible.

I am extremely proud to lead the efforts of more than 1,300 women and men who, on a daily basis, contribute to the strengthening of a Company so committed to Mexico.

With this same pride, I herein present this Report as proof of who we are, what we want and what we aspire to be. I hope you find it of interest.



TANIA ORTIZ MENA

Chief Executive Officer
Infraestructura Energética Nova, S.A.B. de C.V.

¹ This includes the donations granted by Fundación IEnova, the social work of the Ethane Pipeline, Energía Sierra Juárez and Los Ramones Norte Pipeline, as well as the projects under construction and the Ensenada, Sonora, Ojinaga - El Encino and San Isidro - Samalayuca Trusts.

2019: KEY FIGURES

[102-6, 102-7]

FINANCE

USD **\$1,379 M** 
REVENUES

USD **\$938 M**
IENOVA ADJUSTED EBITDA
+7% VS. 2018

USD **\$468 M** 
PROFIT FOR THE YEAR

USD **\$220 M** 
DIVIDENDS PAID

USD **\$9,552 M** 
TOTAL ASSETS

USD **\$679 M** 
CAPITAL INVESTMENT



2019: KEY FIGURES

[102-6, 102-7]

CLIENTS

+132,000
CLIENTS

98%
CUSTOMER SATISFACTION IN
PIPELINES SEGMENT

92%
CUSTOMER SATISFACTION
IN ECOGAS

90%
CUSTOMER SATISFACTION IN
POWER SEGMENT

INFRASTRUCTURE IN OPERATION OR UNDER CONSTRUCTION

+2,900 KM
OF NATURAL GAS PIPELINES
WITH A DESIGN CAPACITY OF
OVER 16,400 MMCFD

190 KM
OF LPG PIPELINES WITH
A DESIGN CAPACITY OF 34,000 BPD

4,138 KM
NATURAL GAS DISTRIBUTION PIPELINES

1,041 MW
RENEWABLE POWER GENERATION
CAPACITY

625 MW
NATURAL GAS FIRED POWER
GENERATION CAPACITY

80,000 BL
LPG STORAGE CAPACITY

320,000 M³
LIQUEFIED NATURAL
GAS STORAGE CAPACITY

7.6 MMBL
REFINED PRODUCTS STORAGE
CAPACITY UNDER CONSTRUCTION

2019: KEY FIGURES

[102-6, 102-7]



ENVIRONMENT



1,705,609 MWh
RENEWABLE POWER GENERATION

2,355,377 tCO₂e
GHG EMISSIONS (SCOPE 1 AND 2)
-9% VS. 2018



0.29 tCO₂e/MWh
CARBON INTENSITY DUE TO POWER
GENERATION
-4% VS. 2018

852,701 tCO₂e
AVOIDED GHG EMISSIONS



-2%
WATER CONSUMPTION
AND WATER DISCHARGE VS. 2018



-16%
WASTE GENERATION
AND MANAGEMENT VS. 2018

2019: KEY FIGURES

[102-6, 102-7]

EMPLOYEES

[102-7]

1,300
EMPLOYEES



+26% VS 2018

30% FEMALE **70%** MALE



EMPLOYEES IN TOP
MANAGEMENT POSITIONS

31% FEMALE **69%** MALE



8%
TURNOVER RATE

38,544
HOURS OF TRAINING



143,400
HOURS OF HEALTH
AND SAFETY TRAINING

FUNDACIÓN IENOVA

USD **\$1.26 M**
IN DONATIONS



24
ORGANIZATIONS
BENEFITTED



35
PROJECTS

250,000
BENEFICIARIES



11
STATES REACHED
IN MEXICO



INVESTMENT

USD **\$6.83 M**

INVESTMENT IN THE COMMUNITY,
ENVIRONMENT, HEALTH, SAFETY
AND COMPLIANCE

OUR BUSINESS MODEL

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OUR BUSINESS MODEL

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REGULATORY AND
INDUSTRY MATTERS

ECONOMIC PILLAR

OUR BUSINESS MODEL

[102-2]

IEnova is a Mexican company that develops, builds and operates energy infrastructure in Mexico.

We have two business segments: GAS AND POWER.

- WE TRANSPORT NATURAL GAS, LPG AND ETHANE; WE STORE LNG, LPG AND REFINED PRODUCTS; AND WE SELL AND DISTRIBUTE NATURAL GAS.
- WE GENERATE POWER THROUGH WIND AND SOLAR POWER GENERATION FACILITIES, AND THROUGH A NATURAL GAS-FIRED, COMBINED-CYCLE POWER GENERATION FACILITY.

AT IENOVA WE FIRMLY BELIEVE IN OPERATING WITHIN A SUSTAINABLE FRAMEWORK IN ORDER TO GUARANTEE OUR LONG-TERM SUCCESS. OUR VISION OF SUSTAINABILITY IS DIRECTLY RELATED TO OUR BUSINESS MODEL.



DEVELOPMENT

We develop infrastructure that strengthens Mexico's energy infrastructure and generates tangible benefits for its citizens.



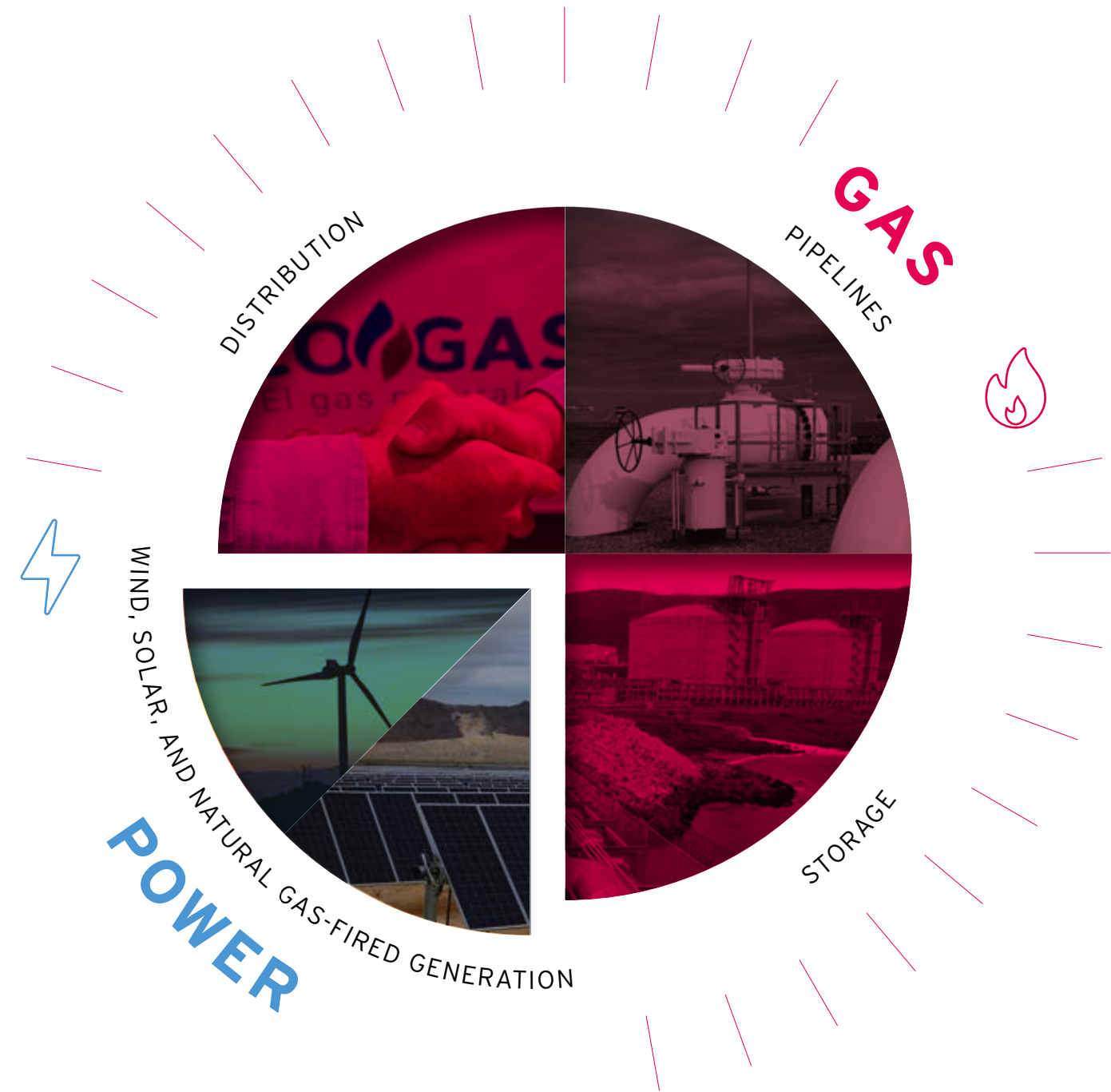
CONSTRUCTION

We build infrastructure in line with the highest possible standards in order to guarantee safety to both our employees and the communities where we operate.



OPERATION

We operate in alignment with the industry's best practices and based on sustainability principles at all times.

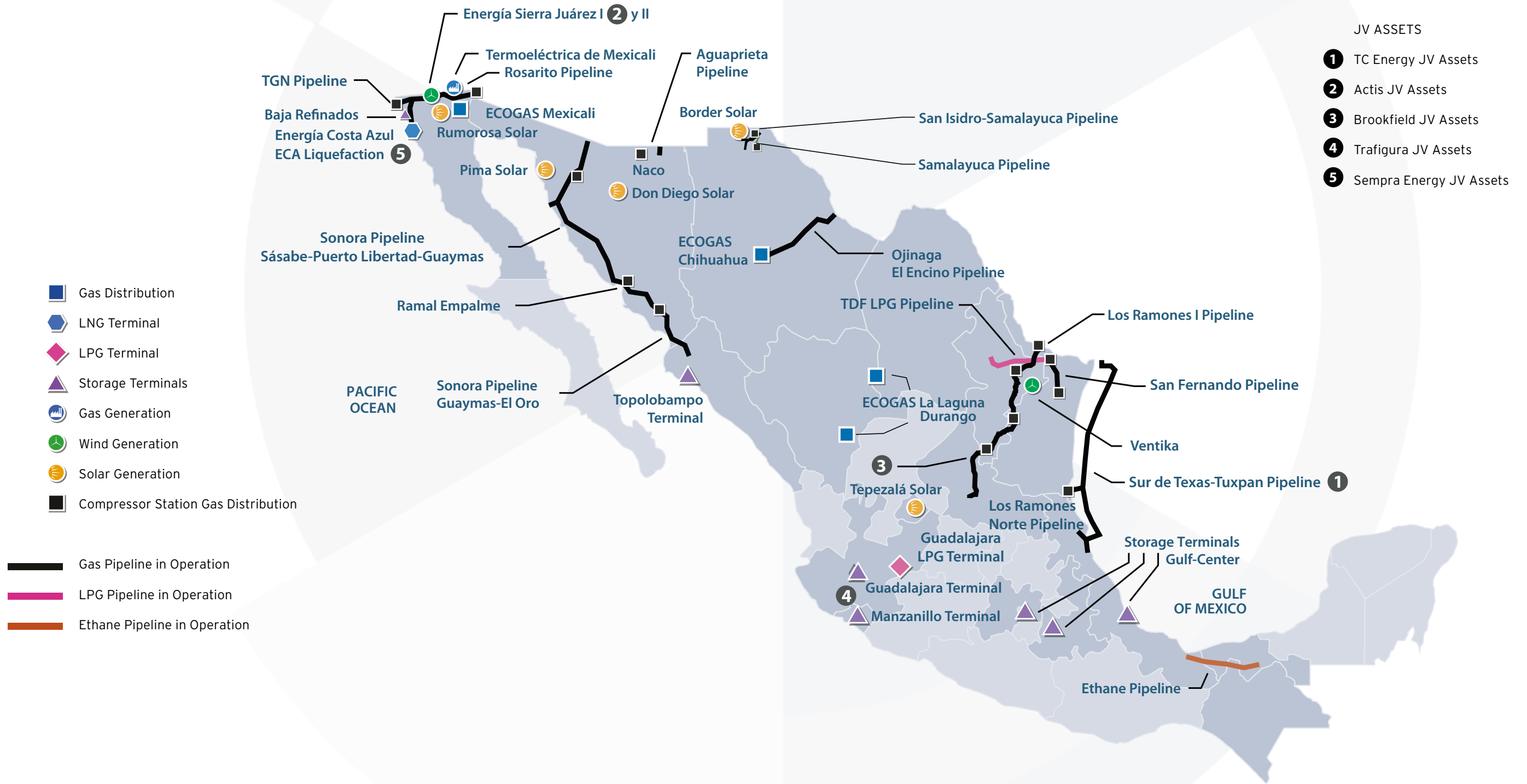


IENOVAS
A DEVELOPMENT POLE:
OUR ASSETS

[102-4, 102-6, 102-7, 102-10, 203-1]



Our assets give us strength and territorial diversity, which are some of the characteristics of our business model, defined by the Company's Board of Directors.



ASSETS IN OPERATION

[102-6, 203-1]

GAS SEGMENT			
Pipelines		Storage	Distribución
Rosarito Pipeline (GR) 302 km	Los Ramones Norte Pipeline ¹ 452 km	LPG Storage Terminal in Guadalajara 80,000 bl	ECOGAS (Natural Gas Distribution Pipelines) 4,138 km
Transportadora de Gas Natural de Baja California (TGN) 45 km	TDF LPG Transportation System 190 km	Liquefied Natural Gas Storage and Regasification Terminal, Energía Costa Azul (ECA) 320,000 m ³	
Sonora Pipeline (Sásabe-Guaymas Segment) 505 km	Samalayuca Pipeline 37 km		
Sonora Pipeline (Guaymas-El Oro Segment) 330 km	Ojinaga - El Encino Pipeline 220 km		
Ramal Empalme 20 km	San Isidro- Samalayuca Pipeline 23 km		
Aguaprieta Pipeline (GAP) 13 km	San Fernando Pipeline 114 km		
Naco Compression Station 14,300 HP	Ethane Pipeline 224 km		
Los Ramones I Pipeline 116 km	SouthTexas - Tuxpan Pipeline ² 800 km		

POWER SEGMENT	
Power Generation	Renewable Power Generation
Termoeléctrica de Mexicali (TDM) 625 MW	Energía Sierra Juárez (ESJ) ³ 47 wind turbines 155 MW
	Ventika 84 wind turbines 252 MW
	Pima Solar 110 MW _{AC}
	Rumorosa Solar 41 MW _{AC}
	Tepezalá Solar ⁴ 100 MW _{AC}

¹ Asset belonging to the joint venture with Brookfield, in which IEnova has a 50% stake.

² Asset belonging to the joint venture with TC Energía, in which IEnova has a 40% stake.

³ Asset belonging to the joint venture with Actis, in which IEnova has a 50% stake.

⁴ Asset built as a joint venture with Trina Solar, in which IEnova had a 90% stake. IEnova owns 100% of this asset since April 28, 2020.

⁵ Asset belonging to the joint venture with Trafigura, in which IEnova has a 51% stake.

ASSETS UNDER CONSTRUCTION AND IN DEVELOPMENT

[102-6, 203-1]

WE WANT TO CONTINUE TO BE A SUSTAINABLE COMPANY, THAT IS, A COMPANY THAT ENDURES OVER TIME. FOR THIS REASON, WE DEVELOP AND BUILD ASSETS THAT STRENGTHEN OUR VISION.

GAS SEGMENT		
Storage		
Gulf-Center Storage Terminals	Veracruz Terminal 2.1 mmbbl	• Marine terminal for the receipt, storage and delivery of refined products in the new port of Veracruz, as well as two land terminals in Puebla and Valle de México.
	Valle de México Terminal 650,000 bl	• Estimated start date of operations: first semester 2020.
	Puebla Terminal 650,000 bl	
	Baja Refinados Terminal 1 mmbbl	• Marine terminal for the receipt, storage and delivery of refined products in Ensenada, Baja California. • Estimated start date of operations: first semester 2021.
	Topolobampo Terminal 1 mmbbl	• Marine terminal for the receipt, storage and delivery of refined products in the port of Topolobampo, Sinaloa. • Estimated start date of operations: first semester 2021.
	Manzanillo Terminal ⁵ 2.18 mmbbl	• Marine terminal for the receipt, storage and delivery of refined products in the port of Manzanillo, Colima. • Estimated start date of operations: first semester 2021.
	Guadalajara Terminal	• The Guadalajara terminal is under development and will be connected to the Manzanillo Terminal via rail. This terminal has an agreement with BP plc for 290,000 barrels of capacity and is in the process of obtaining additional clients to be able to define and announce the total storage capacity, final investment and expected date to begin operations.

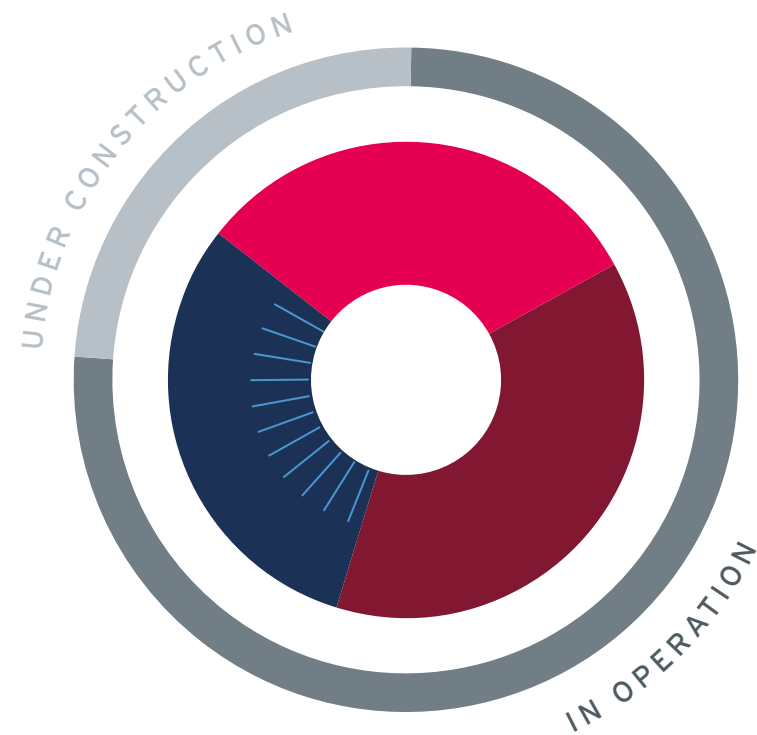
POWER SEGMENT	
Power Generation	
ESJ II 108 MW _{AC}	• Extension of the Energía Sierra Juárez asset, a wind farm located in the Sierra Juárez mountain chain, in the municipality of Tecate, Baja California. • Estimated start date of operations: 2021.
Don Diego Solar 125 MW _{AC}	• Solar power plant located in the municipality of Benjamín Hill in the state of Sonora. • Estimated start date of operations: first semester of 2020.
Border Solar 150 MW _{AC}	• Solar power plant located in Ciudad Juárez, Chihuahua. • Estimated start date of operations: second semester of 2020.

WE ARE A COMPANY THAT IS STRONGLY COMMITTED TO THE COUNTRY; WE WORK FOR THE GROWTH OF MEXICO.

WE UNDERSTAND THAT ENERGY IS ESSENTIAL FOR PROMOTING ECONOMIC AND SOCIAL DEVELOPMENT.

WE ARE AWARE OF MEXICO'S ENERGY INFRASTRUCTURE NEEDS AND WE ARE COMMITTED TO ITS DEVELOPMENT.

OUR POWER GENERATION CAPACITY



● **515 MW**
WIND POWER

● **526 MW_{AC}**
SOLAR POWER

● **625 MW**
COMBINED-CYCLE

"A sustainable operation, in which people's safety is the most important thing, is what moves us at IEnova."

CARLOS BARAJAS
Chief Power and Storage Operating Officer

INCREASE IN OUR RENEWABLE POWER GENERATION PORTFOLIO.
Includes our assets' capacity in operation and projects under construction and under development.

2018 2019
891 MW ▶ **1,041 MW**

We are one of the main solar and wind power generators in Mexico, with approximately 8% of market share.¹

Energía Sierra Juárez Wind Farm

¹ This analysis is the result of an internal exercise based on publicly available information of power generation facilities in operation. Our information considers Border Solar and Don Diego Solar, which are in advanced construction phases.





OUR CLIENTS

[102-6, 103-2, 103-3]

+132,000

CLIENTS

We have an important diverse group of national and international clients that back up the quality of our services. This year, in our gas distribution business, ECOGAS, we experienced a significant growth of 7.6% in the number of clients, reaching a total of 132,305 clients compared to 122,915 in 2018. On the other hand, it is important to point out that our renewable energy generation assets concentrate the majority of our clients in the Power Segment.

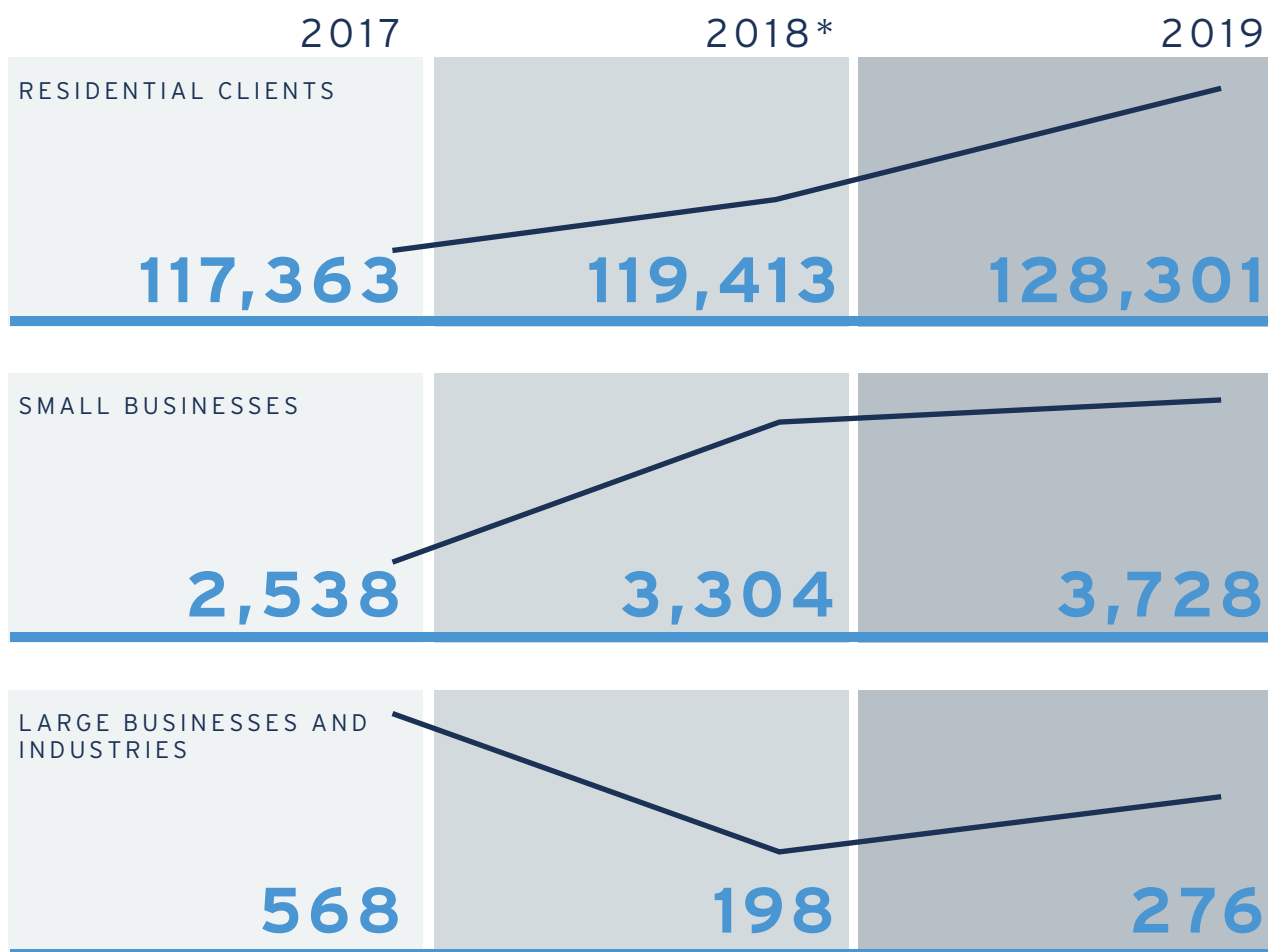
GAS			POWER	
Pipelines 		Storage 	Distribution 	Generation 
Accesgas	Igasamex	BP	128,301 residential clients	California Independent System Operator (CAISO)
BP Energía	JM&RAL	Chevron	3,728 small businesses	Cementos de Chihuahua
CENAGAS	Los Ramones Energy Center	Gazprom	276 large businesses and industries	CEMEX
CFE	North Baja Pipeline	ENOVA Marketing		CFE Suministrador de Servicios Básicos
Cía. Comercializadora de Hidrocarburos y Gas Natural	PEMEX TRI	Marathon		Construcentro de Chihuahua
El Paso Energy Marketing	Pharaoh International	PEMEX TRI		DeAcero
Energas	RC Energy	Shell		Envases Universales
Energía Chihuahua	Saavi	Trafigura		Fiat Chrysler Automotive
Energía Solar Cachanilla	Shell	Valero		FEMSA
Gas Natural Servicios	Tenaska			Grupo Cementos de Chihuahua
Gas Natural Zeta	Termoeléctrica de Mexicali			Liverpool
Gazprom	Toyota			Minera Autlán
Gigo Transport	Unión Energética Noroeste			Scotiabank
Global Trading	World Fuel Services			San Diego Gas & Electric
ENOVA Marketing	Zenith			Tecnológico de Monterrey

98%
CUSTOMER
SATISFACTION IN
PIPELINES SEGMENT

92%
CUSTOMER
SATISFACTION
IN ECOGAS

90%
CUSTOMER
SATISFACTION IN
POWER SEGMENT

ECOGAS CLIENTS



*Derived from resolution RES/995/2015 the Mexican Energy Regulatory Commission (CRE) issued the DACGS on the protection of the end user with low consumption of natural gas. The resolution stipulates that clients whose maximum annual consumption is of up to 5,000 GJ will be classified as UFBCs (Low Consumption End User); and, determined that clients whose consumption exceeds the 5,000 GJ threshold will be classified as UFACs (High Consumption End User). Based on these modifications, we will change our classification; thus, from our 2018 report onwards, only UFBCs and UFACs will be included on small, large and industrial businesses.



OUR INVESTMENT

[102-6, 102-7]



Continuous investment allows us to increase our assets and continue to promote development. In 2019, we increased our annual investment by 7%.

INVESTMENT (USD MILLIONS)



Don Diego Solar Park

REGULATORY AND INDUSTRY AFFAIRS

[102-12, 102-13]



As an energy company with operations in Mexico, we maintain a permanent ongoing relationship with different governmental organisms, such as:

- Ministry of Energy (SENER)
- Ministry of the Environment (SEMARNAT)
- Ministry of Communications and Transportation (SCT)
- Ministry of Labor and Social Welfare (STPS)
- Energy Regulatory Commission (CRE)
- National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency (ASEA)
- National Energy Control Center (CENACE)
- Natural Center for Natural Gas Control (CENAGAS)
- Mexican Antitrust Commission (COFECE)
- Secretary of the Navy (SEMAR)
- National Institute of Anthropology and History (INAH)

At IEnova we comply strictly with every law, regulation, rule and administrative provision applicable to our operations.

In addition to our direct relationship with the authorities, we actively participate in chambers of commerce as well as business and industry associations. In this way, not only do we contribute to the sector with technical points of view, but we also remain at the forefront of the industry.

As members of the energy sector, we participate in the following associations and chambers:

- American Chamber of Commerce of Mexico (AMCHAM)
- Mexican Energy Association (AME)
- Mexican Wind Energy Association (AMEE)
- Mexican Association of Photovoltaic Solar Energy (ASOLMEX)
- Mexican Association of Natural Gas (AMGN)
- National Association of Corporate Lawyer, Lawyers College
- Mexican Bar Association, Lawyers College
- International Chamber of Commerce, Mexico Chapter (ICC)
- Mexican Center for Philanthropy (CEMEFI)
- Employers Confederation of the Mexican Republic
- Business Coordinating Council (CCE)
- World Energy Council (WEC)
- Mexican Institute of Public Accountants (IMCP)
- Mexican Institute of Financial Executive (IMEF)
- UN Global Compact
- RedAmérica México
- National Chamber of the Transformation Industry (CANACINTRA)
- Ensenada Economic Development Commission
- Tecate Economic Development Commission
- Mexican Economic Development Council

SUSTAINABILITY AND IENOVA

We are a highly committed company with a comprehensive approach to sustainability. Every action we take is aimed at generating social, environmental and economic value.

*"Sustainability in our company
is NOT just a department,
it is the whole company."*

TANIA ORTIZ MENA
Chief Executive Officer

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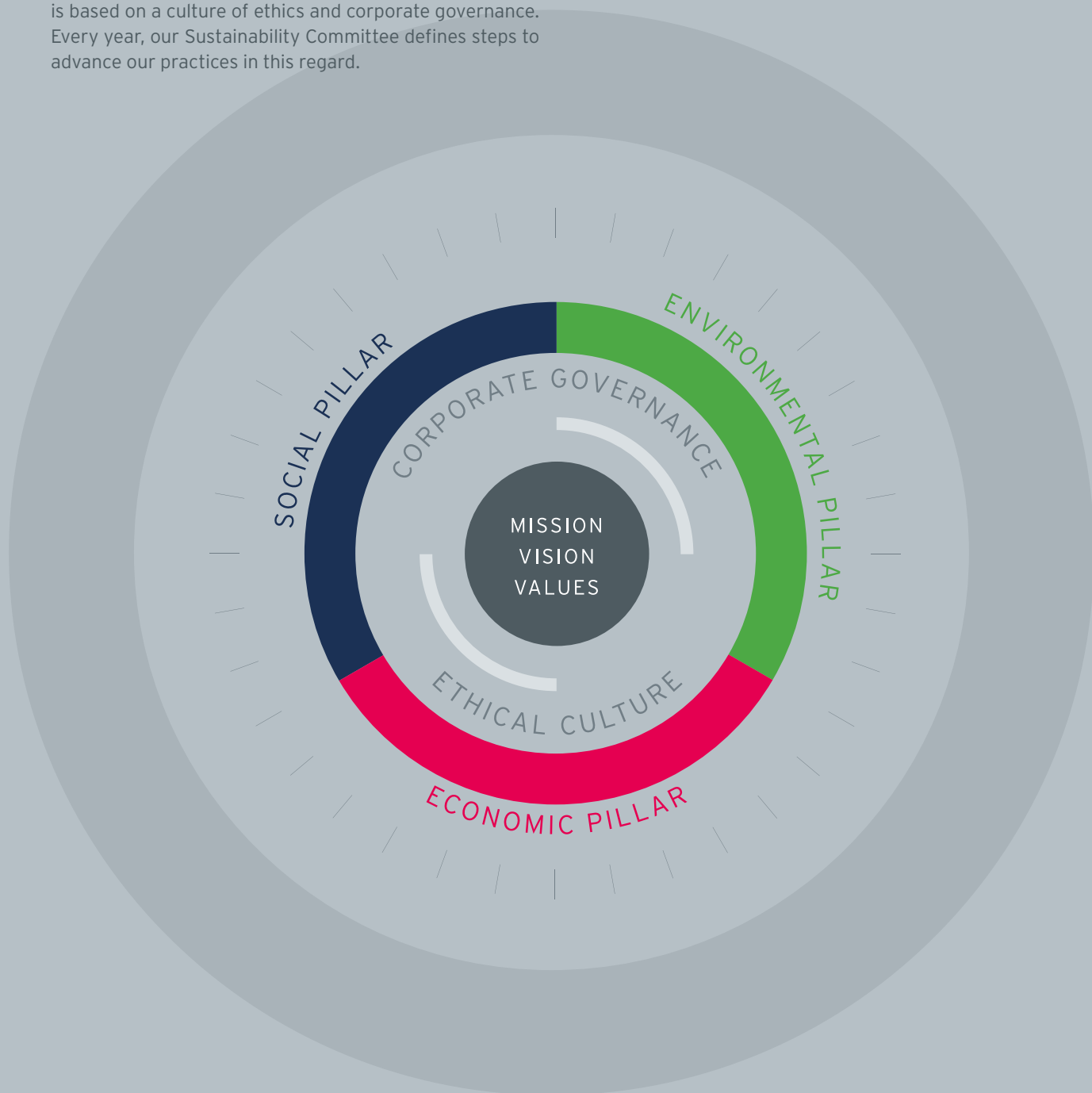
AWARDS AND RECOGNITIONS

SUSTAINABILITY

OUR SUSTAINABILITY MODEL

[102-40, 102-43, 102-46]

IEnova's sustainability model is embedded in both our business and risk management strategies. It focuses on three pillars – social, environmental and economic; and, it is based on a culture of ethics and corporate governance. Every year, our Sustainability Committee defines steps to advance our practices in this regard.



"At IEnova sustainability is not an obligation, it is who we are and how we operate - it is our guiding principle."

ABRAHAM ZAMORA
Chief Sustainability,
Corporate and Public Affairs Officer

OUR SUSTAINABILITY COMMITTEE

[102-18, 102-19, 102-20, 102-31, 102-32, 102-33, 102-46]

To allow our sustainability model to reach all our employees, we have a Sustainability Committee that is chaired by the Chief Sustainability, Corporate and Public Affairs Officer and consists of the following IEnova executives:

- Chief Financial Officer
- General Counsel and Chief Compliance Officer
- Chief Engineering & Construction Officer
- Chief Power & Storage Operating Officer
- Chief Natural Gas Operating Officer
- Chief Development Officer
- Vice President Controller
- Senior Director of Talent and Culture Management
- Director of Sustainability and Corporate Communication
- Director of Community Relations
- Auditing Manager
- Sustainability Manager

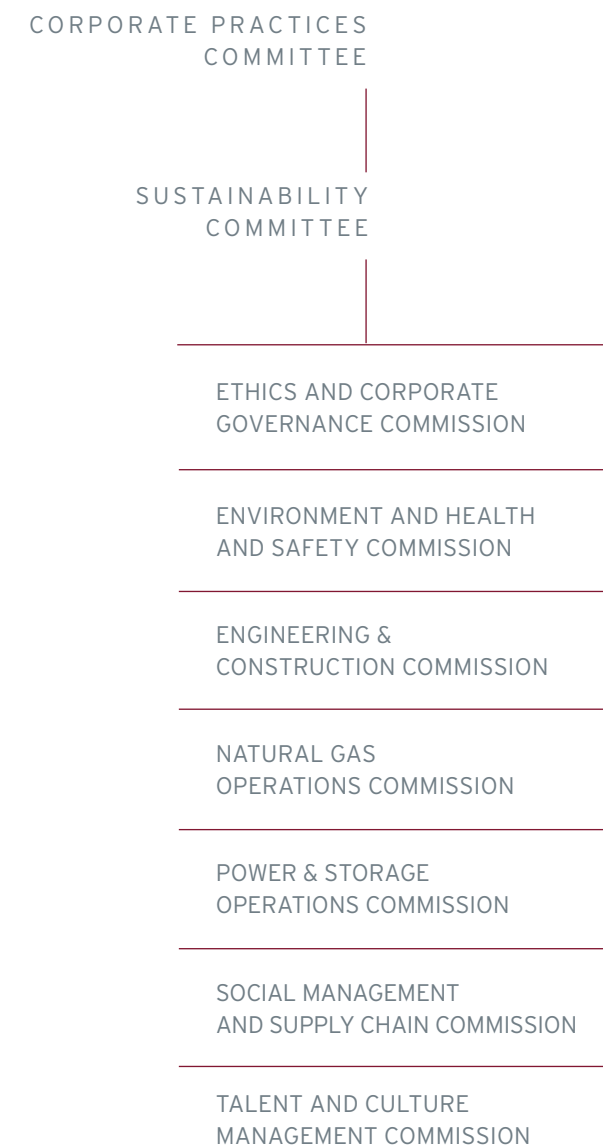
The role of our Sustainability Committee includes approving the sustainability strategy; ensuring that the Sustainability Commissions carry out their duties; following up on the inclusion of IEnova in the Sustainability Index of the Mexican Stock Exchange; reviewing and approving the content of the Sustainability Report; and, making sure that all IEnova employees are aware of and comply with the Company's sustainability policy.

The Sustainability Committee stems from and reports directly to the Corporate Practices Committee of the Board of Directors, ensuring a direct line of report and accountability on sustainability related matters.

The Sustainability Committee conducts an annual review of the Company's priority sustainability issues and each Commission defines objectives and implements actions to achieve them.

In 2019, the Corporate Practices Committee required that each Commission reported progress with respect to their 2018 objectives.

The Sustainability Committee's seven commissions are:



OUR STAKEHOLDERS

[102-40, 102-42, 102-43, 102-46]

Our strategy is based on the importance of being a positive development pole for every group that is impacted by our operations. For this reason, we believe it is important to maintain permanent dialogue with our stakeholders, as shown below.

Every year, the Sustainability Committee makes sure that the most relevant stakeholders are included in the Company's sustainability strategy. It also monitors our Sustainability Commissions' compliance with their annual objectives, which should cover our stakeholders' priority expectations.

The frequency of contact with our stakeholders depends on the characteristics of each individual case. The measures we implement to address their expectations and strengthen our relationship with them depend on their needs.

COMMUNICATION CHANNELS	1 TALENT AND CULTURE	2 SHAREHOLDERS AND INVESTORS	3 CUSTOMERS AND CONSUMERS	4 SUPPLIERS	5 GOVERNMENT AUTHORITIES AND REGULATORS	6 COMMUNITY	7 COMMUNICATIONS MEDIA	8 CIVIL SOCIETY AND NGOS	9 STRATEGIC PARTNERS
In-person meetings	+	+	+	+	+	+	+	+	+
Work environment surveys	■								
Reporting channels/ helpline	●	●	●	●	●	●	●	●	●
Shareholders meetings		■							
Customer satisfaction surveys			■						
Addressing internal and external inquiries	+	+	+	+	+	+	+	+	+
Website	●	●	●	●	●	●	●	●	●
Intranet	●								
Sustainability Report	■	■	■	■	■	■	■	■	■
Annual Report to the Mexican Stock Exchange	■	■	■	■	■	■	■	■	■
Quarterly financial report Stock Exchange	▲	▲	▲	▲	▲	▲	▲	▲	▲
Internal newsletters	+								
Notification of relevant events	+	+	+	+	+	+	+	+	+
Review of the collective bargaining contract	■				■				
Surveys	+		■			+			
Guided visits to industrial facilities	+	+	+	+	+	+	+	+	+
Fundación IEnova	+	+			+	+	+	+	+
Grievance mechanism (MAC)						●		●	

● PERMANENT ■ ANNUAL ▲ QUARTER + AS NEEDED

MATERIALITY ASSESSMENT

[102-11, 102-15, 102-29, 102-31, 102-40, 102-43, 102-44, 102-47, 102-49, 103-1, 103-2, 103-3]

WE DEFINE AN ISSUE AS MATERIAL IF IT CAN HAVE A SIGNIFICANT IMPACT ON THE COMPANY'S ECONOMIC, ENVIRONMENTAL OR SOCIAL PERFORMANCE; OR IF IT CAN SUBSTANTIALLY INFLUENCE THE ASSESSMENTS AND DECISIONS OF STAKEHOLDERS.

In 2019, the Sustainability Committee determined that we needed to reevaluate the maturity level of our sustainability model and strategy in order to strengthen it. Therefore, we carried out a materiality assessment that allowed us to redefine our strategy in line with its results.

This study was carried out by an independent expert who helped us identify our main environmental, social and governance risks and opportunities.

The findings of this study will allow us to:

- Define new objectives that will have a direct impact on the business model and the Company vision;
- Define actions to mitigate immediate or future risks;
- Incorporate highly relevant information at Board level so that the directors can define how to capitalize on the available opportunities;
- Integrate sustainability tasks in the Company's day-to-day.

Additionally, the Sustainability Committee has established that IEnova will strive to become a leader in the following material issues:

- Employee and contractor health and safety
- Infrastructure security
- Attracting, developing, and retaining talent
- Communities

Accordingly, we will work during 2020 to define specific actions to reach these goals.

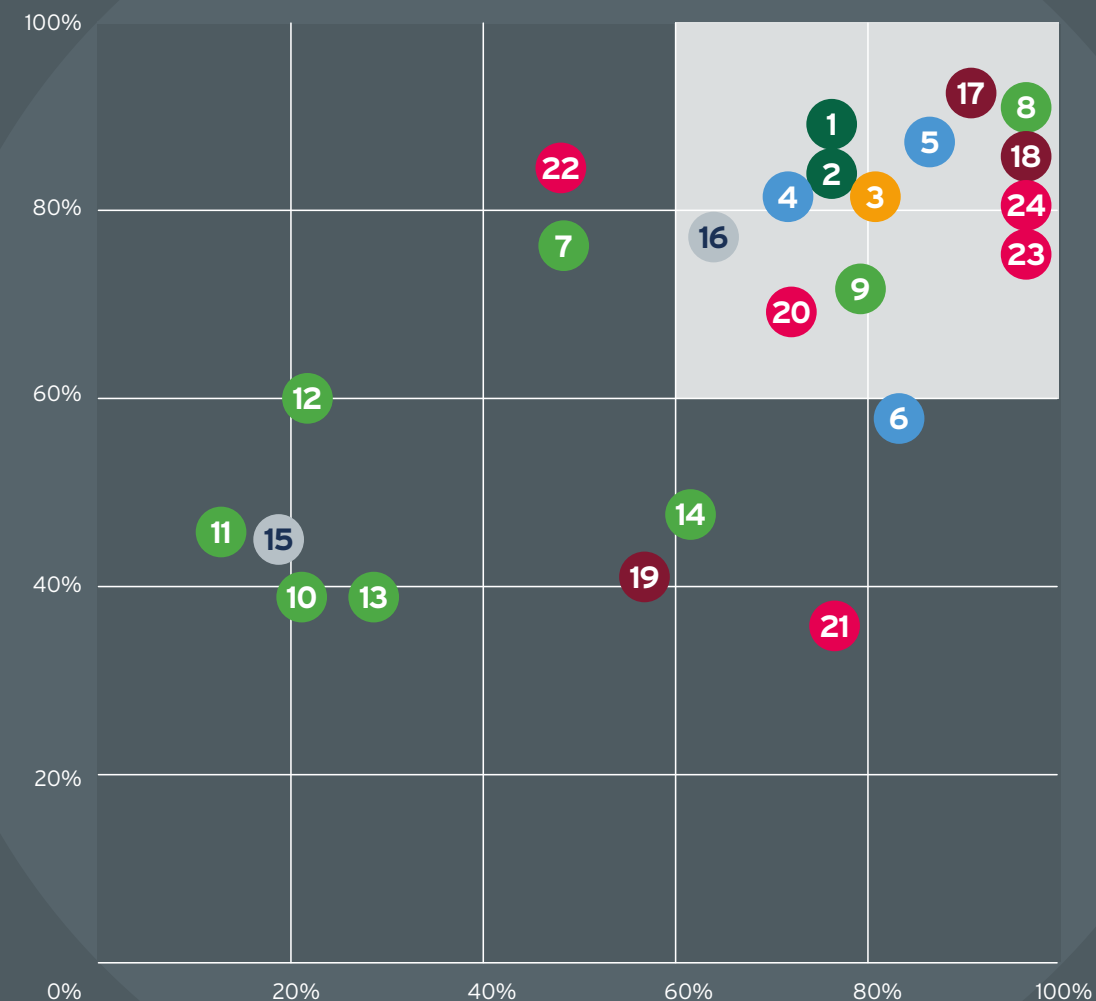
THE PROCESS BEHIND THE MATERIALITY ASSESSMENT

As part of the materiality assessment, we conducted an engagement process through surveys and interviews with our main stakeholders to obtain their perspectives on current and emerging priorities. We also analyzed and considered sustainability related studies, frameworks and trends.

The stakeholders that we worked with during the first phase of the assessment were:

- Employees
- Investors
- Regulators
- Local authorities
- Competitors
- Suppliers
- Media

This information was used as input to map out the issues in the materiality matrix shown here, allowing us to prioritize the necessary actions in terms of sustainability for the business.



- SUSTAINABILITY**
 - ESG standards
 - SDGs
- CORPORATE GOVERNANCE**
 - Corporate governance
- SOCIAL**
 - Attracting, developing and retaining talent
 - Communities
 - Gender equality
- ENVIRONMENTAL**
 - Biodiversity
 - Climate change
 - GHG emissions
 - Waste management
 - Recycling
 - Reforestation
 - Use of water
 - Energy use
- TRENDS**
 - Innovation
 - Energy transition
- POLITICAL CONTEXT**
 - Civil insecurity
 - Political context
 - Presence in media
- OPERATIONS**
 - Supply chain
 - Cybersecurity
 - Bureaucratic efficiency
 - Infrastructure security
 - Employee and contractor health and safety

Material issues: Issues that are relevant for our stakeholders and have a potential impact for the Company of over 60%. In this Report you will find the actions that we have implemented to address them.

STRATEGIC RESPONSE FOR IDENTIFIED RISKS

[102-11, 102-15, 102-29, 102-30, 102-31, 102-44, 102-47, 103-3]

MATERIAL TOPIC	IENOVA'S RESPONSE [102-44]	IMPACTS
EMPLOYEE AND CONTRACTOR HEALTH AND SAFETY	Continuous training, detection of vulnerable situations, integration of the highest quality working teams.	Improvement in both the quality of life of our employees and the general performance of the company.
INFRASTRUCTURE SECURITY	Training, development of monitoring centers with state-of-the-art technology, creation of alarm systems, and timely maintenance of infrastructure.	Operations' continuity, operational and process efficiency.
COMMUNITIES	Social impact studies. Donations and social investment projects. Fundación IEnova's SDGs contributions analysis and definition of operational performance indicators.	Improvement of the social fabric, creation of local employment, development of energy infrastructure in the communities where we operate.
ATTRACTING, DEVELOPING AND RETAINING TALENT	Work climate surveys, benefits that go beyond legal compliance, team building activities, incorporation of information technologies to attract talent.	Improvement in the quality of life of our employees and in the company's general performance.
CLIMATE CHANGE	Update and implementation of the Climate Change Strategy. Development of low carbon projects. Green Loan Financing.	Mitigation of the adverse effects of climate change.
GREENHOUSE GAS EMISSIONS (GHG)	Measurement, monitoring and periodic reporting of our GHG emissions. Actions to reduce GHG emissions from our fugitive emissions. Definition of further reduction goals.	Mitigation of the adverse effects of climate change.
SUSTAINABLE DEVELOPMENT GOALS (SDGs)	IEnova's and Fundación IEnova's SDGs contribution analysis. Construction of indicators and goals.	Described in the Sustainable Development Goals section.
SUPPLY CHAIN	Supplier evaluation in terms of sustainability and action plans.	Improvement in the sustainability practices of our supply chain.
ENERGY TRANSITION	Update and implementation of the Climate Change Strategy. Development of low carbon projects. Green Loan Financing.	Power generation from renewable sources.
CORPORATE GOVERNANCE	Attention to best corporate governance practices, dialogue with investors, incorporation of a corporate secretary.	Increased confidence from our investors.
POLITICAL CONTEXT	Strengthened dialogue with authorities.	Increased confidence from our stakeholders.
CIVIL INSECURITY	Contingency plans, effective communication, economic and social development in the communities.	Zero incidents related to organized crime.
ESG STANDARDS (ENVIRONMENTAL, SOCIAL, GOVERNANCE)	Variable remuneration of the CEO and senior managers is linked to the ESG goal of being part of the BMV's Sustainability Index. The Sustainability Committee directly reports to the Corporate Practices Committee, which in turn reports to the rest of the Board of Directors.	Strengthening of IEnova's sustainability strategy.

¹ This includes IEnova's actions towards emerging risks during the next five years.

SUSTAINABLE DEVELOPMENT GOALS

[103-1, 103-2]


Contributing to the global sustainable development agenda is of the utmost importance for IEnova.

Consequently, in 2019, we carried out an analysis of the way in which we contribute to the United Nations Sustainable Development Goals (SDGs). This analysis was based on the material risks linked to our business model, which were identified in our materiality assessment and that were taken into account to strengthen our sustainability strategy.

The SDGs to which we contribute, given the nature of our business, are those linked to industry and infrastructure (SDG 9) and energy (SDG 7):

GOALS DEFINED BY THE UNITED NATIONS | IENOVA'S CONTRIBUTION

SDG 7 AFFORDABLE AND CLEAN ENERGY



- | | |
|---|--|
| <p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p> | <ul style="list-style-type: none"> • Our solar and wind assets provide zero-emission power for industrial customers and for the electricity transmission networks in Mexico and the United States. • Our natural gas pipelines and distribution systems allow industrial, commercial, and residential users to get access to this resource and, therefore, minimize the use of other energy sources such as diesel, LPG, fuel and coal, which contribute significantly to global warming. • In close collaboration with Sempra Energy, we are currently at advanced stages of developing a liquefied natural gas project, which will allow us to supply this low-carbon energy to secluded populations in the states of Baja California and Baja California Sur, Mexico; thus, generating an economic revenue in this region as well as supply for exportation. |
| <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> | <ul style="list-style-type: none"> • For the first time, the renewable energy generation capacity of our operating assets exceeded the generation capacity of our natural gas fired power plant. • We have two wind farms and three solar plants in operation; plus, two solar plants under construction. These projects supply clean energy to customers from various industries and governments. |


SDG 9 INDUSTRIES, INNOVATION AND INFRASTRUCTURE



- | | |
|---|--|
| <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> | <ul style="list-style-type: none"> • More than 25 of our operating assets serve the gas (transport, storage and distribution) and power (generation) segments. In addition, we have 10 more assets under construction or in development. |
| <p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double that contribution in least developed countries</p> | <ul style="list-style-type: none"> • Our territorial distribution allows us to contribute to satisfying energy needs of the country and, with it, its economic development and individuals' well-being. |
| <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities, and greater adoption of clean and environmentally sound industrial technologies and processes, and ensuring that all countries take measures according to their respective capacities</p> | <ul style="list-style-type: none"> • Our energy generation from renewable sources contributed to avoiding the emission of 889,848 tCO₂e in 2019. • The efficient and sustainable use of resources is a fundamental part of our environmental strategy. • We constantly monitor and evaluate our GHG emissions. • Our investments contribute to the modernization of Mexico's energy infrastructure. |





There are some SDGs to which we contribute as a direct consequence of the activities required to develop, build and operate energy infrastructure. Along these lines, the SDGs to which we contribute directly include:

GOALS DEFINED BY THE UNITED NATIONS	IENOVA's CONTRIBUTION
SDG 8 DECENT WORK AND ECONOMIC GROWTH	
	
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	<ul style="list-style-type: none"> The IEnova Program for Operator Training (PROFOI) is geared towards recruiting young people. 19% of our employees are between the age of 20 to 29.
8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labor, including the recruitment and use of child soldiers, and by 2025 end child labor in all its forms	<ul style="list-style-type: none"> Through our Human Rights Policy we categorically reject forced labor and child labor in all our operations, and we express our firm commitment to promote diversity and inclusion. All our suppliers must adhere to our behavior guidelines which consider factors against forced labor and child labor.
8.8 Protect labor rights and promote a safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment	<ul style="list-style-type: none"> We offer benefits that help our employees with their personal and professional development. This favors a healthy and adequate working environment. We observe international standards and we have guidelines and standards of excellence in health and safety.



Monterrey Office

GOALS DEFINED BY THE UNITED NATIONS	IENOVA's CONTRIBUTION
SDG 13 CLIMATE ACTION	
	
13.1 Strengthen resilience and adaptive capacity to climate-related risks and natural disasters in all countries	<ul style="list-style-type: none"> The energy sector is one of the main contributors to global warming. It represents around 70% of Mexico's total GHG emissions¹. Therefore, we are committed to contribute to the global agreement of mitigating the effects of climate change. We implement strategies to tackle climate change through the integration of clean energies in our business portfolio and through GHG emissions measurement and reporting practices, which allows us to improve in this regard. We believe that the energy transition is a way of contributing to the mitigation of climate change in the energy sector. We operate a natural gas fired power plant (TDM) and use advanced technologies that meet applicable environmental standards in both Mexico and the United States.

SDG 15 LIFE ON LAND	
	
15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development	<ul style="list-style-type: none"> Our biodiversity conservation programs are adapted to both the characteristics of the project and the local ecosystem where we build and operate. We are committed to implementing actions in favor of the environment and biodiversity. We communicate the importance of environmental care among our employees and among the communities where we operate.
15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	<ul style="list-style-type: none"> Our biodiversity conservation programs are adapted to both the characteristics of the project and the local ecosystem where we build and operate. We have flora restoration, conservation and compensation programs. We have wildlife protection and rescue programs.
15.9 By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts	<ul style="list-style-type: none"> We carry out studies to measure a project's potential impacts on the ecosystems. We propose actions to protect the habitat and wildlife species in the area. We collaborate with academic institutions for the protection and relocation of wild flora and fauna.

¹ INECC (2015) Greenhouse Gas and Compounds Emissions 1990-2015.

THE SOUTH TEXAS-TUXPAN MARINE PIPELINE REPRESENTED AN APPROXIMATE INVESTMENT OF USD\$2,600 MILLION, WHICH MAKES IT ONE OF THE MOST IMPORTANT INFRASTRUCTURE PROJECTS IN THE COUNTRY IN RECENT YEARS.

A SUCCESS STORY

IENOVA: A PILLAR OF ENERGY SECURITY IN MEXICO

Approximately 810,000 barrels¹ of gasoline are consumed daily in Mexico, placing the country amongst those with the highest demand in the world. Given the risk of fuel shortages in Mexico and a growing demand for these energy resources, there is an urgent need to increase inventories of refined products and to develop storage infrastructure at strategic points allowing its efficient distribution.

The development and construction of our **marine and in-land storage terminals** will increase the storage capacity of refined products in the country by almost 8 million barrels. This represents 30% of the storage capacity currently being built in Mexico, and places us as a leading company in this market.

In addition, in September 2019 we announced the commencement of the commercial operation of the **South Texas - Tuxpan Marine Pipeline**, a joint venture with TC Energy Corporation.

The South Texas - Tuxpan Marine Pipeline represented an investment of approximately USD\$2.6 billion, making it one of the most important infrastructure projects in the country in recent years. It has the capacity to transport 2,600 million cubic feet of natural gas per day, which increases the import capacity of this energy source to Mexico by approximately 40%.

This important project will guarantee the reliable and safe supply of an economic, efficient and environmentally friendly fuel to areas that currently experience a supply deficit, promoting economic and industrial development, as well as job creation.

Once again, we have demonstrated our firm commitment to national energy security, to the development of the country and, above all, to the social welfare of Mexicans.

South Texas-Tuxpan Marine Pipeline

¹ SENER (2019)

AWARDS AND RECOGNITIONS



WE WERE THE FIRST ENERGY INFRASTRUCTURE COMPANY TO BE LISTED ON THE MEXICAN STOCK EXCHANGE. WE ARE PART OF THE S&P/BMV INDEX SINCE 2013.



WE HAVE BEEN PART OF THE S&P/BMV IPC SUSTAINABLE SINCE 2015.



WE OBTAINED THE GREAT PLACE TO WORK (GPTW) CERTIFICATION FOR THE SIXTH CONSECUTIVE YEAR.



WE OBTAINED THE SOCIALLY RESPONSIBLE COMPANY AWARD FOR THE SIXTH CONSECUTIVE YEAR.



WE ARE PART OF THE FTSE4GOOD EMERGING MARKETS FOR THE SECOND CONSECUTIVE YEAR. WE ARE THE FIRST ENERGY COMPANY TO BE RECOGNIZED IN THE FTSE4GOOD BIVA.

IN 2019, WE RECEIVED A RATING OF AA (LEADER) IN THE MSCI ESG RATINGS ASSESSMENT.



SINCE 2017, WE HAVE BEEN AMONG THE TOP 10 COMPANIES IN THE 500 COMPANIES AGAINST CORRUPTION RANKING CARRIED OUT BY *TRANSPARENCIA MEXICANA*, *MEXICANOS CONTRA LA CORRUPCIÓN Y LA IMPUNIDAD*, AND BY *EXPANSIÓN MAGAZINE*. IN 2019 WE REACHED THIRD PLACE IN THIS RANKING.



SINCE 2015 WE HAVE BEEN INCLUDED IN THE MEXICAN CORPORATE SOCIAL RESPONSIBILITY RANKING BY *EXPANSIÓN MAGAZINE*.



WE ARE RECOGNIZED BY *EXPANSIÓN MAGAZINE* AS ONE OF THE 500 MOST IMPORTANT COMPANIES IN MEXICO.



CORPORATE GOVERNANCE

Good corporate governance is essential. Hence, at IEnova not only do we fully comply with Mexican legislation in this respect, but, whenever possible, we adopt and implement the practices defined in the Code of Principles and Best Corporate Governance Practices of the Business Coordinating Council (CCE in Spanish).

In addition, and in order to remain at the forefront of corporate governance matters, we constantly seek to incorporate and implement new practices as a result of dialogue with investors, analysts and other stakeholders.

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WE GENERATE VALUE

BOARD OF
DIRECTORS

[102-18, 102-22, 102-23, 102-25, 405-1]



CARLOS RUIZ SACRISTÁN
Chairman of the Board of
Directors and Executive
Chairman of IEnova

**AARÓN DYCHTER
POLTOLAREK***
Independent director

**ALBERTO FELIPE
MULÁS ALONSO***
Independent director

JOSÉ JULIÁN SIDAQUI DIB*
Independent director

FRAISEL HUSSAIN KHAN
Director

JUSTIN CHRISTOPHER BIRD
Director

ERLE ALLEN NYE JR.
Director

TANIA ORTIZ MENA LÓPEZ NEGRETE
Executive Director

DENNIS VICTOR ARRIOLA
Director

PETER RONAN WALL
Director

RANDALL LEE CLARK
Director

Board approved by the Annual Shareholders Ordinary Meeting on April 30, 2020.
* Independent Director, in terms of the LMV.

91%
MALE
DIRECTORS

9%
FEMALE
DIRECTORS

27%
INDEPENDENT
DIRECTORS

3 YEARS
AVERAGE TENURE

On April 30th, 2020, the Annual Shareholders Ordinary Meeting approved IEnova's Board of Directors constituted the following way:

NAME	AGE	SEX	POSITION	DATE OF INITIAL APPOINTMENT	NUMBER OF POSITIONS ON OTHER BOARDS OF DIRECTORS ¹	AREAS OF EXPERTISE
Carlos Ruiz Sacristán	70	Male	Chairman of the Board of Directors and Executive Chairman of IEnova	July 2012	4	Strategy, Public Affairs, Administration
Tania Ortiz Mena López Negrete	50	Female	Member of the Board of Directors and Chief Executive Officer of IEnova	January 2019	1	Commercial, International Relations, Business Development, Energy
Randall Lee Clark	51	Male	Member of the Board of Directors	April 2020	2	Human Resources, Legal, Corporate Governance
Dennis Victor Arriola	59	Male	Member of the Board of Directors ²	April 2017	2	Sustainability, Information and Communication Technologies, Public Affairs
Peter Ronan Wall	48	Male	Member of the Board of Directors	April 2018	0	Accounting, Finance, Risks, Audit
Faisal Hussain Khan	44	Male	Member of the Board of Directors	April 2018	0	Financial Analysis, Risks, Energy Sector, Investor Relations
Justin Christopher Bird	48	Male	Member of the Board of Directors	October 2018	0	Regulation, Compliance, Ethics
Erle Allen Nye Jr.	52	Male	Member of the Board of Directors	January 2019	0	Regulation, Compliance
Aarón Dychter Poltolarek	67	Male	Member of the Board of Directors ^{2,3}	March 2013	2	Investment in Infrastructure, Transportation and Energy Matters, Public Affairs
Alberto Felipe Mulás Alonso	58	Male	Member of the Board of Directors ^{2,3}	April 2017	6	Public Affairs, Housing, Corporate Affairs, Finance and Banking
José Julián Sidaoui Dib	66	Male	Member of the Board of Directors ^{2,3}	February 2017	4	Corporate Finance, Public Finance, Monetary Policy
Vanesa Madero Mabama	43	Female	Non-member Secretary of the Board of Directors	November 2019	N/A	Legal and Corporate Governance

¹ This includes the number of other board mandates in limited companies and companies that are publicly listed on the stock markets. To read the Board Directors complete biographies, refer to: <https://ienova.gcs-web.com/static-files/0288adc7-7736-4ccd-b8ee-bddb1959afb>

² Member of the Corporate Practices Committee.

³ Independent Director, in terms of the LMV, and audit committee member.

BOARD OF DIRECTORS

[102-18, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-29, 102-30, 102-31, 102-33, 405-1]

IENOVA BOARD DIRECTORS ARE APPOINTED OR RATIFIED ON AN ANNUAL BASIS.

OUR DIRECTORS ARE REQUIRED TO DECLARE IF THEY HAVE ANY CONFLICTS OF INTEREST VIS-À-VIS A DELIBERATION AND SHOULD REFRAIN FROM VOTING IF THAT IS THE CASE.

IEnova's Board of Directors consists of recognized professionals with highly relevant experience and knowledge, allowing us to increase the Company's value within a framework of sustainability.

Our Directors have outstanding credentials in the energy, infrastructure and pipelines sectors. Moreover, they have experience in finance, regulation, public affairs, risks, corporate governance, sustainability, human resources, and mergers and acquisitions (M&A).

The balance of profiles on our Board allows us to build the Company's strategic direction, adopt a comprehensive risk management approach at IEnova, establish general guidelines for corporate governance, and evaluate our progress on sustainability matters.

Our Board meets at least once every quarter to monitor relevant business, financial, environmental and/or social issues of the Company.

BOARD EVALUATIONS

Our Board of Directors carries out an annual self-assessment exercise in which the directors rate their performance and share their challenges and concerns.

INDEPENDENT DIRECTORS

Three of the eleven members on our Board of Directors are independent directors in accordance with the terms of the Mexican Securities Law (LMV).

The LMV determines that an independent director is one who:

- **is not subject to personal, financial or economic interests;**
- **is not an employee or relevant manager of the company or any company that is part of the business group;**
- **has no significant influence or controlling power;**
- **is not a shareholder in the controlling group;**
- **is not a customer, supplier, creditor, debtor or major service provider¹;**
- **is not blood-related or related by affinity or civil relationship up to the fourth degree -which includes spouses, concubines, and concubines of any of the individuals in the preceding bullet points.**

Our directors are required to declare whether they have any conflicts of interest vis-à-vis a deliberation and should refrain from voting if that is the case.

BOARD COMPENSATION

[102-35, 102-36]

Board Directors with executive functions at IEnova receive no additional compensation for their role. However, each independent director receives an annual compensation of USD \$ 24,500 for their position on this body and participates in the long-term incentive plan for the equivalent amount of USD \$46,500². In addition, independent members of both the Audit Committee and the Corporate Practices Committee receive USD \$ 39,000 a year for their roles and management in these support bodies.

TRANSPARENCY AND DISCLOSURE

Based on our commitment to transparency, we have incorporated practices that promote:

- better accountability;
- immediate access (and without distinction) to all our shareholders regarding IEnova's information; and,
- the necessary information to make informed decisions regarding the directors who would represent the Company's vision, including the profiles of the board candidates.

From 2021 onwards our shareholders will have the opportunity to appoint or remove directors individually.

One of our recently adopted practices is that we publish *ex-ante* on our website the following aspects:

- calls for Shareholders' Meetings; and,
- the Shareholders' Meeting agenda with the list of topics and extracts to be put to the vote.

Our Directors and Senior Officers who maintain, directly or indirectly, an individual shareholding greater than 1% of the Company's capital stock must submit to IEnova, no later than May 15 of each year, a report containing the number, series and class of shares of which they are direct or indirect owners or beneficiaries, as well as the amount and percentage they represent with respect to IEnova's capital stock. As of December 31, 2019, none of our directors, Chief Executive Officer nor the rest of the Senior Officers are shareholders of IEnova.

CORPORATE SECRETARY

In line with good practices, we have the position of Corporate Secretary, whose main responsibility is to attend and monitor the affairs of IEnova's Board of Directors.

¹ One is considered "major" when the Company's sales represent more than 10% of the total sales of the client, the service provider or the supplier during the twelve months prior to the appointment date. Likewise, it is considered that a debtor or creditor is major when the amount of the credit is greater than 15% of the assets of the company itself or its counterpart.

² This amount is referenced to the performance of the Company's shares and matures for payment one year after registration. Subject to such director continuing to exercise his or her duties as of the maturity date.

ANY SHAREHOLDER, OR GROUP OF SHAREHOLDERS, FOR EACH 10% OF THE COMPANY'S SHARES, HAS THE RIGHT TO NOMINATE, FOR APPOINTMENT, ONE DIRECTOR.

COMMITTEES

[102-18, 102-33, 102-36]

Our Board of Directors is supported by two committees: the Audit Committee and the Corporate Practices Committee.

- Each Committee meets with the frequency needed in order to fulfill its functions.
- Meetings may be face-to-face or remote, on the understanding that the non-member, Secretary of the Board shares a transcript of the meeting (which includes the attendance list) so it can be signed-off by the Chairman of the respective Committee and by everyone who participated in the session.
- The members of the Board of Directors must seek to create value for the benefit of the Company, without favoring any specific shareholder or group of shareholders. Thus, they must act with duty of loyalty and duty of care, which include keeping the Company's private information confidential.
- The members of these Committees and of the Board of Directors are protected by the Mexican Securities Law (LMV) in relation to any responsibility derived from their position (including compensation for any damage) as long as said responsibilities did not result from their negligence, illicit acts, or make reference to acts, facts or omissions referred to in the LMV.
- The Audit Committee is fully comprised of independent directors while 75% of the Corporate Practices Committee is made up of independent directors.

The Corporate Practices Committee:

Provides advice to the Board regarding the appointment of the Chief Executive Officer and other Senior Officers, as well as their powers and remuneration; it requests opinions and recommendations from independent experts for the performance of its work, when it deems it necessary; it assigns guidelines and provides opinions regarding related-party transactions; and, monitors and follows-up on the duties of the Sustainability Committee, which consists mostly of Senior Officers and top managers of the Company.

Every year, the Corporate Practices Committee is responsible for assessing the board's performance.

The Audit Committee:

Evaluates the performance of IEnova's external auditors and analyzes their opinions; it may investigate possible breaches, discuss IEnova's financial statements and issue recommendations to the Board on whether they should be approved or not. Likewise, it informs the Board of Directors if irregularities are found and it assures that internal mechanisms and controls are in place. It verifies that companies controlled by IEnova also adhere to the applicable regulations and it ensures that the Chief Executive Officer complies with the agreements reached at Shareholders' Meetings.

BOARD SESSIONS IN 2019

The Board of Directors held four quarterly sessions in 2019. The 2020 company strategy was discussed at the October session.

SESSION DATE	% ATTENDANCE
February 19	100%
April 29	92%
July 23	100%
October 22	100%

For a session to be held, at least 50% of the board must be present.

All our independent directors attended 100% of the Board's sessions in 2019.

SHAREHOLDERS

[102-25]

As of November 29, 2019, Semco Holdco, S. de R.L. de C.V. controls 66.62% of IEnova's shares.

Semco Holdco, S. de R.L. de C.V. is indirectly controlled by Sempra Energy, which is a United States holding company domiciled in San Diego, California, and is engaged in the energy sector. It is listed on the New York Stock Exchange under the ticker symbol "SRE."

IEnova's shares belong to a single series, where each share grants its holder(s) the same voting rights. IEnova's shares follow the rule of one share one vote, with no exception.

The Federal Government is not a shareholder of IEnova, nor is there a family that controls the Company.

SENIOR OFFICERS AND TOP MANAGEMENT COMPENSATION

[102-35, 102-36]

All our employees, including our CEO and Senior Officers, receive an annual, fixed compensation (which is competitive according to market studies that are internally updated every year for each level of command) and, in addition, they may receive a variable¹ compensation based on the criteria noted below.

Individual performance

- Results of the individual performance development review based on the objectives of each area.

Company's performance

- Health and safety objectives
- On-time completion of the Company's construction projects
- Financial goals determined by the Board of Directors
- Implementation of the operating projects plans
- Promotion and development of new businesses
- Great Place to Work (GPTW) certification
- Continue being part of the S&P/BMV IPC SUSTAINABLE Index

Part of the variable compensation for our senior management team includes a three-year grant plan called the "Long-Term Incentive Plan". The payment of these grants is 66% based on **performance components** of Sempra Energy and IEnova shares, and 34% based on **time components**.

Performance-based components that are indexed to the Sempra Energy stock price will be paid in shares, if applicable, after three years of having been granted to the executive who remains in service on the payment date; whilst, bonds indexed to IEnova shares are paid in cash only. The time-based components are paid in thirds, over the three-year duration of each program.

¹ Variable compensation of IEnova Senior Officers, in the short term, does not include shares nor the option to purchase shares of the Company.



Ventika Wind Farm

SENIOR OFFICERS

IENOVA IS THE ONLY COMPANY IN MEXICO'S STOCK MARKET WHERE THE CHIEF EXECUTIVE OFFICER (CEO) AND THE CHIEF FINANCIAL OFFICER (CFO) FUNCTIONS ARE HELD BOTH BY WOMEN.



MANUELA "NELLY" MOLINA PERALTA
Chief Financial Officer

RENÉ BUENTELLO CARBONELL
General Counsel and Chief Compliance Officer

JUANCHO EEKHOUT SMITH¹
Chief Development Officer

CARLOS RUIZ SACRISTÁN
Chairman of the Board of Directors and Executive Chairman of IEnova

ABRAHAM ZAMORA TORRES
Chief Sustainability, Corporate and Public Affairs Officer

ROBERTO RUBIO MACÍAS
Vice President, Controller

TANIA ORTIZ MENA LÓPEZ NEGRETE
Chief Executive Officer (CEO)

JESÚS CÓRDOBA DOMÍNGUEZ
Chief Engineering & Construction Officer

JORGE MOLINA CASELLAS
Vice President of Commercial and Planning

JUAN RODRÍGUEZ CASTAÑEDA
Chief Natural Gas Operating Officer

CARLOS BAJARAS SANDOVAL
Chief Power and Storage Operating Officer

¹ On March 6, 2020, IEnova announced that due to an adjustment in the company's organizational structure, the IEnova Board of Directors appointed Mr. Carlos Mauer as the new Chief Development Officer. Mr. Juancho Eekhout joined Sempra LNG, as head of the LNG (liquefied natural gas) projects in Mexico.

CORPORATE ETHICS

[102-16]

These three pillars guide each of our actions and are also the basis of our corporate ethics.

Corporate ethics is central to our business culture and is fundamental in our sustainability strategy.

To ensure that this culture permeates amongst our employees, we rely on a robust ethics system.

DO THE
RIGHT THING

CHAMPION
PEOPLE

SHAPE
THE FUTURE



Mexico City Corporate Headquarters, New York Life Building

CODE OF ETHICS

[102-16, 102-17, 205-1, 205-2, 412-2, 415-1]

Our Code of Ethics applies to every stakeholder with whom we have any kind of contractual relationship. Therefore, we ensure that 100% of our employees and suppliers sign and adhere to the Code.

Our Code explains the values and principles that we expect from every individual that is part of IEnova - this goes from the Chairman of the Board of Directors to the most recently hired employee, regardless of their job category.

Our Code of Ethics is meant to be a flexible document that can be adapted to the new demands or context in which we operate. However, it is of utmost importance to emphasize that we are not, nor will ever be, lax in its application. In fact, we have a Zero Tolerance Policy when breaches occur in this respect; this means that non-compliance can be punished with termination of employment, regardless of the hierarchical level of the offender.

ALL OUR EMPLOYEES HAVE BEEN TRAINED REGARDING THE CODE OF ETHICS AND HAVE RECEIVED AN ANTI-CORRUPTION CERTIFICATION.

*“Ethics guides our daily behavior;
it is in our DNA.”*

RENÉ BUENTELLO CARBONELL
General Counsel and
Chief Compliance Officer

Today, our Code adheres to the following:

1. Universal Declaration of Human Rights.
2. United Nations Convention Against Corruption (UNCAC).
3. The Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention for combating bribery of foreign public officials.
4. Foreign Corrupt Practices Act (FCPA)¹.
5. Mexican Federal Law for Anti-Corruption in Public Procurement.
6. Mexican Federal Law for the Prevention and Identification of Operations with Illicit-Provenance Resources (Anti-Money Laundering).
7. General Law for Administrative Responsibilities.
8. Mexican Federal Penal Code.
9. National Anticorruption System.

Our Code of Ethics is supplemented by the Corporate Ethics Policy, which forbids the bribery of public officials and the use of bribery in commercial activities. This policy also requires that all financial transactions be accurately and reasonably recorded in IEnova's books and that any violations of the Code of Ethics and this Policy be reported immediately.

¹ All our operations go through anti-corruption filters.



AT IENOVA CONTRIBUTIONS ARE NEVER OFFERED TO POLITICAL PARTIES OR POLITICAL REPRESENTATIVES NOR DO WE SUPPORT LOBBYING.

WHISTLEBLOWING MECHANISMS

[102-17, 102-25, 205-1, 205-2, 205-3, 406-1]

At IEnova we have a range of mechanisms for raising concerns on ethic-related matters, which are in operation 24 hours a day, every day of the year:

- **IEnova Contigo** Helpline (IEnova Contigo 800-062-2107), **is administered and managed by an independent expert** to attain a dual objective: that complaints are received by an unbiased receiver and that trust is built and maintained on the complainant's side.
- Confidential e-mail (IEnova@lineadedenuncia.com)
- IEnova website (<https://www.lineadedenuncia.com/ienova/default.html>)
- Sempra Energy's Ethics and Compliance Helpline: IEnova, being a company of Sempra Energy, includes this whistleblowing mechanism for the stakeholders who might have a complaint (800-241-5689 and <https://iwf.tnwgrc.com/Sempra>).

Additionally, all employees are advised to approach their direct supervisors to make enquiries regarding ethics, seek advice or file a report.

At IEnova we have a **non-retaliation policy** against whistleblowers, regardless of the reporting mechanism used. Furthermore, **anyone can submit anonymous complaints under any circumstance.**

Our whistleblowing mechanisms are open to all our stakeholders, including our employees and any external party.

We have observed an increase in the number of complaints received in 2019 compared to other years. This is the result of improved training programs and communication, and to an increase in our collaborators' confidence towards our Corporate Ethics System. The rise in the number of complaints was also the result of a higher number of new employees and the quantity and diversity of new projects.

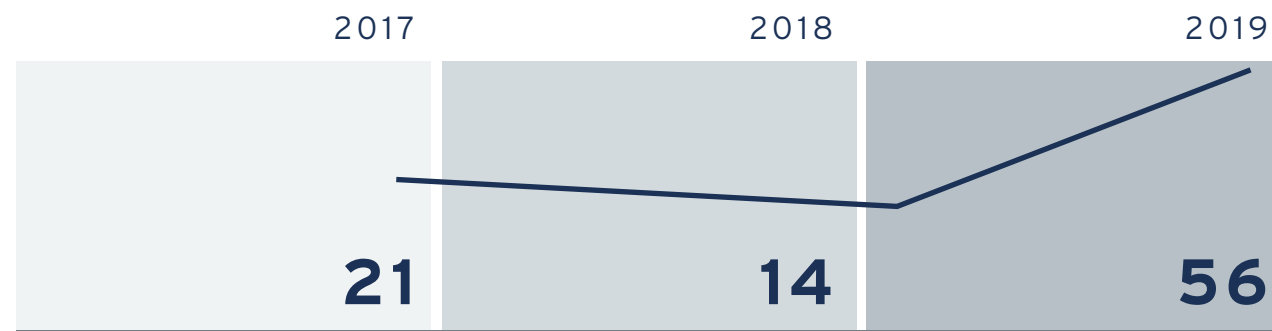
OUT OF ALL THE COMPLAINTS RECEIVED VIA OUR IENOVA CONTIGO HELPLINE, WHICH WERE DULY INVESTIGATED AND CONCLUDED, NO HUMAN RIGHTS VIOLATION CASES WERE REPORTED. NEITHER WERE THERE CLAIMS NOR COMPLAINTS FROM REGULATORY BODIES RELATED TO DATA PRIVACY.

Out of the complaints received in 2019, nine cases were related to discrimination or harassment and were corroborated, for which one collaborator was dismissed. The remaining cases had consequences such as written warnings from the Committee, corrective plans, preventive measures drafted to be applied in the rest of the Company and the implementation of special supervision. With respect to the rest of the complaints, only 18% proceeded. Although no one else was dismissed, measures were taken to improve our results in these categories, and both oral and written warnings were issued.

COMPLAINTS BREAKDOWN



ETHICS HELPLINE EVOLUTION



COMPLAINTS BY CATEGORY (%)



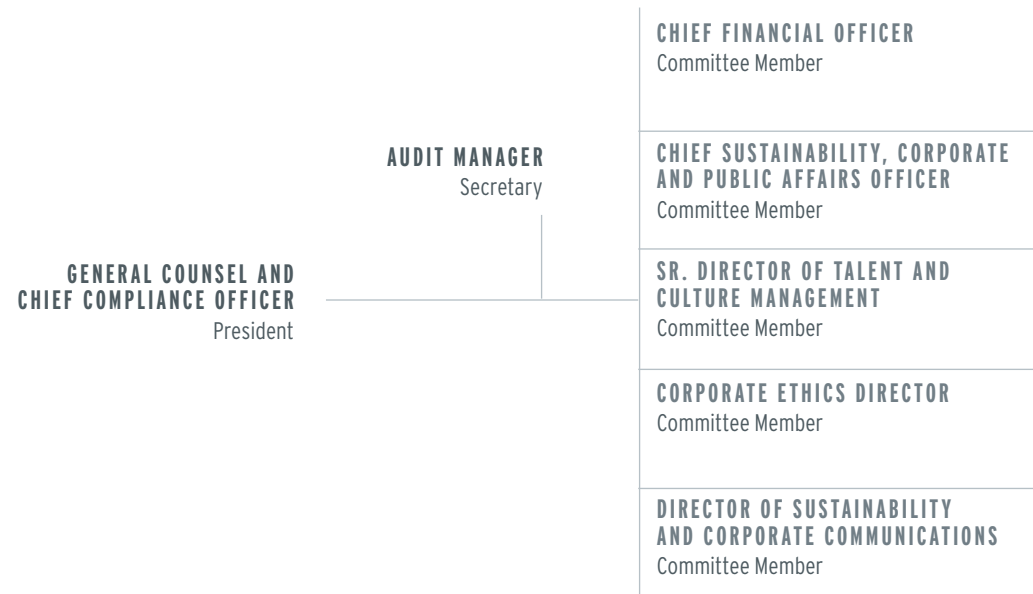
ETHICS COMMITTEE

[102-17]

Our Ethics Committee is responsible for following up on the complaints received, analyzing possible violations of the Code of Ethics and, where appropriate, sanctioning those responsible. The rationale behind the integration of this Committee is that every ethics-related matter is managed independently from the operation; and therefore, its line of report goes directly to the Audit Committee of the Board of Directors, which is made up of independent directors.

The Ethics Committee holds monthly sessions to analyze the complaints received and designate investigative teams to attend and resolve the cases at hand.

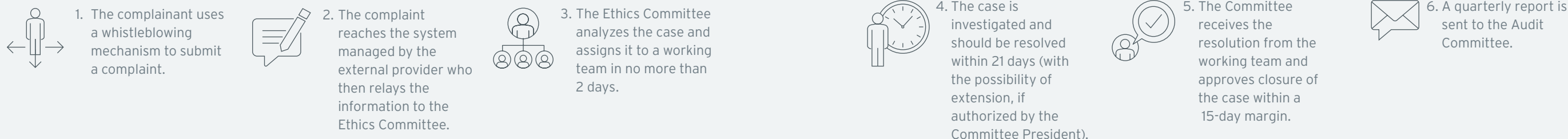
The Chairman of the Ethics Committee is IEnova's General Counsel and Chief Compliance Officer, and his Secretary is IEnova's Audit Manager. The latter is responsible for keeping control and due record of the complaints received and writing the minutes for each session of the Committee.



PARTICIPANTS IN A COMPLAINT PROCESS:

- Complainant
- Whistleblowing mechanism
- Ethics Committee
- Audit Committee

MANAGING COMPLAINTS:



TRAINING PROGRAMS

[205-2, 412-2]

The Corporate Ethics Division is in charge of ensuring that all IEnova employees receive training on:

- The Code of Ethics;
- How to detect breaches and make complaints;
- Specific trainings, such as:
 - Workplace harassment
 - Corruption
 - Conflicts of interest
 - Compliance
 - Human rights

In addition, this Division is responsible for monitoring the Corporate Ethic's annual plan and the communication strategy.

Along with the Corporate Ethics Policy, we operate an Anti-Corruption Program that seeks to prevent and detect bribery cases. All employees that participate in commercial activities (either directly or indirectly), contact Public Officials in any way and/or have access to IEnova's accounts or funds, receive anti-corruption training on a regular basis. In 2019, 100% of these employees received the anti-corruption training. This includes training about internal processes and procedures the follow-up, information on anti-corruption and anti-bribery regulation and training on managing conflicts of interest.

SUPPLIER CONDUCT GUIDELINES

We have specific ethical guidelines for our suppliers because we are aware of the responsibility that we share with our supply chain. We strive to raise our ethical standards so that our values are shared with all our stakeholders.

Our suppliers are evaluated based on these guidelines, and we do not tolerate non-compliance of these requirements, especially with those related to:

- Human rights
- Child labor and forced labor
- Corruption

Ethics is part of our DNA. The elements described above help us ensure that ethics is truly part of the Company's culture, and that it positively impacts our different stakeholders.

We are committed to continuously improving our Corporate Ethics System. For this end, the Company will continue to receive and implement trainings, seeks advice and ensure compliance with legislation.

Goal: In 2020 we will be evaluated by HR Ratings in terms of culture of integrity. This consists in demonstrating that we have the mechanisms to define, identify and offer effective responses against corruption, embezzlement of assets and fraud scenarios within the organization.

RISK MANAGEMENT

[102-11, 102-15, 102-29, 102-30, 102-31, 205-1, 103-2]

“Before the start of any project we consider profitability factors, but we also make sure that we are evaluating how we contribute to energy security, and that environmental and social impacts are considered as well.”

JUANCHO EEKHOUT
Chief Development Officer

RISK CATEGORIES AND DESCRIPTIONS

Our Board of Directors plays a fundamental role in defining IEnova’s risk appetite and risk tolerance; it is responsible for establishing the Company objectives.

The Board’s responsibility is to analyze, question and request necessary changes in the Company’s risk management approach in order to ensure its strategic function. To do so, the Board may manifest new findings, provide different solutions to the proposals and thus strengthen the function.

At executive level, we have a Risk Committee that meets periodically to determine critical contingencies and to evaluate the effectiveness of IEnova’s mitigation measures and remediation plans.

We use a risk matrix that has helped our risk analysis to be organized, and it helped IEnova to narrow down the risk management tasks. Our goal is to continue with this exercise considering that it entails continuous improvement in order to contribute to the achievement of the Company goals and to continue being a sustainable business.

Financial	Risks associated with the financial situation including capital
	Treasury-related risks
	Financial analysis risks of mergers and acquisitions
	Risks related to internal and external financial reporting
Operating and Construction	Risks of loss caused by operational errors
	Risks caused by human error or equipment failure
	Risks related to inefficient or poorly designed processes
	Integration risks when acquiring an asset and/or company
	Risks of construction delays or volatility in the costs of materials associated with construction
Regulatory, Legal and Compliance	Risks derived from violations or non-compliance with laws, norms, regulations and internal practices that affect the reputation and/or value of the Company
	Risks of fines or economic sanctions
	Risks derived from damages
	Risks of nullification of contracts
Health, Safety and Environment	Environmental risks that may harm or severely damage the natural environment
	Occupational risks derived from the Company’s activities, which include physical risks and psychosocial risks

We strictly comply with all laws and regulations applicable in all our operations.

Our operations are based on our Risk Management Policy which is continuously improving.

To mitigate the Company’s risks¹, we have insurance programs that cover operating facilities and projects under construction; these programs offer coverage on assets, civil liability, business interruption, terrorist acts and sabotage, environmental responsibility, cybersecurity, among other factors.

To promote a risk management culture, the Risk Division (which reports directly to the Chief Financial Officer) holds regular meetings with relevant managers and employees that identify risks.

¹ For further details regarding these risks, please consult our Annual Report 2019 presented to the Mexican Stock Exchange on the following link: <https://ienova.gcs-web.com/static-files/0288adc7-7736-4ccd-b8ee-bddb1959afb>





Rumorosa Solar Park

“Our assets are protected and monitored permanently, avoiding internal and/or external vulnerabilities to cybernetic threats.”

MIGUEL GUERRERO
Cybersecurity Manager

CYBERSECURITY

[102-15]

Protecting our operations’ information and our digital assets is a priority for the Company’s administration. We implement cutting-edge cybersecurity practices and we implement an annual cybersecurity awareness program, which is managed by IEnova’s and Sempra Energy’s cybersecurity teams.

This program includes:

- Regular communication, events and campaigns for the entire Company.
- Mandatory virtual trainings; and,
- A defense program for both companies.

Members of IEnova’s cybersecurity team actively participate in conferences and meetings in order to widen their perspectives and receive training on cybersecurity.

We recently adopted Sempra Energy’s Cybersecurity Champions program which aims to have internal agents who focus on sharing relevant information on this matter with different Company areas. By 2020, we aim to have Cybersecurity Champions in every area and business unit of IEnova.

The Chief Financial Officer is responsible for overseeing the cybersecurity strategy and supervising progress on this matter.

Cybersecurity Practices

We have intelligence services that identify external threats, allowing us to build detailed reports on the matter.

At IEnova we develop preventive recommendations and launch awareness campaigns based on the previously identified threats; and, our cybersecurity team plans further preventive actions based on such recommendations.

Internally, the cybersecurity team implements periodic penetration tests that include simulations. The results of these tests are used to improve capacities and existing controls, and to suggest opportunities for improvement.

Regarding the use of emails, our team added a button for marking any suspicious e-mails as spam with just one click.

E-mails received from “external domains” (other than @ienova.com.mx) are programmed to alert the users and invite them to be cautious. These e-mails are labeled with the following sentence highlighted in orange: *** EXTERNAL E-MAIL - be cautious with attachments, web links and requests for information ***.

At IEnova we have Information Security Operations Centers (SOCs) which operate 24/7. These SOCs respond to suspicious e-mail reports and have the capacity to extract suspicious e-mails from mailboxes in order to reduce the risk of infecting other users or devices.

PROGRESS

AND OBJECTIVES

[102-11, 103-1, 103-2]

✓ REACHED

🕒 IN PROGRESS

PROGRESS 2019

CORPORATE ETHICS

- 🕒 We trained all IEnova business units on issues related to Code of Ethics, internal policies, anti-corruption, corporate ethics, FCPA, sexual and work-related harassment, conflicts of interest, 1-800 anonymous reporting helpline, and human rights.
- ✓ We drafted and communicated the Human Rights Policy that reflects IEnova's commitment to protecting human rights.
- ✓ We presented the fourth Communication on Progress (COP) to the United Nations Global Compact on time.

CORPORATE GOVERNANCE

- 🕒 We recorded directors' individual attendance to every session.

CYBERSECURITY

CUSTOMER SATISFACTION

- ✓ We conducted the annual customer satisfaction survey for gas Distribution business (ECOGAS) and achieved a score of at least 91%.
- ✓ We maintained a score on the annual Pipelines customer satisfaction survey of more than 90%.
- ✓ We conducted the annual customer satisfaction survey for Power generation (Sierra Juárez and Ventika Energy assets) and achieved a score of at least 90% satisfaction.
- 🕒 We launched the "Take care of and manage your consumption" ("*Cuida y administra tu consumo*") program with existing customers, through the installation of 1,200 prepaid smart meters.

2020 OBJECTIVE

Continue with trainings, until 100% of our employees are covered, on topics that include the Code of Ethics, internal policies, anti-corruption, corporate ethics, FCPA, sexual and work-related harassment, conflicts of interest, 800 anonymous helpline, and human rights.

Develop specific training programs on Human Rights for corporate security personnel.

After each meeting, publish attendance lists of both Board and Committee sessions on IEnova's website.

Starting in 2021, allow shareholders to individually appoint or remove directors at the Shareholders Meeting.

Publish the summary of meeting resolutions of the Shareholders Meetings and the annexes to be approved.

Have at least one Cybersecurity Champion in each area of the Company.

Maintain the rating of the annual Distribution customer satisfaction survey (ECOGAS), with a minimum of 90% rating.

Maintain the rating of the annual Pipelines customer satisfaction survey, with a minimum score of 90%.

Maintain the rating of the annual Generation customer satisfaction survey (Energía Sierra Juárez and Ventika assets), with a minimum of 90% rating.

Replace 6,500 residential meters and 50 analog commercial meters with smart meters from active customers.

SHARING SOCIAL VALUE

[102-7, 201-1]

Always pursuing excellent performance in everything we do, we conducted the materiality assessment in order to understand areas of vulnerability, and to establish the necessary strategies to address the identified risks.

The material issues identified, without specific order, in terms of social value were:

- Attracting, developing, and retaining talent
- Employee health and safety
- Operational safety
- Supply chain
- Communities

In this section, we share our achievements regarding each of the aforementioned topics.

We understand that the Company's sustainability depends on the appropriate synergy with our stakeholders therefore, we seek to construct adequate spaces to listen to and understand their concerns and perceptions. Accordingly, we are committed to continue sharing social value in order to positively impact the communities or the stakeholders in question. This is based on the goal to ensure that our actions always meet the particular needs of each group, and to offer solutions that promote mutual benefit.



SOCIAL PILLAR

92

OUR TALENT

114

HEALTH AND SAFETY

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SUPPLY CHAIN

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COMMUNITIES

136

FUNDACIÓN IENOVA

145

SHARED SOCIAL VALUE

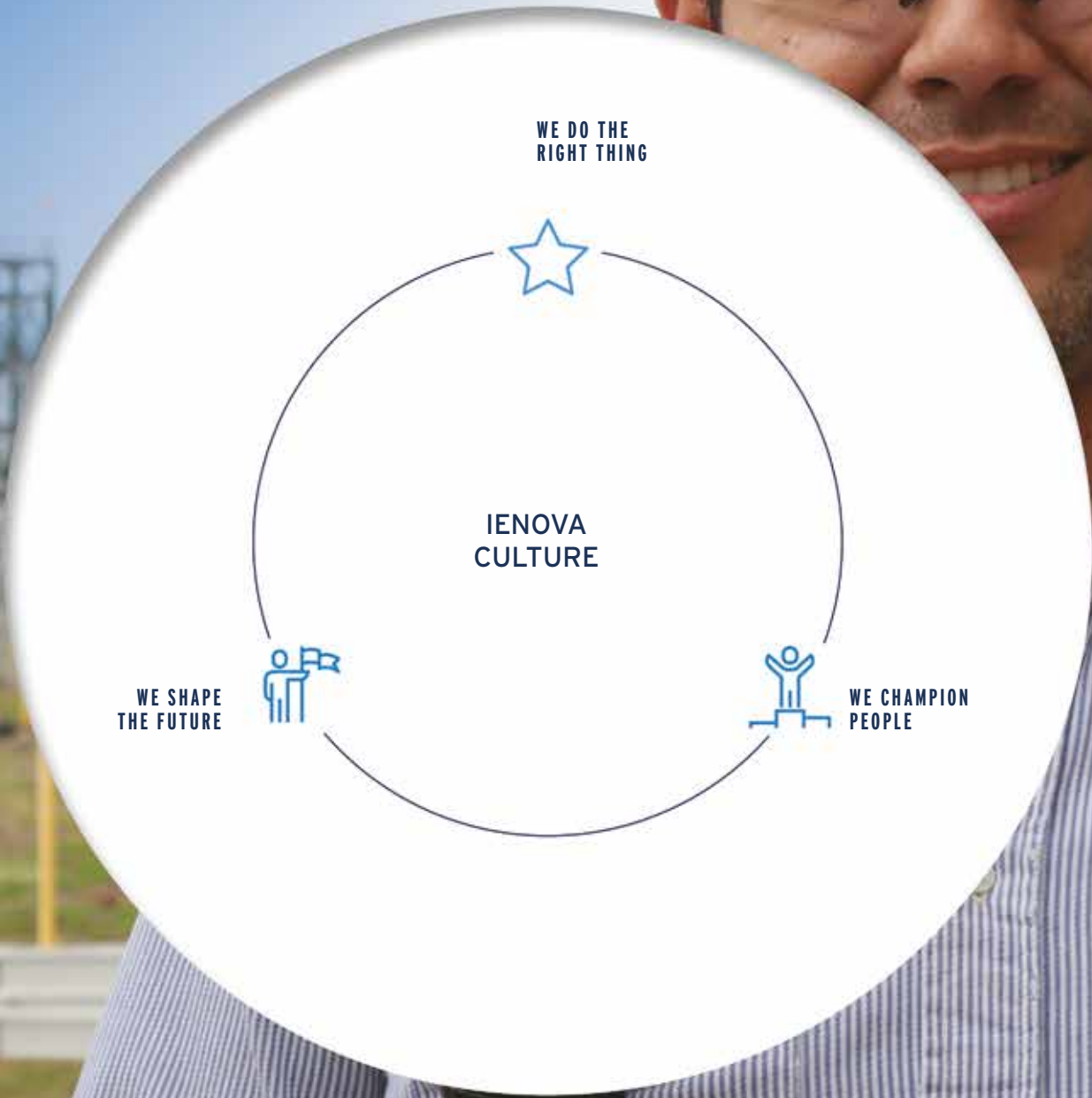
146

PROGRESS AND OBJECTIVES

OUR TALENT

[102-7, 102-8, 103-1, 103-2]

We have managed to grow as a company thanks to our employees. Therefore, at all times, we aim to provide them with the necessary tools so that they can thrive, both personally and professionally. Thus, we have developed a comprehensive model that aims to recognize and reward our talent.



"We are a very generous company that always places people first."

ABRAHAM ZAMORA
Chief Sustainability, Corporate and Public Affairs Officer

EMPLOYEE GROWTH BY YEAR AND GENDER

		2017		2018		2019
M	73%	679	72%	741	70%	913
F	27%	251	28%	294	30%	387
TOTAL		930		1,035		1,300

DISTRIBUTION OF EXECUTIVES BY YEAR, GENDER AND FUNCTION

	2017		2018		2019	
	M	F	M	F	M	F
C-SUITE	10	2	9	2	9	2
TOP MANAGEMENT	17	6	18	9	19	10
MANAGERS	83	33	105	38	135	55
TOTAL	110	41	132	49	163	67

We are committed to positively contributing to our employees' careers and overall development.

There are no differences in benefits between employees with an indefinite contract and employees with temporary contracts. Currently, 81% of our collaborators have an indefinite-term contract; the rest are temporary.

ALL OUR EMPLOYEES HAVE FULL-TIME JOBS.

TALENT AND CULTURE

MANAGEMENT MODEL

Our Talent and Culture Management Model aims to attract, develop and retain the best possible talent. Under this premise, we develop actions based upon three pillars that, in turn, have different lines of action.



OBJECTIVE OF THE MODEL: ATTRACT, DEVELOP AND RETAIN THE BEST TALENT

LINES OF ACTION

TALENT ATTRACTION AND DEVELOPMENT

- Use innovative tools that allow us to attract the best talent.
- Provide specialized training options that support the development of personal skills.
- Generate development programs that promote growth opportunities within the organization.

COMPENSATION & BENEFITS

- Offer competitive, above-market average compensation.
- Have benefits that ensure the health and well-being of our employees and their families.

WORKING ENVIRONMENT

- Design activities that promote integration, communication, trust and camaraderie among employees.



Mexico City Corporate Headquarters, New York Life Building

ATTRACTING, DEVELOPING AND RETAINING TALENT

[103-2, 404-1, 404-2]

We have always excelled in attracting talent because we have learned to rely on both traditional and modern recruitment mechanisms. In 2019 the Talent and Culture Management¹ department incorporated a technological tool that improves our talent attraction process. We now conduct online interviews which allows us to do these evaluation processes at any time, and from any mobile device, shortening our response rate and opening the possibilities of meeting and evaluating more candidates.

In 2019, we had 1,891 candidates looking for job positions, out of which 794 had online interviews.

The aforementioned tool made the talent attraction department more efficient; now the online interview portfolio can be consulted at need, without requiring candidates to attend or return to a face-to-face interview if it is not necessary.

We are a cutting-edge company that, thanks to the incorporation of new technologies, has managed to reduce its operating costs². This efficiency remained valid in spite of the fact that our workforce grew by 26% and the benefits granted to our employees were not reduced. For further details, we suggest referring to the Shared Social Value section on page 145.

As observed in the table below, one of our achievements in terms of hiring was that we were able to reduce our contracting costs from USD\$1,411 per contract to USD\$805.

Additionally, in a changing and globalized world, we seek to provide our employees, through training programs, different tools to allow their professional and personal development, at the same time as we prepare ourselves to better face new trends and technological advances.

TOTAL ANNUAL HIRING COST

	2018	2019
ANNUAL COST (USD)	\$148,162	\$264,845
NUMBER OF NEW EMPLOYEES	105	329
HIRING COSTS	\$1,411	\$805

¹ Talent and Culture Management is the new name for the area that we used to call Human Capital.

² Including operational costs of each asset, and the operational and administrative expenses which include compensation and benefits.

HOURS OF TRAINING BY CATEGORY

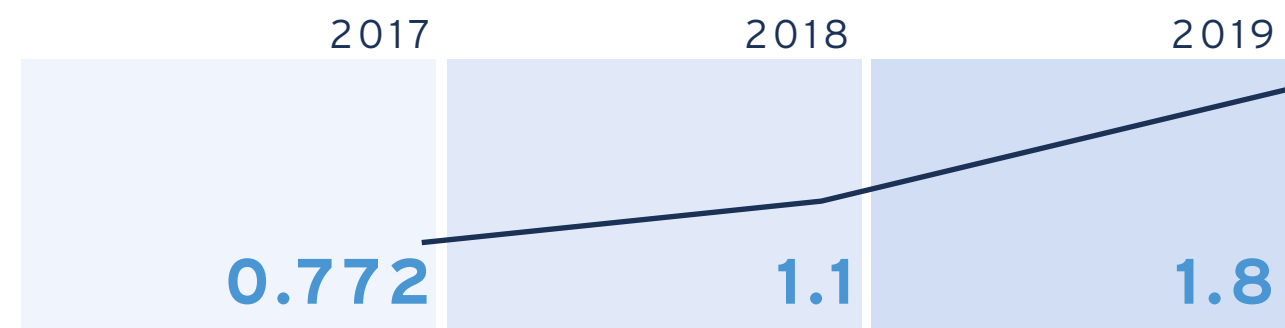
	Professional category	Number of employees	Number of hours (men)	Number of hours (women)	Average hours
2018	Executives and Managers	180	3,161	1,291	24
	Specialists	126	2,413	1,743	32
	Other employees	755	28,989	6,172	46
	Total	1,061	34,563	9,206	41
2019	Executives and Managers	232	1,875	473	10
	Specialists	121	1,705	1,206	24
	Other employees	962	26,638	6,647	35
	Total	1,315	30,218	8,326	29

Note: The total number of employees includes every employee that received training in 2019, regardless of whether they continued to work with the Company at the end of the year.

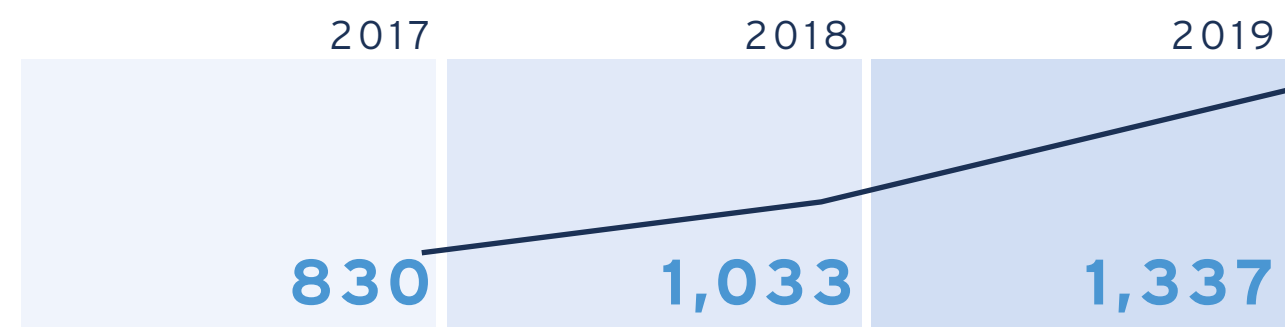
Given the needs of each area and, as part of our continuous improvement processes, this year we set ourselves the goal of prioritizing tailor-made training. For this reason, although in 2019 fewer hours of training per employee were granted, these were better targeted so that their impact was greater.

The total investment in the development of the skills of our collaborators was USD\$1.8 million, which represents a growth of 60% compared to 2018. Therefore, in 2019 we invested an average of USD\$1,337 per employee, equivalent to an increase of 29% from the previous year.

TRAINING INVESTMENT (USD MILLION)



TRAINING PER EMPLOYEE AVERAGE INVESTMENT (USD / EMPLOYEE)



Besides offering training, we aim to give every employee the possibility of growing professionally. This way, our employees may receive a USD\$1,500 annual benefit that can be used for education to help them enhance their professional skills and abilities.

The following table describes the evolution of this program over the past three years, allowing us to observe how the proportion of women who use this benefit is increasing.

PROFESSIONAL
DEVELOPMENT PROGRAM

	Investment in the program (USD\$)	Number of employees who used this benefit	M	F
2017	\$77,833	121	64%	36%
2018	\$87,617	136	57%	43%
2019	\$110,210	122	55%	45%

In 2019 all our new employees received training in human rights, regardless of the position they held. This was equivalent to 26% of our workforce.

SINCE 2018 WE HAVE DEVELOPED AN E-LEARNING PLATFORM THAT HELPS US DELIVER TRAINING IN POLICIES AND PROCEDURES, SUPPLY CHAIN, HEALTH AND SAFETY, AND EMOTIONAL INTELLIGENCE





PROFOI Class of 2019

IENOVA PROGRAM FOR OPERATORS' TRAINING

The IEnova Program for Operator's Training (PROFOI) is an initiative used to recruit recent graduates from engineering programs linked to the energy sector. These engineers participate in an intensive, technical training program lasting three months. During the program, the Company trains the graduates and offers them financial compensation together with housing, food, transportation and material expenses until completion of the program. On average, we select 30 candidates per generation.

PROFOI provides graduates with the tools to have better opportunities. It also contributes to strengthening IEnova's relationship with the communities in which we operate thanks to the potential participants we recruit from these communities.

PROFOI RESULTS SINCE 2014

238
CANDIDATES

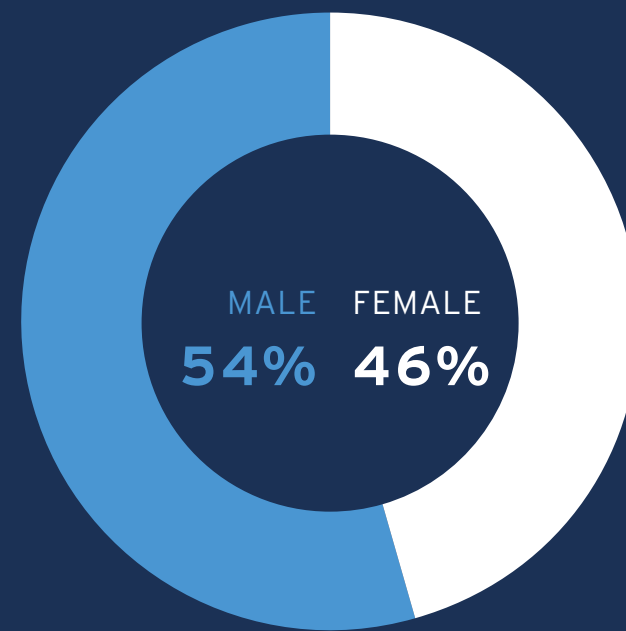
220
GRADUATES

600
TRAINING HOURS
PER PROGRAM

145
PROFOI GRADUATES
HIRED BY IENOVA

USD **\$3.5**
MILLION
INVESTMENT
IN PROFOI

GENDER BALANCE IN 2019 PROFOI



DIVERSITY AND INCLUSION

[405-1, 412-2]

At IEnova we aim to create an environment that promotes diversity with equal opportunities for all. We do not make any distinctions based on gender, race, age, creed, sexual orientation, political doctrine, social or physical condition. We operate based on our Code of Ethics to which every employee is committed; we strictly adhere to national and international standards on legality and respect for human rights; and, we are signatories to the Principles of the United Nations Global Compact.

IENOVA IS THE ONLY COMPANY IN MEXICO'S STOCK MARKET WHERE THE CHIEF EXECUTIVE OFFICER (CEO) AND THE CHIEF FINANCIAL OFFICER (CFO) FUNCTIONS ARE HELD BOTH BY WOMEN.

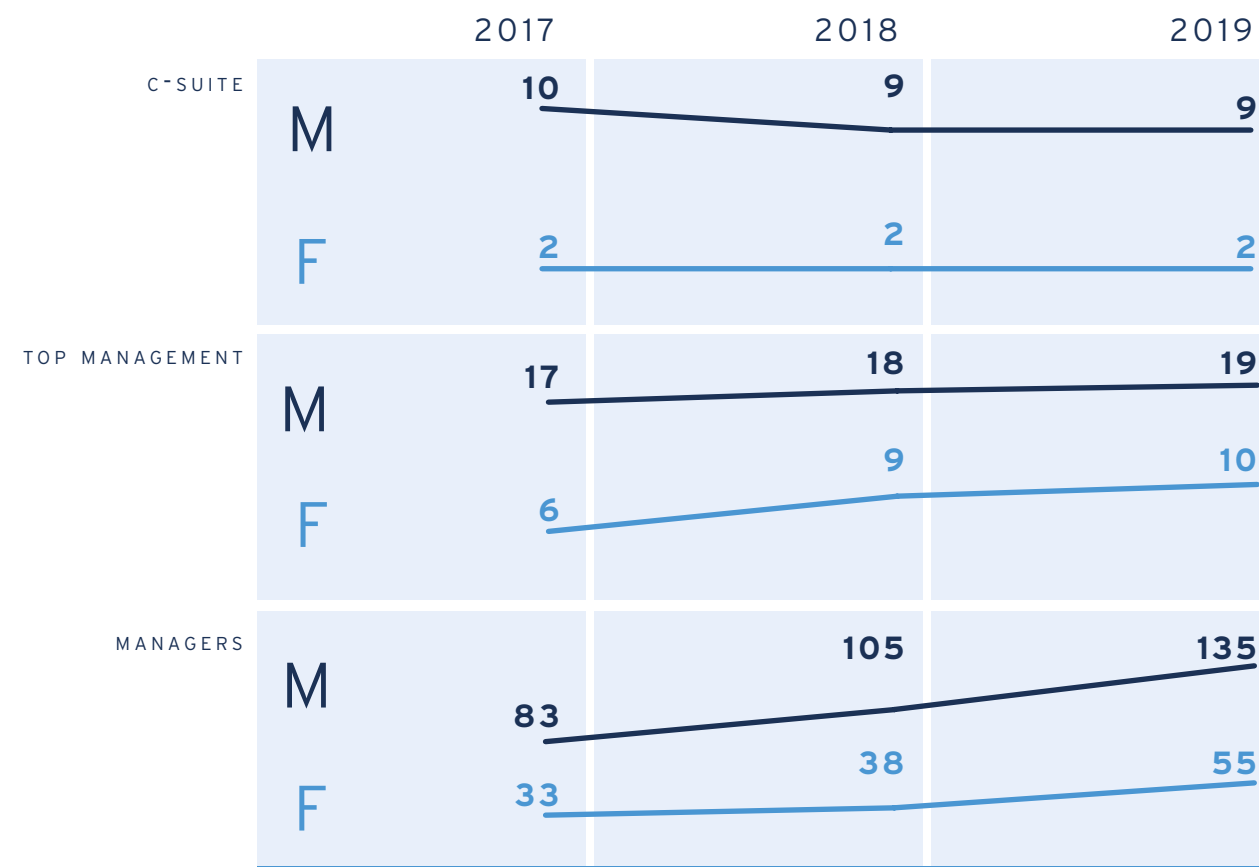
We offer equal opportunities for new employees and have an internal vacancies promotion program in place open to everyone, regardless of gender. It is evident that our gender equality strategy is paying off, as we have increased the number of women in both our workforce and at management levels.

2019 was the year in which the percentage of women in management positions increased the most. As observed throughout the Report, our workforce grew in 2019; the hiring rate of men grew to 24% and 28% for women.



Mexico City Corporate Headquarters, Omega Building

GENDER DIVERSITY IN KEY POSITIONS



WORKFORCE DIVERSITY

[405-1]

At IEnova we value diversity and encourage the inclusion of our employees. For this reason, we try to ensure that every area and working group represents a balance of visions, skills and knowledge. As seen below, our workforce is made up of people of all ages.

WORKFORCE BREAKDOWN

BY AGE GROUP AND GENDER

AGE	2017			2018			2019		
	M	F	%	M	F	%	M	F	%
20 -29	123	45	18	133	54	18	162	82	19
30 -39	277	135	44	291	147	42	368	180	42
40 -49	200	61	28	221	80	29	258	108	28
50 -59	62	7	7	76	10	8	101	14	9
60 -69	18	2	2	20	3	2	22	3	2
70 +	0	0	0	0	0	0	2	0	0
	680	250		741	294		913	387	

DIVERSITY IN NEW HIRES

[401-1]

Every year we reaffirm our commitment to offer equal opportunities and to prevent gender, gender identity, religion, race, sexual orientation, physical appearance or political affinity from becoming causes for discrimination.

HIRING BREAKDOWN

BY AGE GROUP AND GENDER

AGE	2019		Age recruitment rate
	M	F	
20 -29	69	38	44%
30 -39	91	47	25%
40 -49	40	20	16%
50 -59	18	3	18%
60 -69	3	0	12%
TOTAL	221	108	25%
Gender recruitment rate	24%	28%	



GOALS: DIVERSITY AND INCLUSION

In 2020 a Diversity and Inclusion Program will be built and disseminated, aimed at:

- Updating and ensuring the adoption of no discrimination policies.
- Generating an activity and responsibility program for the members of the Diversity and Inclusion Committee in IEnova, and building training programs for working groups and different organizational levels.
- Identifying and supporting public activities in favor of the LGBT community (such as implementing the necessary actions to obtain the Certification on the Human Rights Campaign in 2021).

Actions will be implemented to meet the three aforementioned objectives in accordance with the four following pillars:

- Gender
- LGBT +
- Age generational diversity
- Disability

COMPENSATIONS AND BENEFITS

[201-3, 401-2, 401-3, 403-6, 404-3]

Working benefits are a key factor in the success of a company. When competitive, as in the case of IEnova, they ensure that employees feel recognized and that a business is able to attract and retain the best possible talent.

Based on this premise, our general compensation plans are above the industry average.

Mexico City Corporate Headquarters,
New York Life Building

The general benefits that we offer at IEnova are:

- Major health insurance for employees and their family members
- Minor Medical Expenses
- Life insurance
- Funeral expenses for the employee and their immediate relatives
- SEFORE retirement plan for pension, death and total and permanent disability
- Savings Fund
- Short-term bonus
- Long-term bonus
- Vacation pay
- Electronic food coupons
- Company car for Senior Officers and top management
- Medical check-up plans for Senior Officers and top management
- School and professional growth scholarships
- Retention and attraction bonus
- High-performance recognition plan
- Vacation days beyond those established by law
- 30-day Christmas bonus
- Education protection plan
- Complementary disability compensation, additional to Mexican Social Security
- Flexible medical insurance benefits (bIEnestar Flex)
- Employee Support Program (PAE)
- In addition to the parental leave guaranteed by the Mexican Federal Labor Law, we offer a Home Office scheme for a period of up to 10 weeks plus an extra four weeks during which our employees may work part-time whilst enjoying their full salaries. Those employees whose functions do not allow remote work, may accumulate the 14-week benefit with a part-time working scheme. In cases where a newborn requires special care and attention, the mother may request additional unpaid leave ranging from one to three months. This benefit also applies in the case of adoption and same-sex couples when our employee is the person assuming the main role of infant care.
- Five days of paid parental leave, in addition to the regular paternity leave.

OUR HEALTH INSURANCE POLICIES
CONSIDER INCLUSION FACTORS
SUCH AS:

COVERAGE FOR
SAME-SEX COUPLES

HIV COVERAGE, WITHOUT
A WAITING PERIOD

PREGNANCY COVERAGE,
WITHOUT A WAITING PERIOD

“At IEnova we see each employee as a whole, so we offer flexible benefits according to their own interests.”

ARACELI PÉREZ
Sr. Director of Talent and Culture Management

In addition, we understand the individual needs of each of our employees resulting from circumstances of life, plans, expectations and their own goals; thus, we have set up communication, evaluation and feedback mechanisms to construct appropriate benefit plans tailored to each individual.

One such program is the bIEnestar Flex program which, since 2018, has given each employee the opportunity to determine their own benefits based on their current needs. This program allows our employee to structure a personal plan with a diverse range of options including:

- Life insurance for up to an additional 24 months of salary
- Major health insurance, with coverage depending on life stage and needs
- Life insurance for spouse, with the option to determine the amount of the policy
- Dental plan
- Coverage of doctor appointments
- Compensation for serious illness diagnosis
- Compensation for cancer diagnosis
- Medical expenses for parents
- Funeral expenses
- Insurance for pets
- Education protection plan

When we started this program in 2018, 70% of our employees signed up; in 2019 we reached a participation of 75%. These numbers reflect the success of the bIEnestar Flex program and reaffirm our goal to offer benefits that meet the needs of each individual employee.

TOTAL NUMBER OF EMPLOYEES THAT WERE ENTITLED TO PARENTAL LEAVE IN 2019

10 WOMEN ▶ 42 MEN

100% OF THEM WERE RETURNED TO WORK AFTER THE PARENTAL LEAVE ENDED.

WE HAVE BREASTFEEDING ROOMS IN ALL OUR OFFICES AND OPERATIONS

COMPENSATION

[102-38]

To ensure that the wages paid to our employees are fair and competitive, we conduct a yearly comparative study, with the support of a third party, to help us understand practices both in the national market and in the energy sector.

We also have internal procedures providing guidance on the different job positions, including the pay grades applicable to each position. The wages of all our employees are made up as follows, regardless of the position:

FIXED COMPENSATION

- Ranges are established on a case-by-case basis, depending exclusively on the merits of the employee in question.

VARIABLE COMPENSATION

- Short-term performance bonus based on:
 - Annual evaluation of each employee¹
- Bonuses linked to the Company's performance are linked to the achievement of both business and sustainability metrics:
 - Health and safety objectives
 - On-time completion of the Company's construction projects
 - Financial goals determined by the Board of Directors
 - Implementation of the operating projects plans
 - Promotion and development of new businesses
 - Great Place to Work (GPTW) certification
 - Continue being part of the S&P/BMV IPC SUSTAINABLE Index

Variable remuneration, linked to sustainability objectives, is designed to align employees' incentives from a comprehensive perspective.

The distribution of IEnova's compensation by job level is shown below.

COMPENSATION BY JOB LEVEL

Level	Tab	Fixed Base	Variable Base
CEO	19	34%	66%
Chief Executive	18	46%	54%
Vicepresident	17	55%	45%
Senior Manager	16	58%	42%
Top Manager	15	62%	38%
Subdirector	14	76%	24%
Senior Manager	13	84%	16%
Manager	11 to 12	86%	14%
Specialist	9 to 10	89%	11%
Professional	4 to 8	92%	8%
Support	1 to 3	94%	6%

¹ All employees are subject to an annual performance evaluation.

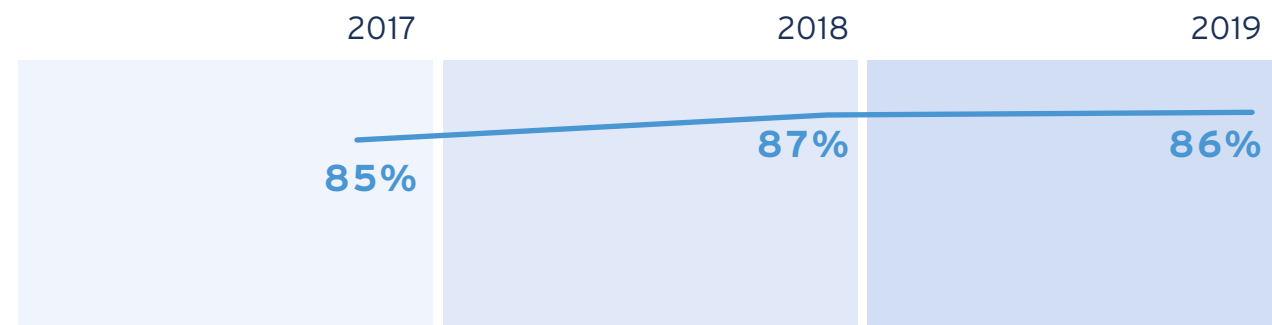
WORKING ENVIRONMENT

To measure the level of satisfaction of our workforce, every year we ask our employees to answer the Great Place to Work (GPTW) questionnaire. In 2019 average employee satisfaction was 86%. It is important to note that in 2019 the methodology of the GPTW Institute changed, raising the demands of the survey. Notwithstanding this, IEnova technically fell only one percent, when compared to the results of 2018.

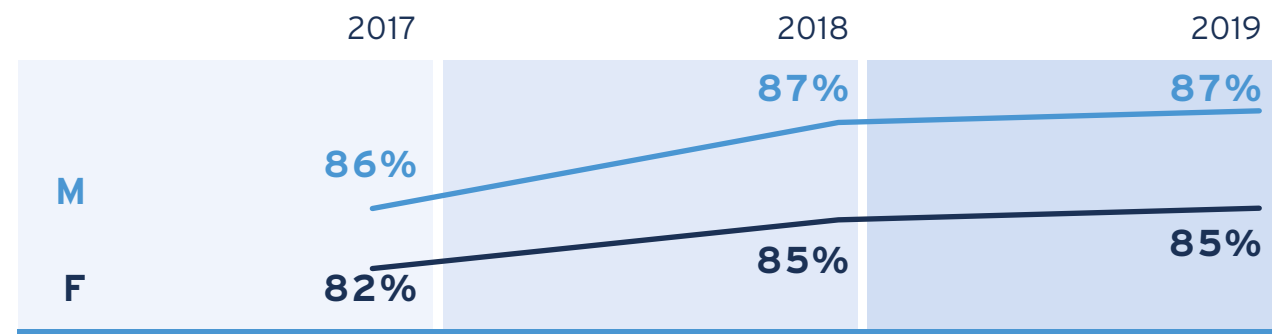
In 2019 we improved our results for the credibility dimension; which embodies the trust that our employees have in our corporate ethics and in the competence of the Company leaders.

Our dimension with the best evaluation in 2019 was pride. This reflects how pleased our employees are to be part of IEnova and how proud they are of the way the Company contributes to society.

GPTW SATISFACTION SURVEY RESULTS



RESULTS BREAKDOWN BY GENDER



Based on 2019 results, the Talent and Culture Management Director held feedback sessions with the heads of different Company areas with the objective of having them identify their opportunity areas and build action plans to address them. These sessions are conducted annually.

Based on last year's results, courses and workshops were held in all business units to address our lowest scored dimension from that exercise:

- Impartiality Workshops were taught by specialists from the GPTW Institute
- Specific action plans were built for each business unit
- Workshops were held with leaders from each area and with their teams to strengthen IEnova's culture transformation

TURNOVER RATE

[401-1]

Thanks to our Talent and Culture Management Model, we have decreased our turnover rate.

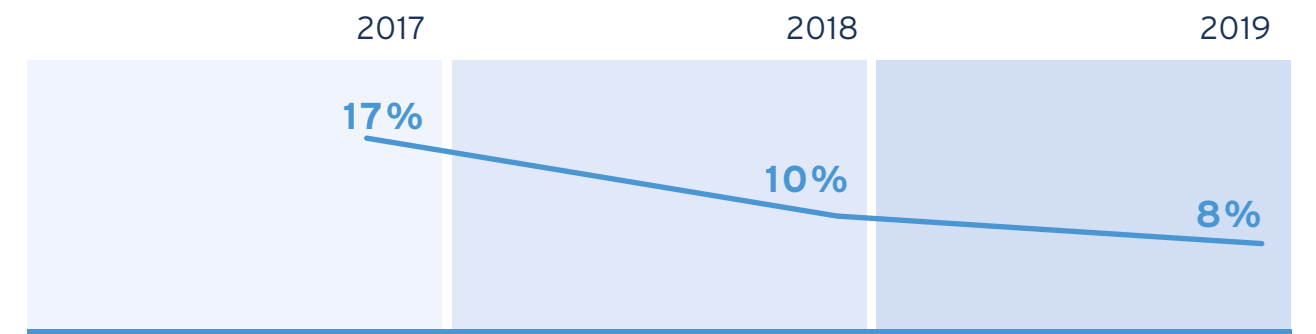
TURNOVER RATE BY AGE GROUP

	2017	2018	2019
20-29	19%	10%	5%
30-39	19%	9%	9%
40-49	10%	8%	7%
50-59	17%	15%	6%
60-69	30%	22%	12%
Total	17%	10%	8%

TURNOVER RATE BY GENDER

	2017	2018	2019
Male	18%	10%	8%
Female	17%	9%	7%

TURNOVER RATE BY YEAR



A SUCCESS STORY

PROFOI: A HISTORY OF PROFESSIONAL GROWTH

The story of Guillermo Arturo Madrid Hernández inspires us to continue promoting PROFOI because we witness how a person may catapult his professional growth when a company is supportive.

Married and with two daughters, Guillermo Arturo is a Mechatronics Engineer and, since he graduated from PROFOI (first generation), not only has he obtained numerous training certificates, but he is currently pursuing a Master of Business Administration, Quality and Productivity.

Professionally, he has been promoted internally due to his outstanding performance; and he is expected to continue growing and building a career in IEnova. Guillermo went from being a Construction Coordinator to a Project Site Inspector. He later became a Maintenance Assistant in the Operations area and was subsequently responsible for successfully following up on the NOM-001 audit.

Currently, he is a Measurement Coordinator and is also responsible for three of the Elements of the Health and Safety Management System in the Ojinaga - El Encino Pipeline:

- 1) Health and Safety Commission
- 2) Emergency Preparedness and Response Planning
- 3) Installations

Guillermo is a living example of how culture and values shape IEnova.

HEALTH AND SAFETY

[103-2, 403-1, 403-2, 403-4, 403-6, 403-9]

IENOVA'S PHILOSOPHY IS BASED ON THE COMMITMENT TO WORK FOR HEALTH AND SAFETY DAY IN AND DAY OUT

Energía Sierra Juárez Wind Farm



"An organization's health and safety is shaped every day - in every asset, in every department, at every meeting and with every decision. It is determined by teamwork. At IEnova, we are all part of that team."

REMIGIO AGRAZ
Senior Manager of Health and Safety

At IEnova we have the obligation to guarantee that work spaces and the situations to which employees are exposed comply with regulatory requirements, international standards and our health and safety policies.

That said, we work continuously to strengthen our Health and Safety Management System, because we are determined to continue improving our accident and incident rates. We spare no effort to guarantee the health and safety of our employees.

HISTORICAL SAFETY INDICATORS¹

	Reported Incidents	Worked Hours	TRIR ²	Lost Time incidents	LTAR ³	DAFW ⁴
2014	42	6,001,547	1.40	26	0.87	434
2015	26	4,091,821	1.27	12	0.59	318
2016	30	7,839,813	0.77	11	0.28	559
2017	20	6,914,334	0.58	6	0.17	158
2018	19	6,535,891	0.58	6	0.18	194
2019	17	12,779,549	0.27	9	0.14	332

Our 2019 TRIR target was 1.98 and the LTAR 1.50.

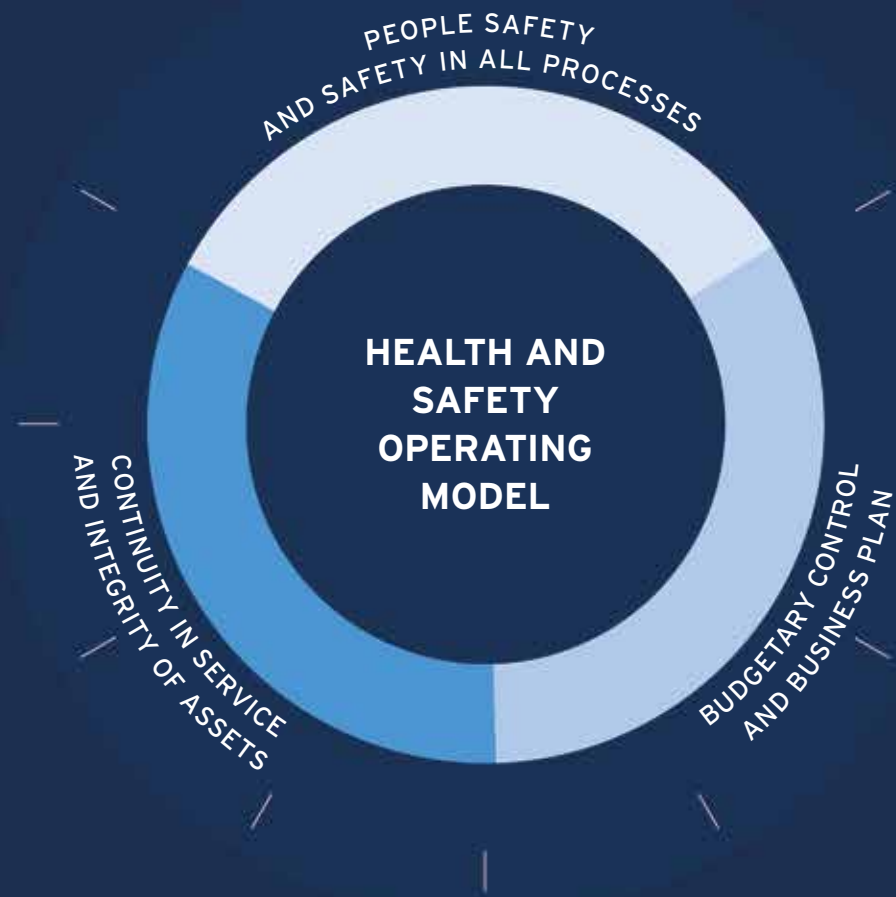
We recorded zero work-related employee or contractor fatalities. These results were possible thanks to our employees' participation in initiatives that impact our Health and Safety, and to our alignment with our operating model which includes different Elements focused on the continuous improvement of tasks, facilities and processes in order to identify and prevent hazards.

¹ These figures include information from both IEnova's employees and the Company's strategic partners (contractors).
² TRIR: Total Recordable Incident Rate.
³ LTAR: Lost Time Accident Rate.
⁴ DAFW: Days Away From Work

HEALTH AND SAFETY

MANAGEMENT MODEL

[103-2, 403-1, 403-2, 403-4, 403-6, 403-9]



ECOGAS Chihuahua

“At IEnova safety is absolute
- it is part of our work
culture”.

JESÚS CÓRDOBA,
Chief Engineering &
Construction Officer

OUR MANAGEMENT MODEL

[103-2, 403-1, 403-2, 403-4, 403-6, 403-7, 403-9]

We have structured various documents on Health and Safety, such as¹:

- Occupational and Process Safety Policy;
- Occupational Health and Wellness Policy;
- Elements of the Health and Safety Management System Manual; and
- Safety and Health Principles Manual.

These documents are mandatory and serve as framework for our employees and contractors. They depict the guidelines and the permitted actions to guarantee that our operations remain safe and reliable. Based on these documents, site-specific procedures and guidelines have been developed.

Some of the lines of work that are included in our policies, manuals and procedures consider:

- Identification of hazards that could affect the health and safety of employees.
- Provision of tools and initiatives aimed at improving the well-being of employees.
- Promotion of a favorable environment that prevents negative impact situations in terms of employee health and safety.
- Compliance with laws and regulations related to these matters.
- Guarantee safe working practices and establishment of preventive measures.

Our Policies, Manuals and Procedures evolve through continuous improvement processes and with the capture of lessons learned. Said documents are reviewed and updated annually.

In addition to the above-mentioned practices, we carry out Safety Stand Downs in our Construction assets. Through these Safety Stand Downs we echo the Company's priorities in this area by opening a communication channel where our employees and contractors are invited to make all kinds of suggestions and comments regarding how they believe we may improve our health and safety at work. This process is carried out at least every 3 months for each project.

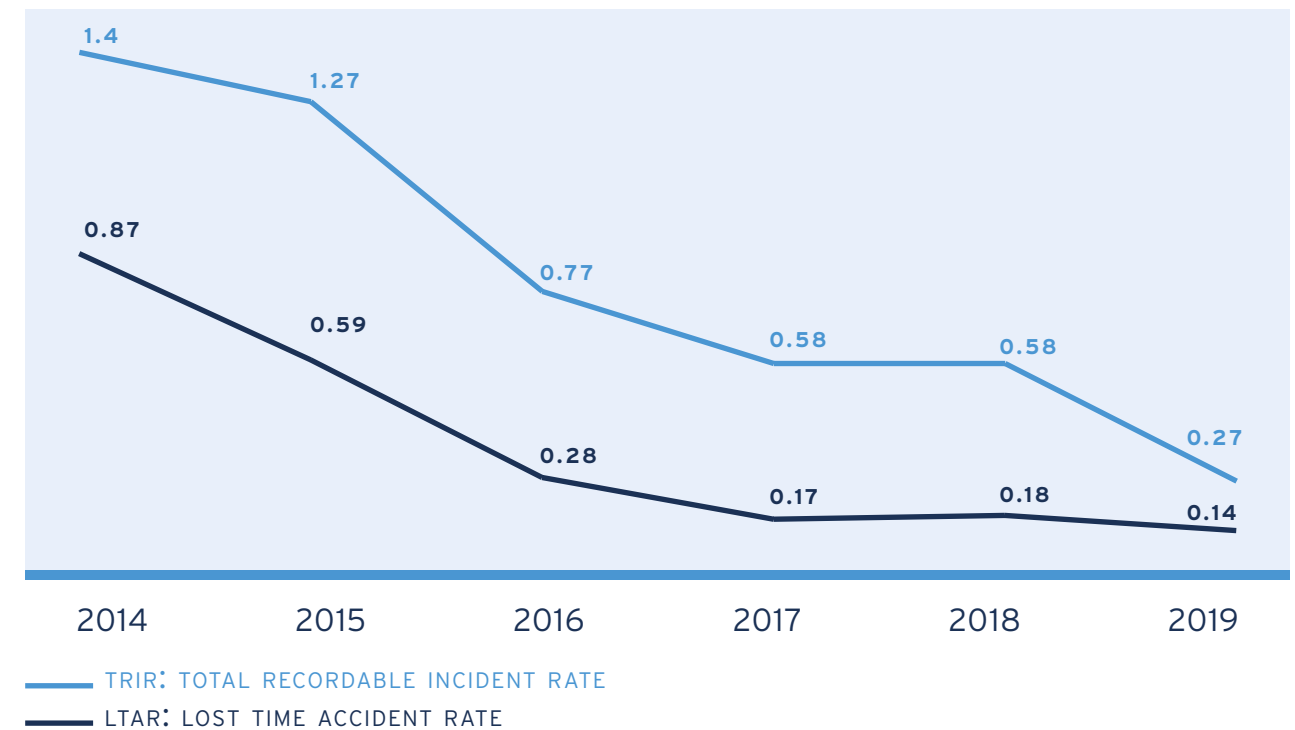
We are conscious of our business relations with clients, contractors and suppliers. In order to mitigate our personnel's risks where we do not have direct control over the work or workplace, we make sure that our contractual agreements set out clearly what our health and safety expectations are. We are also open to listening to their views and concerns, and to maintaining dialogue with them. In order to mitigate our personnel's risks of handling some products, we get involved in both the definition as of how the shipment, storage and transport of some materials ought to be made; and, in the formalization of the rules-to-follow when a product is received or unpacked. With our clients, we introduce our health and safety requirements for them to validate before we perform any kind of intervention in their facilities.

HEALTH AND SAFETY PERFORMANCE

[403-9]

Our results in health and safety show the permanent commitment of our employees in this respect.

TRIR AND LTAR OVERVIEW



¹ These documents are all aligned with our Internal Labor Bylaws and with our Code of Ethics and several policies and procedures developed specifically to achieve a zero-accidents operation. We operate in strict compliance with the Official Mexican Standards, the Federal Labor Law, the Social Security Law, as well as other applicable regulations. All these documents are available on our website: <https://ienova.com.mx/politicas.php?l=en>

HEALTH AND SAFETY PROGRAMS

[403-3, 403-4, 403-5, OG13]

We have developed a health and safety performance measurement system that is used to evaluate each of our assets. It works as a proactive indicator that incorporates the elements of the management system with which the expectations reached are evaluated using a numerical scale. To monitor the operation of this process, the Champions carry out a quarterly self-assessment and an annual cross-check process in which all work centers are included.

This system is made up of 40 performance indicators which allow the performance level of our sites to be presented on a scale of 0 to 5.

521
CHAMPIONS
VS. 355 IN 2018

23
CROSS
VERIFICATIONS

We identified that 28% of all incidents in 2019 were related to the use of vehicles. Hence, the *Vida al Volante* (Life at the Wheel) program was created.

AS A RESULT OF OUR HAZARD IDENTIFICATION MECHANISM, THE *VIDA AL VOLANTE* PROGRAM WAS CREATED

VIDA AL VOLANTE (LIFE AT THE WHEEL)

This is a drive-safe campaign launched in November 2019 in all our business units. Its objective is to raise awareness among our employees and their loved ones about the avoidable dangers that exist when driving, such as distraction and fatigue.

We developed:

- A video to raise awareness of the dangers of distraction behind the wheel.
- An avatar and logo to identify the initiative.
- An internet site that seeks to involve our employees and contractors in making commitments to driving safety.
- Event and group activities to share information.

We received over 800 commitments in the first month of the program.

FAMILY DAY

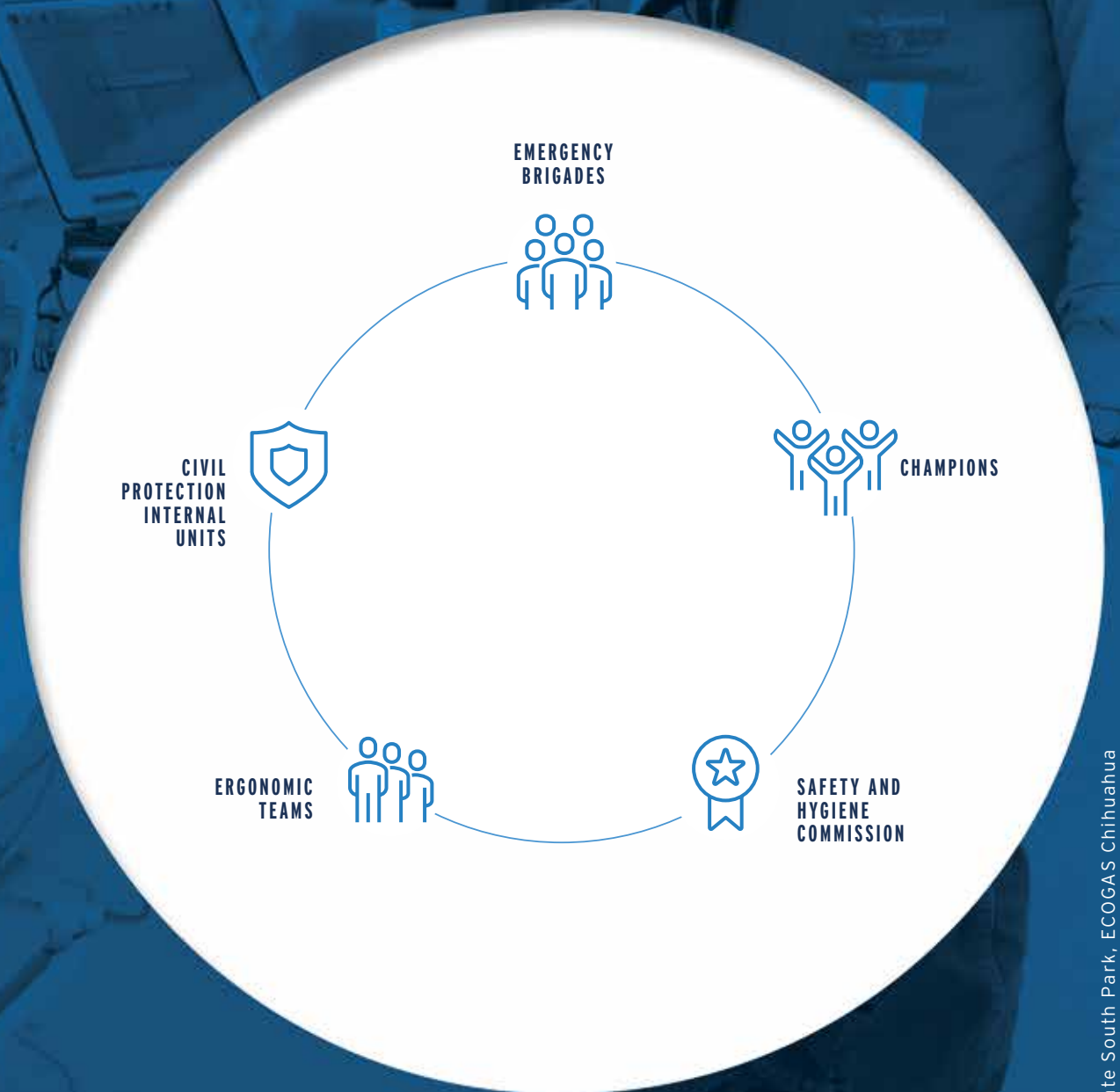
For the sixth consecutive year, we celebrated Family Day at IEnova, an initiative intended to raise awareness among our employees and their families as to the importance of health and safety, both at work and at home.

These events, to which different federal and local organizations are invited, including the Mexican Red Cross and the Firefighters Department, are held outside business hours. During the events, our teams learn about first-aid and home safety practices.

12
FAMILY EVENTS IN
DIFFERENT LOCATIONS

2,500
ATTENDEES

We have health and safety committees and working teams that operate on our assets. In these efforts, 667 employees participated and were divided into the following groups:

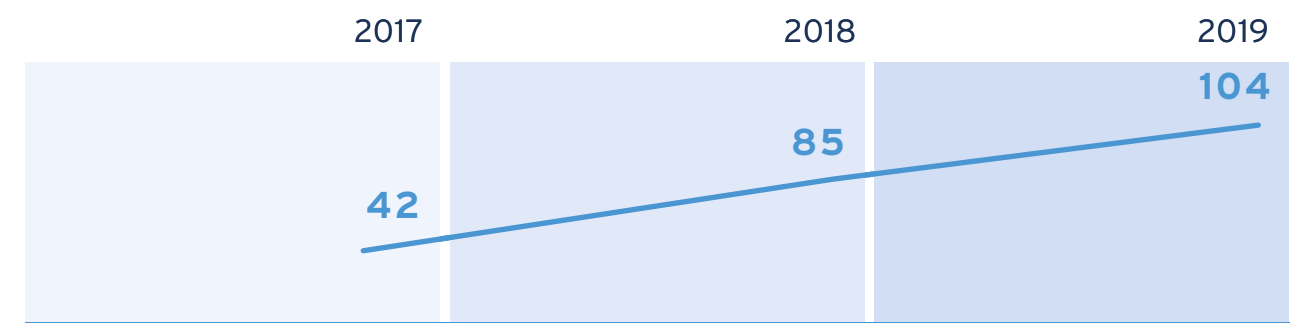




As a best practice and in line with indications from both Civil Protection and the Ministry of Labor and Social Welfare (STPS), we practice drills that allow us to identify what to do and how to react in case of emergencies that result from our operations, or ones that derive from external factors such as natural phenomena. In 2019 we carried out a total of 104 drills, out of which 30 included the participation of Civil Protection, Firefighters or Red Cross units.

We also carried out more verifications and audits to continue to strengthen our results in terms of health and safety. This year we increased our internal checks by 131% compared to last year's.

DRILLS BY YEAR



VERIFICATIONS BY YEAR

	2017	2018	2019
INTERNAL	148	145	335
EXTERNAL	33	43	42
TOTAL	181	188	377

HEALTH AND SAFETY TRAININGS

[103-2, 403-5, 404-1, 404-2]

To reinforce a culture of prevention, we offer training plans in health and safety. With these, we managed to increase the hours taught in 2019 by 211% in relation to last year. This was achieved with the deliverance of 1,106 courses on topics including fire safety, electrical safety, storage and handling of hazardous materials, emergency response, ISO 45001, and occupational ergonomics.

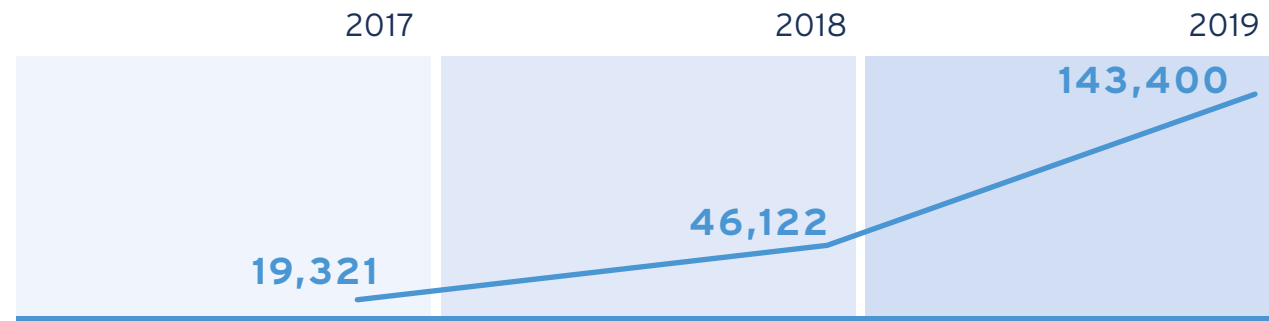
143,400*
HOURS

14
TRAININGS AND COURSES
IN HEALTH AND SAFETY

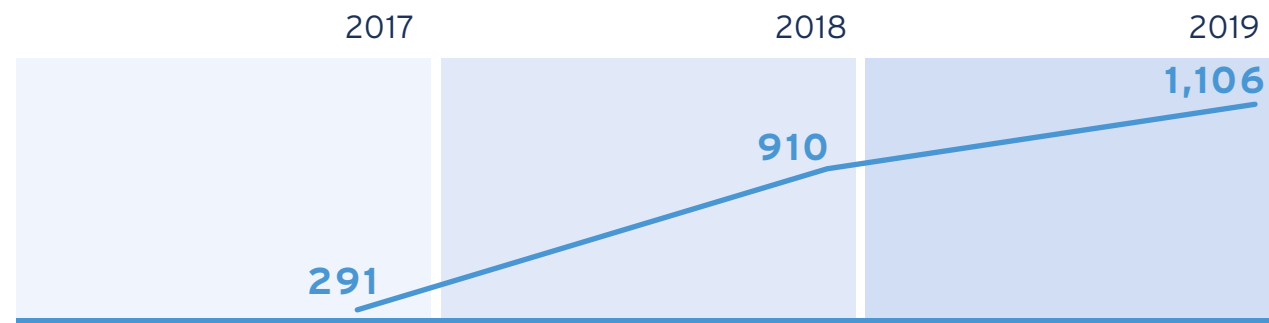
1,077
EMPLOYEES

211%
MORE HOURS
THAN LAST YEAR

HEALTH AND SAFETY TRAININGS HOURS



NUMBER OF HEALTH AND SAFETY TRAININGS AND COURSES



* This includes 140,703 of classroom courses and 2,697 of online courses.

HEALTH AND SAFETY CERTIFICATIONS

HEALTH AND SAFETY LEADERS TRAINING PROGRAM

In 2019, we created the Health and Safety Leaders Program, which aims to provide training in 14 different health and safety topics to employees who were named leaders in these matters for each asset.

With this program we aim to:

- Provide knowledge on health and safety.
- Standardize a baseline of processes and knowledge.
- Promote in-house training programs.

With a **USD\$200,000** investment, we delivered **8,416 training hours** in 28 modules to 279 employees with the collaboration of 9 internal instructors and 5 external ones.

Some of the taught modules were:

- Administration in Process Safety
- Occupational ergonomics
- Security analysis of the process
- ISO 45001 Lead Auditor

In order to maintain our processes of continuous improvement, we seek to obtain certifications that validate, with both national and international standards, our performance on Health and Safety.

Some of the certifications that we have and stand out include:

- Safe Company Certificate, Occupational Health and Safety Self-Management Program (PASST) of the Ministry of Labor and Social Welfare (STPS); and the
- ISO45001 standard (formerly OHSAS 18000)

With regards to PASST, we have certified the following:

- TDM - Termoeléctrica de Mexicali - Level I
- DEN - Dr. Arroyo Compression Station - Level I
- DEN - Villagrán Compression Station - Level I
- GDN - Los Ramones Compression Station - Level I
- IGM - IEnova Gasoductos México - Level II
- ECOGAS Chihuahua - Level II
- ECOGAS La Laguna-Durango - Level III
- ECOGAS Mexicali - Level III
- ECA - Energía Costa Azul - Level III
- TGN - Transportadora de Gas Natural - Level III

Other assets that are in process of being evaluated or receiving the certificate are:

- In Baja California, Algodones (GRO) and Energía Sierra Juárez (ESJ)
- In Tamaulipas:
 - GDN - Frontera Compression Station
 - GDT - El Caracol Compression Station
 - GDT - Los Indios Compression Station

Regarding the ISO 45001 or OHSAS 18001 Certification, we have the following certificates:

- Energía Costa Azul (ECA)
- Engineering and Construction
- Termoeléctrica de Mexicali (TDM)
- Energía Sierra Juárez (ESJ)
- ECOGAS Mexico
- GRO - Rosarito Pipeline
- GAP - Aguaprieta Pipeline
- Transporte Oeste, which includes:
 - Transportadora de Gas Natural de Baja California (TGN)
 - Rosarito Pipeline (GRO)
 - IEnova Gasoductos México (IGM)
 - Aguaprieta Pipeline (GAP)

Energía Costa Azul (ECA) is also certified under ISO 22301 - Business Continuity Management System.

“Having safe and reliable operations for our employees is, and always will be, our priority at IEnova.”

JUAN RODRÍGUEZ,
Chief Natural Gas Operating Officer

A SUCCESS STORY

MONTERREY OPERATIONS CONTROL CENTER

Service continuity and asset integrity are basic to our operating model; therefore, and in line with the best international practices, we built an Operations Control Center to monitor our assets.

This center operates with cutting-edge technology so that we may monitor in real-time how our infrastructure is functioning. Thanks to this Center, we have been able to reduce our response times to any possible operational incidents by up to 50%.

We rely on an alarm system that generates real-time reports of what needs to receive maintenance. Actions like this not only improve our health and safety performance, but also make our operations more efficient and result in savings.

Our Operations Control Center together with our health and safety operating model are the result of a successful strategy that seeks to constantly improve our performance in this area.

SUPPLY CHAIN

[102-9, 203-2, 204-1, 408-1, 409-1, 414-1]

At IEnova we have the objective of developing a sustainable supply chain. We are aware of the responsibility that we have in selecting each of our suppliers and, therefore, we have created a series of processes, policies, procedures and evaluations that allow us to form strategic alliances with the highest technical standards.

IEnova's supply chain strategy is divided in two phases:

Phase 1: Compliance with minimum requirements:

- Purchasing Policy
- Code of Ethics
- Supplier Conduct Guidelines

Phase 2: Compliance with sustainability requirements:

- Evaluation of critical suppliers
- Sustainability assessment
- Sustainability action plan for suppliers

PHASE 1: MINIMUM REQUIREMENTS

All those involved in the process of contracting goods and services, including suppliers must comply with our Purchasing Policy (https://ienova.com.mx/pdf/english/Purchasing_Policy.pdf), which establishes the requirements for legal compliance and prioritizes technical, regulatory and quality elements, costs and times, with the aim of maximizing our operational value.

Additionally, with respect to ethics, all our suppliers must:

- Be familiar with our Code of Ethics and act accordingly; and
- Understand the Suppliers Conduct Guidelines (<https://www.ienova.com.mx/pdf/english/Lineamientos-IEnova.pdf>) which cover topics such as:

- Environmental standards
- Child labor
- Human rights
- Working conditions
- Remuneration
- Occupational health and safety
- Business ethics

Under no circumstances do we allow violations of the aforementioned documents or processes. We have a zero-tolerance policy against any act of:

- Forced labor
- Child labor
- Corruption
- Discrimination
- Human Rights Violations

PHASE 2: SUSTAINABILITY REQUIREMENTS

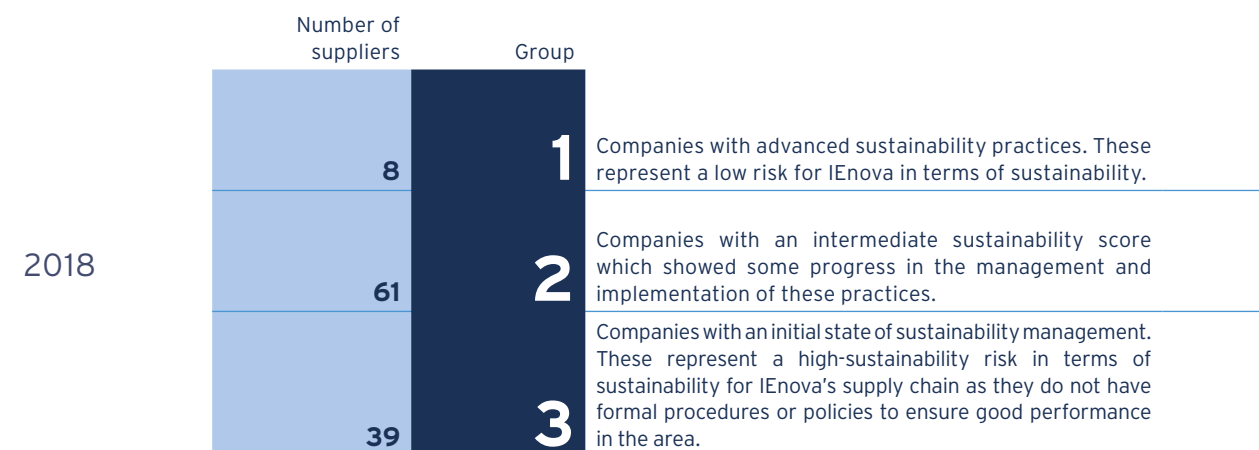
As part of our process for contracting goods and services, we classify our suppliers each year. For those categorized as critical, we conduct biannual compliance assessments that include sustainability matters such as child labor, fair remuneration practices, occupational health and safety. If we identify a supplier's need for improvement in a particular aspect, corrective plans are designed accordingly.

To define our critical suppliers, we have built an evaluation procedure that considers criteria such as: materials volume, components, critical services, and irreplaceable suppliers, among others.

In 2018 we identified a group of 223 critical suppliers. We applied a sustainability survey to this group, which includes 27 KPIs on aspects such as:

- Environment
- Ethics
- Climate change
- Social responsibility
- Human rights
- Compliance with applicable laws
- Proactivity in the demanding of sustainability criteria for their own suppliers

Out of the 108 responses we got, we classified our suppliers into the following three groups:



As part of our commitment to the sustainable development of our supply chain, we strive to ensure that all our suppliers have high standards of sustainability and, in turn, allow us to replicate the positive impacts of our sustainable culture to all stakeholders.

As a result, in 2019 we created action plans for the 39 suppliers that were identified in Group 3 with the aim of supporting them in the improvement of their practices in this field. We met with these suppliers and worked together on the implementation of the action plans. 19 of these suppliers managed to improve their sustainability assessments, allowing them to reduce their risk levels and move to Group 2.

We are currently working with the remaining 20 suppliers to improve their sustainability standards.

In 2020, a procedure to identify critical, second-tier suppliers (those who supply products or services to our own suppliers) will be developed, in order to assess them in terms of sustainability as well. We will apply the biannual survey to both first and second-tier suppliers and we will develop a recognition scheme for good sustainability performance in our supply chain.

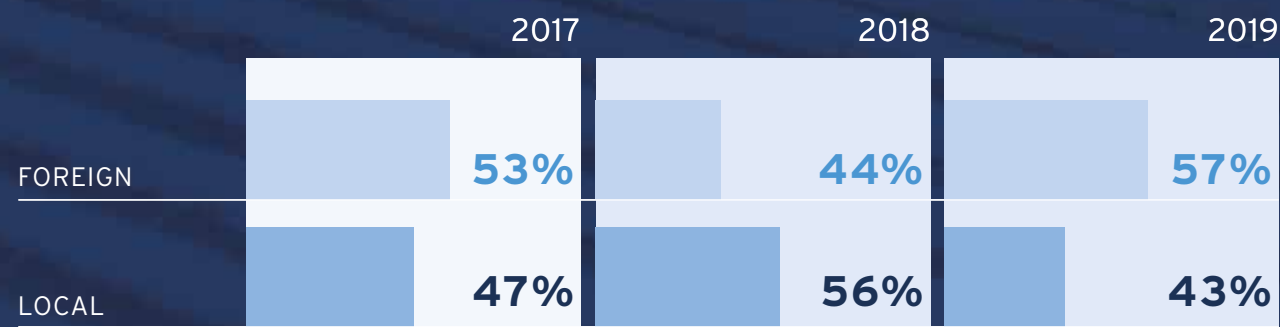
OUR SUPPLY CHAIN:
KEY FIGURES

[102-7, 102-10, 203-2, 204-1]

2,020
 SUPPLIERS IN OUR
 SUPPLY CHAIN

2,662
 INDIRECT JOBS
 VS. 2,200 IN 2018

GEOGRAPHICAL DISTRIBUTION
 OF OUR SUPPLIERS



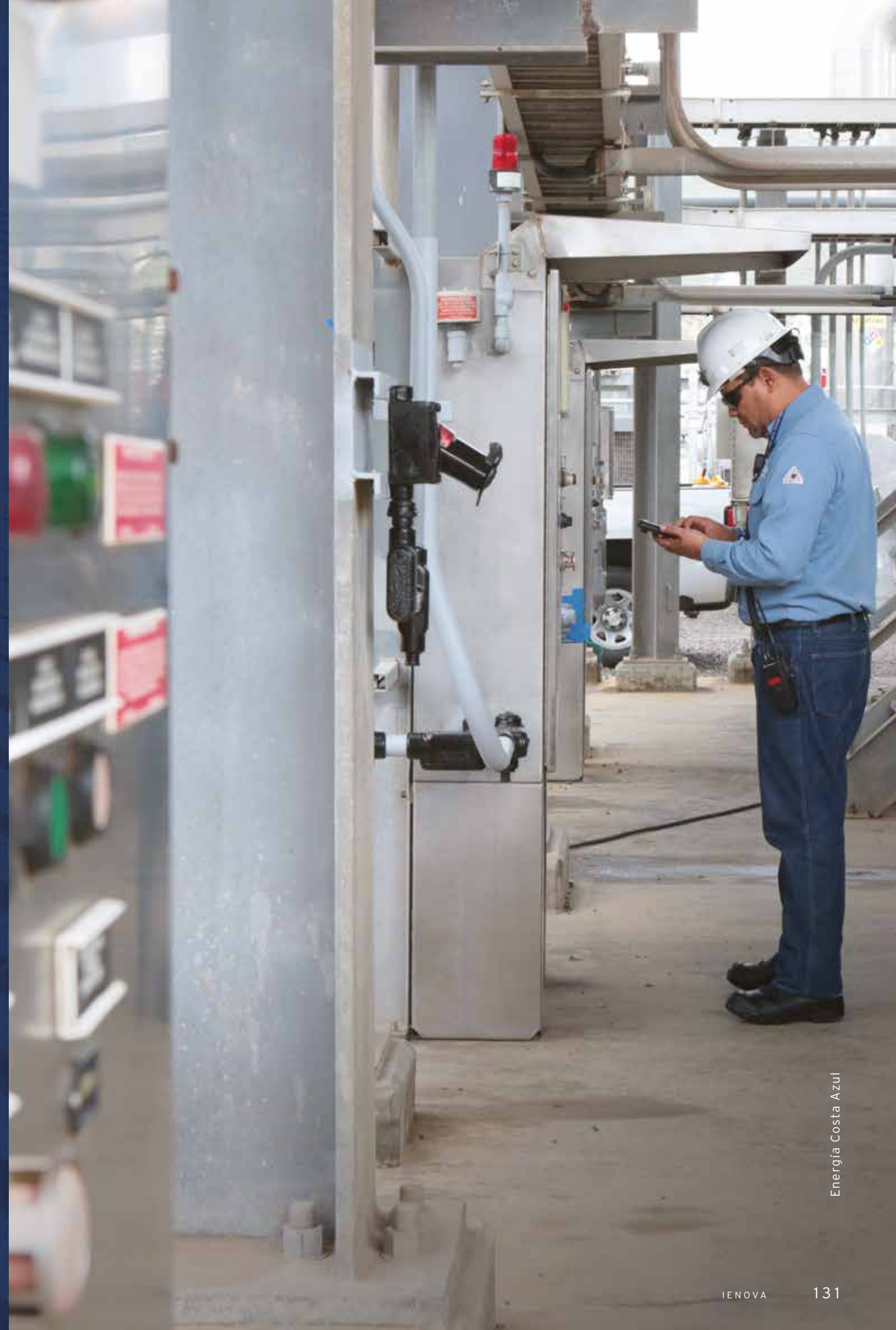
Local refers to sourced in Mexico.

SUPPLIERS' VALUE DISTRIBUTION IN 2019

USD\$352 MILLION
 LOCAL

USD\$464 MILLION
 FOREIGN

THE ACTIVITIES OF OUR SUPPLIERS
 ARE FOCUSED MAINLY ON:
 MATERIALS, TECHNOLOGY AND SERVICES



Energía Costa Azul

COMMUNITIES

[203-1, 413-1]

At IEnova we are committed to developing, building and operating energy infrastructure that contributes to the economic, social and environmental development of communities in Mexico.

We are aware of the importance of communicating effectively with our communities in order to truly understand them. For this reason, we have a Social Management System based on dialogue and attention to the community that allows us to make commitments that lead to mutual benefits.

“For IEnova, having a good relationship with our communities is vital. We seek to truly understand their needs and concerns in order to offer social projects that result in positive impacts.”

CRISTINA KESSEL
Director of Sustainability
and Corporate Communications



- Pre-Feasibility Studies
- Community Relations and Liaison with Stakeholders Procedure
- Procedure for the Grievance Mechanism (MAC)
- Procedure for Social Impact Evaluations
- Social Investment Procedure
- Procedure for Communities and Indigenous People
- Procedure for Land Management



Riberas School, Promesa Educativa, Chihuahua



Casa Hogar del Anciano de Ensenada, Nursing Home

ATTENTION AND DIALOGUE

[413-1]

It is our priority to understand the social and economic needs of the communities with whom we interact.

An important element for achieving this is the **Social Impact Assessment** which allows us to understand the actions that must be implemented in order to guarantee the sustainability of each of our projects.

In addition, we have a **Community Grievance Mechanism**, which collects (via different channels) the interests and concerns of the communities with whom we interact in order to identify the areas to be addressed.

This year, as part of our materiality assessment we identified that, from the perspective of local authorities, the communities' main concerns are their economic development and the generation of local employment.



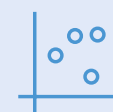
1. Environmental impact assesment (MIA)



2. Social impact assesment (EVIS)



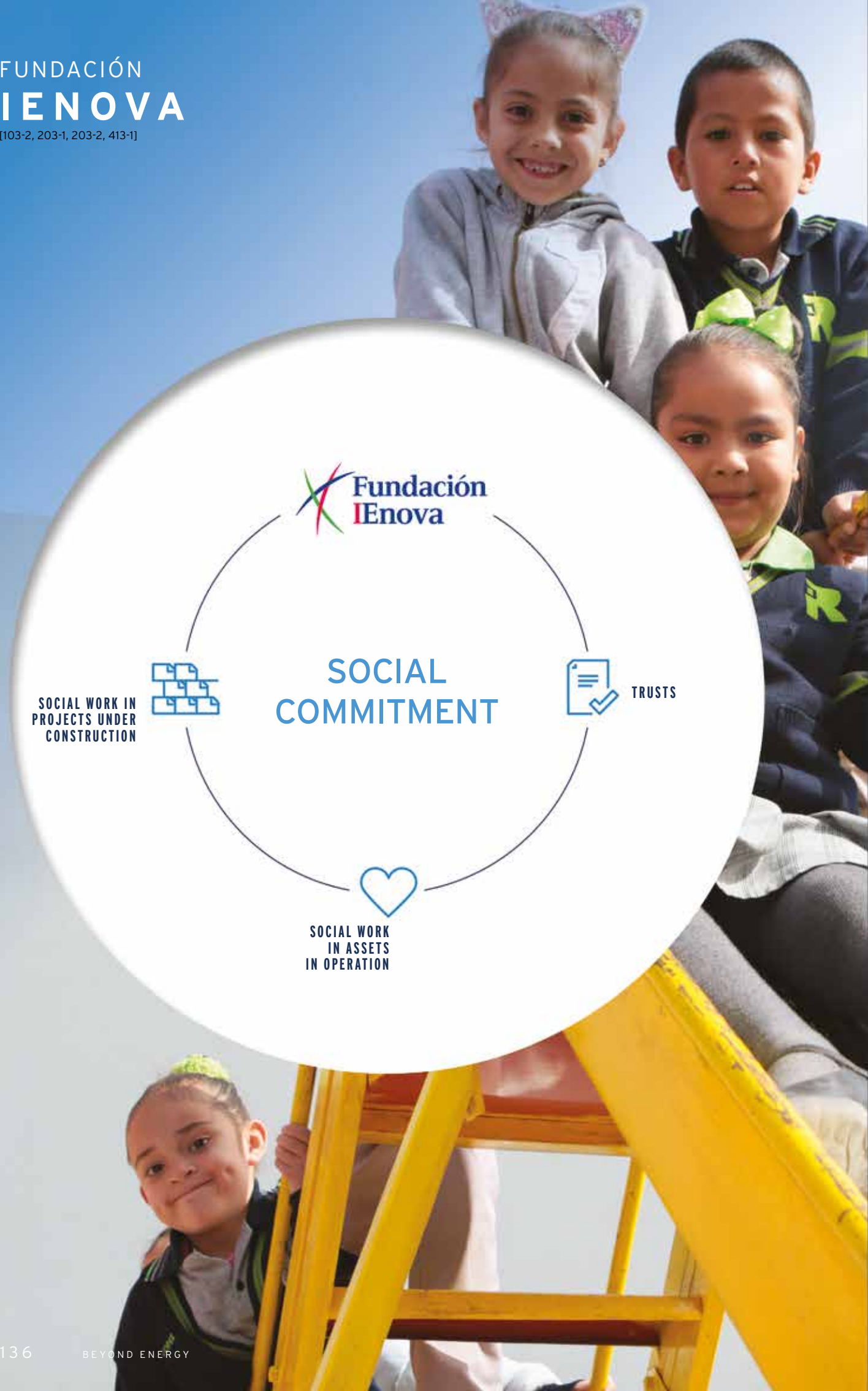
3. Community grievance mechanism (MAC)



4. Compare results with those of the materiality assesment



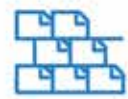
5. Mapping of the results of the perceptions, risks and concerns of each community where we operate



Fundación
IENOVA

**SOCIAL
COMMITMENT**

SOCIAL WORK IN
PROJECTS UNDER
CONSTRUCTION



TRUSTS

SOCIAL WORK
IN ASSETS
IN OPERATION



We are committed to transforming lives by supporting organizations and programs that contribute to the development of the communities to which we belong. We focus on sponsoring projects that offer mid- to long-term benefits to the communities in four areas:



EDUCATION

Educational scholarships for talented university-level students who need economic assistance to continue their studies.



ENVIRONMENT

Infrastructure improvements focused on supplying electricity from clean resources to homes and centers that offer support to vulnerable groups.



**VULNERABLE
GROUPS**

Infrastructure improvements in foster homes and centers that provide assistance to vulnerable groups.



**COMMUNITY
SERVICES**

Integral care for children with cancer.

CONTRIBUTION BREAKDOWN PER AREA OF GIVING

19%

29%

21%

31%

THROUGH THE FOUNDATION, IN
2019 WE GRANTED DONATIONS TO

24
ORGANIZATIONS

35
PROJECTS

250,000
BENEFICIARIES

11
STATES
OF MEXICO

FROM 2015 TO 2019, FUNDACIÓN IENOVA'S DONATIONS GRANTED TO THE COMMUNITY AMOUNTED TO
USD\$3.3
MILLION

IN 2019, 212 OF OUR EMPLOYEES PARTICIPATED IN THE CORPORATE VOLUNTEERING PROGRAM, WHICH IS EQUIVALENT¹ TO
USD\$30,719

IMPACT OVERVIEW
PER GIVING AREA

EDUCATION	2017	2018	2019	TOTAL
PROJECTS	6	6	8	20
AMOUNT GRANTED (USD)	\$152,009	\$385,141	\$244,743	\$781,893
ENVIRONMENT				
PROJECTS	2	1	8	11
AMOUNT GRANTED (USD)	\$53,204	\$24,578	\$364,999	\$422,781
VULNERABLE GROUPS				
PROJECTS	12	10	11	33
AMOUNT GRANTED (USD)	\$192,994	\$160,890	\$258,046	\$611,930
COMMUNITY SERVICES				
PROJECTS	8	7	8	23
AMOUNT GRANTED (USD)	\$356,084	\$117,632	\$390,412	\$864,127
SUPPORT TO ORGANIZATIONS	2017	2018	2019	
ORGANIZATIONS SUPPORTED	18	12	24	54
AMOUNT GRANTED (USD)*	\$754,290	\$688,241	\$1,258,200**	2,700,731

In 2019 we carried out a study to understand how our actions contribute to the Sustainable Development Goals (SDGs). This will help us establish goals, objectives and indicators to accurately measure our impact.



- In education, our projects are aligned with SDGs 4, 8 and 10 related to quality education, decent work, economic growth and the reduction of inequalities.







- In vulnerable groups, our projects contribute to SDGs 1, 4 and 11 related to ending poverty, decent work and developing sustainable cities and communities.







- In the environment, our projects contribute to SDGs 3, 7 and 13 related to health and wellness, affordable and clean energy, and climate action.







- In the community services sphere, our projects contribute to SDGs 1, 2 and 3 related to ending poverty, the zero hunger goal and the goal of health and well-being.





During 2019 we held 16 events under our Corporate Volunteer Program that benefitted boys and girls from vulnerable groups with 800 in-kind donations. These events took place in seven states around the country and included the participation of around 200 volunteers.

* This includes in-kind donations.
** This includes in-kind donations, equivalent to USD\$26,367.

¹ Monetary value of the time devoted by participating employees in the corporate volunteering events in 2019 during working hours. Fundación IEnova's Results Report can be viewed and downloaded at: <https://www.ienova.com.mx/fundacion.php?l=en>



Riberas School, Promesa Educativa, Chihuahua

TRUSTS

We have certain Trusts linked to our main projects, both underway and in the pipeline, aimed at promoting and supporting the development of social work.

To promote accountability and facilitate synergy between the Company and the State, or between the Company and our different stakeholders, we work through Trusts governed by technical and advisory committees that ensure good internal controls and promise greater social impacts due to their balanced integration.

We have the following Trusts with their respective members (committees) who are in charge of monitoring the total budget managed by each one:

- **Ensenada:** Technical Committee and Advisory Committee with the participation of citizens, academics, private sector and health sector representatives, experts in economic development and conservation of the City of Ensenada, the local government authority and representatives of IEnova.

Total budget: USD\$7 million
Amount granted in 2019: USD\$384,319

From its foundation in 2004 to the end of 2019, 27 projects have been supported and USD\$4.98 million have been invested in equipment, improvement and infrastructure projects, benefitting more than 360,000 inhabitants.

- **San Isidro-Samalayuca:** IEnova, Government of the State of Chihuahua and CFE. Amount granted in 2019: USD\$10,630

Since the constitution of the trust in 2015 until December 31, 2019, 20 projects have been supported and USD\$851,952 have been invested in Cd. Juárez, San Isidro and Samalayuca, benefitting around 8,800 inhabitants directly and 22,800 inhabitants from said communities, indirectly.

- **Ojinaga-El Encino:** CFE, State government and IEnova. Amount granted in 2019: USD\$355,990

From the day it was constituted in 2015 to December 31, 2019, 33 projects have been supported and USD\$2.36 million have been invested in the municipalities of Chihuahua, Aquiles Serdán, Rosales, Aldama, Coyame and Ojinaga, directly benefitting around 29,900 inhabitants, and 18,400 indirectly.

The San Isidro-Samalayuca and Ojinaga - El Encino trusts ended in 2019. Our social contribution in these districts will continue through Fundación IEnova and the project-assigned funds.

¹ This includes the donations granted by Fundación IEnova, the social work of the Ethane Pipeline, Energía Sierra Juárez and Los Ramones Norte Pipeline, as well as the projects under construction and the Ensenada, Sonora, Ojinaga-El Encino and San Isidro - Samalayuca Trusts.

A SUCCESS STORY

WE SHARE VALUE THROUGH OUR BUSINESS MODEL

At IEnova we aim to provide clean and efficient energy. For this reason, one of the priority projects of Fundación IEnova is “Infrastructure improvements focused on supplying electricity from clean resources to foster homes and centers that offer support to vulnerable groups”. In 2019, donations for the use of solar energy were allocated to seven projects amounting to USD\$338,752.

We installed energy kits in 15 grocery stores in the Yaqui communities in Sonora, Mexico, which included solar cells, energy saving light bulbs, and solar refrigerators to help beneficiaries reduce their energy consumption without overlooking the quality of their products.

From 2017 to 2019, Fundación IEnova has installed a total of 576 solar panels in the country, benefiting educational institutions, homes for the elderly, foster homes and assistance centers for vulnerable groups. The savings resulting from electricity consumption allow institutions to focus resources on their social purpose.

Riberas School, Promesa Educativa, Chihuahua

SHARED SOCIAL VALUE

[102-7. 201-1]

The economic value that we generate as a company has been shared with different IEnova stakeholders based on our social commitment. Figures are presented below.

FIGURES IN THOUSANDS OF US\$

	2017	2018	2019
Economic value generated¹			
a) Income	1,222,905	1,368,555	1,379,256
b) Interest Income	22,808	27,449	45,665
c) Income from Asset Sales	0	0	0
d) Direct Economic Value Generated (a+b+c)	1,245,713	1,396,004	1,424,921
Economic value distributed			
e) Operating Costs ²	534,828	600,310	594,594
f) Shareholders ³	200,000	210,000	220,000
g) Taxes and Duties paid	115,013	57,090	119,122
h) Investments in the Community, Environment, Safety, Health and Compliance ⁴	5,751	5,734	6,824
i) Economic Value Distributed (e+f+g+h)	855,592	873,134	940,540
Economic value retained (d-i)	390,121	522,870	484,381

¹ This table was drafted based on the GRI Standards.

² Operating costs exclude depreciation, but include employee salaries and benefits. In 2019 there was a reduction in our operating costs, but not on the salaries paid.

³ Includes dividend pay only.

⁴ Investments in the community include donations made by Fundación IEnova, the social work of the Ethane Pipeline, Energía Sierra Juárez, and Los Ramones Norte Pipeline, as well as contributions from projects under construction, and the Ensenada, Sonora, Ojinaga-El Encino and San Isidro-Samalayuca Trusts.

PROGRESS AND OBJECTIVES

[103-1, 103-2]

✓ REACHED

🕒 IN PROGRESS

PROGRESS 2019

EMPLOYEES

- ✓ We maintained the Great Place to Work certification.
- ✓ We maintained healthy habits in employees by encouraging changes in nutrition and by offering support for gym memberships.
- ✓ We redefined and relaunched IEnova's Mission, Vision and Values.
- ✓ We evaluated working from home proposals based on IEnova's culture, projects and current operations.
- ✓ We made presentations to reinforce work environment and diversity and inclusion projects.
- ✓ We continued the ECOGAS Chihuahua pilot program to integrate people with different abilities, and we will measure the impact and evaluate future phases.
- ✓ We established policies and mechanisms to strengthen internal promotions.

HEALTH AND SAFETY

- 🕒 We either obtained or maintained the Safe Company certificate granted by the STPS in all our operating units during the first 12 months following their start of operations, or after we obtained their operational control.
- ✓ We achieved the goals set for performance in accident rates:
Total Recordable Incident Rate (TRIR): 1.98
Lost Time Accident Rate (LTAR): 1.50
- ✓ We consolidated and disseminated the health and safety culture through internal activities such as Family Day, the Health and Safety Week, and others that were implemented in all our operating units.

SUPPLY CHAIN

- ✓ We reinforced digital communication with our critical suppliers regarding sustainability requirements established in the Purchasing Policy.
- ✓ We informed our suppliers when the Sustainability Report and the Supplier Conduct Guidelines were published.
- ✓ We monitored the corrective actions that our critical suppliers implemented as a result of the sustainability criteria survey applied in 2018.
- ✓ We update and disseminate sustainability criteria in the evaluation procedure for critical suppliers on sustainability issues.

2020 OBJECTIVES

- Maintain the Great Place to Work certification.
- Define quantitative indicators (monetary or non-monetary) for training and development programs, which allow us to measure business impact (for example engagement, turnover, efficiency, income, savings, etc.).
- Strengthen healthy habits in employees, maintain current programs, monitor their effectiveness and update when needed.
- Develop training on Diversity and Inclusion to strengthen our employees' culture on the subject.
- Analyze our operating conditions and evaluate the costs of having the necessary infrastructure that would allow us to safely integrate people with disabilities to ECOGAS Chihuahua.
- Obtain or maintain the STPS Safe Company certificate (self-managed) and/or ISO45001 Certification in all operating units during the 12 months following their start of operations or after we gain their operational control.
- Achieve the goals set on performance in accident rates:
 - Total Recordable Incident Rate (TRIR): 1.88
 - Lost Time Accident Rate (LTAR): 1.42
 - Make sure that investigation reports for of each event are made in order to ensure that analyses are made and lessons are learned.
- Consolidate the 2020 Leadership Program with 11 specialty topics, 2 rounds and 400 participants.
Implement a program of activities aimed at improving the well-being of the employee (with topics such as good sleep, labor stress and psychosocial factors, nutrition, sports activities, etc.).
- Send our sustainability requirements established in the Purchasing Policy to all of our critical suppliers every year.
- Develop a procedure to identify all our critical, second-tier suppliers (those that supply products or services to our current suppliers).

PROGRESS AND OBJECTIVES

[103-1, 103-2]

✓ REACHED

🕒 IN PROGRESS

PROGRESS 2019

SUPPLY CHAIN

✓ We prepared a development plan with suppliers (phase I).

COMMUNITY RELATIONS

✓ We prepared public versions of the monitoring reports on the Social Impact Assessments (EVIS).

✓ We monitored the implementation of the prevention and mitigation measures suggested in the Social Impact Assessment.

✓ We maintained the operation of Fundación IEnova in compliance with all applicable administrative, accounting, tax, and anti-money laundering practices and regulations, and expanded the number of states where the Foundation is present.

✓ We carried out a study that correlated the Fundación IEnova's activities with the Sustainable Development Goals of the UN.

✓ We implemented quarterly monitoring of projects supported by Fundación IEnova on a web platform that included result and impact indicators.

2020 OBJECTIVES

Develop a supplier recognition scheme for good sustainability performance.

Include specific sustainability requirements in the selection of suppliers.

Apply the biannual sustainability survey to all our critical suppliers (first and second level).

Implement, in conjunction with the Talent and Culture Management area, in the Projects that begin execution in 2020, an Occupational Health and Safety Plan that contains the prohibition of hiring minors and avoid conditions that generate forced labor.

Work with the Social Management and Supply Chain Commission to define a goal related to the development of local suppliers (analyze feasibility of implementation in Ensenada).

Share the public versions of the monitoring of the Social Impact Assessments (EVIS) through IEnova website, as well as disseminating printed copies among stakeholders.

Publish the procedures of the Community Grievance Mechanism, Social Investment Plan and Community Relations and Liaison with Stakeholders on the Company's website.

Maintain the operation of Fundación IEnova and ensure compliance with administrative, accounting, tax, and anti-money laundering practices and regulations; and expand the number of states in which Fundación IEnova has a presence vs. the 2019 results.

Refine the methodology for estimating economic indicators for Corporate Volunteering to quantify and monitor them annually.

Complete and implement the Strategic Social Management Plan, which defines guidelines for social projects to be implemented in IEnova's Investment Projects. These guidelines will consider IEnova's policies on social matters, the capacities developed, the emerging requirements for the Social Impact Studies and the corresponding resolutions issued by the authority, as well as the budgetary forecasts to be considered in the Investment Projects.

THE ENVIRONMENT

[103-1, 103-2, 103-2b, 103-2c]

In 2019 we continued to implement our corporate environmental management guidelines that allow us to standardize environmental programs and activities in our different business units. In line with our Environment Policy, these guidelines allow us to improve our performance in terms of the use of natural resources, climate change, waste management and conservation of biodiversity.

WE CREATE VALUE
AT OUR PROJECTS'
SURROUNDINGS

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CLIMATE CHANGE

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GHG EMISSIONS

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BIODIVERSITY

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WATER MANAGEMENT

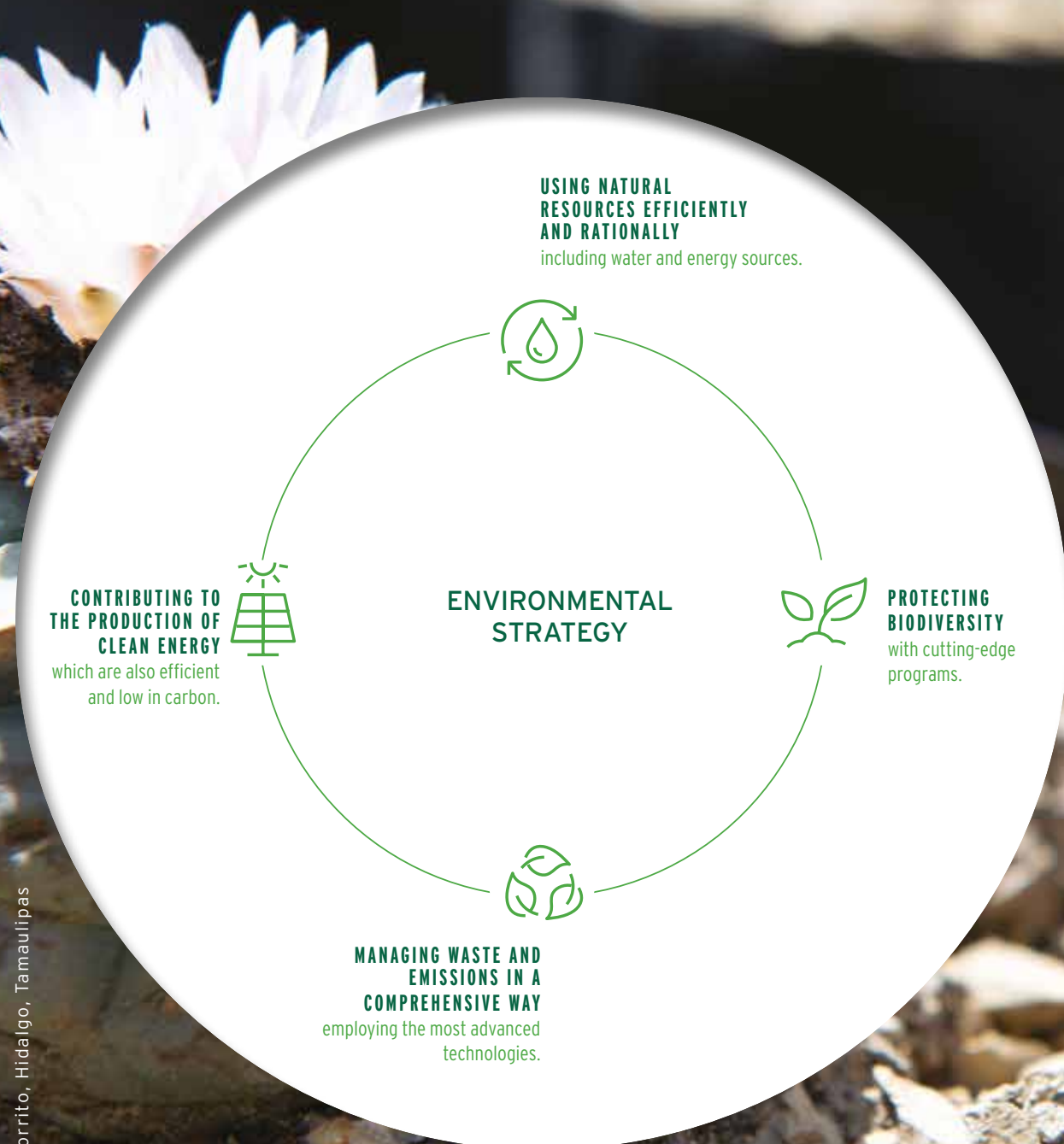
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WASTE MANAGEMENT

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PROGRESS AND OBJECTIVES



ENVIRONMENTAL PILLAR

Our environmental strategy, which includes the communication of our environmental culture among our employees and stakeholders, focuses on:



Nursery El Chorrito, Hidalgo, Tamaulipas

CLIMATE CHANGE

[103-2, 102-15]

OUR IMPACT

As shown by our materiality assessment's results, climate change is highly relevant for IEnova and our stakeholders.

At IEnova we know that we must undertake this issue strategically; therefore, in 2019 we updated our Climate Change Strategy.

Our Climate Change Strategy will work as a guide that will allow us to identify and manage our risks and opportunities derived from climate change.

One of our most relevant contributions towards climate change mitigation is that, during 2019, 31% of our electric power generation came from renewable sources. This helped avoid the emission of 852,701 tCO₂e in the country¹, which is equivalent to 192,246 passenger vehicles kept out of circulation for a year, or 93,152 homes' electricity use for a year.

We supply clean energy to more than 132,000 customers.

- Our solar and wind facilities provide zero-emission electricity to industrial customers and to the electrical grid in Mexico and the United States.
- Our natural gas pipelines and distribution systems allow industrial, commercial, and residential users to access this resource and, therefore, minimize the use of other energy sources such as diesel, LPG, fuel and coal, which contribute significantly to global warming.

In close collaboration with Sempra Energy, we are currently at advanced stages of developing a liquefied natural gas facility, which will allow us to supply this low-carbon energy source to remote communities in Baja California and Baja California Sur, promoting economic development and job creation in this region.

CLIMATE CHANGE STRATEGY

INVESTMENT AND DEVELOPMENT OF ASSETS

Develop infrastructure that strengthens Mexico's energy security and contributes to the transition towards a lower-carbon sector, constantly seeking new market opportunities in this area.

EMISSIONS REDUCTION AND ENERGY EFFICIENCY

Promote GHG emissions reduction projects (Scope 1, 2 or 3) and increase energy efficiency in our processes.

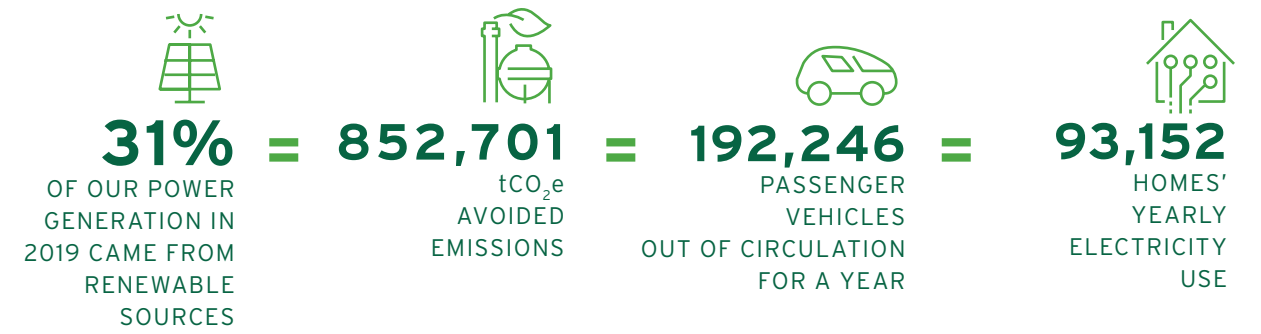
RISK AND OPPORTUNITY MANAGEMENT

Incorporate climate change derived risks and opportunities into IEnova's internal risk and business management.

TRANSPARENCY AND COLLABORATION

Identify IEnova's climate change related impacts and performance and communicate it to relevant stakeholders, in the best possible way. Manage climate change challenges with a collaborative perspective.

¹ Avoided GHG emissions are estimated considering renewable net energy output.



Don Diego Solar Park

RISKS

Our business is subject to environmental standards and regulations that seek to manage and limit industrial GHG emissions in Mexico. Our teams work to anticipate changes in regulation or in the granting of licenses and permits necessary for our operation. We report our GHG emissions while adapting to what is established by the General Law on Climate Change and its Regulations in terms of the National Emissions Registry and its corresponding Agreements. Failure to comply in this matter could result in fines or penalties.

We are aware of the potential consequences of climate change, such as rising sea levels, extreme temperatures, floods and droughts. With this in mind, we are developing a climate change risk assessment in which we analyze the levels of threat, exposure and vulnerability to such risks in our operations through different climate-related scenarios.

Based on this study, we will determine the potential economic impact to our business derived from these risks. The necessary adaptation measures will be defined in order to avoid or reduce negative impacts to our operations as a result of climate change.

OPPORTUNITIES

Our electric power generation mix is in line with the Energy Transition Law, through which the Mexican Ministry of Energy has set the goal of generating 30% of Mexico's power generation from clean energy sources by 2021 and 35% by 2024. Our portfolio of renewables consists of long-term contracts, through which we will supply clean energy at accessible prices to an important variety of clients seeking to reduce their environmental footprint.

At IEnova we strive to be at the forefront of the sector, aligned with market and regulatory conditions that promote clean energy. The Emissions Trading System, which was recently implemented in Mexico, will provide opportunities to develop new projects in forthcoming years.



Energía Sierra Juárez Wind Farm

A SUCCESS STORY

FINANCING A GREEN FUTURE

In 2019 we received our first **Green Loan**, through which we obtained USD\$200 million from two multilateral banks: the International Finance Corporation (IFC), which is part of the World Bank Group, and the North American Development Bank (NADB).

The goal of this environmental initiative is the mitigation of climate change, as it contributes to the global efforts of transitioning towards lower-carbon economies.

The IFC is providing a USD\$100 million loan and it comes from the World Bank's interest in working with leading private sector companies in Mexico to promote climate-smart projects, including the development of non-conventional renewable energy. This is the first IFC financing in Mexico certified by the Green Loan Principles.

The Green Loan Principles are part of a framework that provides guidelines to verify that the loans are being used to support environmentally sustainable economic activity.

The NADB USD\$100 million loan will be oriented completely to the design, construction and operation of our 125 MW_{AC} solar park, Don Diego, located in the municipality of Benjamin Hill, Sonora.

With this project Sonora will become one of the leading solar energy generators in the country and will therefore contribute towards reaching the goal of renewable energy use in Mexico.

"This loan is a firm step towards strengthening our commitment to green projects, and it is the beginning of a journey towards more financing opportunities with multilateral agencies."

NELLY MOLINA
Chief Financial Officer

GREENHOUSE GAS EMISSIONS

[302-1, 302-3, 305-1, 305-2, 305-3, 305-5]

BY 2030, WE AIM TO REDUCE FUGITIVE EMISSIONS FROM OUR NATURAL GAS TRANSMISSION SYSTEM 50% FROM OUR 2015 BASELINE.

SCOPE 1 AND SCOPE 2 EMISSIONS

We are firmly committed to fight climate change. We continually monitor and register our GHG¹ emissions using the most advanced technologies and based on the calculation methodology established by the General Law on Climate Change and its Regulations in terms of the National Emissions Registry².

SCOPE 1 AND SCOPE 2 EMISSIONS			
Type of emissions ³	2017	2018	2019
Scope 1 (tCO ₂ e)	1,754,225	2,579,606	2,347,431
CO ₂ (tCO ₂)	1,718,808	2,115,628	2,179,159
CH ₄ (tCH ₄)	1,742	16,527	5,964
N ₂ O (tN ₂ O)	3.35	4	4
Scope 2 (tCO ₂ e)	7,597	7,585	7,947
Total (Scope 1 and 2)	1,761,822	2,587,191	2,355,378

Scope 1 emissions show a reduction in comparison to 2018 due to an improvement in the process of emissions registration and measurement, more specifically from methane venting in pipelines.

The main GHG emissions sources are:

- Power generation in TDM (68%).
- Natural gas combustion for gas compression and electricity self-consumption in the Pipelines Segment (26%).
- Fugitive emissions and gas venting from our natural gas transmission and distribution systems (4%).
- Electricity self-consumption in ECA (2%).

OUR ENERGY CONSUMPTION 2019 (GJ)	
Natural Gas	38,605,293
Gasoline and diesel	54,014
LPG	106
Electricity from the grid	65,181
Total	38,724,594

Every year, GHG emissions in TDM are verified by an accredited third-party, in line with The Climate Registry, a nongovernmental organization that designs and operates voluntary and compliance GHG reporting programs globally.

FUGITIVE EMISSIONS

In 2019, fugitive emissions from our natural gas transmission system represented 14% of the Pipelines Segment's emissions and 3.8% of IEnova's total emissions. By the year 2030, we strive to reduce these emissions 50% from our 2015 baseline. We will report progress toward this new goal beginning in next year's sustainability report.

To achieve this, we are working towards improving the efficiency of the transmission system which results in the reduction of fugitive methane emissions. We currently operate with very strict operational control standards and maintenance programs to reduce their release. In this line, we monitor gas leaks from our pipelines, distribution and storage systems. The gas leakage rates for fugitive and vent emissions during 2018 and 2019 were as follows:

GAS LEAKAGE RATES ⁴ (%)		
	2018	2019
Pipelines	0.0294	0.0105
Distribution	0.2788	0.2788
Storage	0.0057	0.0063

SCOPE 3 EMISSIONS

Scope 3 emissions increased slightly in 2019 due to the increased demand of natural gas from users and industrial clients. And, for the first time, GHG emissions derived from employee business trips by plane were accounted for.

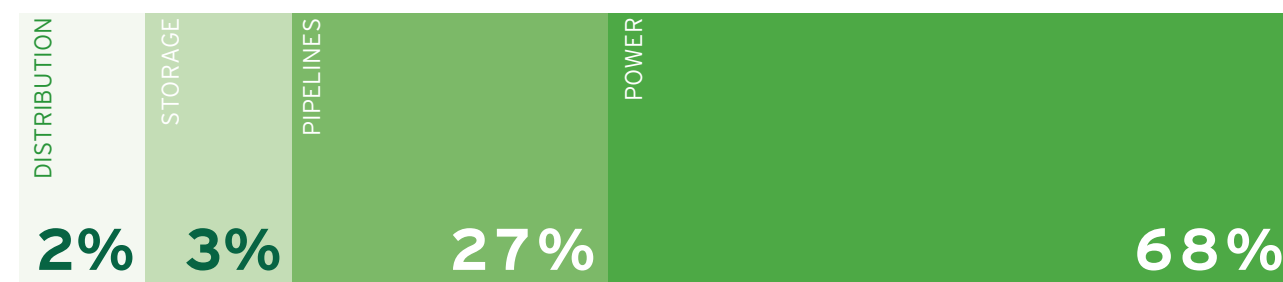
SCOPE 3 EMISSIONS (tCO ₂ e) ⁵			
Source	2017	2018	2019
Natural gas consumption of clients	1,530,968	17,509,486	17,913,714
Business trips by plane	ND	ND	1,149

OTHER EMISSIONS TO THE ATMOSPHERE [305-7]

NO _x EMISSIONS (ton)		
Source	2018	2019
ECA	80	71
TDM	104	148
Pipelines ⁶	ND	646

IEnova's nitrogen oxides (NO_x) emissions comply with the maximum authorized limit established by the applicable environmental regulations. Our combustion equipment has state-of-the-art technology to minimize its continuous production.

SCOPE 1 AND SCOPE 2 EMISSIONS BY BUSINESS SEGMENT (tCO₂e)



¹ Our GHG emissions inventory accounts for all emissions from operations over which IEnova has operational control.

² The emission factors and the global warming potential values used are those published by the Energy Regulatory Commission (CRE) and by the National Commission for the Efficient Use of Energy (CONUEE) for 2019.

³ Scope 1: Direct GHG emissions that occur from sources that are owned or controlled by the company.

Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity consumed by the company.

⁴ Measured as the percentage of gas throughput in transportation, distribution or storage infrastructure.

⁵ Scope 3: Indirect GHG emissions that are a consequence of the activities of the company but occur from sources not owned nor controlled by the company (excluding those reported in Scope 2).

⁶ This year, Pipelines NO_x emissions were measured for the first time.

OUR SOLAR PARKS

Our renewable energy portfolio, created in 2014, currently comprises three solar parks in operation:

- Pima Solar, in Sonora;
- Rumorosa Solar, in Baja California;
- Tepezalá Solar, in Aguascalientes.

The other two solar projects, Don Diego in Sonora and Border in Chihuahua, are currently under construction and will begin operations in 2020.

SOLAR POWER GENERATION CAPACITY OF OUR SOLAR PARKS



IN ONE YEAR, THE OPERATION OF THESE PARKS IS EQUIVALENT TO:

Icon	Rumorosa Solar	Tepezalá Solar	Pima Solar	Don Diego Solar	Border Solar	TOTAL	Equivalent To
	59,854	145,985	160,584	182,482	218,978	767,883	AVOIDED GHG EMISSIONS (tCO ₂ e)
	62,677	152,870	168,157	191,088	229,305	804,097	HOMES' ELECTRICITY USE
	13,012	31,736	34,910	39,670	47,604	166,931	PASSENGER VEHICLES DRIVEN
	8,118,000	19,800,000	21,780,000	24,750,000	29,700,000	104,148,000	LED LAMPS SWITCHED ON

POWER GENERATION

[302-1, 063]

In 2019 we generated 5,425,107 MWh of electricity using natural gas, wind energy and solar energy.

Energy source	Asset	Electricity Generation ¹ (MWh)		
		2017	2018	2019
Natural Gas	TDM	2,882,711	3,700,837	3,719,498
Wind	ESJ	443,380	442,573	471,651
	Ventika	971,272	954,617	862,576
Solar	Pima			223,357
	Rumorosa			91,490
	Tepezalá			56,535
Total		4,297,363	5,098,027	5,425,107

CARBON INTENSITY

[305-4]

Our emissions rate from power generation decreased 4% this year due to the commencement of operations at the Pima, Rumorosa and Tepezalá solar facilities.

All our assets and processes are using the best available technology which will help us reduce our GHG emissions.

For example:

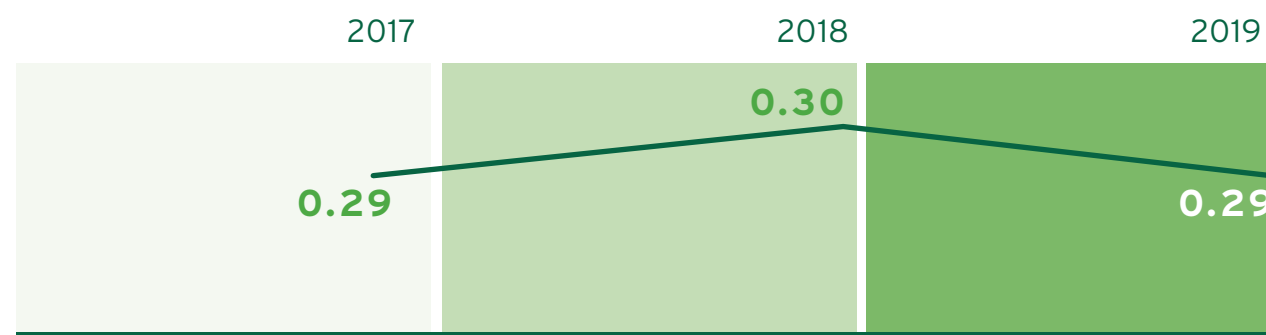
- Our combined-cycle technology in TDM allows us to use natural gas to produce electricity in the most efficient way possible.
- In the Gas segment (both Pipelines and Distribution), we work with highly efficient processes and equipment in order to maintain the operation of systems under the strictest national and international standards, which minimizes our GHG emissions.

	2017	2018	2019
Fuel Consumption ² (GJ)	21,098,446	28,098,276	28,558,376
Fuel consumption per energy output (GJ/MWh)	4.8	5.4	5.1

POWER GENERATION IN 2019 (MWh)



EMISSIONS RATE PER ENERGY OUTPUT³ (tCO₂e/MWh)



¹ Net energy output broken down by primary energy source.

² The cost of energy consumption in 2018 was USD\$86.3 million and USD\$86.5 million in 2019.

³ We use gross energy output to calculate emission intensity per energy produced.

Our operational and environmental departments are constantly reviewing our processes to ensure that we abide to standards established by the applicable laws and by best practices. In this line, we define KPIs that allow us to understand our performance, we maintain historic records and, if necessary, we establish corrective measures. As a 2020-2021 Sustainability Committee objective, we are currently identifying the projects that will allow us to establish GHG emissions and energy reduction goals and thresholds.

1,705,609 MWh
RENEWABLE POWER GENERATION
IN 2019

Ventika Wind Farm

BIODIVERSITY

[304-1, 304-2, 304-3, 0G4]

At IEnova we implement programs for the conservation of biodiversity that vary depending on the specific characteristics of a given project and the ecosystem of the site where we build or operate an asset. These programs are divided in two, as shown on the diagram to the right.

Before we start developing a project, we evaluate the potential impacts that it may have on the ecosystems around it. Often, our practices are stricter than what is established by environmental legislation, thus we suggest to authorities the necessary actions to protect the habitat and the wildlife species found in the area.

All our rescue and relocation activities are implemented by environmental specialists and through technical personnel reports on site. These activities require specialized tools to be carried out, to ensure the well-being of the handled species.

The commitments we make to protect and conserve biodiversity also apply to assets that we develop in joint ventures with other companies. To this effect, we implement actions so that the rescue, relocation, protection and conservation activities in these assets are aligned with IEnova's best practices.

Before we start building, we determine the location of the project avoiding, as much as possible, natural protected areas and areas established as high biodiversity grounds.



Los Ramones Norte - Monterrey, N.L.



WE IMPLEMENT REFORESTATION PROGRAMS

WE REPRODUCE NATIVE LOCAL SPECIES
in nurseries that are kept for longer than the time established by the authorities.

WE PROTECT AND PRODUCE NATIVE PLANT SPECIES
in controlled environments.

WE PRESERVE SPECIES
and develop the capacity to produce seeds that are categorized with an extinction risk.

FLORA RESTORATION, CONSERVATION AND COMPENSATION



BIODIVERSITY MANAGEMENT

PROTECTION AND RESCUE OF WILDLIFE FAUNA

WE MEASURE POTENTIAL IMPACTS
that a project may have on the ecosystems (prior to developing such project).

WE STAND OUT FOR IMPLEMENTING STRICTER PRACTICES
than those established by environmental legislation for the protection of wildlife.

WE MAKE SUGGESTIONS TO THE AUTHORITIES
regarding additional measures to protect the habitat and wildlife species in the area.

WE RESCUE AND RELOCATE FAUNA
to safe areas.

NONE OF OUR OPERATIONS
ARE LOCATED IN NATURAL
PROTECTED AREAS.

PROJECTS UNDER CONSTRUCTION

In 2019 we rescued and relocated plants and animals in all our projects that were under construction.

	FLORA	FAUNA
DON DIEGO SOLAR	3,293 species were rescued	1,049 animals were rescued (126 mammals, 520 birds and 403 reptiles).
BORDER SOLAR	As of the end of 2019, no rescuing endemic and at-risk species were identified in the vegetation removal sites.	Out of the 20 rescued animals, 7 had an A-risk category (threatened) according to NOM-059-SEMARNAT-2010.
VALLE DE MÉXICO TERMINAL	346 species of agave and cacti within the project property were transplanted and relocated to an area within the same property.	The rescue and relocation of 38 specimen of wild fauna was carried out: 1 squirrel, 1 beehive, 4 rabbits, 1 beetle, 10 lizards, 2 common rats, 10 mice, 4 snakes mousetraps, 3 opossums, 1 gopher and 1 gray fox.
PUEBLA TERMINAL	Non applicable for the project. Before the start of operations, the land use permit was for agricultural purposes.	We rescued 11 specimens of wild fauna: 4 gophers, 3 lizards, 2 cincuate, 1 water snake and 1 field mouse.
VERACRUZ TERMINAL	We identified 87 species of Palma Bola (<i>Zamia furfurácea</i>) that were immediately relocated to areas outside of the right of way, which procured similar conditions to the area where they were rescued from.	We relocated 821 species to unaffected areas, including 10 species with a risk category and 2 endemic species. These actions were carried out with qualified external personnel in accordance with a rescue and relocation of specific fauna procedure.

PROJECTS IN OPERATION

In 2019 we rescued and relocated flora and fauna in each of the following assets in operation.

	FLORA	FAUNA
ENERGÍA COSTA AZUL (ECA)	<p>In the ECA nursery:</p> <ul style="list-style-type: none"> • 53,010 plants were maintained and cared for, of which 23,075 had a risk- A category; and 8,351 were endemic species. • 149 risk category A endemic cacti were rescued. • 2,685 endemic cacti were planted, of which 67% survived. 	<p>Monitoring was carried out in the ECA surroundings and 13 varieties of marine mammals were observed. 26 rattlesnakes were rescued, which is an endemic species in Baja California.</p>
TERMOELÉCTRICA DE MEXICALI (TDM)	<p>The TDM reforestation program was established for mitigation and compensation purposes during the construction process. In 2019 the care and protection program for flora species remained in force in the project site, focused specifically on the Palo Fierro species (<i>Aneyateosta</i>), which is listed in the NOM-059-SEMARNAT-2010 as a species in need of special protection (Pr).</p>	<p>After construction, both rescue and relocation activities concluded. However, if any species is identified in our operations' surrounding areas, we have a Dangerous Wildlife Management Procedure in place.</p>
SONORA PIPELINE	<ul style="list-style-type: none"> • In the nursery designated to this project, 22,496 specimens of plants were identified, classified as either endangered or in need of special protection, to which adequate attention was provided, obtaining a 94% average survival rate. • 326,373 hectares were reforested with plants, resulting in a 91% average survival rate. 	<p>After construction, both rescue and relocation activities concluded. However, if any species is identified in our operations' surrounding areas or in the right of way, we have a Dangerous Wildlife Management Procedure in place.</p>
ENERGÍA SIERRA JUÁREZ (ESJ)	<p>A rehabilitation of forest grounds project was executed and will be extended for the next 3 years. This project consists on reforesting a total area of 227,181 hectares, and conducting semi-annual monitoring of the qualitative and quantitative environmental indicators to evaluate the evolution of the habitat.</p>	<p>Birds and bats are monitored. Regarding bats, the project was carried out through sampling with fog nets and ultrasonic recordings through active and semi-active acoustics. These methods allowed us to identify 18 species of bats, which belong to two sets of families, the loose tailed bats (<i>Molossidae</i>) and the evening bats (<i>Vespertilionidae</i>). Additionally, both the eagle and the condor are permanently monitored, thanks to which we were able to identify different species that kept a 20km-distance from our facilities.</p>
VENTIKA	<p>Environmental sensibilization and trainings were delivered to operational personnel in the facilities, and continuous supervision took place in order to ensure that the action plans of the Environmental Surveillance Plan were being implemented. At the end of 2019, there were no damages to the flora in the facility's surroundings; and, these species are were not found at risk.</p> <p>In order to ensure the maintenance of green areas, pruning was carried out after the rainy season, in order to ensure that neither the vehicular passage nor the electrical facilities were affected.</p>	<p>Birds and bats were monitored in order to observe their characteristics and learn what their interactions with wind turbines is like, in order to reduce the risk of accidents.</p> <p>We also monitored the <i>mariposa monarca</i> in order to see if our site was part of the biological trajectory of the species. The results of said study will be available in 2020.</p>
SAN ISIDRO-SAMALAYUCA PIPELINE	<p>The maintenance of 849 relocated plants kept on, in order to reduce the loss of species in the selected areas. By the end of 2019, there was a 90% average survival rate.</p>	<p>Once the construction was finished, the rescue and relocation activities concluded. However, if any species is identified in the right of way area or in the surrounding areas, there is a Dangerous Wildlife Management Procedure.</p> <p>3 species of rattlesnakes were relocated accordingly.</p>
SONORA (GUAYMAS-EL ORO SEGMENT) PIPELINE	<p>Maintenance measures of relocated plants continued, achieving a 95% average survival rate. In 2019 a total of 15,219 species were rescued.</p>	<p>Once the construction was finished, the rescue and relocation activities concluded. However, if any species is identified in the area or in the surrounding areas, there is a Dangerous Wildlife Management Procedure.</p>

WATER MANAGEMENT

[303-1, 303-2, 303-3, 303-4]



At IEnova we are committed to using water responsibly. The use of this resource in the Company is not only highly efficient, but in the case of some of our assets, we return the water to the source from where it came from in the same or better conditions.

The assets that use the most water are ECA and TDM. ECA is accountable for 95% of the water we extract, whilst TDM represents the remaining 5%. The water consumed by ECA is extracted from the ocean and the water used by TDM is wastewater.

AT IENOVA WE DO NOT EXTRACT SURFACE WATER; MEANING THAT WE DO NOT EXTRACT WATER FROM STREAMS, LAKES, RIVERS, OR PONDS, NOR DO WE EXTRACT WATER IN ANY OF ITS NATURAL FORMS SUCH AS GLACIERS OR ICE CAPS.

WATER WITHDRAWAL BY SOURCE (m ³)			
Source	2017	2018	2019
Groundwater	4,544	4,599	13,738
Municipal wastewater	4,866,458	5,427,746	5,457,266
Municipal water suppliers	14,081	14,499	13,140
Seawater	100,565,537	96,093,411	94,234,845
Total	105,450,620	101,540,255	99,718,988

WATER DISCHARGE BY TYPE OF DESTINATION (m ³)			
Destination	2017	2018	2019
Municipal wastewater treatment plants	11,695	7,026	9,117
Surface Water ¹	1,415,723	988,943	766,869
Seawater	100,394,872	95,964,730	94,111,796
Total	101,822,290	96,960,699	94,887,782



WATER WITHDRAWAL BY SOURCE



¹ Municipal wastewater that is used in TDM and discharged into a federal drain in better conditions than when it was extracted.

OUR WATER USE

WASTEWATER

It is extracted from an oxidation pond in Mexicali, Baja California.

Water is treated to eliminate organic contaminants and mineral salts.

Our wastewater treatment plant has a capacity of 920 m³/h.

Water is used in TDM processes such as vapor generation, cooling systems, and condensation.

The treated water is used several times before being discharged through purging in the heat recovery units and the cooling towers.

100% of the water discharged into a federal drain is returned in better conditions than when extracted, always in compliance with the applicable regulations.

TDM 5% OF THE WATER WE USE



ECA 95% OF THE WATER WE USE



SEAWATER

100% of the water used is seawater - it is desalinated so it may be used in our processes.

This water is used to rise the temperature of the liquified natural gas and regasify it.

The water does not undergo any process that could contaminate it, as it never comes in contact with any product.

Water is returned to the sea, under strict compliance with the corresponding discharge permits.

On a quarterly basis, an accredited laboratory analyzes the physicochemical properties of the discharged water to ensure compliance with the conditions established by the norm.

WATER STRESS

[303-2]

TDM is among the cleanest natural-gas-fired power plants supervised by the Western Electricity Coordinating Council (WECC). To achieve this level of excellence, it uses state-of-the-art environmental technologies that comply all applicable norms in Mexico and in the state of California.

Through these practices every year we improve our water extraction intensity for power generation in TDM.

We mapped out water stress in Mexico to identify whether we currently operate in regions that have this problem. Although most of our assets are located in areas with water stress (see map), our groundwater withdrawal is minimal, and we do not withdraw surface water; therefore, our operations do not impact water supply of nearby communities, nor do they contribute significantly to the problem of water scarcity in the country.

The assets that use large quantities of this resource are ECA and TDM, which extract seawater and municipal wastewater respectively.

	2017	2018	2019
Water extraction (m ³)	4,866,458	5,427,746	5,457,266
Electricity generation (MWh)	2,961,792	3,700,837	3,824,051
Water withdrawal per energy output (m ³ /MWh)	1.64	1.47	1.43

WATER STRESS IN MEXICO AND OUR ASSETS



Source: World Resources Institute (WRI), 2020

WASTE MANAGEMENT

[301-2, 306-2]

In order to manage waste, we collaborate with specialized and authorized companies that dispose them adequately. Regarding waste whose natural, physical chemistry allow it, we work alongside suppliers who recycle or reuse the waste products.

WASTE BY TYPE AND DISPOSAL METHOD (ton)			
Disposal method	2017	2018	2019
Hazardous waste			
Controlled confinement	45	55	65
Energy recovery	11	7	5
Recycling	10	13	5
Total hazardous waste	66	75	75
Non-hazardous waste			
Controlled confinement	8,910	10,159	8,175
Recycling	94	94	428
Total non-hazardous waste	9,004	10,253	8,603

The highest-volume waste type that results from our operations is the non-hazardous residual mud from TDM's wastewater treatment plant.

IN 2019 THERE WERE ZERO SPILLS RESULTING FROM WASTE MANAGEMENT

As a success story of our environmental performance, this year we modified TDM's wastewater treatment plant by substituting the coagulant used with an organic coagulant, resulting in the following benefits:

- A 23% reduction in the generation of mud (approximately 2,319 tons less than in 2018)
- Lower environmental, health and safety risks from handling a significantly less dangerous substance.
- Reduction in the plant's maintenance time.
- Indirect emissions reduction, mainly because of reducing the use of suppliers' transportation for coagulant, materials and mud.
- Economic savings in plant operations.

In all our business segments, training and sensibilization activities are implemented for the proper management of hazardous and non-hazardous waste. These consist mainly of:

- adequate isolation or classification;
- packaging;
- labeling; and,
- temporary storage.

Everything that is mentioned here is done by complying with all the applicable local and federal regulations.

We strive to working with providers that recycle or reuse the waste we generate in all our facilities.

As every year, 100% of our waste is managed according to local or federal regulation and disposed in authorized sites only.

ENVIRONMENTAL CERTIFICATIONS

Continuously aiming for improvement, in 2019 we either obtained or are in the process of obtaining, the Clean Industry /Environmental Quality certificate issued by the SEMARNAT or ASEA in the following facilities:

- LPG TDF Pipeline
- Ductos y Energéticos del Norte - TAG (Ramonos II North)
- ECOGAS Chihuahua
- ECOGAS La Laguna-Durango
- ECOGAS Mexicali
- Energía Costa Azul (ECA)
- Energía Sierra Juárez (ESJ)
- Naco Compression Station
- Aguaprieta Pipeline (GAP)
- Chihuahua Pipelines
- Tamaulipas Pipelines
- Los Ramones I Pipelines
- Sureste Pipelines
- Ojinaga - El Encino Pipeline
- Rosarito Pipeline (GR)
- San Isidro-Samalayuca Pipeline
- Termoeléctrica de Mexicali (TDM)
- Transportadora de Gas Natural de Baja California (TGN)
- Transportadora del Norte (TDN)

The following facilities are certified ISO 14001:

- Termoeléctrica de Mexicali (TDM)
- Energía Costa Azul (ECA)
- Energía Sierra Juárez (ESJ)
- ECOGAS México
- Engineering and Construction

PROGRESS AND OBJECTIVES

[103-1, 103-2]

- ✓ REACHED
- 🕒 IN PROGRESS

2019 PROGRESS

THE ENVIRONMENT

- ✓ We continued operating and monitoring the Sustainable Office Program at 27 of our assets and we were able to implement it in the assets that begun operations in 2019.
- ✓ We obtained or maintained the Clean Industry or Environmental Quality certificates by PROFEPA and/or ASEA at all IEnova operating units within the first 12 months following their commencement in operations, or after we gained operating control of them.
- ✓ We updated the Climate Change Strategy where we considered the following: reduction mechanisms or alternatives, inventory of emissions, definition and implementation of relative performance indicators on this matter.
- ✓ We made available public versions of compliance reports on the conditions of the environmental impact assessments to the project stakeholders.

- ✓ We defined efficiency goals in terms of energy, water, and waste applicable to all IEnova operating units.

OPERATIONAL ECOEFFICIENCY

2020 OBJECTIVES

Continue operating and monitoring the Sustainable Office Program, and implement it in the assets that will begin operations in 2020.

Obtain or maintain the Clean Industry or Environmental Quality certificate by PROFEPA and/or ASEA at all our operating units within the 12 months following their commencement in operations, or after we gained operating control of them.

Conclude and make the Climate Change Strategy publicly available.

Continue with the identification and evaluation of risks emerging from climate change (present or future) that may have the potential to generate substantial changes in operations, income, or company expenses.

Respond the Carbon Disclosure Project (CDP) questionnaire with public score.

Define initiatives and emission reduction or mitigation projects that will allow us to establish annual GHG emissions reduction targets (science-based targets), during 2020-2021.

Reduce fugitive emissions from our natural gas transmission system 50% from our 2015 baseline.

Initiate the involvement and compliance with obligations regarding the Emissions Trading System.

Pipelines

Reduce the total amount of hazardous waste generated in 2019 by 3%.

Distribution (ECOGAS)

Reduce waste generated per employee by 2% with the 2019 baseline.

Storage

In ECA, keep hazardous waste generation under 10 tons annually, and maintain the generation permit within the category of Small Generator.

Seek recycling alternatives for special-waste-management disposal in ECA.

Reduce the energy consumption in TDF by 3% from a 2019 baseline.

Encourage the recycling of materials in TDF by at least 5% regarding 2019.

Reduce toxic dispersion in TDN by 5%.

Power Generation

Reduce the generation of special waste in TDM in comparison to the previous year.

Maintain water consumption rate below 1.7 per generated MWh.

Implement a water management plan according to the cleaning requirements of photovoltaic panels on site.

ABOUT THIS REPORT

[102-46, 102-50]

This is our seventh Sustainability Report and it is also the fifth Sustainability + Financial Report. This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and has added content and information resulting from requests from our material topics and stakeholders. We adhere to the best reporting practices considering the GRI Reporting Principles for defining report content and quality: sustainability context, materiality, stakeholder inclusiveness, completeness, accuracy, balance, clarity, comparability, reliability and timeliness.

The Sustainability and Corporate Communications Department, which reports directly to the Chief Sustainability, Corporate and Public Affairs Officer, has prepared this Report.

In this document we share our achievements and challenges for 2019; we present our vision on economic, social and environmental issues; and, we summarize material information relative to the period from January 1 to December 31, 2019 - both for the Gas segment and for the Power segment. Our Report includes the Company's activities dedicated to transport and store natural gas, LPG and ethane; to store liquefied natural gas; to distribute natural gas; and, to generate power through the combined-cycle plant and our wind farms and solar parks.

The document does not include disclosures on the storage terminals that are under construction or under development - these will be included in the Report once they commence operations. Health and safety contents include information on operating assets and projects under construction, unless otherwise indicated.

Throughout the Report, we describe the formulas used to calculate figures and specify the operating units on which we report the information, as well as any change in measurement with respect to the information reported in previous years.

All figures in this Report are expressed in US dollars; and, unless otherwise indicated, the exchange rate used in the conversions is \$18.8452 pesos for USD\$1.

Figures reported with no decimal points in the report, unless otherwise indicated, were rounded off. The numbers were rounded up above 0.5 and rounded down below 0.5.

Given that IEnova has been a signatory to the United Nations Global Compact since 2015, this Report constitutes our fifth Communication on Progress (COP). We include herein the progress we have made regarding the Ten Principles and our contribution to the United Nations Sustainable Development Goals (SDGs).



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Independent assurance report on the 2019 Sustainability Report to Infraestructura Energética Nova, S.A.B. de C.V., (IEnova) to the Management of IEnova.

Responsibilities of IEnova and independent reviewer

The Management of IEnova is responsible for the elaboration of the 2019 Sustainability Report (SR) for the period from January 1st to December 31st, 2019, as well as ensuring its content, definition, adaptation and maintenance of the management systems and internal control from which the information is obtained, and which is also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of IEnova in accordance with the terms of our agreement letter dated February 13th, 2020, therefore we do not assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of IEnova.

Scope of our work

The scope of our assurance was limited which is substantially lower than a reasonable assurance scope, therefore the assurance provided is also lower. This report in no case can be understood as an audit report.

We conducted the 2019 SR review under the following conditions and/or criteria:

- The adaptation on the 2019 SR disclosures to the Sustainability Reporting Standards Guidelines of the Global Reporting Initiative (GRI) and according to the materiality study provided by IEnova.
- The review of the GRI Standards disclosures in accordance with the reporting requirements as specified in the GRI Content Index of the 2019 SR.
- The data consistency between the information included in the 2019 SR with supporting evidence provided by the Management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) del International Federation of Accountants (IFAC).

Our review work included the formulation of questions to the Management as well as various departments of IEnova that have participated in the elaboration of the 2019 SR and the application of certain analytical and sample screening tests procedures that are described below:

- Meetings with staff of IEnova to learn the principles, systems and applied management approaches.
- Analysis of the process to collect, validate and consolidate the data presented in the 2019 SR.
- Analysis of scope, relevance and integrity of the information included in the 2019 SR in terms of the understanding of IEnova and of the requirements that stakeholders have identified as material topics.
- Selected sample review from the evidence that supports the information included on the 2019 SR.
- Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

The following table details the revised contents according with the GRI Standards Guide

102-8	102-46	302-1	304-2	305-5	401-1
102-17	201-1	303-1	304-3	305-7	403-9
102-41	203-1	303-3	305-1	306-2	404-1
102-42	204-1	303-4	305-2	306-3	404-3
102-44	205-2	304-1	305-3	307-1	413-1

These contents were selected for the independent review in accordance with the following criteria:

- Materiality of IEnova referred in the 2019 SR.
- Information provided during the meetings with the interviewed staff.
- Review of the evidence provided by IEnova staff of this project.

Conclusions

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the contents and disclosures reviewed in the 2019 SR contain significant errors or have not been prepared in accordance with the reporting requirements established in the GRI Standards. For those GRI Standards disclosures where IEnova did not report in quantitative terms (numeric) the independent reviewer only reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Deloitte has provided IEnova a report with the most significant action alternatives for future reporting, which do not modify the conclusions expressed in this independent review report.

Deloitte Asesoría en Riesgos, S.C.

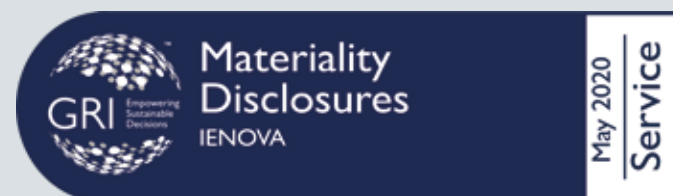
Deloitte Touche Tohmatsu Limited affiliated Firm


Rocío Canal Garrido
Partner of Deloitte Asesoría en Riesgos, S.C.
May 31th, 2020

GRI

CONTENT INDEX

[102-55]



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. This service was performed on the Spanish version of the report.

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
Universal Standards				
GRI 101: ECONOMIC PERFORMANCE 2016				
GRI 102: GENERAL DISCLOSURES 2016				
102-1	Name of the organization	Infraestructura Energética Nova, S.A.B. de C.V. (IEnova)		
102-2	Activities, brands, products and services	14, 32		
102-3	Location of headquarters	Mexico City		
102-4	Location of operations	34		
102-5	Ownership and legal form	IEnova is a public stock corporation with variable capital (S.A.B. de C.V.) established under the laws of Mexico.		
102-6	Markets served	22, 34, 36, 37, 40, 44		
102-7	Scale of the organization	22, 28, 92, 130, 145		
102-8	Information on employees and other workers	92	All information is consolidated for IEnova, not by operating unit.	Yes, pages 182, 183
102-9	Supply chain	128		
102-10	Significant changes to the organization and its supply chain	34, 129		
102-11	Precautionary principle or approach	52, 54, 84		
102-12	External initiatives	45		
102-13	Membership of associations	45		
102-14	Statement from senior decision maker	16, 19-21		
102-15	Key impacts, risks, and opportunities	52, 54, 84, 86, 153-155		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
102-16	Values, principles, standards, and norms of behavior	15, 76-83		
102-17	Mechanisms for advice and concerns about ethics	78-83		Yes, pages 182, 183
102-18	Governance structure	49, 66-72		
102-19	Delegating authority	49		
102-20	Executive-level responsibility for economic, environmental, and social topics	49 The Chief Sustainability, Corporate and Public Affairs Officer chairs the Sustainability Committee which, according to its bylaws, reports to the Corporate Practices Committee of the Board of Directors.		
102-22	Composition of the highest governance body and its committees	66-72		
102-23	Chair of the highest governance body	66		
102-24	Nominating and selecting the highest governance body	70-72		
102-25	Conflicts of interest	66-72, 80		
102-26	Role of the highest governance body in setting purpose, values, and strategy	70-72 The functions of the highest governance body are stipulated in IEnova's Bylaws, which can be found at the following link: https://ienova.gcs-web.com/corporate-governance/highlights		
102-28	Evaluating the highest governance body's performance	72		
102-29	Identifying and managing economic, environmental, and social impacts	52-55, 70-73, 84-87		
102-30	Effectiveness of risk management processes	54, 70, 84		
102-31	Review of economic, environmental, and social topics	49-55, 70-73, 84		
102-32	Highest governance body's role in sustainability reporting	49		
102-33	Communicating critical concerns	49, 70-73		
102-35	Remuneration policies	70, 73		
102-36	Process for determining remuneration	70, 72, 73		
102-38	Total annual compensation ratio	109	Partially reported. Confidentiality constraints due to the insecurity that exists in the country.	
102-40	List of stakeholder groups	50		
102-41	Collective bargaining agreements	2.31% of our employees are unionized. 2 are women and 28 are men.		Yes, pages 182, 183
102-42	Identifying and selecting stakeholders	50 For more information, please see our Sustainability Policy: https://www.ienova.com.mx/pdf/english/Sustainability%20Policy.pdf		Yes, pages 182, 183

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
102- 43	Approach to stakeholder engagement	50		
102- 44	Key topics and concerns raised	52, 54, 55		Yes, pages 182, 183
102- 45	Entities included in the consolidated financial statements	The published data refers to the Gas and Power business segments, including companies that offer natural gas, LPG and ethane pipelines and storage services, as well as liquefied natural gas storage, companies that distribute natural gas; and, our combined-cycle plant, wind farms and solar parks. Sustainability content of the storage terminals that we have under construction and/or in development was not included.		
102- 46	Defining report content and topic boundaries	49, 50, 52, 180		Yes, pages 182, 183
102- 47	List of material topics	53, 54		
102- 48	Restatements of information	In the event of any restatement of information, it would be indicated as a footnote.		
102- 49	Changes in reporting	We have carried out a new materiality assessment on which the narrative of this Report is based.		
102- 50	Reporting period	180		
102- 51	Date of most recent report	The last report was published on May 31, 2019 and it covered the period from January 1 to December 31, 2018.		
102-52	Reporting cycle	Annual.		
102- 53	Contact point for questions regarding the report	Corporate Headquarters: Paseo de la Reforma 342, Piso 24, Colonia Juárez, Alcaldía Cuauhtémoc, Ciudad de México, C.P. 06600 Tel. (55) 91380100 sustentabilidad@ienova.com.mx		
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the Core option of the GRI Standards.		
102-55	GRI Content Index	184-191		
102-56	External assurance	182-183		

GRI 103: MANAGEMENT APPROACH 2016

This reference to GRI 103: Management Approach 2016 and the corresponding Disclosures 103-1, 103-2 and 103-3 applies to all material topics covered by the following topic-specific Standards:

GRI 201: ECONOMIC PERFORMANCE 2016, GRI 203: INDIRECT ECONOMIC IMPACT 2016, GRI 204: PROCUREMENT PRACTICES 2016, GRI 205: ANTICORRUPTION 2016, GRI 206: ANTICOMPETITIVE BEHAVIOR 2016, GRI 301: MATERIALS 2016, GRI 302: ENERGY 2016, GRI 303: WATER 2018, GRI 304: BIODIVERSITY 2016, GRI 305: EMISSIONS 2016, GRI 306: EFFLUENTES AND WASTE 2016, GRI 307: ENVIRONMENTAL COMPLIANCE 2016, GRI 401: EMPLOYMENT 2016, GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018, GRI 404: TRAINING AND EDUCATION 2016, GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016, GRI 406: NON-DISCRIMINATION 2016, GRI 408: CHILD LABOR 2016, GRI 409: FORCED OR CUMULATORY LABOR 2016, GRI 410: SECURITY PRACTICES 2016, GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016, GRI 412: HUMAN RIGHTS ASSESSMENT 2016, GRI 413: LOCAL COMMUNITIES 2016, GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016, GRI 415: PUBLIC POLICY 2016, GRI 416: CUSTOMER HEALTH AND SAFETY 2016, GRI 417: MARKETING AND LABELING 2016, GRI 419: SOCIOECONOMIC COMPLIANCE 2016, OG SECTOR SUPPLEMENT.

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
103- 1	Explanation of the material topic and its Boundary	52, 88, 92, 146, 152, 178 The material issues addressed in this Report are based on the three economic, social and environmental pillars, described in our Sustainability Policy and approved by the Sustainability Committee. The prioritization and coverage of these topics are based on the materiality assessment of the Company.		
103- 2	The management approach and its components	84, 40, 88, 92, 96, 114, 136, 146, 150, 152, 178		
103- 2b	A statement of the purpose of the management approach	152		
103- 2c	A description of the following, if the management approach includes that component: i.Policies ii.Commitments iii.Goals and targets iv.Responsibilities v.Resources vi.Formal grievance mechanisms and/or claims vi.Specific actions, such as processes, projects, programs and initiatives	152		
103- 3	Evaluation of the management approach	40, 52		
Topic-specific Standards				
GRI 200: Economic Standards				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	145		Yes, pages 182, 183
201-3	Defined benefit plan obligations and other retirement plans	106-108		
201- 4	Financial assistance received from government	The Company does not receive financial assistance from the government.		
GRI 203: Indirect Economic Impacts 2016				
203- 1	Infrastructure investments and services supported	132 a 141 Currently, Fundación IEnova's operating model focuses on measuring results. Since 2019 we began to measure impact indicators for selected projects.		Yes, pages 182, 183
203- 2	Significant indirect economic impacts	128-130		
GRI 204: Procurement Practices 2016				
204- 1	Proportion of spending on local suppliers	130		Yes, pages 182, 183
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	78-83, 84		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
205- 2	Communication and training about anti-corruption policies and procedures	78-83 For more information, please see our Corporate Ethics Policy: https://www.ienova.com.mx/pdf/english/Corporate_Ethics_Policy.pdf		Yes, pages 182, 183
205- 3	Confirmed incidents of corruption and actions taken	One commercial bribery incident was registered - it was not reported on the <i>ENOVA Contigo</i> Helpline. The case followed due process and its resolution was to terminate the employee's labor contract.		
GRI 206: Anti-competitive Behavior 2016				
206- 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no claims regarding anticompetitive behavior.		
GRI 300: Environmental Standards				
GRI 302: Energy 2016				
302- 1	Energy consumption within the organization	158, 162		Yes, pages 182, 183
GRI 303: Water and Effluents 2018				
303- 1	Interactions with water as a shared resource	170-175		Yes, pages 182, 183
303- 2	Management of water discharge-related impacts	170-175		
303- 3	Water withdrawal	171		Yes, pages 182, 183
303- 4	Water discharge	171		Yes, pages 182, 183
GRI 304: Biodiversity 2016				
304- 1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	164-169 None of our operations are in protected areas. As a good practice we develop programs for the protection, rescue, conservation and compensation of flora, as well as protection and rescue of wildlife.		Yes, pages 182, 183
304- 2	Significant impacts of activities, products, and services on biodiversity	164-169 None of our operations are in protected areas, however we develop protection, compensation and reforestation programs for flora and protection and rescue of wildlife.		Yes, pages 182, 183
304- 3	Habitats protected or restored	164-169		Yes, pages 182, 183
GRI 305: Emissions 2016				
305- 1	Direct (Scope 1) GHG emissions	158		Yes, pages 182, 183
305- 2	Energy indirect (Scope 2) GHG emissions	158		Yes, pages 182, 183
305- 3	Other indirect (Scope 3) GHG emissions	159		Yes, pages 182, 183
305- 4	GHG emissions intensity	162		
305- 5	Reduction of GHG emissions	158		Yes, pages 182, 183

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
305- 7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	159 We will start measuring sulfure oxides and volatile organic compounds in 2020.		Yes, pages 182, 183
GRI 306: Effluents and Waste 2016				
306- 2	Waste by type and disposal method	176		Yes, pages 182, 183
306- 3	Significant spills	There were no significant spills. In accordance with the Profepa criteria (Criteria for the classification of environmental emergencies in organizations registered in the National Environmental Audit Program), an event may be classified as minor if the volume spilled is less than 1 m ³ .		Yes, pages 182, 183
GRI 307: Environmental Compliance 2016				
307- 1	Non-compliance with environmental laws and regulations	During 2019 no breaches of environmental laws or regulations were identified.		Yes, pages 182, 183
GRI 400: Social Standards				
GRI 401: Employment 2016				
401- 1	New employee hires and employee turnover	105, 111		Yes, pages 182, 183
401- 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	106-108		
401- 3	Parental leave	107-108		
GRI 403: Occupational Health and Safety 2018				
403- 1	Occupational health and safety management system	114-119		
403- 2	Hazard identification, risk assessment, and incident investigation	114-119		
403- 3	Occupational health services	120-125		
403- 4	Worker participation, consultation, and communication on occupational health and safety	118, 120-123		
403- 5	Worker training on occupational health and safety	124-125		
403- 6	Promotion of worker health	106-108, 114-118		
403- 7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	118		
403- 9	Work-related injuries	115, 119		Yes, pages 182, 183
GRI 404: Training and Education 2016				
404- 1	Average hours of training per year per employee	97		Yes, pages 182, 183

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
404- 2	Programs for upgrading employee skills and transition assistance programs	96-101		
404- 3	Percentage of employees receiving regular performance and career development reviews	109		Yes, pages 182, 183
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2016				
405-1	Diversity of governance bodies and employees	66-69, 102-105		
GRI 406: Non-discrimination 2016				
406- 1	Incidents of discrimination and corrective actions taken	80		
GRI 408: Child Labor 2016				
408- 1	Operations and suppliers at significant risk for incidents of child labor	128-129 No child labor potential risks have been identified.		
GRI 409: Forced or Compulsory Labor 2016				
409- 1	Operations and suppliers at significant risk for incidents	128-129 No forced or compulsory labor potential risks of have.		
GRI 410: Security Practices 2016				
410- 1	Security personnel trained in human rights policies or procedures	As part of the hiring process, 100% of corporate safety personnel receive Code of Ethics training, that includes human rights aspects.		
GRI 411: Rights of Indigenous Peoples 2016				
411- 1	Incidents of violations involving rights of indigenous peoples	There were no incidents in this matter.		
GRI 412: Human Rights Assessment 2016				
412-2	Employee training on human rights policies or procedures	78, 83 IEnova's Code of Ethics includes human rights matters.		
GRI 413: Local Communities 2016				
413- 1	Operations with local community engagement, impact assessments, and development programs	132-143 We currently monitor the results of social projects. Entities benefited by Fundación IEnova submit quarterly reports and the supporting documentation needed to verify how the resources granted are being managed. We are working to define the mechanisms that allow us to measure the impacts of social programs in the mid-term.		Yes, pages 182, 183

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	INDEPENDENT ASSURANCE
GRI 414: Supplier Social Assessment 2016				
414- 1	New suppliers that were screened using social engagement criteria	128		
GRI 415: Public Policy 2016				
415- 1	Political contributions	80		
GRI 416: Customer Health and Safety 2016				
416- 2	Incidents of non-compliance concerning the health and safety impacts of products and services	During 2019, there were no incidents of non-compliance concerning the health and safety impacts of products and services.		
GRI 417: Marketing and Labeling 2016				
417- 2	Incidents of non-compliance concerning product and service information and labeling	During 2019, there were no incidents of non-compliance concerning product and service information and labeling.		
GRI 419: Socioeconomic Compliance 2016				
419- 1	Non-compliance with laws and regulations in the social and economic area	During 2019, there were no incidents of non-compliance with laws and regulations in the social and economic area.		
Oil and Gas Sector Supplement				
OG2	Total amount invested in renewable energy	To date we have invested USD\$1.69 billion in renewable energy projects that are in operation, under construction and/or in development.		
OG3	Total amount of renewable energy generated by source	162		
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	164-169		
OG13	Number of process safety events, by business activity	120-123		

PRINCIPLES OF THE UN GLOBAL COMPACT

WE SUPPORT



Since 2015 IEnova has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption."

TOPIC	PRINCIPLES OF THE UN GLOBAL COMPACT	RELATED GRI DISCLOSURE NUMBER
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	412-2, 410-1, 411-1, 103-2, 413-1
	2. Businesses should make sure that they are not complicit in human rights abuses.	412-2, 406-1, 407-1, 408-1, 409-1, 410-1, 411-1, 412-1, 414-1, 414-2, 103-2
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the	102-41
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	409-1
	5. Businesses should uphold the effective abolition of child labor.	408-1
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	102-8, 401-1, 401-2, 404-1, 404-3, 406-1
Environment	7. Businesses should support a precautionary approach to environmental challenges.	302-1, 303-1, 305-1, 305-2, 305-3, 305-7
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	301-2, 302-1, 303-1 a 303-3, 304-1 a 304-3, 305-1 a 305-5, 305-7, 306-1 a 306-3, 307-1
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	302-1, 305-5
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	102-16, 102-17, 205-1 a 205-3, 415-1



Nursery El Chorrillo, Hidalgo, Tamaulipas

FINANCIAL HIGHLIGHTS

Energía Sierra Juárez Wind Farm

PROPERTY, PLANT AND EQUIPMENT

GAS **75%**
POWER **25%**



IENOVA EBITDA AND IENOVA ADJUSTED EBITDA

We present IENOVA EBITDA and IENOVA ADJUSTED EBITDA in this earnings report for the convenience of investors. IEnova EBITDA and IEnova Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Our definition of IEnova EBITDA is profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other losses (gains), net, (4) income tax expense and (5) share of profits of joint ventures, net of income tax.

We define IEnova EBITDA and IEnova Adjusted EBITDA plus Joint Ventures (JV) IEnova EBITDA adjustment.

We define the JV IEnova EBITDA adjustment as our share of the profit of joint ventures, after adding back or subtracting, as the case may be, our share of: (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, and (4) income tax expense.

IENOVA ADJUSTED EBITDA*	2018	\$876.4
	2019	\$938.2
PROFIT	2018	\$430.6
	2019	\$467.7
REVENUES	2018	\$1,368.6
	2019	\$1,379.3

* The amounts are audited, except for IEnova Adjusted EBITDA.

Amount in millions of US\$.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR 2019 RESULTS

We are the first private sector, publicly traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. We develop, build, and operate essential energy infrastructure. Our footprint in Mexico includes several business lines that encompass a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

EXECUTIVE SUMMARY

(millions of US\$)	Year ended December 31, ended December 31,		
	2019	2018	% Var.
IEnova Adjusted EBITDA*	938.2	876.4	7 %
Profit for the period	467.7	430.6	9 %
Revenues	1,379.3	1,368.6	1 %

*The amounts are audited, except for IEnova Adjusted EBITDA

- In 2019, IEnova Adjusted EBITDA increased 7 percent to \$938.2 million, compared with \$876.4 million in 2018. The increase of \$61.8 million was mainly due to the start of operations of the South Texas - Tuxpan pipeline, Pima, Rumorosa and Tepezala Solar power generation facilities, higher operational results at Termoeléctrica de Mexicali power plant and Ventika, partially offset by the revenue deferment at the Guaymas - El Oro pipeline.
- In 2019, profit was \$467.7 million, compared with \$430.6 million in 2018. The increase of \$37.1 million was mainly due to IEnova EBITDA mentioned above, non-cash exchange rate effects and lower financing cost, partially offset by higher depreciation expense.
- In 2019, revenues were \$1,379.3 million, compared with \$1,368.6 million in 2018. The increase of \$10.7 million was mainly due to the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities; natural gas higher volume, net of lower prices; higher natural gas distribution rates; and higher revenue at Ventika, partially offset by the revenue deferment at the Guaymas - El Oro pipeline.
- In March 2019, ECA Liquefaction project received U.S. authorizations for natural gas export to Mexico and re-export to Non-FTA Countries. In 2018 the Company and Sempra LNG signed Heads of Agreements with customers for the full export capacity of Phase 1 of ECA Liquefaction.
- In April 2019, the Company entered into a revolving credit agreement with Scotiabank, for up to \$100 million.
- In April 2019, the Company was included, for the fifth consecutive year, in the Mexican Stock Exchange's 2019 Sustainability Index "S&P/BMV IPC Sustentable".
- During the second quarter of 2019, the Company executed two long-term contracts with BP and Marathon for the receipt, storage, and delivery of refined products, securing the full capacity of the Manzanillo terminal. With an investment of approximately \$285 million, the terminal is expected to begin commercial operations, subject to the timing of issuance of the permits, in the first half of 2021.

- In April 2019, the Company executed a long-term contract with BP for the receipt, storage, and delivery of refined products in the terminal that the Company is developing in Guadalajara, Jalisco. The terminal's total capacity will be defined once additional commercial agreements with prospective customers have been completed.
- In June 2019, the Company announced the expansion plan for ECOGAS to connect approximately forty thousand new customers during the next years, with an investment of approximately \$80 million.
- In August 2019, the Company executed a Term Suspension Agreement with CFE for the Natural Gas Transportation Services Agreement for the Guaymas - El Oro gas pipeline. This agreement was executed to take all necessary actions to resume operation of the pipeline and to avoid the termination of the contract. In January 2020, the Guaymas - El Oro contract suspension was extended until May 15, 2020.
- In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreement corresponding to the Guaymas - El Oro establishing a new tariff structure and a 10-year contract extension. Such agreement fulfill both parties' interests while maintaining the overall integrity and economics of the original contract.
- In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreements corresponding to the South Texas - Tuxpan marine pipeline establishing a new tariff structure and a 10-year contract extension. In September 2019, the South Texas - Tuxpan pipeline reached commercial operations under the new commercial agreement with CFE.
- In September 2019, the Company entered into a two-year revolving credit agreement for up to \$280 million with The Bank of Nova Scotia.
- During the second half of 2019, the Company announced Border Solar, a fully-contracted 150 megawatt solar project, representing a total investment of approximately \$160 million. The project will supply energy to Circle K, Liverpool, Envases Universales and Grupo Cementos de Chihuahua.
- In November 2019, the Company entered into 15-year credit facilities for \$200 million with International Finance Corporation, a member of the World Bank Group, and North American Development Bank. This is the first loan certified under the Green Loan Principles that IFC grants to a company in Mexico.
- In December 2019, our Los Ramones Norte natural gas pipeline, a joint venture between the Company and Brookfield, issued \$332 million dollars of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors. In October 2019, Brookfield Asset Management acquired a 50 percent participation in Los Ramones Norte pipeline from BlackRock.
- The Company's total assets increased by \$0.8 billion, from \$8.8 billion as of December 2018 to \$9.6 billion as of December 2019.
- The Company paid a cash dividend of \$220 million in November 2019.

IENOVA EBITDA AND IENOVA ADJUSTED EBITDA

millions of US\$	Year ended December 31, (unaudited)	
	2019	2018
Gas Segment	\$ 611.9	\$ 626.8
Power Segment	167.1	141.9
Corporate	(1.1)	(0.4)
IEnova EBITDA (1)	\$ 777.9	\$ 768.3
JV IEnova EBITDA adjustment (1)	160.3	108.1
IEnova Adjusted EBITDA (1)	\$ 938.2	\$ 876.4

Gas Segment

In 2019, Gas segment IEnova EBITDA was \$611.9 million, compared with \$626.8 million in 2018. The decrease of \$14.9 million was mainly due to the revenue deferment at the Guaymas - El Oro pipeline, partially offset by higher natural gas distribution rates.

Power Segment

In 2019, Power segment IEnova EBITDA was \$167.1 million, compared with \$141.9 million in 2018. The increase of \$25.2 million was mainly due higher operational results at the Termoeléctrica de Mexicali power plant and Ventika, and the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities.

Joint Ventures

In 2019 Joint Ventures IEnova EBITDA was \$160.3 million, compared with \$108.1 million in 2018. The increase \$52.2 million in period was mainly due to the start of operations of the South Texas - Tuxpan pipeline.

RESULTS OF OPERATIONS

Amounts are presented in U.S. dollars, the functional currency of the Company, unless otherwise noted, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All amounts are unaudited, unless otherwise noted. Numbers may not add up due to rounding.

The 2018 first quarter financial results have been re-presented to show Termoeléctrica de Mexicali as continued operations in the Condensed Consolidated Statements of Profit, as management formalized the decision in the second quarter of 2018 to no longer hold it for sale.

(1) We present "IEnova EBITDA" and "IEnova Adjusted EBITDA" in this earnings report for the convenience of investors. IEnova EBITDA and IEnova Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Our definition of IEnova EBITDA is profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other losses (gains), net, (4) income tax expense and (5) share of profits of joint ventures, net of income tax. We define IEnova Adjusted EBITDA as IEnova EBITDA plus Joint Ventures (JV) IEnova EBITDA adjustment. We define the IEnova JV EBITDA adjustment as our share of the profit of joint ventures, after adding back or subtracting, as the case may be, our share of: (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, and (4) income tax expense.

Condensed Consolidated Statements of Profit

(millions of US\$)	Year ended December 31,	
	2019	2018
Revenues	\$ 1,379.3	\$ 1,368.6
Cost of revenues	(391.1)	(385.8)
Operating, administrative and other expenses	(210.3)	(214.5)
Depreciation and amortization	(155.8)	(137.2)
Financing cost, net	(87.2)	(95.4)
Other gains (losses), net	25.6	-
Profit before income tax and share of profits of joint ventures	560.5	535.7
Income tax expense	(132.6)	(143.1)
Share of profits of joint ventures, net of income tax	39.8	38.0
Profit for the period	\$ 467.7	\$ 430.6

SEGMENT INFORMATION

Segment information is presented after eliminating inter-company transactions.

Profit before Income Tax and Share of Profits of Joint Ventures

(millions of US\$)	Year ended December 31,	
	2019	2018
Gas Segment	\$ 492.6	\$ 519.0
Power Segment	106.2	84.4
Corporate	(38.3)	(67.7)
	\$ 560.5	\$ 535.7

Gas Segment

In 2019, Gas segment profit before income tax and share of profits of joint ventures was \$492.6 million, compared with \$519.0 million in 2018. The decrease of \$26.4 million was mainly due to the revenue deferment at the Guaymas - El Oro pipeline, non-cash exchange rate effects and higher depreciation expense, partially offset by lower financing cost.

Power Segment

In 2019, Power segment profit before income tax and share of profits of joint ventures was \$106.2 million, compared with \$84.4 million in 2018. The increase of \$21.8 million was mainly due to higher operational results at Termoeléctrica de Mexicali power plant and Ventika, and the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities.

Corporate

In 2019, Corporate segment loss before income tax was \$38.3 million, compared with a loss of \$67.7 million in 2018. The variance of \$29.4 million in the period was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas - Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures, and lower financing cost.

Revenues

(millions of US\$, except price per MMBtu ¹)	Year ended December 31,	
	2019	2018
Gas Segment	\$ 1,054.2	\$ 1,058.5
Power Segment	323.2	308.3
Corporate	1.9	1.8
	\$ 1,379.3	\$ 1,368.6
Natural gas weighted average price²	\$ 3.10	\$ 3.44

(1) MMBtu: Million British thermal units (of natural gas)

(2) Natural gas prices in USD per MMBtu

Gas Segment

In 2019, Gas segment revenues were \$1,054.2 million, compared with \$1,058.5 million in 2018. The decrease of \$4.3 million was mainly due to:

- \$23.3 million from revenue deferral at the Guaymas - El Oro pipeline, partially offset by
- \$9.0 million from natural gas higher volume, net of lower price, and
- \$6.8 million primarily from higher natural gas distribution rates.

Power Segment

In 2019, Power segment revenues were \$323.2 million, compared with \$308.3 million in 2018. The increase of \$14.9 million was mainly due to:

- \$11.1 million from the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities, and
- \$5.7 million from Ventika primarily due to availability guarantee.

Cost of Revenues

(millions of US\$, except cost per MMBtu ¹)	Year ended December 31,	
	2019	2018
Segmento Gas	\$ 274.7	\$ 259.9
Segmento Electricidad	116.4	125.9
	\$ 391.1	\$ 385.8
Natural gas weighted average cost²	\$ 2.87	\$ 3.14

(1) MMBtu: Million British thermal units (of natural gas)

(2) Natural gas prices in USD per MMBtu

Gas Segment

In 2019, Gas segment cost of revenues was \$274.7 million, compared with \$259.9 million in 2018. The increase of \$14.8 million was mainly due to higher volume, net of lower cost of natural gas.

Power Segment

In 2019, Power segment cost of revenues was \$116.4 million, compared with \$125.9 million in 2018. The decrease of \$9.5 million was mainly due to lower natural gas cost at Termoeléctrica de Mexicali power plant.

CONSOLIDATED RESULTS

Operating, Administrative and Other Expenses

In 2019, operating, administrative and other expenses were \$210.3 million compared with \$214.5 million in 2018. The decrease of \$4.2 million was mainly due to the adoption of the new lease accounting standard IFRS 16 in 2019 and a one-time effect of a new long-term maintenance and service agreement at Termoeléctrica de Mexicali power plant, partially offset by expenses related to the start of operations of Pima, Rumorosa and Tepezala Solar power generation facilities and the delay in the start of operations of Tepezala.

Depreciation and Amortization

In 2019, depreciation and amortization was \$155.8 million, compared with \$137.2 million in 2018. The increase of \$18.6 million was mainly due to the adoption of the new lease accounting standard IFRS 16 in 2019, the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities, and Termoeléctrica de Mexicali power plant depreciation, which resumed in the second quarter of 2018 after management formalized the decision to no longer hold it for sale.

Financing Cost, Net

In 2019, net financing cost was \$87.2 million compared with \$95.4 million in 2018. The decrease of \$8.2 million was mainly due to higher interest income related to the shareholder's loan granted to South Texas - Tuxpan pipeline, partially offset by the adoption of the new lease accounting standard IFRS 16 in 2019.

Other Gains (Losses), Net

In 2019, other gains were \$25.6 million, compared with other gains of \$0.0 million in 2018. The variance of \$25.6 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas - Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures.

Income Tax Expense

In 2019, income tax expense was \$132.6 million compared with \$143.1 million in 2018. The decrease of \$10.5 million is primarily due to the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso and the effect of tax incentives, partially offset by the exchange rate on monetary assets and liabilities.

Share of Profits of Joint Ventures, Net of Income Tax

(millions of US\$)	Joint Venture with	Year ended December 31,	
		2019	2018
Los Ramones Norte pipeline	Brookfield ¹	\$ 37.3	\$ 34.3
South Texas - Tuxpan pipeline	TC Energy	(0.4)	(0.1)
Energía Sierra Juárez wind generation facility	Actis	4.0	3.8
ECA Liquefaction ²	Sempre Energy	(1.1)	-
		\$ 39.8	\$ 38.0

¹ In October 2019, Brookfield Asset Management acquired a 50 percent participation in Los Ramones Norte pipeline from BlackRock

² In February 2019, IEnova and Sempra Energy formed a new Joint Venture for the ECA Liquefaction project, with a participation of 50% each.

In 2019, our share of profit of joint ventures, net of income tax, was \$39.8 million compared with \$38.0 million in 2018. The increase of \$1.8 million is mainly due to the South Texas - Tuxpan pipeline start of operation, offset by its foreign exchange rate effects primarily related to a peso-denominated shareholder's loan. The foreign exchange rate effects are offset in Other Gains (Losses), net.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
(thousands of US\$)	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 57,966	\$ 51,764
Trade and other receivables, net	139,407	153,649
Taxes receivable	154,947	151,713
Other current assets ⁽¹⁾	113,261	106,815
Total current assets	465,581	463,941
NON-CURRENT ASSETS		
Due from unconsolidated affiliates	744,609	646,297
Finance lease receivables	921,270	932,375
Deferred income tax assets	89,898	80,853
Investments in joint ventures	625,802	608,708
Property, plant and equipment, net	4,637,962	4,086,914
Goodwill	1,638,091	1,638,091
Other non-current assets ⁽²⁾	429,293	311,418
Total non-current assets	9,086,925	8,304,656
Total assets	\$ 9,552,506	\$ 8,768,597
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 1,235,379	\$ 870,174
Due to unconsolidated affiliates	24,471	310,696
Other current liabilities ⁽³⁾	333,682	264,761
Total current liabilities	1,593,532	1,445,631
NON-CURRENT LIABILITIES		
Long-term debt	1,818,331	1,675,192
Due to unconsolidated affiliates	233,597	75,161
Deferred income tax liabilities	565,957	566,892
Other non-current liabilities ⁽⁴⁾	383,852	251,971
Total non-current liabilities	3,001,737	2,569,216
Total liabilities	4,595,269	4,014,847
STOCKHOLDERS' EQUITY		
Common stock	955,239	963,272
Additional paid-in capital	2,342,883	2,351,801
Treasury shares	–	(7,19)
Accumulated other comprehensive (loss)	(130,919)	(104,105)
Retained earnings	1,777,280	1,536,662
Total equity attributable to owners	4,944,483	4,740,440
Non-controlling interests	12,754	13,310
Total equity of the company	\$ 4,957,237	\$ 4,753,750
Total liabilities and equity	\$ 9,552,506	\$ 8,768,597

(1) Other current assets includes finance lease receivables - current, amounts due from unconsolidated affiliates, natural gas inventories, derivative financial instruments, carbon allowances - current, other current assets and restricted cash.

(2) Other non-current assets includes derivative financial instruments, other non-current assets, right of use assets, carbon allowances - non-current, intangible assets and restricted cash.

(3) Other current liabilities includes trade and other payables, income tax liabilities, lease liabilities - current, derivative financial instruments, other financial liabilities, provisions current, other taxes payable, carbon allowances - current and other current liabilities.

(4) Other non-current liabilities includes lease liabilities - non current, carbon allowances - non current, provisions - non current, derivative financial instruments, employee benefits and other non-current liabilities.

LIQUIDITY AND CAPITAL RESOURCES

We are a holding company. As a result, our ability to meet our obligations and to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements, and our access to financing sources.

Sources and Uses of Cash

	Year ended December 31,	
(millions of US\$)	2019	2018
Cash, cash equivalents and restricted cash at the beginning of the period	\$ 78.0	\$ 94.1
Net cash provided by operating activities	706.7	625.0
Net cash used in investing activities	(655.0)	(628.1)
Net cash (used in) provided by financing activities	6.6	(34.0)
Effects of exchange rate changes on cash and cash equivalents	(44.8)	21.0
Cash, cash equivalents and restricted cash at the end of the period	\$ 91.5	\$ 78.0

Operating Activities

In 2019, net cash provided by operating activities was \$706.7 million, compared with \$625.0 million in 2018, mainly due to changes in working capital, partially offset by higher income tax payments.

Investing Activities

In 2019, net cash used in investing activities was \$655.0 million, mainly due to capital expenditures of \$613.6 million primarily related to the solar and liquid terminal projects, and the funding of \$49.1 million in the ECA liquefaction project and \$15.8 million South Texas - Tuxpan pipeline, partially offset by \$18.7 million interest payment from the shareholder's loan granted to South Texas - Tuxpan pipeline.

In 2018, net cash used in investing activities was \$628.1 million, mainly due to capital expenditures of \$456.4 million primarily related to the new solar and liquid terminal projects and the funding of \$174.9 million in the South Texas - Tuxpan pipeline.

Financing Activities

In 2019, net cash provided by financing activities was \$6.6 million, mainly due to \$510.0 million of net proceeds from bank financing, partially offset by a dividend payment of \$220.0 million, \$133.8 million of interest paid, \$112.4 million net of loans with unconsolidated affiliates, \$27.4 million of lease payments and \$9.8 million of share repurchases.

In 2018, net cash used by financing activities was \$34.0 million, mainly due to \$242.0 million in net repayments of loans from unconsolidated affiliates, a dividend payment of \$210.0 million, the five-year CEBURES payment at maturity of \$102.1 million and interest paid of \$85.0 million, partially offset by \$612.4 million in net borrowings against credit facilities.

RECONCILIATION OF PROFIT FOR THE PERIOD TO IENOVA EBITDA AND IENOVA ADJUSTED EBITDA

(millions of US\$)	Year ended December 31, (unaudited)	
	2019	2018
IEnova EBITDA reconciliation		
Profit for the period	\$ 467.7	\$ 430.6
Depreciation and amortization	155.8	137.2
Financing cost, net	87.	95.4
Other (gains) losses, net	(25.6)	–
Income tax expense	132.6	143.1
Share of (profits) of joint ventures, net of income tax	(39.8)	(38.0)
(1) IEnova EBITDA	777.9	768.3
JV IEnova EBITDA Adjustment reconciliation		
Profit for the period	39.8	38.0
Depreciation and amortization	14.4	6.3
Financing cost, net	65.9	34.6
Other losses (gains), net	26.5	(3.2)
Income tax expense	13.7	32.4
(2) JV IEnova EBITDA Adjustment	160.3	108.1
(1+2) IEnova Adjusted EBITDA	\$ 938.2	\$ 876.4

INTERNAL CONTROLS

Our management is responsible for maintaining a system of internal control over financial reporting. This system gives our shareholders reasonable assurance that our transactions are executed and maintained in accordance with the guidelines set forth by our management and that our financial records are reliable as a basis for preparing our financial statements.

The system of internal control over financial reporting is supported by ongoing audits, the results of which are reported to management throughout the year. In addition, we maintain reliable databases and have systems designed to generate key financial information.

CONSOLIDATED FINANCIAL STATEMENTS

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

(In millions of U.S. Dollars)

Opinion

We have audited the consolidated financial statements of Infraestructura Energética Nova, S. A. B. de C. V. and its subsidiaries (the Company or IEnova), which comprise the consolidated statements of financial position as of December 31, 2019, 2018 and 2017, and the consolidated statements of profit, consolidated statements of profit and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Infraestructura Energética Nova, S. A. B. de C. V. and its subsidiaries as of December 31, 2019, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

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

Analysis of Significant New Contracts and Transactions

The Company entered into several significant transactions during the year, some of which required the determination of the appropriate accounting treatment, which can have material impact on current and future consolidated financial statements with respect to the recognition, valuation, presentation and disclosures of the particular transaction. International Financial Reporting Standards require management to apply its judgement to define the accounting treatment while providing limited specific industry guidance. A typical analysis requires the Company to determine whether it needs to consolidate a project; whether the arrangement contains a lease, and if so, whether it is properly classified as a finance or operating lease; whether the contract meets the own use exemption, or the definition of a derivative (in which case hedge accounting may be applicable) or if it contains embedded derivatives; or, whether, it should be accounted for under another model, such as the concession arrangement model. Examples of significant transactions include agreements such as terminal services, power sales, concessions, purchase options, and acquisition of subsidiaries and the adoption of new financial reporting standards.



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As described in Note 38 of the consolidated financial statements, the Company adopted IFRS 16, *Leases* (IFRS 16), at January 1, 2019. IFRS 16 specifies how an entity shall recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The implementation of IFRS 16 is considered a key audit matter due to the judgments applied in establishing the underlying key assumptions.

Our audit placed an emphasis on understanding the internal control of the Company and performing detailed risk assessment procedures to identify the significant judgements used and to design tailored audit procedures to assess the risks identified of the adoption of IFRS 16. We have assessed whether the accounting regarding leases is consistent with the criteria set forth in IFRS 16, including factors such as lease term, discount rate and measurement principles. Furthermore, we have evaluated certain transition matters, including validating the appropriate use of practical expedients offered by IFRS 16. Due to the extent to which management judgment was applied in establishing the underlying assumptions, we have involved our technical accounting and valuation specialists to assist us in auditing these matters.

Goodwill Impairment Testing

As described in Note 13 to the consolidated financial statements, the Company maintains goodwill of \$1,638 million, which originated mainly from the acquisitions of IEnova Pipelines, S. de R. L. de C. V. and Ventika I, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V., and represents 17% of the total assets at December 31, 2019. Management performed its annual goodwill impairment testing during the fourth quarter, which uses business and valuation assumptions that require a high degree of judgement, including discount rates and long-term projections of revenues and costs. The most relevant matters addressed in our audit were as follows:

- The reasonableness of discount rates
- The reasonableness of the recoverable amount and valuation techniques used management by performing the following:
 - Procedures to verify that the calculations are based on the Company's latest business plans approved by the Board of Directors.
 - Tests of the reasonableness of projected growth considering market conditions and the Company's historical financial performance.
 - Sensitivity analyses to validate relevant assumptions.

Our audit procedures focused mainly on testing relevant controls to assess the risks identified based in our evaluation and performing substantive procedures over significant assumptions used by the Company in its annual testing. In addition, we involved an internal valuation specialist to assist us in auditing these highly technical matters.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

Emphasis of Matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers in accordance with the basis of presentation described in Note 2.2.

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

C.P.C. Erika Regalado García
Mexico City, Mexico
April 11, 2020



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

(In thousands of U. S. Dollars)

ASSETS	NOTES	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
		2019	2018	2017
Current assets:				
Cash and cash equivalents	4, 24	\$ 57,966	\$ 51,764	\$ 38,289
Restricted cash	4, 24	30,844	23,342	55,820
Finance lease receivables	8, 24	11,354	9,809	8,126
Trade and other receivables, net	5, 24, 29	139,407	153,649	94,793
Due from unconsolidated affiliates	6, 24	36,394	45,043	24,600
Income taxes receivable	25	22,061	74,806	81,909
Natural gas inventories	7	8,270	3,516	7,196
Derivative financial instruments	24	10,267	9,474	6,130
Value added tax receivable		132,886	76,907	39,633
Carbon allowances	21	6,444	5,936	-
Other assets	9	9,688	9,695	10,327
Assets held for sale	12	-	-	148,190
Total current assets		465,581	463,941	515,013
Non-current assets:				
Due from unconsolidated affiliates	6, 24	744,609	646,297	493,887
Derivative financial instruments	24	6,974	8,146	1,935
Finance lease receivables	8, 24	921,270	932,375	942,184
Deferred income tax	25	89,898	80,853	97,334
Investment in joint ventures	10	625,802	608,708	523,102
Other assets	9	32,836	94,060	32,658
Property, plant and equipment, net	14, 28	4,637,962	4,086,914	3,729,456
Right-of-use-assets, net	38	175,841	-	-
Carbon allowances	21	30,083	15,499	-
Intangible assets, net	15	180,867	190,772	190,199
Goodwill	13	1,638,091	1,638,091	1,638,091
Restricted cash	4, 24	2,692	2,941	-
Total non-current assets		9,086,925	8,304,656	7,648,846
Total assets	28	\$ 9,552,506	\$ 8,768,597	\$ 8,163,859

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
		2019	2018	2017
Current liabilities:				
Short-term debt	22, 24	\$ 1,235,379	\$ 870,174	\$ 262,760
Trade and other payables	16, 24	154,936	99,757	544,217
Due to unconsolidated affiliates	6, 24	24,471	310,696	3,384
Income tax liabilities	25	62,699	63,044	-
Lease current liabilities	38	2,654	-	41,726
Derivative financial instruments	24	15,071	10,943	10,372
Other financial liabilities	18, 24	26,218	24,720	394
Provisions	20	-	251	36,273
Other taxes payable		31,878	31,619	-
Carbon allowances	21	6,444	6,354	19,631
Other liabilities	19	33,782	28,073	62,522
Liabilities related to assets held for sale	12	-	-	148,190
Total current liabilities		1,593,532	1,445,631	1,053,917
Non-current liabilities:				
Long-term debt	23, 24	1,818,331	1,675,192	1,732,040
Due to unconsolidated affiliates	6, 24	233,597	75,161	73,510
Lease non-current liabilities	38	101,788	-	-
Deferred income tax liabilities	25	565,957	566,892	551,614
Carbon allowances	21	29,843	14,826	-
Provisions	20	84,842	61,903	67,210
Derivative financial instruments	24	140,860	152,880	162,444
Employee benefits	17	9,901	7,643	6,537
Other non-current liabilities	19, 29	16,618	14,719	-
Total non-current liabilities		3,001,737	2,569,216	2,593,355
Total liabilities	28	4,595,269	4,014,847	3,647,272
Stockholders' equity:				
Common stock	26	955,239	963,272	963,272
Additional paid-in capital	26	2,342,883	2,351,801	2,351,801
Treasury shares	26	-	(7,190)	-
Accumulated other comprehensive loss		(130,919)	(104,105)	(114,556)
Retained earnings		1,777,280	1,536,662	1,316,070
Total equity attributable to owners of the Company		4,944,483	4,740,440	4,516,587
Non-controlling interests		12,754	13,310	-
Total stockholders' equity		4,957,237	4,753,750	4,516,587
Commitments and contingencies	36, 37	-	-	-
Events after the reporting period	39	-	-	-
Total stockholders' liabilities and equity		\$ 9,552,506	\$ 8,768,597	\$ 8,163,859

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF PROFIT

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

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

	NOTES	YEAR ENDED DECEMBER 31,		
		2019 (NOTES 1, 12)	2018 (NOTES 1, 12)	2017 (NOTES 1, 12)
Revenues	24, 28, 29	\$ 1,379,256	\$ 1,368,555	\$ 1,222,905
Cost of revenues		(391,093)	(385,791)	(331,846)
Operating, administrative and other expenses	31	(210,325)	(214,519)	(202,982)
Depreciation and amortization	14, 28, 34	(155,799)	(137,157)	(119,020)
Impairment of Termoelectrica de Mexicali, S. de R. L. de C. V. ("TDM")	12	–	–	(63,804)
Interest income	28, 30	45,665	27,449	22,808
Finance costs	28, 33	(132,849)	(122,879)	(73,501)
Other gains (losses), net	32	25,619	8	(40,900)
Profit before income tax and share of profits of joint ventures	25	560,474	535,666	413,660
Income tax expense	25, 28	(132,558)	(143,064)	(104,163)
Share of profits of joint ventures	10, 28	39,769	37,984	44,677
Profit for the year	28	\$ 467,685	\$ 430,586	\$ 354,174
Attributable to:				
Owners of the Company	35	468,241	430,592	354,174
Non-controlling interests		(556)	(6)	–
		\$ 467,685	\$ 430,586	\$ 354,174
Earnings per share:				
Basic and diluted earnings per share	35	\$ 0.31	\$ 0.28	\$ 0.23

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF PROFIT AND OTHER COMPREHENSIVE INCOME

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

(In thousands of U. S. Dollars)

	NOTES	YEAR ENDED DECEMBER 31,		
		2019	2018	2017
Profit for the year	28	\$ 467,685	\$ 430,586	\$ 354,174
Items that will not be reclassified to profit or (loss):				
Actuarial (losses) gain on defined benefits plans	17	(1,057)	519	704
Deferred income tax related to actuarial (losses) gain on defined benefits plans		317	(156)	(211)
Total items that will not be reclassified to profit		(740)	363	493
Items that may be subsequently reclassified to profit or (loss):				
(Loss) gain on valuation of derivative financial instruments held for hedging purposes		(9,727)	7,688	4,586
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes		2,918	(2,306)	(1,376)
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(41,321)	7,665	3,270
Deferred income tax on the (loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		12,396	(2,299)	(981)
Exchange differences on translation of foreign operations		9,660	(660)	6,110
Total items that may be subsequently reclassified to (loss) or profit		(26,074)	10,088	11,609
Other comprehensive (loss) income for the year		(26,814)	10,451	12,102
Total comprehensive income for the year		\$ 440,871	\$ 441,037	\$ 366,276
Attributable to:				
Owners of the Company		441,427	441,043	366,276
Non-controlling interests		(556)	(6)	–
		\$ 440,871	\$ 441,037	\$ 366,276

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

(In thousands of U. S. Dollars)

	NOTES	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTERESTS	TOTAL
Balance as of December 31, 2016	26	\$ 963,272	\$ 2,351,801	\$ -	\$ (126,658)	\$ 1,161,896	\$ 4,350,311	\$ -	\$ 4,350,311
Profit for the year	28	-	-	-	-	354,174	354,174	-	354,174
Actuarial gain on defined benefit plans, net of income tax	17	-	-	-	493	-	493	-	493
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		-	-	-	3,210	-	3,210	-	3,210
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		-	-	-	2,289	-	2,289	-	2,289
Exchange differences on translation of foreign operations		-	-	-	6,110	-	6,110	-	6,110
Total comprehensive income for the year		-	-	-	12,102	354,174	366,276	-	366,276
Dividends paid	27	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as of December 31, 2017	26	\$ 963,272	\$ 2,351,801	\$ -	\$ (114,556)	\$ 1,316,070	\$ 4,516,587	\$ -	\$ 4,516,587
Profit for the year	28	-	-	-	-	430,592	430,592	(6)	430,586
Actuarial gain on defined benefit plans, net of income tax	17	-	-	-	363	-	363	-	363
Gain on valuation of derivative financial instruments held for hedging purposes, net of income tax		-	-	-	5,382	-	5,382	-	5,382
Gain on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		-	-	-	5,366	-	5,366	-	5,366
Exchange differences on translation of foreign operations		-	-	-	(660)	-	(660)	-	(660)
Total comprehensive income (loss) for the year		-	-	-	10,451	430,592	441,043	(6)	441,037
Additional non-controlling interests arising on the acquisition of subsidiaries		-	-	-	-	-	-	13,094	13,094
Additional non-controlling interests relating to equity contributions		-	-	-	-	-	-	222	222
Repurchase of ordinary shares, net	26	-	-	(7,190)	-	-	(7,190)	-	(7,190)
Dividends paid	27	-	-	-	-	(210,000)	(210,000)	-	(210,000)
Balance as of December 31, 2018	26	\$ 963,272	\$ 2,351,801	\$ (7,190)	\$ (104,105)	\$ 1,536,662	\$ 4,740,440	\$ 13,310	\$ 4,753,750
Profit for the year	28	-	-	-	-	468,241	468,241	(556)	467,685
Actuarial loss on defined benefit plans, net of income tax	17	-	-	-	(740)	-	(740)	-	(740)
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		-	-	-	(6,809)	-	(6,809)	-	(6,809)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		-	-	-	(28,925)	-	(28,925)	-	(28,925)
Exchange differences on translation of foreign operations		-	-	-	9,660	-	9,660	-	9,660
Total comprehensive (loss) income for the year		-	-	-	(26,814)	468,241	441,427	(556)	440,871
Repurchase of ordinary shares, net	26	-	-	(9,761)	-	-	(9,761)	-	(9,761)
Retirement of treasury shares	26	(8,033)	(8,918)	16,951	-	-	-	-	-
Investment decrease in joint venture	10	-	-	-	-	(7,623)	(7,623)	-	(7,623)
Dividends paid	27	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Balance as of December 31, 2019	26	\$ 955,239	\$ 2,342,883	\$ -	\$ (130,919)	\$ 1,777,280	\$ 4,944,483	\$ 12,754	\$ 4,957,237

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

(In thousands of U. S. Dollars)

	NOTES	YEAR ENDED DECEMBER 31,		
		2019	2018	2017
Cash flows from operating activities:				
Profit for the year	28	\$ 467,685	\$ 430,586	\$ 354,174
Adjustments for:				
Income tax expense	25, 28	132,558	143,064	104,162
Share of profit of joint ventures, net of income tax	10, 28	(39,769)	(37,984)	(44,677)
Finance costs	28, 33	132,849	122,879	73,501
Interest income	28, 30	(45,665)	(27,449)	(22,808)
Loss on disposal of property, plant and equipment		5,900	13,708	7,877
Impairment loss (gain) recognized on trade receivables		96	(1)	(60)
Impairment of TDM		-	-	63,804
Depreciation and amortization	14, 28, 34	155,799	137,157	119,020
Net foreign exchange (gain) loss		(27,117)	6,103	37,028
Net (gain) loss on valuation of derivative financial instruments		(1,559)	(3,754)	6,715
Others		9	-	-
		780,786	784,309	698,736
Movements in working capital:				
Decrease (increase) in trade and other receivables, net		32,938	(55,452)	(2,368)
(Increase) decrease in natural gas inventories, net		(4,754)	3,680	(1,113)
Decrease (increase) in other assets, net		52,741	(14,220)	(4,204)
(Decrease) increase in trade and other payables, net		(24,939)	5,134	12,546
Decrease in provisions, net		(36,703)	(42,463)	(252)
Increase (decrease) in other liabilities, net		25,707	1,088	(2,098)
Cash generated from operations		825,776	682,076	701,247
Income taxes paid		(119,122)	(57,090)	(115,013)
Net cash provided by operating activities		706,654	624,986	586,234

(Continued)

	NOTES	YEAR ENDED DECEMBER 31,		
		2019	2018	2017
Cash flows from investing activities:				
Acquisition of subsidiaries and assets, net of cash acquired	11	-	(19,954)	(147,638)
Investment in joint ventures	10	(49,107)	(79,908)	(72,067)
Equity reimbursement from joint ventures	10	1,955	-	-
Marine terminals bidding fee	1	-	(44,355)	(28,179)
Interest received		18,892	563	1,089
Acquisitions of property, plant and equipment and other	14	(613,624)	(392,073)	(224,816)
Loans granted to unconsolidated affiliates		(20,726)	(134,661)	(505,997)
Receipts of loans granted to unconsolidated affiliates		7,607	42,275	8,152
Net cash used in investing activities		(655,003)	(628,113)	(969,456)
Cash flows from financing activities:				
Interest paid		(133,792)	(85,046)	(75,661)
Loans received from unconsolidated affiliates	6	155,396	70,000	377,926
Loans payments to unconsolidated affiliates	6	(267,768)	(312,032)	(46,702)
Payments of loans acquired through acquisition of subsidiary	11	-	-	(95,839)
Proceeds from bank financing		1,477,433	916,757	897,000
Payments on bank lines of credit		(967,431)	(304,395)	(1,257,531)
Lease payments	38	(27,440)	-	-
Proceeds from international debt offering	23	-	-	840,000
Debt issuance costs	23	-	-	(32,609)
Payments for repurchase of shares	26	(9,761)	(7,190)	-
Payment of debt securities ("CEBURES")	23	-	(102,069)	-
Dividends paid	27	(220,000)	(210,000)	(200,000)
Net cash provided by (used in) financing activities		6,637	(33,975)	406,584
Increase (decrease) in cash, cash equivalents and restricted cash		58,288	(37,102)	23,362
Cash, cash equivalents and restricted cash at the beginning of the year		78,047	94,109	76,361
Effects of exchange rate changes on cash and cash equivalents		(44,833)	21,040	(5,614)
Cash, cash equivalents and restricted cash at the end of the year		\$ 91,502	\$ 78,047	\$ 94,109

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFRAESTRUCTURA ENERGETICA NOVA, S. A. B. DE C. V. AND SUBSIDIARIES

For the years ended December 31, 2019, 2018 and 2017
(In thousands of U. S. Dollars, except where otherwise stated)

1. GENERAL INFORMATION AND RELEVANT EVENTS

1.1. GENERAL INFORMATION

Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (collectively, "IEnova or the Company") are located and incorporated mainly in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent") located and incorporated in the United States of America ("U. S."). The addresses of the Company's registered offices and principal places of business are disclosed in Note 41.

1.2. RELEVANT EVENTS

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

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

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

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

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

1.2.2. CEBURES

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

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

1.2.3. 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 México Banamex, S. A., ("Banamex"), Sumitomo Mitsui Banking Corporation ("SMBC"), BBVA Bancomer, S.A. de C.V. ("BBVA"), Scotiabank Inverlat, S. A. ("Scotiabank"), Mizuho Bank LTD. ("Mizuho"), BNP Paribas S. A. and Santander (Mexico), S. A. ("Santander"), entered into a letter of credit facility and reimbursement agreement, up to an amount equivalent to \$1.0 billion, which will be in effect for five years.

- i. The agreement, among other things, will allow IEnova to expedite the administrative processes for the issuance or renewal of standby letters of credit and to have a standard process for the issuance of all its standby letters of credit.
- ii. The LOCF and the standby letters of credit issued under this agreement do not constitute IEnova's debt.

1.2.4. Revolving credit facility

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

1.2.5. Plan to market and sell TDM

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

1.2.5.1. TDM changes to plan of sale

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

1.2.6. Purchase agreement of Ductos y Energeticos del Norte ("DEN")

On October 6, 2017, the Company announced the agreement to acquire Pemex Transformacion Industrial, S. de R.L de C.V. ("Pemex TRI") participation's in DEN.

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

This acquisition increased IEnova's indirect participation in the Los Ramones II Norte pipeline from 25 percent to 50 percent through TAG Norte Holding, S. de R. L. de C. V. ("TAG").

Please refer to Notes 10.3., 10.4. and 11.1.

1.2.7. Formation of a fund to repurchase its own shares

On June 14, 2018, at the Company's Ordinary General Shareholders' Meeting, the shareholders decided to approve the creation of a fund to repurchase its own shares for a maximum amount of \$250.0 million. Such amount shall not exceed the Company's total net profits, including retained earnings, as stated in the Company's 2017 Financial Statements, which were approved in the Ordinary General Shareholders' Meeting on April 27, 2018. This amount was reestablished in the General Shareholders Meeting on April 30, 2019. (Please refer to Note 26.).

1.2.8. Increase and term extension to revolving credit agreement

On February 11, 2019, the Company entered into an amendment agreement to i) increase the amount of a credit (See Note 22.a.) line to \$1.5 billion, ii) extend the term thereof from August 2020 to February 2024, iii) include JP Morgan Chase Bank, N. A. and Credit Agricole Corporate and Investment Bank to the lenders' syndicate, and iv) modify the interest rate terms.

1.2.9. Working Capital Credit Line

On April 11, 2019, the Company entered into a revolving credit agreement with Scotiabank, for up to \$100,000.0. The term is three years.

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

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

1.2.11. Manzanillo and Guadalajara Terminal

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

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

1.2.12. Expansion Plan

On June 4, 2019, Ecogas Mexico, S. de R. L. de C. V., ("ECO") a subsidiary of IEnova announced an expansion plan to connect approximately forty thousand new customers during the next two years, with an investment of approximately \$1,500.0 million Mexican Pesos (\$80.0 million U. S. Dollars).

1.2.13. Moody's Credit Rating

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

1.2.14. South of Texas - Tuxpan Marine Pipeline

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

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

In September 2019, the Company executed agreements with CFE in relation to the Transportation Service Agreements corresponding to South Texas - Tuxpan marine pipeline the latter jointly developed with TC Energy. This agreement establish a new tariff structure and consider a 10-year extension. Such agreements fulfill both parties' interests while maintaining the overall integrity and economics of the original contracts.

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

1.2.15. Terminal Services Agreement with MPC

On June 25, 2019, the Company announced the execution of a long-term Terminal Services Agreement with a subsidiary of MPC for approximately 650,000 barrels, equivalent to 30 percent of the total capacity of the marine terminal for the receipt, storage, and delivery of gasoline, diesel and jet fuel in Manzanillo, Colima.

1.2.16. Guaymas - El Oro Pipeline

Following the start of commercial operations of the Guaymas-El Oro pipeline, the Company reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 23, 2017, and as a result, the Company declared a force majeure event in accordance with the contract.

The Company has received force majeure payments since August 2017 through the end of the force majeure period in August 2019.

The Company also received a court order in an appeal procedure that has prevented it from making repairs to place the pipeline back in service. In July 2019, the court ruled that the Yaqui Tribe was properly consulted and that consent from the Yaqui tribe was received. The plaintiffs appealed the ruling, causing the suspension order preventing the Company from repairing the damaged pipeline in the Yaqui territory to remain in place until the appeals process is exhausted.

In addition, in July 2019, the Company received a request for arbitration from the CFE to demand the nullification of certain clauses of the contract for this pipeline, which refer to the parties' responsibilities in instances of acts of God or force majeure, as well as reimbursements and payments related to such events.

In August 2019, the Company executed a Term Suspension Agreement with CFE for the Natural Gas Transportation Services Agreement for the Guaymas - El Oro gas pipeline. This agreement was executed to take all necessary actions to resume operation of the pipeline and to avoid the termination of the contract.

In September 2019, the Company executed an agreement with CFE in relation to the Transportation Service Agreements corresponding to the Guaymas - El Oro pipeline. This agreement establish a new tariff structure and consider a 10-year extension. Such agreements fulfill both parties' interests while maintaining the overall integrity and economics of the original contracts.

1.2.17. Long-term Electric Supply contracts

On July 10, 2019, the Company executed a 15-years clean electricity supply contract with various subsidiaries of El Puerto de Liverpool, S. A. B. de C. V. ("Liverpool").

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

On October 4, 2019, the Company executed an electricity Sale and Purchase Agreement ("SPA") with Envases Universales de Mexico, S. A. P. I. de C. V. ("Envases Universales") for a period of ten years.

On December 17, 2019, the Company executed a long-term clean energy supply contract with Grupo Cementos de Chihuahua, S.A.B. de C.V. ("GCC") for the period of fifteen years.

The energy will be generated by one of IEnova's solar power plants located in Ciudad Juarez, Chihuahua, which will begin operations in the second half of 2020. The project will have an installed capacity of 150 MW and an approximate investment of \$160.0 million.

1.2.18. Bilateral Revolving Credit Agreement

On September 23, 2019, the Company entered into a revolving credit agreement with The Bank of Nova Scotia ("BNS") for up to \$280.0 million. The term is two years.

1.2.19. Corporate Long - Term Credit facilities

On November 19, 2019, regarding the credit mentioned in Note 23.h., the Company entered into 15-year credit facilities for \$200.0 million with International Finance Corporation ("IFC"), a member of the World Bank Group, and North American Development Bank ("NADB").

1.2.20. Private placement of senior secured notes by TAG

On December 16, 2019, regarding the credit mentioned in Note 10.4., the parent entity of the Los Ramones Norte II natural gas pipeline and a joint venture between the Company and Brookfield Asset Management Inc. ("Brookfield"), issued \$332.0 million dollars of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors.

1.2.21. Projects under development

a. Veracruz marine terminal and in-land terminal projects

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

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

On August 3, 2017, the Company executed the 20-year concession agreement with the Veracruz API to develop, construct and operate the aforementioned marine terminal. The concession includes the transfer, during 2018, of the waterfront lot where the terminal will be built. The terminal will have a capacity of 2,100,000 barrels.

Additionally, the Company will build and operate two storage terminals that will be strategically located in Puebla and Estado de Mexico, and will have initial storage capacities of approximately 650,000 barrels, each one.

The beginning of commercial operations for the three terminals are expected to occur in the first half of 2020, with an investment in the range of \$590.0 - \$640.0 million.

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

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

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

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

On January 8, 2018, ESJ Renovable III, S. de R. L. de C. V. ("ESJR III") paid to the Veracruz API the remaining 50 percent of a counter-payment fee equivalent to the amount of \$500.0 million Mexican Pesos (\$25.9 million U. S. Dollars) for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico.

On November 22, 2018, ESJR III 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.

b. Wind power generation facility

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

c. Long-term electric supply contract

On February 28, 2018, the Company executed a 15-year electricity supply contract with various subsidiaries of Liverpool. The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico. The plant will have the capacity to supply Liverpool and other large energy consumers. The Company will be responsible for the development, construction and operation of the project that will have a capacity of 125 MW, with an investment of approximately \$130.0 million. The beginning of commercial operations is expected to occur in the first half of 2020. (Please refer to Note 11.2.).

d. Marine terminal, Baja California, Mexico

On April 12, 2018, the Company announced a project to develop, construct, and operate a marine terminal that will be located 23 Km North of Ensenada, Baja California, Mexico. The terminal, with one million barrels of initial storage capacity will receive, store, and deliver hydrocarbons, primarily gasoline and diesel. The investment will be approximately \$130.0 million. The terminal is expected to begin commercial operations in the first half of 2021.

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 International Accounting Standards ("IAS") 32, Financial instruments, and is therefore within the scope of IFRS 9, Financial instruments, the option is required to be initially recognized at Fair Value ("FV") which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for FV, as such the Company will not record a FV.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP, a BP P. L. C. ("BP PLC") subsidiary, for the remaining 50 percent of the terminal's storage capacity.

e. 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 first half of 2021.

In September and October 2018, the Company announced the execution of two long-term, U. S. Dollar-denominated contracts with subsidiaries of Chevron and MPC 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 FV which upon the effective date of the agreement is minimal, as the exercise price of the option is a proxy for FV, as such the Company will not record a FV.

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.

f. 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 580,000 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 2.2 million barrels. The project's estimated investment is approximately \$285.0 million, and the Company anticipates, subject to the timing of issuance of the remaining permits, the start of commercial operations in the first quarter of 2021.

As part of the agreements, the Company also acquired 51 percent of the equity of ICM Ventures Holding B. V. ("ICM"), owner of the land where the project will be built. Affiliates of Trafigura retained 49 percent of the equity interest in the project. (Please refer to Note 11.4.).

g. Natural gas liquefaction project

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

1.2.22 Other matters

a. Credit Ratings

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

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

On July 9, 2019, the Company announced that Fitch has placed IEnova's rating on "Watch Negative": BBB+ / Watch Negative (the previous rating was BBB+ / Stable), due to the events described in Note 1.2.14. and 1.2.16.

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

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

1.3. ACTIVITIES

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

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

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

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

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

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

1.3.1 Gas segment

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

- a. ECO is engaged in the distribution and sale of natural gas for industrial, residential and commercial use in three local distribution zones: Mexicali (serving the city of Mexicali, Baja California), Chihuahua (serving the cities of Chihuahua, Delicias, Cuauhtemoc and Anahuac) and La Laguna-Durango (serving the cities of Torreon, Gomez Palacio, Lerdo and Durango), with pipelines of approximately 4,138 Km in length.

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

In May 2009, the CRE approved the third five-year plan to ECO for the local distribution zones of Chihuahua, Chihuahua and Mexicali, Baja California, and in June 2010 for the local distribution zone of La Laguna-Durango. Additionally, in 2016, the CRE authorized an adjustment to the authorized tariffs to be applied in the five-year plan for the local distribution zones of Chihuahua, Chihuahua and La Laguna-Durango and in 2018 an actualization to tariffs related to inflationary effects. The five-year plans do not include commitments regarding the minimum number of customers. As of December 31, 2019, 2018 and 2017, ECO had over 130,000, 122,000 and 120,000 customers, respectively.

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

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

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

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

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

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

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

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

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

The capacity of the Sonora pipeline is contracted by CFE under two 25 and 35 year firm contracts denominated in U.S. Dollars.

Ojinaga - El Encino pipeline: In December 2014, GAP, entered into the Ojinaga pipeline natural gas transportation services agreement with the CFE, which has a term of 25 years. The CFE contracted 100 percent of the transportation capacity of the Ojinaga pipeline, equal to 1,356 MMCFPD. The 42 inch pipeline, with a length of approximately 220 Km. This segment started commercial operation on June 30, 2017.

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

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

Aguaprieta pipeline: This system is comprised of approximately 13 Km of 20 inch diameter pipeline and has a design capacity of 200 MMcfd. The firm transportation services contracts in force between the Company and the Aguaprieta Pipeline system represent 129.4 MMcfd (1.3 MMThd), equivalent to 65 percent of the system's installed capacity. Among these contracts is a firm transportation services contract with the CFE, signed in September 2013, for 67 MMcfd (0.7 MMthd), which is renewed every year after an initial period of two years. This contract supplies a combined cycle generation plant fired with gas from Agua Prieta II, which reached commercial operations in 2017. In addition, the Company signed two firm contracts with El Paso Marketing, one on June 2002 and the second on October 2013, with a duration of six and twenty five years respectively for 50 MMcfd and 2 MMcfd.

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

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

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

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

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

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

- e. IEnova Gasoductos Holding, S. de R.L de C.V. ("IGH") is engaged in the acquisition and subscription of any participation in the share capital of various companies.
- f. ECA owns and operates a LNG regasification and storage facility ("LNG Terminal") in Ensenada, Baja California, Mexico.

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

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

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

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

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

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

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

As of December 31, 2019, IEnova Marketing has a total of 147 new customers derived from the change regulation issued by the CRE.

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

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

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

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

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

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

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

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

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

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

GdS - Ethane pipeline: an approximately 224 Km system comprised of three segments. The first segment is a 20 inch diameter pipeline with a transportation capacity of approximately 52 MMCFPD. The second segment is a 16/24 inch diameter pipeline with a transportation capacity of approximately 152 MMCFPD. The third segment is a 20 inch diameter pipeline with a transportation capacity of approximately 106,000 Bbld. The Ethane pipeline transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas, and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization plant in the State of Veracruz. Pemex TRI, the sole customer of this facility, has contracted 100 percent of its capacity for a period of 21-years under a purchase agreement on a take-or-pay basis. This system, which began operations in 2015, is Mexico's first privately-owned ethane pipeline.

- i. EN provides operation and maintenance services to the Los Ramones II Norte pipeline system under a 25-year term agreement, starting in February 2016, the commercial operations date DEN owned 50 percent of TAG, which owned 99.99 percent of TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte"), under which the Los Ramones II Norte pipeline was built. On November 15, 2017, INova completed the acquisition of Pemex TRI 50 percent interest in DEN, through this acquisition INova increased its ownership interest in TAG from 25 percent to 50 percent. DEN became a wholly owned, consolidated subsidiary of INova. (Please refer to Note 11.1.).
- j. **Marine pipeline.** In June 2016, IMG, the joint venture formed between INova and TC Energy, whereby TC Energy has a 60 percent interest in the partnership and INova owns the remaining 40 percent interest, entered into a 35-year natural gas transportation service agreement with the CFE, which was won in connection with the bid issued by CFE for the South Texas-Tuxpan marine pipeline. On September 17, 2019, IMG announced that the South of Texas - Tuxpan Marine Pipeline has reached commercial operations. The South of Texas - Tuxpan Marine Pipeline is a 42 inch pipeline, with a capacity of 2,600 MMCFPD and a length of approximately 800 Km. (Please refer to Note 10.2.).

1.3.2 Power segment

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

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

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

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

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

The loan agreement also provides for a \$31.7 million letter of credit facility. ESJ also entered into a separate Mexican Peso denominated credit facility for up to \$35.0 million U.S. Dollar equivalent to fund the Value Added Tax ("VAT") of the project. On December 23, 2015, ESJ repaid and canceled the total credit facility related to VAT. (Please refer to Note 10.1.)

- c. In December 2016, the Company acquired 100 percent of the equity interests of Ventika's wind farm, located in the State of Nuevo Leon, approximately 56 Km from the U.S. border. It is powered by 84 turbines, provides an aggregate of up to 252 MW of generating capacity, and is connected to CFE's transmission line. Ventika's location has one of the strongest wind resources in the country. It started operations in April 2016, and substantially all of Ventika's generation capacity is contracted to private companies through 20-year, U.S. Dollar-denominated, energy supply agreements.
- d. La Rumorosa Solar and Tepezala Solar. On September 28, 2016, the Company was declared winner of two solar projects, bided by the Centro Nacional de Control de Energia ("CENACE"), La Rumorosa Solar Complex ("La Rumorosa") and Tepezala Solar Complex ("Tepezala") with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezala project was built and developed and constructed in collaboration with Trina Solar Holdings, B. V. ("Trina Solar") has a 10 percent of shares. Rumorosa Solar and Tepezala Solar began operations during the second quarter and fourth quarter of 2019, respectively.

- e. Pima Solar. In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with DeAcero, S. A. P. I. de C. V. ("DeAcero") to provide energy, Clean Energy Certificates ("CEC"), and capacity from a new solar power plant located in Caborca, Sonora, Mexico. The solar power plant has a 110 MW capacity. Pima Solar started commercial operation during the first quarter of 2019.

1.3.3 Corporate segment

The Corporate Segment holds interests in the transportation, storage, distribution, and regassification, holds investments and is developing projects for power generation facilities in Mexico. The Company develops marine and in-land terminals for the reception, storage and delivery of refined products. Based on the significant investment and impact on the Liquids Terminals, the chief decision makers have decided to reclassify retrospectively the amounts as of December 31, 2017, included from Liquid Terminals in to the Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 28.)

- a. IEnova Holdco, S. de R.L. de C.V. is a holding company that invests in affiliated companies.
- b. Fundacion IEnova, A. C., was established as a non-profit organization.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF COMPLIANCE

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

2.2. BASIS OF PREPARATION

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

The Consolidate Financial Statements have been prepared in Spanish (official language in Mexico) and also have been translated into English for various legal and reporting purposes.

a. Historical cost

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

b. FV

FV is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the FV of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. FV for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for the FV of finance

lease receivable is determined by calculating the present value of Discounted Cash Flows (“DCF”), including the contract extension period, using the discount rate that represents the Company’s Transportation Weighted Average Cost of Capital (“WACC”) and measurement that have some similarities for FV but are not FV, such as net realizable value in IAS 2, *Inventories or value in use in IAS 36, Impairment of assets*.

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

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

c. Comparative information

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

The following immaterial adjustments and reclassifications were made to conform the 2018 and 2017 Consolidated Financial Statements to the presentation adopted in 2019:

- For cash flow reporting purposes, balances of restricted cash are now part of the cash and cash equivalents. Accordingly, changes in restricted cash in 2018 are no longer reported as cash flows from investing activities.
- Additionally, certain amounts included in short term investment in 2018 were reclassified to cash and cash equivalents.
- The amounts corresponding to the acquisition of the investment in Trafigura were reclassified out of comprehensive income for the year ended December 31, 2018 in the Consolidated Statements of Changes in Stockholders’ Equity as such amounts do not form part of comprehensive income.

2.3. CONSOLIDATION OF FINANCIAL STATEMENTS

2.3.1. Basis of consolidation

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

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

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

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

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

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

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

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

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

IEnova’s equity ownership in subsidiaries for the year ended December 31, 2019 is as follows:

COMPANY	OWNERSHIP PERCENTAGE 2019
Gas Segment:	
Ecogas Mexico, S. de R. L. de C. V.	100.00
PE International Canada, S. de R. L. de C. V. (“merged in 2018 with IEnova Holdco, S. de R. L. de C. V.”)	100.00
Servicios DGN de Chihuahua, S. A. de C. V.	100.00
IEnova Gasoductos Mexico, S. de R. L. de C. V.	100.00
Gasoducto de Aguaprieta, S. de R. L. de C. V.	100.00
IEnova Gasoductos Holding, S. de R. L. de C. V.	100.00
Energia Costa Azul, S. de R. L. de C. V.	100.00
IEnova Marketing, S. de R. L. de C. V.	100.00
Ductos e Infraestructura Marina, S. de R. L. de C. V.	100.00
IEnova Gas, S. de R. L. de C. V.	100.00
IEnova Pipelines, S. de R. L. de C. V.	100.00

COMPANY	OWNERSHIP PERCENTAGE 2019
Gasoductos de Tamaulipas, S. de R. L. de C. V.	100.00
Gasoductos del Noreste, S. de R. L. de C. V.	100.00
Transportadora del Norte SH, S. de R. L. de C. V.	100.00
TDF, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos Servicios Subholding, S. de R. L. de C. V.	100.00
Gasoductos Ingenieria, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Norte, S. de R. L. de C. V.	100.00
ENova Infraestructura Marina Holding, B. V.	100.00
ENova Petroleum Liquids Holding, B. V.	100.00
ENova Gasoductos Holding, LLC	100.00
Sempra Ecogas Holdings, LLC	100.00
ENova Petroliferos Holding, S. de R. L. de C. V.	100.00
ENova Petroliferos III, S. de R. L. de C. V.	100.00
ENova Petroliferos IV, S. de R. L. de C. V.	100.00
ENova Petroliferos V, S. de R. L. de C. V.	100.00
ENova Petroliferos VI, S. de R. L. de C. V.	100.00
Servicios Energia Costa Azul, S. de R. L. de C. V.	100.00
ICM Ventures Holding, B. V.	53.68
TP Terminals, S. de R. L. de C.V.	53.68
ESJ Renovable III, S. de R. L. de C. V.	100.00
Power segment:	
Termoelectrica de Mexicali, S. de R. L. de C. V. and Subsidiaries	100.00
Termoelectrica U.S., LLC	100.00
Servicios Termoelectrica de Mexicali, S. de R. L. de C. V.	100.00
Controladora Sierra Juárez, S. de R. L. de C. V.	100.00
ENova Ventika Holding, S. a. r. l.	100.00
ENova Ventika Holding II, S. a. r. l.	100.00
ENova Ventika México, S. de R. L. de C. V.	100.00
ENova Ventika México II, S. de R. L. de C. V.	100.00
Ventika, S. A. P. I. de C. V.	100.00
Ventika II, S. A. P. I. de C. V.	100.00
ESJ Renovable I, S. de R. L. de C. V.	90.00
ESJ Renovable II, S. de R. L. de C. V.	100.00
Ventika Energy B. V. (formerly known as ENova Renewable Holding I, B. V.)	100.00
ENova Midstream Holding B. V. (formerly known as ENova Renewable Holding II, B. V.)	100.00
ENova IGP, S. A. P. I. de C. V.	100.00
ENova Infraestructura Petrolera, S. A. P. I. de C. V.	100.00
Energia Sierra Juarez 2, U. S., LLC	100.00
Energia Sierra Juarez 2, S. de R. L. de C. V.	100.00
Energia Sierra Juarez Holding, S. de R. L. de C. V.	100.00
ESJ Energy, B.V.	100.00
Central Fotovoltaica Border Solar Norte, S. A. de C.V.	100.00

COMPANY	OWNERSHIP PERCENTAGE 2019
Don Diego Solar Netherlands, B. V.	100.00
Don Diego Solar Holding, S. de R. L. de C. V.	100.00
Don Diego Solar, S. A. P. I. de C. V.	100.00
ENova Suministro Calificado, S. de R. L. de C. V.(formerly known as BC Transmision, S. de R. L. de C. V.)	100.00
Corporate segment:	
ENova Holdco, S. de R. L. de C. V. (formerly known as Sempra Servicios Energeticos, S. de R. L. de C. V.)	100.00
Fundacion ENova, A. C.	100.00
Inmobiliaria ENova, S. de R. L. de C. V.	100.00

2.4. CLASSIFICATION OF COSTS AND EXPENSES

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

2.5. CASH AND CASH EQUIVALENTS

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

2.6. RESTRICTED CASH

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

2.7. SHORT-TERM INVESTMENTS

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

2.8. NATURAL GAS INVENTORIES

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

2.9. LEASING

2.9.1. The Company as lessor

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

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

2.9.2. Company as lessee

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

IAS 17 Leases before IFRS 16 adoption

The accounting policy under previous IAS 17 related to leases under Lessee prospective applied a dual recognition and measurement approach for all leases. Lessees classified a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise a lease is classified as an operating lease.

2.10. INVESTMENTS IN JOINT VENTURES

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

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

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

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

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

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

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

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

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

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

2.11. BUSINESS COMBINATION AND ASSETS ACQUISITION

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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at FV, which is calculated as the sum of the acquisition-date FVs 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 FV, 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 FV 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 FV 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 FV 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 FV 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 FV and included as part of the consideration transferred in a business combination. Changes in the FV of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, 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 FVs at the date of purchase.

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

2.12. GOODWILL

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

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

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

2.13. CARBON ALLOWANCES

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

2.14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2.15. INTANGIBLE ASSETS

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

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

2.16. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

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

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

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

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

When non-current assets and disposal groups are classified as held for sale, they are required to be measured at the lower of their carrying amount and FV less costs to sell. The comparison of carrying amount and FV less costs to sell is carried out at each reporting date while it continues to meet the held for sale criteria. As described in Note 12, during 2017 an impairment loss related to TDM has been recognized in the Consolidated Statements of Profit.

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

2.17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

If the Company does not meet with the criteria established in accordance with IFRS 5 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 Consolidated Financial Statements of the periods from the classification of as held for sale. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any.

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

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

2.18. BORROWING COSTS

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

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

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

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

2.19. EMPLOYEE BENEFITS

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

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

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

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

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

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

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

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

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

2.19.2 Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses.

As result of the 2014 Income Tax Law, as of December 31, 2019, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

2.20. PROVISIONS

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

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

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

2.21. FINANCIAL INSTRUMENTS

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

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

2.21.1. Amortized cost

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

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

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

2.21.2. FV

FV is defined in Note 2.2.b.

2.22. FINANCIAL ASSETS

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

2.22.1. Amortized cost /effective interest rate method

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

2.22.2. Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

2.22.3. Held-to-maturity investments

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

2.22.4. Loans and receivables

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

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

2.22.5. Impairment of financial assets

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

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

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

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

2.22.6. Derecognition of financial assets

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

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

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

For changes related to the adoption of IFRS 9 and IFRS 7 Financial Instruments: Disclosures, refer to Notes 38 and 24.9, respectively.

2.23. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

2.23.1. Classification as debt or equity

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

2.23.2. Equity instruments

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

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

2.23.3. Financial liabilities

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

2.23.3.1. Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

2.23.3.2. Other financial liabilities

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

2.23.3.3. Derecognition of financial liabilities

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

2.24. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

2.24.1. Embedded derivatives

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

2.24.2. Own use exemption

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

2.25. HEDGE ACCOUNTING

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

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

2.25.1. Cash flow hedges

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

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

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

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

2.25.2. FV hedges

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

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

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

2.26. INCOME TAX

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

2.26.1. Current tax

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

2.26.2. Deferred taxes

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

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

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

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

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

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

2.26.3. Current and deferred tax for the year

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

2.26.4. Tax on assets

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

2.27. REVENUE RECOGNITION

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

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

2.27.1. Sale of goods

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

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

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

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

2.27.2. Rendering of services

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

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

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

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

- i. Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements;
- ii. Revenues and related costs and expenses from gas distribution and transportation are recognized when the distribution or transportation services are rendered;
- iii. Revenues also include net realized gains and losses and the net change in the FV of unrealized gains and losses on derivative contracts for natural gas; and,
- iv. Revenues and costs related to administrative and other services are recognized when such services are rendered according to the related service contracts.

2.27.3. Interest income

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

2.27.4. Lease revenue

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

2.28. FOREIGN CURRENCIES

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

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

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

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

3.1. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

3.1.1. Contingencies

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

3.1.2. Own use exemption

IAS 39 and IFRS 9 contains a scope exemption from derivative accounting treatment for physical delivery contracts of a non-financial item for an entity's own use. The scope exemption is meant to apply to ordinary physical supply arrangements. However, the standard also seeks to identify contracts which are not used for operational purposes as derivative instruments.

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

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

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

3.1.3. Classification of its joint arrangements

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

3.2. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3.2.1. Impairment of long-lived assets (goodwill)

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

3.2.2. Asset decommissioning obligation

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

3.2.3. Recoverability of deferred tax assets

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

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

3.2.4. Key sources of estimation uncertainty for IEnova Pipelines

Selected Valuation Methodology

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

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

3.2.5. Key sources of estimation uncertainty for Ventika

Selected Valuation Methodology

Based on the nature of the power facility and generally accepted industry practice, the Company relied on the Income Approach, specifically the DCF method.

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

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

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

4. CASH AND CASH EQUIVALENTS

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

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

	AS OF		
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	\$ 57,966	\$ 51,764	\$ 38,289

The Company maintained restricted cash as a current asset by \$30.8, \$23.3 and \$55.8 million as of December 31, 2019, 2018 and 2017, respectively, which \$2.7 and \$2.9 million are presented in non-current assets as of December 31, 2019 and 2018, respectively, to make payments of certain operating costs for the execution of projects.

5. TRADE AND OTHER RECEIVABLES, NET

	AS OF		
	12/31/19	12/31/18	12/31/17
Trade receivables	\$ 117,276	\$ 146,273	\$ 93,299
Credit Expected Losses (a)	(136)	(40)	(41)
	117,140	146,233	93,258
Other receivables	22,267	7,416	1,535
	\$ 139,407	\$ 153,649	\$ 94,793

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

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

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

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

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

5.1. AGE OF RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	AS OF		
	12/31/19	12/31/18	12/31/17
31-120 days	\$ 146	\$ 33	\$ 61
121-180 days	82	18	21
181-270 days	36	11	5
Total	\$ 264	\$ 62	\$ 87
Average age (days)	36	41	29

5.2. MOVEMENT IN THE CREDIT EXPECTED LOSSES

	AS OF		
	12/31/19	12/31/18	12/31/17
Balance as of beginning of the year	\$ (40)	\$ (41)	\$ (101)
Impairment losses recognized on receivables	(128)	(69)	(90)
Amounts written off during the year as uncollectible	37	66	152
Foreign exchange translation (loss) gains	(5)	4	(2)
Balance as of end of the year	\$ (136)	\$ (40)	\$ (41)

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

5.3. AGE OF IMPAIRED TRADE RECEIVABLES

	AS OF		
	12/31/19	12/31/18	12/31/17
181-270 days	\$ (52)	\$ (14)	\$ (20)
Over 270 days	(84)	(26)	(21)
Total	\$ (136)	\$ (40)	\$ (41)

6. TRANSACTION AND BALANCES WITH UNCONSOLIDATED AFFILIATES

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

a. Transactions and balances with unconsolidated affiliates

During the years ended December 31, 2019, 2018 and 2017, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	REVENUES YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Sempra Gas & Power Marketing, LLC ("SG&PM")	\$ 212,237	\$ 226,004	\$ 140,914
SLNGI	102,084	38,847	–
TAG Pipelines Norte	25,620	23,357	1,766
Sempra International, LLC ("Sempra International")	1,802	1,763	1,844
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	1,655	1,215	1,072
ECA Liquefaction, S. de R. L. de C.V. ("ECAL")	1,401	–	–
TAG	701	–	–
Southern California Gas Company ("SoCalGas")	405	731	231
Sempra LNG International Holdings, LLC ("SLNGIH")	–	59,588	103,043
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	–	81	217
Energía Sierra Juarez, S. de R. L. de C. V. ("ESJ")	–	7	–
DEN	–	–	6,761

	COST OF REVENUE, ADMINISTRATIVE AND OTHER EXPENSES YEAR ENDED		
	12/31/19	12/31/18	12/31/17
SLNGI	\$ 228,652	\$ 230,510	\$ 207,505
SG&PM	113,250	139,565	88,144
Sempra North American Infrastructure, LLC ("Sempra Infrastructure")	5,947	5,430	6,936
Sempra International	4,875	8,509	7,250
SoCalGas	2,609	2,026	1,258
Pxise Energy Solutions, LLC ("Pxise")	1,826	–	–
Sempra Energy Holding, XI. B. V. ("SEH")	128	131	–
Pacific Enterprises International INC ("PEI INC")	–	366	–
Sempra Midstream, Inc. ("Sempra Midstream")	–	–	492

Included in the operational transactions are administrative services from affiliates by \$4.9 million, \$8.5 million and \$7.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, which were collected and paid, and have been properly distributed to the segments incurring those costs.

	INTEREST INCOME YEAR ENDED		
	12/31/19	12/31/18	12/31/17
IMG	\$ 41,622	\$ 23,929	\$ 17,211
SEG	90	75	180
ESJ	36	401	775
ECAL	18	–	–
DEN	–	–	3,665

	FINANCE COSTS YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Inversiones Sempra Limitada ("ISL")	\$ 4,408	\$ 9,315	\$ 3,491
Peruvian Opportunity Company, S. A. C. ("POC")	2,618	2,941	944
TAG Pipelines Norte	2,086	1,651	50
Sempra Energy International Holding NV ("SEI NV")	1,489	209	-
TAG	372	-	-
SEH	-	2,310	937
Sempra Oil Trading Suisse ("SOT Suisse")	-	1,321	1,265
SEG	-	-	332
Inversiones Sempra Latin America Limitada ("ISLA")	-	-	1,174
DEN	-	-	332

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

	AMOUNTS DUE FROM UNCONSOLIDATED AFFILIATES AS OF		
	12/31/19	12/31/18	12/31/17
SG&PM	\$ 30,581	\$ 40,600	\$ 10,723
TAG Pipelines Norte	2,524	2,234	4,289
Sempra Infrastructure	2,349	-	-
SESJ	575	346	371
ECAL	295	-	-
TAG	70	-	-
PEI	-	1,803	-
SoCalGas	-	60	21
SLNGIH	-	-	9,162
SLNGEL	-	-	21
	\$ 36,394	\$ 45,043	\$ 24,587

	AMOUNTS DUE TO UNCONSOLIDATED AFFILIATES AS OF		
	12/31/19	12/31/18	12/31/17
SG&PM	\$ 13,343	\$ 23,412	\$ 17,525
SLNGI	10,525	18,795	16,360
Pxise	235	-	-
SoCalGas	227	199	98
Sempra International	136	122	226
SEH (iii)	5	10	132,800
ISL (i)	-	165,768	275,188
POC (ii)	-	102,000	102,020
PEI INC	-	390	-
	\$ 24,471	\$ 310,696	\$ 544,217

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

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

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

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

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

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

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

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

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

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

On March 21, 2019, the Company signed an addendum modifying the contractual terms over \$85.0 million principal amount U.S. Dollar-denominated credit facilities with ISL, the new conditions are: the term was extended and is due and payable in full on November 29, 2019, interest shall be computed on a calendar quarter basis at three-month LIBOR plus 80 BPS per annum. Interest shall be paid on the last day of each calendar quarter.

On September 25, 2019, the Company made a payment to ISL for \$33.5 million, partially paying down a U.S. \$70.0 million loan. On October 9, 2019, the outstanding balance of \$132.3 million was paid in full by the Company.

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

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

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

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

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

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

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

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

The new conditions of the contract in relation to \$102.0 million U.S. Dollar-denominated credit facilities with POC are: the term was extended and is due and payable in full on December 15, 2019, the interest rate applicable shall be computed on a calendar quarter basis at three-month LIBOR plus 90 BPS per annum. Interest shall be paid on the last day of each calendar quarter. On September 24, 2019, the outstanding balance of \$102.0 million was paid in full by the Company.

- 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.

Transactions with unconsolidated affiliates, as of December 31, 2019, and as of the date of this report, the nature and amount of transactions are consistent with previous years. The amounts outstanding are unsecured and will be settled in cash.

No guarantees have been given nor received. No expenses have been recognized in the current or prior periods for credit expected losses regarding the amounts owed by unconsolidated affiliates.

b. Due from unconsolidated affiliates

	AS OF		
	12/31/19	12/31/18	12/31/17
IMG (i)	\$ 741,816	\$ 640,775	\$ 487,187
SEG	2,793	2,111	-
ESJ	-	3,411	6,700
	\$ 744,609	\$ 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, 2019, the outstanding balance amounts \$13,919.1 million Mexican Pesos, including \$2,521.5 million Mexican Pesos of accrued interest.

c. Due to unconsolidated affiliates

	AS OF		
	12/31/19	12/31/18	12/31/17
TAG (iii)	\$ 155,769	\$ -	\$ -
TAG Pipelines Norte (ii)	39,368	36,701	35,050
SEI NV (i)	38,460	38,460	-
SOT Suisse (i)	-	-	38,460
	\$ 233,597	\$ 75,161	\$ 73,510

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

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

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

- iii. On December 16, 2019, DEN entered into a \$155.4 million U.S. Dollar-denominated affiliate credit facility with TAG, to finance working capital and general business purposes. The credit facility has a ten years term. Interest on the outstanding balance is payable on a quarterly basis at 5.74 percent per annum

d. Compensation of key management personnel

Total compensation paid to key management personal was \$13.5, \$13.5 and \$10.7 million, for the years ended December 31, 2019, 2018 and 2017, respectively.

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

7. NATURAL GAS INVENTORIES

	AS OF		
	12/31/19	12/31/18	12/31/17
LNG	\$ 8,270	\$ 3,516	\$ 7,196

The cost of inventories recognized within cost of revenues were \$216.3, \$222.0 and \$194.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017, no cost of revenue was recognized, due to write-downs of inventory to net realizable value.

8. FINANCE LEASE RECEIVABLES

8.1. FINANCE LEASE RECEIVABLES - NATURAL GAS COMPRESSION PLANT

	AS OF		
	12/31/19	12/31/18	12/31/17
Current finance lease receivables	\$ 608	\$ 433	\$ 308
Non-current finance lease receivables	12,786	13,394	13,827
	\$ 13,394	\$ 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.

8.1.1. Amounts receivables under finance leases

	MINIMUM LEASE PAYMENTS AS OF			PRESENT VALUE OF MINIMUM LEASE PAYMENTS AS OF		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Not later than one year	\$ 5,136	\$ 5,136	\$ 5,136	\$ 608	\$ 433	\$ 308
Later than one year and not later than five years	25,680	20,544	21,828	9,435	4,348	3,464
More than five years	3,851	14,123	17,975	3,351	9,046	10,363
	34,667	39,803	44,939	13,394	13,827	14,135
Less: unearned finance income	(21,273)	(25,976)	(30,804)	n/a	n/a	n/a
Present value of minimum lease payments receivable	\$ 13,394	\$ 13,827	\$ 14,135	\$ 13,394	\$ 13,827	\$ 14,135

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

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

The average effective interest rate contracted is approximately 34.5 percent per annum for 2019, 2018 and 2017. The receivable under finance lease balance as of December 31, 2019, 2018 and 2017, is neither past due nor impaired.

8.2. FINANCE LEASE RECEIVABLES - LOS RAMONES I PIPELINE

	AS OF		
	12/31/19	12/31/18	12/31/17
Current finance lease receivables	\$ 5,138	\$ 4,517	\$ 3,665
Non-current finance lease receivables	557,999	562,888	567,405
	\$ 563,137	\$ 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.

8.2.1 Amounts receivables under finance leases

	MINIMUM LEASE PAYMENTS AS OF			PRESENT OF MINIMUM LEASE PAYMENTS AS OF		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Not later than one year	\$ 85,742	\$ 86,470	\$ 87,104	\$ 5,138	\$ 4,517	\$ 3,665
Later than one year and not later than five years	421,344	426,802	424,616	38,203	32,643	28,108
More than five years	732,821	812,855	901,512	519,796	530,245	539,297
	1,239,907	1,326,127	1,413,232	563,137	567,405	571,070
Less: unearned finance income	(676,770)	(758,722)	(842,162)	n/a	n/a	n/a
Present value of minimum lease payments receivable	\$ 563,137	\$ 567,405	\$ 571,070	\$ 563,137	\$ 567,405	\$ 571,070

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

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

The average effective interest rate contracted is approximately 15.2 percent per annum for 2019, 2018 and 2017. The receivable under finance lease balance as of December 31, 2019, 2018 and 2017, is neither past due nor impaired.

8.3. FINANCE LEASE RECEIVABLES - ETHANE PIPELINE

	AS OF		
	12/31/19	12/31/18	12/31/17
Current finance lease receivables	\$ 5,608	\$ 4,859	\$ 4,153
Non-current finance lease receivables	350,485	356,093	360,952
	\$ 356,093	\$ 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 transportation system refers to:

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

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

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

The breakdown as of December 31, 2019, of this finance lease is as follows:

	AMOUNT
Segment I	\$ 30,820
Segment II	181,234
Segment III	144,039
Total	\$ 356,093

8.3.1 Amounts receivables under finance leases

	MINIMUM LEASE PAYMENTS AS OF			PRESENT OF MINIMUM LEASE PAYMENTS AS OF		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Not later than one year	\$ 54,218	\$ 54,704	\$ 55,393	\$ 5,608	\$ 4,859	\$ 4,153
Later than one year and not later than five years	254,812	258,766	\$ 264,235	45,336	38,948	\$ 33,512
More than five years	311,689	416,097	\$ 388,982	305,149	317,145	\$ 327,440
	620,719	729,567	708,610	356,093	360,952	365,105
Less: unearned finance income	(264,626)	(368,615)	(343,505)	n/a	n/a	n/a
Present value of minimum lease payments receivable	\$ 356,093	\$ 360,952	\$ 365,105	\$ 356,093	\$ 360,952	\$ 365,105

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

The average effective interest rate contracted is approximately 16 percent for segment I and 14 percent for segments II and III as of December 31, 2019, 2018 and 2017, respectively. The receivable under finance lease balance as of December 31, 2019, 2018 and 2017, is neither past due nor impaired.

9. OTHER ASSETS

	AS OF		
	12/31/19	12/31/18	12/31/17
Rights of way	\$ 20,021	\$ 14,073	\$ -
Prepayments	13,051	8,966	9,621
Renewable interconnection facilities	6,857	-	-
Pipeline interconnection rights	1,336	1,486	1,637
LOCF related costs	911	1,506	-
Pipeline integrity system	348	468	593
Veracruz marine terminal initial bidding quota (a) (Refer to Note 1.2.21.a.)	-	54,163	28,179
Topolobampo marine terminal initial bidding quota (a) (Refer to Note 1.2.21.e.)	-	18,371	-
Contractual tariff	-	5,744	-
Prepaid land leases	-	547	526
IMPAC recoverable	-	-	1,455
Natural gas imbalance	-	-	974
	42,524	105,324	42,985
Amortization expense (a)	-	(1,569)	-
	\$ 42,524	\$ 103,755	\$ 42,985
Current	9,688	9,695	10,327
Non-current	32,836	94,060	32,658
	\$ 42,524	\$ 103,755	\$ 42,985

- a. Due to IFRS 16 adoption in 2019, the Company has considered initial bidding quota and related amortization of Veracruz and Topolobampo marine terminals as part of lease accounting as lessee.

10. INVESTMENT IN JOINT VENTURES

10.1. ESJ

The joint venture formed between IEnova and IG Sierra Juarez, S. de R.L. de C.V. ("Saavi Energia"), started operations in June 2015. As of December 31, 2019, 2018 and 2017, the Company's remaining 50 percent interest in ESJ is accounted for under the equity method.

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

	AS OF		
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	\$ 4,151	\$ 1,695	\$ 2,785
Other assets	24,382	24,165	18,479
Current assets	28,533	25,860	21,264
Deferred income tax assets	5,787	2,849	4,778
Other assets	2,774	2,784	2,795
Property, plant and equipment, net	229,091	241,457	252,856
Non-current assets	237,652	247,090	260,429
Total assets	\$ 266,185	\$ 272,950	\$ 281,693
Current liabilities	19,045	16,673	17,509
Non-current liabilities	204,644	210,991	231,048
Total liabilities	\$ 223,689	\$ 227,664	\$ 248,557
Total members' equity	\$ 42,496	\$ 45,286	\$ 33,136
Share of members' equity	21,248	22,643	16,568
Goodwill	12,121	12,121	12,121
Carrying amount of investment in ESJ	\$ 33,369	\$ 34,764	\$ 28,689

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

ESJ's Consolidated Statements of Profit are as follows:

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Revenues	\$ 49,921	\$ 45,759	\$ 46,570
Operating, administrative and other expenses	(25,227)	(20,210)	(22,147)
Finance costs	(14,108)	(15,166)	(15,929)
Other gains, net	75	48	13
Income tax expense	(2,688)	(2,780)	(1,340)
Profit for the year	\$ 7,973	\$ 7,651	\$ 7,167
Share of profit of ESJ	\$ 3,987	\$ 3,825	\$ 3,584

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 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 2019 - June 2023	2.625%
June 2023 - June 2027	2.875%
June 2027 - June 2031	3.125%
June 2031 - June 2033	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion date June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of \$239.8 million. The debt outstanding as of December 31, 2019, is as follows:

	DEBT BALANCE
Mizuho	\$ 43,729
SMBC	43,729
NORD/LB	43,729
NAFINSA	31,802
NADB	31,802
	\$ 194,791

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

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

10.2.IMG

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

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

As of December 31, 2019, 2018 and 2017, the Company's 40 percent interest in IMG is accounted for under the equity method.

IMG's Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	AS OF		
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	\$ 71,364	\$ 46,333	\$ 58,284
Accounts receivable	49,732	-	-
VAT receivable	77,504	51,371	195,350
Other assets	8,532	1	434
Total current assets	207,132	97,705	254,068
Total non-current assets	2,955,435	2,594,950	1,653,554
Total assets	\$ 3,162,567	\$ 2,692,655	\$ 1,907,622
Current liabilities	\$ 588,643	\$ 364,716	\$ 176,771
Long-term debt	1,844,249	1,602,029	1,222,973
Deferred revenue	-	901	-
Deferred income tax liabilities	56,663	51,785	34,209
Total non-current liabilities	1,900,912	1,654,715	1,257,182
Total liabilities	\$ 2,489,555	\$ 2,019,431	\$ 1,433,953
Total members' equity	\$ 673,012	\$ 673,224	\$ 473,669
Share of members' equity	269,205	269,290	189,468
Guarantees (b)	5,018	5,018	5,018
Remeasurement of interest rate (c)	(70,390)	(37,653)	-
Share of members' equity and carrying amount of investment in IMG	\$ 203,833	\$ 236,655	\$ 194,486

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

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Revenue	\$ 140,166	\$ –	\$ –
Operating, administrative and other expenses	(24,411)	–	–
Finance (costs) income, net	(54,980)	7,582	78,082
Other (losses) gains, net *	(73,299)	9,858	692
Income tax benefit (expense)	10,105	(17,657)	(31,233)
(Loss) profit for the year	\$ (2,419)	\$ (217)	\$ 47,541
Other adjustments	575	–	–
Share of (loss) profit of IMG	\$ (393)	\$ (87)	\$ 19,016

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

a. **Project financing for the IMG project.** As of December 31, 2019, 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 TC Energy, parent entities, for \$9,041.9 and \$13,513.1 million Mexican Pesos, respectively.

On December 6, 2017, IEnova and TC Energy renegotiated the credit line of such credit facility agreements for an amount up to \$14,167.9 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, 2019, with IEnova is \$13,919.1 million Mexican Pesos.

On March 23, 2018, IMG entered into a \$300.0 million U. S. Dollar-denominated revolving credit facility with Scotiabank, which can be disbursed in U. S. Dollar or Mexican Pesos, to fund VAT payments and other capital expenditures. On July 5, 2019 the loan was increased to a total \$420.0. million. The credit facility is for one-year term with option to extend for one additional year. Interest of the outstanding balance is payable on a bullet basis at LIBOR plus 90 BPS for U. S. Dollar or TIIE plus 50 BPS for Mexican Pesos per annum.

b. **Guarantees.** IEnova and TC Energy have each provided guarantees to third parties associated with the construction of IMG's South of Texas-Tuxpan natural gas marine pipeline. IEnova's share of potential exposure of the guarantees was estimated to be \$5.0 million and will terminate upon completion of all guaranteed obligations. The guarantees had terms that expired in July 2019.

c. **Remeasurement of interest rate.** As of December 31, 2019 and 2018 the adjusted amount in the financial income for the loan between IEnova and IMG was \$7.3 and \$11.9 million, respectively, derived from the difference in the capitalized interest rates of projects under construction per contract, the loan accrues interest at TIIE rate plus 220 PBS, 10.6 and 9.8 percent average during the years ended December 31, 2019 and 2018; while the financing of the resources used by IEnova accrues interest at an average rate of 4.1 percent for the years ended on December 31, 2019 and 2018.

10.3.DEN

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

In November 2017, the Company fully consolidated DEN.

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

	AS OF 10/31/17
Cash and cash equivalents	\$ 17,257
Due from unconsolidated affiliates	4,135
Other assets	7,166
Total current assets	28,558
Deferred income tax assets	10,361
Investments in joint ventures	195,981
Property, plant and equipment, net	1,795
Total non-current assets	208,137
Total assets	\$ 236,695
Current liabilities	68
Non-current liabilities	194,010
Total liabilities	\$ 194,078
Total members' equity	\$ 42,617
Share of members' equity and carrying amount of investment in DEN	\$ 21,309

DEN's Consolidated Statements 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	(202)
Income tax expense	(7,003)
Share of profit of joint venture, net of income tax	41,551
Profit for the period / year	\$ 38,299
Share of profit of DEN	\$ 19,150

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

In November 2017, DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.1.).

10.4. TAG (A SUBSIDIARY OF DEN)

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

In November 2017, the Company increased its indirect participation in TAG from 25 percent to 50 percent. (Please refer to Note 11.1.).

As of December 31, 2019, 2018 and 2017, the interest in TAG is accounted for under the equity method.

	AS OF		
	12/31/19	12/31/18	12/31/17
Cash and cash equivalents	\$ 174,780	\$ 88,977	\$ 81,823
Other assets	40,259	36,917	22,293
Total current assets	215,039	125,894	104,116
Due from unconsolidated affiliates	390,291	73,715	70,698
Finance lease receivables	1,397,491	1,411,308	1,431,703
Other assets	–	3,202	16,466
Property, plant and equipment, net	15,792	15,282	15,471
Total non-current assets	1,803,574	1,503,507	1,534,338
Total assets	\$ 2,018,613	\$ 1,629,401	\$ 1,638,454
Current liabilities	81,327	69,115	58,023
Non-current liabilities	1,437,126	1,083,748	1,178,616
Total liabilities	\$ 1,518,453	\$ 1,152,863	\$ 1,236,639
Total members' equity	\$ 500,160	\$ 476,538	\$ 401,815
Share of members' equity and carrying amount of investment in TAG	250,080	238,269	200,907
Equity method goodwill	99,020	99,020	99,020
Total amount of the investment in TAG	\$ 349,100	\$ 337,289	\$ 299,927

TAG's Consolidated Statement of Profit is as follows:

	YEAR ENDED		FOR THE PERIOD
	12/31/19	12/31/18	11/01/17 TO 12/31/17
Revenues	\$ 210,638	\$ 211,002	\$ 32,411
Operating, administrative and other expenses	(32,668)	(32,903)	(6,876)
Finance costs	(73,745)	(60,052)	(10,517)
Other gains (losses), net	4,336	(1,564)	217
Income tax expense	(33,942)	(47,992)	(9,378)
Profit for the year / period	\$ 74,619	\$ 68,491	\$ 5,857
Share of profit of TAG	\$ 37,309	\$ 34,246	\$ 2,928

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

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

- i. long tranche, up to \$701.0 million,
- ii. short tranche up to \$513.3 million and
- iii. the letter of credit tranche for debt service reserve up to \$60.2 million.

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

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

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

The credit facilities bear interest at LIBOR plus the spread, in the short tranche as follows:

YEARS	APPLICABLE MARGIN BPS
December 16, 2019 to 4th year	215
4-8	240
8th until credit maturity	265

The credit facilities bear interest at LIBOR plus a spread, in the long tranche as follows:

YEARS	APPLICABLE MARGIN BPS
December 16, 2019 to 4th year	265
4-8	300
8-12	325
12-16	350
16th until credit maturity	375

On December 16, 2019, TAG issued \$332.0 million of 20-year senior secured notes in an international private placement that was fully subscribed by investors from the U.S., Germany, France and Canada, including affiliates and clients of Allianz Global Investors.

The loans mentioned above contain restrictive covenants, which require TAG to maintain certain financial ratios and limits dividend payments, loans and obtaining additional financing. TAG met such covenants as of December 31, 2019.

Long-term debt due dates are as follows:

YEAR	AMOUNT
2020	\$ 40
2021	39
2022	45
2023	48
Thereafter	847
Total	\$ 1,019

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

YEAR	AMOUNT
2020	\$ 7
2021	8
2022	9
2023	9
Thereafter	297
Total	\$ 330

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

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

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

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

10.5. ECA LNG HOLDINGS B.V.

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

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

	AS OF 12/31/19
Cash and cash equivalents	\$ 15,791
Other assets	1,812
Current assets	17,603
Property, plant and equipment, net	59,662
Deferred income tax	8,419
Non-current assets	68,081
Total assets	\$ 85,684
Total liabilities	\$ 6,685
Total members' equity	\$ 78,999
Carrying amount of investment in ECAL	\$ 39,500

ECAL's Consolidated Statement of Loss is as follows:

	YEAR ENDED 12/31/19
Operating, administrative and other expenses	\$ (3,383)
Other losses	(109)
Interest gain, net	72
Income tax benefit	1,152
Loss for the year	\$ (2,268)
Share of loss of ECAL	\$ (1,134)

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

11. ASSETS ACQUISITION

11.1. DEN, ASSET ACQUISITION

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

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

a. Assets acquisition

ENTITY	MAIN ACTIVITY	DATE OF ACQUISITION	PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED	CONSIDERATION TRANSFERRED
DEN	Holds equity investment in TAG	November 15, 2017	50%	\$ 164,752

b. Assets acquired and liabilities recognized at the acquisition date

	AS OF 11/15/17
FV of assets acquisition:	
Cash paid	\$ 164,752
Acquisition costs	143
Total FV of assets acquisition	\$ 164,895
Cash and cash equivalents	17,257
Trade and other receivables	12,284
Deferred income tax assets	10,481
Investment in TAG	295,002
Property, plant and equipment, net	1,795
Other intangible assets	44,566
Current liabilities	(99,343)
Non-current liabilities	(95,839)
Total identifiable, net assets	\$ 186,203
Less: Carrying value of equity interest in DEN immediately prior to acquisition	(21,308)
Total FV of assets acquisition	\$ 164,895

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

c. Net cash flow from acquisition of assets

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

11.2. DON DIEGO SOLAR NETHERLANDS, B. V ("DON DIEGO"), ASSET ACQUISITION

On February 28, 2018, IEnova acquired 100 percent of the shares of Fistera Energy Netherlands II, B.V. ("Fistera") 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 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
FV of assets acquisition:	
Cash consideration	\$ 5,072
Total FV of assets acquisition	\$ 5,072

	AS OF 02/28/18
Cash and cash equivalents	24
Trade and other receivables	112
Other assets	2
Intangible assets	4,977
Current liabilities	(43)
Total identifiable, net assets	\$ 5,072

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

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

c. Net cash flow from acquisition of assets

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

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

11.3. CENTRAL FOTOVOLTAICA BORDER DEL NORTE. S. A. DE C. V. ("BORDER SOLAR"), ASSET ACQUISITION

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

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

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

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

a. Asset acquisition

ENTITY	MAIN ACTIVITY	DATE OF ACQUISITION	PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED	CONSIDERATION TRANSFERRED
Border Solar	Energy infrastructure investments / Development of solar project	August 14, 2018	100%	\$ 3,580

b. Assets acquired and liabilities recognized at the acquisition date

	AS OF 08/14/18
FV of assets acquisition:	
Cash consideration (i)	\$ 3,580
Total FV 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 FV due to their short-term nature.

c. Net cash flow from acquisition of assets

	AS OF 08/14/18
Cash consideration, net (i)	\$ 3,580

- i. There was a cash payment for an amount of \$0.5 million at the closing of the acquisition, and the remaining amounts will become due and payable as follows:
- \$ 1.7 million subject to the execution of a PPA.
 - \$ 0.6 million at the start of project construction.
 - \$ 0.7 million on the date on which the project reaches commercial operation.

11.4. ICM, ASSET ACQUISITION

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

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

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

a. Asset acquisition

ENTITY	MAIN ACTIVITY	DATE OF ACQUISITION	PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED	CONSIDERATION TRANSFERRED
ICM	Development of marine terminal project for the storage of refined products	September 26, 2018	51%	\$ 16,442

b. Assets acquired and liabilities recognized at the acquisition date

	AS OF 09/26/18
FV of assets acquisition:	
Cash consideration	\$ 16,442
Total FV 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 FV 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 FV of the non-controlling interest and amounted to \$13.1 million, this FV was estimated by applying an income approach.

d. Net cash flow from acquisition of assets

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

12. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

	AS OF 12/31/17
Cash and cash equivalents	\$ -
Other assets	64,263
Total current assets	64,263
Deferred income tax assets	201
Other assets	1,515
Carbon allowance	2,272
Property, plant and equipment, net	79,939
Total non-current assets	83,927
Total assets	\$ 148,190
Current liabilities	\$ 54,336
Non-current liabilities	8,186
Total liabilities	\$ 62,522

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

- b. 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 FV as of the date of the subsequent decision not to sell, since the FV 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 FV at the date of the subsequent decision not to sell was negligible.

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

13. GOODWILL

	AS OF		
	12/31/19	12/31/18	12/31/17
Cost	\$ 1,638,091	\$ 1,638,091	\$ 1,638,091

No existen pérdidas acumuladas por deterioro. La integración del crédito mercantil es como sigue:

COMPANY	AS OF		
	12/31/19	12/31/18	12/31/17
IEnova Pipelines	\$ 1,497,008	\$ 1,497,008	\$ 1,497,008
Ventika	115,429	115,429	115,429
IGM	25,654	25,654	25,654
Total	\$ 1,638,091	\$ 1,638,091	\$ 1,638,091

Allocation of goodwill to cash-generating units

IEnova Pipelines

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

The Company used DCF analysis to determine the FV of the CGU. The DCF includes cash flows through contracted period of the pipelines and the gas storage terminal exit multiple of 6.0x. The discount rate used was the WACC calculated in 6.8 percent. Under this approach, the value in use was greater to the carrying value. Based on that, no impairment was determined.

Ventika

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

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

In the case of Ventika, the Company considered appropriate to use cash flows from the acquisition model and reviewed consistency with the actual results in 2017. The discount rate used was the WACC of 10.5 percent. Under this approach, the value in use is greater to the carrying value. Based on that, no impairment was determined.

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

IGM

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

The recoverable amount of this CGU is determined based on a 10-year DCF analysis of IGM's projected results. The DCF for 2019, 2018 and 2017, was calculated based on a long-term unlevered cash flow forecast using a discount rate of 7.8 percent, which was the same rate used at the acquisition date.

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

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

14. PROPERTY, PLANT AND EQUIPMENT, NET

	AS OF		
	12/31/19	12/31/18	12/31/17
Carrying amounts of:			
Buildings and plants	\$ 4,608,337	\$ 4,273,297	\$ 4,017,315
Equipment	37,130	31,937	28,674
Other assets	155,382	135,580	117,279
	4,800,849	4,440,814	4,163,268
Accumulated depreciation and amortization	(996,356)	(851,313)	(545,148)
Land	132,078	124,908	82,389
Properties under construction	701,391	372,505	28,947
	\$ 4,637,962	\$ 4,086,914	\$ 3,729,456

	LAND	BUILDINGS AND PLANTS	EQUIPMENT	PROPERTIES UNDER CONSTRUCTION	OTHER ASSETS	TOTAL
Cost						
Balance as of January 1, 2017	\$ 82,404	\$ 3,113,347	\$ 96,017	\$ 695,721	\$ 59,670	\$ 4,047,159
Additions	13	886,917	192	(705,173)	33,318	215,267
Assets acquisition DEN (Refer to Note 11.1)	-	-	203	-	1,592	1,795
Disposals	(30)	(7,501)	(59)	(325)	(2,146)	(10,061)
Effect of foreign currency translation	2	(10,662)	-	16,013	837	6,190
Revisions and additions to decommissioning liability	-	10,814	-	-	-	10,814
Other	-	24,400	(67,679)	22,711	24,008	3,440
Balance as of December 31, 2017	\$ 82,389	\$ 4,017,315	\$ 28,674	\$ 28,947	\$ 117,279	\$ 4,274,604
Additions	12,982	27,863	110	360,893	12,065	413,913
Assets acquisition ICM (Refer to Note 11.4)	28,832	-	-	-	-	28,832
Effect of TDM reclassification to held and used (Refer to Note 12)	733	235,007	966	523	12,695	249,924
Disposals	(28)	(9,873)	-	(518)	(5,336)	(15,755)
Effect of foreign currency translation	-	351	72	(193)	9	239
Revisions and additions to decommissioning liability	-	(13,685)	-	-	-	(13,685)
Other	-	16,319	2,115	(17,147)	(1,132)	155
Balance as of December 31, 2018	\$ 124,908	\$ 4,273,297	\$ 31,937	\$ 372,505	\$ 135,580	\$ 4,938,227
Additions	7,526	13,520	237	624,158	18,643	664,084
Disposals	(159)	(897)	(39)	(4,706)	(1,324)	(7,125)
Effect of foreign currency translation	1	6,382	1,162	304	805	8,654
Revisions and additions to decommissioning liability	-	20,403	-	-	-	20,403
Other	(198)	295,632	3,833	(290,870)	1,678	10,075
Balance as of December 31, 2019	\$ 132,078	\$ 4,608,337	\$ 37,130	\$ 701,391	\$ 155,382	\$ 5,634,318

	LAND	BUILDINGS AND PLANTS	EQUIPMENT	PROPERTIES UNDER CONSTRUCTION	OTHER ASSETS	TOTAL
Accumulated depreciation						
Balance as of January 1, 2017	\$ -	\$ (396,719)	\$ (12,550)	\$ -	\$ (23,805)	\$ (433,074)
Eliminated on disposals of assets	-	890	146	-	1,572	2,608
Depreciation expense	-	(102,805)	(911)	-	(6,745)	(110,461)
Effect of foreign currency translation	-	(1,314)	(234)	-	(666)	(2,214)
Other	-	(3,379)	3,579	-	(2,207)	(2,007)
Balance as of December 31, 2017	\$ -	\$ (503,327)	\$ (9,970)	\$ -	\$ (31,851)	\$ (545,148)
Eliminated on disposals of assets	-	1,591	11	-	866	2,468
Effect of TDM reclassification to held and used (Refer to Note 12)	-	(180,017)	(404)	-	(1,209)	(181,630)
Depreciation expense	-	(117,446)	(974)	-	(8,419)	(126,839)
Effect of foreign currency translation	-	(5)	1	-	(3)	(7)
Other	-	(45)	-	-	(112)	(157)
Balance as of December 31, 2018	\$ -	\$ (799,249)	\$ (11,336)	\$ -	\$ (40,728)	\$ (851,313)
Eliminated on disposals of assets	-	299	33	-	1,123	1,455
Depreciation expense	-	(124,195)	(1,027)	-	(8,460)	(133,682)
Effect of foreign currency translation	-	(1,749)	(340)	-	(394)	(2,483)
Other	-	(10,106)	(13)	-	(214)	(10,333)
Balance as of December 31, 2019	\$ -	\$ (935,000)	\$ (12,683)	\$ -	\$ (48,673)	\$ (996,356)

The additions to property, plant and equipment during 2019, 2018 and 2017, are mainly comprised of construction in process, related to the following projects:

- Terminals - Veracruz, Puebla, Estado de Mexico and Baja California (Please refer to Note 1.2.21).
- Solar - Don Diego and Border Solar
- Pipelines - Compression station, in Sonora
- Solar - Pima (Commercial Operation Date ("COD") on April 1, 2019)
- Solar - Rumorosa (COD on June 1, 2019)
- Solar - Tepezala (COD on October 6, 2019)
- Pipelines - San Isidro - Samalayuca (COD on March 31, 2017)
- Pipelines - Guaymas - El Oro (COD on May 19, 2017)
- Pipelines - El Empalme pipeline branch (COD on June 24, 2017)
- Pipelines - Ojinaga - El Encino (COD on June 30, 2017)

As of December 31, 2019, 2018 and 2017, additions of property, plant and equipment that were not paid, amount to \$104.5, \$63.6 and \$41.7 million, respectively.

Borrowing cost. During the years ended December 31, 2019, 2018 and 2017 the Company capitalized borrowing costs on qualifying assets in the amount of \$22.5, \$10.7 and \$10.2 million, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.68, 4.02 and 2.98 percent, for the years ended December 31, 2019, 2018 and 2017, respectively.

14.1 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

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

¹ Useful lives related to plant and equipment

² Useful lives related to other assets

15. INTANGIBLE ASSETS

	AS OF		
	12/31/19	12/31/18	12/31/17
Carrying amounts of:			
Renewable transmission rights (a)	\$ 164,622	\$ 164,622	\$ 154,144
O&M contract (b)	44,566	44,566	44,566
Amortization	(28,321)	(18,416)	(8,511)
	\$ 180,867	\$ 190,772	\$ 190,199

a. Renewable transmission rights

On February 28, 2018, the Company acquired a \$5.0 million intangible asset related to Self-Supply Permit of the Don Diego Solar Project. (Please refer to Note 11.2.).

On August 14, 2018, the Company acquired a \$5.5 million intangible asset related to Self-Supply Permit of the Border Solar Project. (Please refer to Note 11.3.).

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 of Ventika and for the interconnection agreements to Don Diego and Border Solar.

b. O&M Contract

In November 2017, the Company, through DEN's asset acquisition, acquired a \$44.6 million intangible asset related to the O&M contract with TAG, the amortization is calculated on a straight-line basis until the expiration of the Agreement in February 2041, equivalent to 23 years. (Please refer to Note 11.1.).

16. TRADE AND OTHER PAYABLES

	AS OF		
	12/31/19	12/31/18	12/31/17
Trade payables	\$ 144,944	\$ 99,713	\$ 72,603
Other miscellaneous payables	9,992	44	35
	\$ 154,936	\$ 99,757	\$ 72,638

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

17. EMPLOYEE BENEFITS

17.1. DEFINED CONTRIBUTION COMPONENT

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

17.2. DEFINED BENEFIT COMPONENT

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

17.3. SENIORITY PREMIUM BENEFITS

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

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

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

	VALUATION AT		
	12/31/19	12/31/18	12/31/17
Discount rates	8.75 %	9.75 %	8.25%
Expected rates of salary increase	4.75%	4.75%	4.75%
Long-term expected inflation	3.75%	3.75%	3.75%
Exchange rate	\$ 19.53	\$ 18.81	\$ 18.20

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

	AS OF		
	12/31/19	12/31/18	12/31/17
Current service cost recognized in administrative and other expenses	\$ 912	\$ 836	\$ 155
Interest on obligation recognized in finance costs	672	528	457
Actuarial gains recognized in OCI	964	519	704

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

	AS OF		
	12/31/19	12/31/18	12/31/17
Opening defined benefit obligation	\$ 7,643	\$ 6,537	\$ 5,586
Current service cost	912	836	105
Interest benefit	672	528	422
Actuarial loss (gain)	964	(519)	482
Payment	-	310	-
Benefits paid	(290)	(49)	(58)
Ending defined benefit obligation	\$ 9,901	\$ 7,643	\$ 6,537

18. OTHER FINANCIAL LIABILITIES

	AS OF		
	12/31/19	12/31/18	12/31/17
Accrued interest payable (a)	\$ 22,711	\$ 22,454	\$ 6,959
Customer deposits	3,507	2,266	1,333
Guarantee liability (b)	-	-	2,080
	\$ 26,218	\$ 24,720	\$ 10,372

- a. Balance represents accrued interest payable on long-term debt. (Please refer to Note 23.).
- b. IEnova and its partner on the South of Texas-Tuxpan natural gas pipeline, TC Energy, have a jointly guaranteed obligation for construction services during the construction of the pipeline. (Please refer to Note 10.2.).

19. OTHER LIABILITIES

	AS OF		
	12/31/19	12/31/18	12/31/17
Wages and benefits payable	\$ 28,452	\$ 21,302	\$ 19,012
Deferred revenue (a) and (b)	16,618	11,983	-
Contractor withholdings	5,330	6,771	619
Lease liability (c)	-	2,736	-
	\$ 50,400	\$ 42,792	\$ 19,631
Other current liabilities	\$ 33,782	\$ 28,073	\$ 19,631
Other non current liabilities	16,618	14,719	-
	\$ 50,400	\$ 42,792	\$ 19,631

- a. Corresponds to Guaymas-El Oro pipeline unrendered services for an amount of \$11.4 and \$7.6 million, as of December 31, 2019 and 2018, respectively. It is expected to place in operation by the end of 2019.
- b. Corresponds to San Isidro-Samalayuca contract unrendered services for an amount of \$4.3 million, as of December 31, 2019 and 2018.
- c. Corresponds to fixed monthly contribution of API Veracruz given land use.

20. PROVISIONS

	AS OF		
	12/31/19	12/31/18	12/31/17
Decommissioning liabilities (a)	\$ 77,648	\$ 54,443	\$ 58,654
Other provisions (b)	7,194	7,711	8,950
	\$ 84,842	\$ 62,154	\$ 67,604
Current	\$ -	\$ 251	\$ 394
Non-current	84,842	61,903	67,210
Total provisions	\$ 84,842	\$ 62,154	\$ 67,604

	ASSET RETIREMENT OBLIGATIONS	OTHERS	TOTAL
Balance as of January 1, 2017	\$ 41,618	\$ 10,347	\$ 51,965
Additional provisions recognized	4,239	–	4,239
Increase of financial cost	1,983	–	1,983
Payments and other decreases in provisions recognized	–	(1,397)	(1,397)
Unwinding of discount and effect of changes in the discount rate	10,814	–	10,814
Balance as of December 31, 2017	\$ 58,654	\$ 8,950	\$ 67,604
Recognition of provision on TDM reclassification to held and used	6,922	–	6,922
Increase of financial cost	2,552	–	2,552
Payments and other decreases in provisions recognized	–	(1,239)	(1,239)
Unwinding of discount and effect of changes in the discount rate	(13,685)	–	(13,685)
Balance as of December 31, 2018	\$ 54,443	\$ 7,711	\$ 62,154
Additional provisions recognized	3,620	–	3,620
Increase of financial cost	2,803	–	2,803
Payments and other decreases in provisions recognized	–	(517)	(517)
Unwinding of discount and effect of changes in the discount rate	16,782	–	16,782
Balance as of December 31, 2019	\$ 77,648	\$ 7,194	\$ 84,842

a. Decommissioning liabilities

For long-lived assets, the Company recognized decommissioning liabilities for the present value of future costs expected to be incurred when assets are withdrawn from service, if the Company has a legal or constructive obligation and if the Company can make a reasonable estimate of that obligation. The discount rates used by the Company were 3.75, 4.64 and 3.90 percent as of December 31, 2019, 2018 and 2017, respectively.

b. Other provisions

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

As of December 31, 2019, the balances of the Specific Services Contract (“CSE”) related to the authorized provision stipulated under the O&M contract with Pemex TRI regarding the acquisition of materials, spare parts and services for the maintenance of the pipelines transportation system amounts \$7.1 million.

21. CARBON ALLOWANCES

The Company is required by California Assembly Bill 32 (“AS32”) to acquire carbon allowance for every metric ton of carbon dioxide equivalent emitted into the atmosphere during electricity generation. Under the bill, TDM is subject to this extraterritorial regulation, despite being located in Baja California, Mexico since their end users are located in California, U. S.

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

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

	AS OF	
	12/31/19	12/31/18
Assets:		
Current	\$ 6,444	\$ 5,936
Non-current	30,083	15,499
	\$ 36,527	\$ 21,435
Liabilities (a):		
Current	\$ 6,444	\$ 6,354
Non-current	29,843	14,826
	\$ 36,287	\$ 21,180

- a. Cost of carbon allowances of \$21.3 million, \$21.9 million and \$16.5 million were recorded in cost or revenue, for the years ended December 31, 2019, 2018 and 2017, respectively.

22. SHORT-TERM DEBT

As of December 31, 2019, 2018 and 2017, short-term debt includes the following:

	AS OF		
	12/31/19	12/31/18	12/31/17
Credit agreement (a)	\$ 1,174,068	\$ 808,086	\$ 137,053
Current portion of IEnova Pipelines Bank Loan (Refer to Note 23.d.)	41,186	38,227	40,631
Current portion of Ventika Bank Loan (Refer to Note 23.b.)	25,665	25,973	22,588
Multilateral Facility (Refer to Note 23.h.)	588	–	–
Trina Solar (Refer to Note 23.f.)	231	28	–
CEBURES at variable rate (Refer to Note 23.e.)	–	–	65,871
	\$ 1,241,738	\$ 872,314	\$ 266,143
Borrowing costs	(6,359)	(2,140)	(3,383)
	\$ 1,235,379	\$ 870,174	\$ 262,760

a. Credit agreements

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

Withdrawal of credit line. In December 2016, the Company withdrew \$375.0 million to finance a portion of Ventika's acquisition and for general corporate purposes.

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

On November 14, 2017, the Company withdrew \$260.0 million, a portion of this disposition was used to finance the acquisition of DEN. (Please refer to Note 11.1.).

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

On February 11, 2019, the Company entered into an amendment agreement to increase the amount of the credit line to \$1.5 billion and extend the maturity to 2024. The Company recognized transaction costs for \$5.8 million in this transaction.

As of December 31, 2019, the Company has made withdrawals of \$990.0 million and payments of \$904.0 million.

As of December 31, 2019, 2018 and 2017, the available unused credit portion was \$606.0, \$362.0 and \$1,033.0 million, respectively.

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

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

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

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

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

23. LONG-TERM DEBT

As of December 31, 2019, 2018 and 2017, long-term debt includes:

	AS OF		
	12/31/19	12/31/18	12/31/17
Senior Notes (a)	\$ 840,000	\$ 840,000	\$ 840,000
Santander - Ventika (b)	401,764	426,359	451,248
CEBURES at fixed rate (e, g)	206,949	198,142	277,175
Multilateral Facility (h)	200,000	-	-
Bancomer - IEnova Pipelines (d)	198,759	239,513	-
Trina Solar (f)	11,190	3,757	-
CEBURES at variable rate (e, g)	-	-	197,614
	\$ 1,858,662	\$ 1,707,771	\$ 1,766,037
Debt issuance costs	(40,331)	(32,579)	(33,997)
	\$ 1,818,331	\$ 1,675,192	\$ 1,732,040

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

- i.** The first placement was for \$300.0 million bearing interest at a rate of 3.75 percent, with semi-annual payments of interest, maturing in 2028.
- ii.** The second placement was for \$540.0 million bearing interest at a rate of 4.88 percent, with semi-annual payments of interest, maturing in 2048.

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

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

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

BANK	MATURITY DATE
Santander	15/03/2024
BANOBRAS	15/03/2032
NADB	15/03/2032
BANCOMEXT	15/03/2032
NAFIN	15/03/2032

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

BANK	MATURITY DATE	
NADB	\$	130,445
BANOBRAS		83,858
Santander		74,708
NAFINSA		65,223
BANCOMEXT		65,223
	\$	419,457

- c. Interest Rate Swaps.** In order to mitigate the impact of interest rate changes, Ventika entered into interest rate swaps with Santander and BANOBRAS for almost 92 percent of the above mentioned credit facilities. The swap contracts allow the Company to pay a fixed interest rate of 2.94 and 3.68 percent respectively, and to receive variable interest rate (three-month LIBOR).
- d. Bancomer - IEnova Pipelines.** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as fiduciary. The amount of the loan 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, 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 eighth anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of December 31, 2019, the long-term debt maturity are as follows:

YEAR	AMOUNT	
2020	\$	42,213
2021		45,054
2022		47,537
Thereafter		114,859
	\$	249,663

In such credit, IEnova Pipelines was defined as debtor, TDF together with GdT were assigned as guarantors and collaterals through the cession of the collection's rights from their portfolio of projects integrated by IEnova Pipelines, TDF and GdT as source of payment for the credit.

Covenants arising from the credit require for the following:

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

ENTITY	AMOUNT	
IEnova Pipelines	\$	450,000
GdT		130,000
TDF		90,000

- ii.** Maintain an interest ratio of 2.5 to 1 at least on a consolidated basis (Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") to interest), for the payment of interest.

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

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

The Company has designated derivative financial instruments mentioned above as a cash flow hedges, as permitted by applicable accounting standards, given that, this interest rate swaps hedge objective is to fix the cash flows derived from variable interest payments on the syndicated loan maturing in 2026.

- e. CEBURES.** On February 14, 2013, the Company entered into two public debt issuances of CEBURES or debt securities as follows:

- i.** The first placement was for \$306.2 million (\$3,900.0 million of historical Mexican Pesos) bearing interest at a fixed rate of 6.3 percent, with semi-annual payment of interest, maturing in 2023.
- ii.** The second placement was for \$102.1 million (\$1,300.0 million of historical Mexican Pesos) bearing interest at variable rate based on the TIIE plus 30 BPS, with monthly payments of interest, maturing in 2018. The average annual rate as of December 31, 2019, 2018 and 2017, was 6.3 percent, 6.93 percent and 7.25 percent, respectively.

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

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

- f. Trina Solar - ESJ Renovable I. S. de R. L. de C. V. ("ESJR I")** On July 31, 2018, the Company, signed a credit contract with Trina Solar for an amount up to \$12.4 million, the proceeds were used to develop the Tepezala Solar Project. The maturity of the loan is 10 years.

The loan can be totally paid in full in a lump sum payment at the end of the credit contract or partially paid in installments throughout the contract term.

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

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

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

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

As of December 31, 2019, the swaps' total notional value is \$306.2 million (\$3,900.0 million historical Mexican Pesos). These contracts have been designated as cash flow hedges.

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

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

i. Interest rate swaps of Multilateral facility. To partially mitigate its exposure to interest rate changes associated with the Multilateral Facility loan, IEnova entered into floating-to-fixed interest rate swaps for 100 percent of the loan. The outstanding interest rate swap assigned to Credit Agricole with a trade date of November 20, 2019, and an effective date of December 05, 2019, the date of disbursement of the loan. The term of the interest rate swap matches the critical terms of the interest payments. The swap is accounted as cash flow hedges. The fixed contracted interest rate is 1.77 percent.

24. FINANCIAL INSTRUMENTS

24.1. CAPITAL MANAGEMENT

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

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

Also, the Company has a commitment with the Mexican regulator for capital contributions based on invested capital for its projects. As of December 31, 2019, 2018 and 2017, the Company had complied with the above requirements.

24.2. CATEGORIES OF FINANCIAL INSTRUMENTS

	AS OF		
	12/31/19	12/31/18	12/31/17
Financial assets			
Cash and cash equivalents	\$ 57,966	\$ 51,764	\$ 38,289
Restricted cash	33,536	26,283	55,820
FVTPL			
Held for trading	17,241	17,703	9,146
Amortized cost			
Loans and receivables	920,410	844,989	613,280
Financial leasing	932,624	942,184	950,310
Financial liabilities			
FVTPL			
Held for trading	\$ 155,931	\$ 163,823	\$ 204,170
Amortized cost	3,492,932	3,055,700	2,695,537

24.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

24.4 MARKET RISK

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

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

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

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

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

24.5. VALUE AT RISK ("VaR") ANALYSIS

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

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

The Company uses a one-day holding period and a 95 percent confidence interval in its VaR calculations.

The one-day 95 percent VaR number reflects the 95 percent probability that the daily loss will not exceed the reported VaR.

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

	AS OF		
	12/31/19	12/31/18	12/31/17
VaR History (95%, one day) by risk type			
Interest rate swap and commodities	\$ 15,058	\$ 2,258	\$ 2,581
Total VaR exposure	\$ 14,305	\$ 2,145	\$ 2,452

VaR is a statistical estimate of how much a portfolio may lose in the given time horizon for the given confidence interval. By using a VaR with a 95 percent confidence interval, the potential losses above that percentile are not considered; by using historical data possible adverse extreme movements might not be captured, since these did not occur during the time period considered in the calculations; and there is no guarantee that the actual losses will not exceed the calculated VaR.

While VaR captures the Company's daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in commodity prices and interest rates over a year. Details of sensitivity analysis for foreign currency risk are set out in Note 24.7.1.

24.6. COMMODITY PRICE RISK

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

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

24.7. FOREIGN CURRENCY RISK MANAGEMENT

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

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

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

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

	FINANCIAL ASSETS AS OF		
	12/31/19	12/31/18	12/31/17
U. S. Dollar functional currency subsidiaries	\$ 1,025,682	\$ 907,113	\$ 746,038
Mexican Peso functional currency subsidiaries	26,462	32,146	33,594

	FINANCIAL LIABILITIES AS OF		
	12/31/19	12/31/18	12/31/17
U. S. Dollar functional currency subsidiaries	\$ 938,184	\$ 860,870	\$ 853,067
Mexican Peso functional currency subsidiaries	47,867	31,325	26,478

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

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

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

	MEXICAN PESOS			
	12/31/19	12/31/18	12/31/17	04/11/20
One U.S. Dollar	\$ 18.8452	\$ 19.6829	\$ 19.7354	\$ 24.0388

24.7.1. Foreign currency sensitivity analysis

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

The following table details the Company's profit and OCI sensitivity to a 10 percent increase and decrease in the U. S. Dollar against the Mexican Peso. The sensitivity rate used to report foreign currency risk internally to key Company's management is 10 percent, which represents management's benchmark of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 percent change in foreign currency rates.

The sensitivity analysis includes intercompany loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A negative number below indicates a decrease in profit or equity where the U. S. Dollar strengthens 10 percent against the Mexican Peso for U. S. Dollar functional currency subsidiaries. For a 10 percent weakening of the U. S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be positive.

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

For Mexican Peso functional currency subsidiaries, a positive number below indicates an increase in profit or equity where the U. S. Dollar strengthens 10 percent against the Mexican Peso. For a 10 percent weakening of the U. S. Dollar against the Mexican Peso, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	U.S. DOLLAR FUNCTIONAL CURRENCY			MEXICAN PESO FUNCTIONAL CURRENCY		
	2019	2018	2017	2019	2018	2017
Profit (loss) (i)	\$ 5,532	\$ 2,943	\$ 6,811	\$ (916)	\$ 52	\$ (453)
OCI	-	-	-	2,865	414	2,580

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

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

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

24.8. INTEREST RATE RISK MANAGEMENT

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

As described in Note 10.1.b. the joint venture with Saavi Energia entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings.

As described in Note 10.4.b. the joint venture with Brookfield entered into swap contract that effectively hedges the interest rate risk due to variable rate financings.

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

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

24.9. CREDIT RISK MANAGEMENT

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

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

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

Minor customers (residential customers for household consumption):

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

Major customers (customers for industrial and commercial consumption):

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

The oversight includes a monthly review of 100 percent of the balances of major customers by the credit and collection department, to make sure that payments are made on a timely manner and to ensure that they comply with the agreed terms of their contract.

The Company believes that it has allocated adequate reserves for counterparty's nonperformance.

For all other entities of the Gas and Power segments, when the Company's development projects become operational, they rely significantly on the ability of their suppliers to perform on long-term agreements and on the ability to enforce contract terms in the event of nonperformance.

Also, the factors that the Company considers in evaluating a development project include negotiating customer and supplier agreements and, therefore, rely on these agreements for future performance.

24.9.1. Concentration of credit risk

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

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

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

	SEGMENT	AS OF		
		12/31/19	12/31/18	12/31/17
Customer 1	Gas	\$ 301,727	\$ 317,805	\$ 317,055
Customer 2	Power & Gas	222,867	218,126	142,445
Customer 3	Gas	167,770	171,666	168,937
Customer 4	Gas	143,090	143,026	113,086
Customer 5	Gas	127,243	123,366	114,093
Customer 6	Gas	102,084	98,435	103,043
Customer 7	Gas	64,237	84,846	87,160
Customer 8 *	Power	38,381	36,353	35,389
Customer 9	Gas	36,366	36,723	36,397
Others **		175,491	138,209	105,300
		\$ 1,379,256	\$ 1,368,555	\$ 1,222,905

* Please refer to Note 12.

** Within others, there are no customers with revenue concentration greater than 9 percent.

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

24.10. LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Parent's directors and IEnova's key executives, who have established an appropriate liquidity risk management framework for management of the Company's funding and liquidity management requirements. As of December 31, 2019, the projects were funded with resources obtained from the Global Offering, unconsolidated affiliates loans and bank financing. The Company's current liabilities exceed its current assets mainly due to loans from unconsolidated affiliates and short-term debt. As explained in Notes 6 and 22, the Company had \$892.5 million of unused lines of credits with banks.

24.10.1. Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on contractual maturity, which is the earliest date on which the Company can be required to pay. The tables include principal cash flows.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2019						
Variable interest rate from banks (SMBC)		\$ 1,174,068	\$ -	\$ -	\$ -	\$ 1,174,068
Variable interest rate from banks (International debt 10 years)	3.75	11,250	33,750	56,250	334,178	435,428
Variable interest rate from banks (International debt 30 years)	4.88	26,325	78,975	131,625	1,146,476	1,383,401
Fixed interest rate for long-term debt (Note 23)	6.3	12,838	38,446	199,769	-	251,053
Variable interest rate loan from banks (Ventika)	6.49	51,218	81,591	143,419	462,329	738,557
Variable interest rate loan from banks (GdC)	4.63	41,186	27,607	226,110	-	294,903
Multilateral Facility	1.78	356	7,415	30,298	173,016	211,085
Variable interest rate for long-term (Trina)	6.07	585	1,756	2,927	12,946	18,214
Lease liabilities		1,197	3,501	3,800	95,944	104,442
		\$ 1,319,023	\$ 273,041	\$ 794,198	\$ 2,224,889	\$ 4,611,151

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2018						
Variable interest rate from banks (SMBC)		\$ 808,086	\$ -	\$ -	\$ -	\$ 808,086
Variable interest rate from banks (Senior Notes 10 years)	3.75	11,250	33,750	56,250	300,000	401,250
Variable interest rate from banks (Senior Notes 30 years)	4.88	26,325	78,975	131,625	1,066,500	1,303,425
Fixed interest rate of long-term debt (Note 23.)	6.30	12,483	37,449	199,286	-	249,218
Variable interest rate loan from banks (Ventika)	6.49	53,649	83,028	197,086	447,892	781,655
Variable interest rate loan from banks (IEnova Pipelines)	4.63	49,316	33,268	283,563	-	366,147
Variable interest rate for long-term (Trina)	6.07	256	684	1,140	3,862	5,942
		\$ 961,109	\$ 266,470	\$ 867,810	\$ 1,814,392	\$ 3,909,781

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2017						
Variable interest rate from banks (SMBC)		\$ 137,053	\$ -	\$ -	\$ -	\$ 137,053
Variable interest rate from banks (International debt 10 years)	3.75	6,563	33,750	56,250	316,875	413,438
Variable interest rate from banks (International debt 30 years)	4.88	15,356	78,975	131,625	1,105,988	1,331,944
Variable interest rate of short-term debt (Note 23.)	4.14	65,871	-	-	-	65,871
Fixed interest rate of long-term debt (Note 23.)	6.30	12,623	37,868	211,378	-	261,869
Variable interest rate loan from banks (Ventika)	5.59	48,211	76,868	210,235	472,467	807,781
Variable interest rate loan from banks (IEnova Pipelines)	4.63	53,642	39,034	341,697	-	434,373
		\$ 339,319	\$ 266,495	\$ 951,185	\$ 1,895,330	\$ 3,452,329

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

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

	LESS THAN 1 YEAR	1-2 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2019					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	\$ (33,429)	\$ (30,421)	\$ (152,585)	\$ (33,621)	\$ (250,056)
	\$ (33,429)	\$ (30,421)	\$ (152,585)	\$ (33,621)	\$ (250,056)

	LESS THAN 1 YEAR	1-2 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2018					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	\$ 176	\$ (1,920)	\$ (159,750)	\$ (2,909)	\$ (164,403)
	\$ 176	\$ (1,920)	\$ (159,750)	\$ (2,909)	\$ (164,403)

	LESS THAN 1 YEAR	1-2 YEARS	3-5 YEARS	5+ YEARS	TOTAL
December 31, 2017					
Net settled:					
- Interest rate swaps, cross currency swap, exchange rate	\$ (38,978)	\$ (3,032)	\$ (12,579)	\$ (141,516)	\$ (196,105)
	\$ (38,978)	\$ (3,032)	\$ (12,579)	\$ (141,516)	\$ (196,105)

24.11. FV OF FINANCIAL INSTRUMENTS

24.11.1. FV of financial instruments carried at amortized cost

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

	AS OF					
	12/31/19		12/31/18		12/31/17	
	CARRYING AMOUNT	FV	CARRYING AMOUNT	FV	CARRYING AMOUNT	FV
Financial assets						
Financial lease receivables	932,624	1,308,000	942,184	942,184	950,310	950,310
Due to unconsolidated Affiliates	781,003	823,757	691,340	696,626	535,945	592,727
Financial liabilities						
-Long-term debt (traded in stock exchange)	1,016,697	1,010,330	1,038,142	865,710	1,037,614	998,995
-Loans from banks long-term	790,444	756,411	669,629	675,801	728,423	849,486
-Loans from unconsolidated affiliates (Long-term)	233,597	228,578	75,161	67,963	73,510	69,967
Loans from associate (Long- term)	11,190	10,848	3,757	3,274	-	-

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

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

- The FV of finance lease receivables is determined by calculating the present value of discounted cash flows, including the contract extension period, using the discount rate that represents the Company's Transportation Weighted Average Cost of Capital (Level 3).
- The Company determined the FV of its long-term debt using prices quoted on recognized markets (Level 1).

iii. For financial liabilities, other than long-term debt, accounts receivables and payable due to unconsolidated affiliates, the Company determined the FV of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount to present value is adjusted to reflect the Company's own credit risk. (Level 3).

iv. The FV of commodity and other derivative positions, which include interest rate swaps, is determined using market participant assumptions to measure these derivatives. Market participants' assumptions include the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. (Level 2).

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

24.11.3. FV measurements recognized in the Consolidated Statements of Financial Position

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

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

The Company establishes a FV hierarchy that prioritizes the inputs used to measure FV. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the FV hierarchy are as follows:

- Level 1 FV measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 FV measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability as of reporting date, either directly or indirectly.
- Level 3 FV measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and are generally less observable from objective sources.

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

	AS OF		
	12/31/19	12/31/18	12/31/17
Financial assets at FVTPL			
Short-term investments (Level 1)*	\$ 35,742	\$ 26,366	\$ 56,901
Derivative financial assets (Level 2)	17,241	17,620	8,065
Financial liabilities at FVTPL			
Derivative financial liabilities (Level 2)	155,931	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 current restricted cash by \$30.8 million, \$23.3 million and \$55.8 million as of December 31, 2019, 2018 and 2017, respectively.

24.11.4. Hedging instruments

The impact of the hedging instruments on the statement of financial position as of December 31, 2019, 2018 and 2017 are as follows:

	AS OF		
	12/31/19		
	NOTIONAL VALUE	CARRYING AMOUNT	CHANGE IN FAIR VALUE USED FOR MEASURING IN-EFFECTIVENESS
U. S. Dollars			
Interest rate swap	\$ 595,039	\$ (15,881)	\$ (8,790)
Foreign currency	122,747	(5,986)	(7,835)
Mexican Peso			
Cross currency swap	3,900,000	(121,988)	18,509

	AS OF		
	12/31/18		
	NOTIONAL VALUE	CARRYING AMOUNT	CHANGE IN FAIR VALUE USED FOR MEASURING IN-EFFECTIVENESS
U. S. Dollars			
Interest rate swap	\$ 451,017	\$ (7,091)	\$ 4,029
Foreign currency	107,503	1,849	1,849
Mexican Peso			
Cross currency swap	3,900,000	(140,497)	44,488

	AS OF		
	12/31/17		CHANGE IN FAIR VALUE USED FOR MEASURING IN-EFFECTIVENESS
	NOTIONAL VALUE	CARRYING AMOUNT	
U. S. Dollars			
Interest rate swap	\$ 507,027	\$ (11,120)	\$ 2,005
Mexican Peso			
Foreign currency and interest rate	5,200,000	(184,985)	20,011

24.11.5. Commodities and other derivative positions

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

The Company recognized the change in FV and the settlements in the "cost of revenue" line item within the Consolidated Statements of Profit.

25. INCOME TAXES

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

25.1. INCOME TAXES RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF PROFIT

	AS OF		
	12/31/19	12/31/18	12/31/17
Current income tax:			
ISR	\$ (139,677)	\$ (113,683)	\$ (39,376)
IETU	-	-	(204)
	(139,677)	(113,683)	(39,580)
Deferred income tax:			
Deferred income tax	7,119	(29,381)	(64,582)
Total taxes in the Consolidated Statements of Profit	\$ (132,558)	\$ (143,064)	\$ (104,162)

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

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Profit before income tax and share of profits of joint ventures	\$ 560,474	\$ 535,666	\$ 413,660
Income tax expense calculated at 30%	(168,142)	(160,700)	(124,098)
Non-deductible expenses	(2,369)	(1,985)	(2,880)
Effects of foreign exchange rate	(35,830)	513	(17,806)
Effects of inflation adjustment	(19,169)	(28,076)	(32,341)
Effect of unused tax losses not recognized as deferred income tax asset	(3,157)	2,279	(25,965)
Non-taxable income	-	-	368
Effect of foreign exchange rate and inflation on the tax bases of property, plant and equipment, net and unused tax losses	77,499	55,180	98,880
Tax incentive *	24,108	-	-
Other	(5,498)	(10,275)	(321)
Income tax expense recognized in the Consolidated Statements of Profit	\$ (132,558)	\$ (143,064)	\$ (104,163)

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

- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Mexican Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.
- The effect of foreign currency exchange gains or losses is being calculated on Mexican Pesos balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses on U. S. Dollar balances.
- The inflationary effects relative to certain monetary assets and liabilities.
- Tax losses used or not recognized as deferred taxes.
- *Recognition of the income tax incentive applicable to certain taxpayers residing in the northern border region, in accordance with a decree issued on December 28, 2018.

25.2. INCOME TAX RECOGNIZED DIRECTLY IN COMMON STOCK AND OCI

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Recognized directly in common stock:			
Issuance or ordinary shares under Initial Public Offering ("IPO") and Follow-on	\$ -	\$ -	\$ 17,851
Recognized directly in OCI:			
Tax related to actuarial gain on defined benefit plans	(287)	(156)	(211)
Tax on valuation of financial instruments held for hedging purposes	(2,020)	(4,605)	(2,357)
Total of income tax recognized directly in common stock and OCI	\$ (2,307)	\$ (4,761)	\$ 15,283

25.3. DEFERRED INCOME TAX ASSETS AND LIABILITIES BALANCES

The following is the analysis of deferred income tax assets (liabilities) presented in the Consolidated Statements of Financial Position:

	AS OF		
	12/31/19	12/31/18	12/31/17
Deferred income tax assets:			
Benefit of tax-loss carry forwards for recovering income taxes paid in previous years	\$ 21,855	\$ 72,497	\$ 171,015
Accrued expenses and provisions	32,127	21,582	43,381
Effect of business combination IGM	1,257	1,355	1,453
Employee benefits	8,941	6,845	5,941
Inventories	4,941	1,909	2,768
Credit expected losses	127	159	139
Deferred income tax assets for issuance or ordinary shares under IPO and follow on	17,851	17,851	17,851
Deferred income tax asset regarding valuation of financial instruments held for hedging purposes	8,644	6,593	10,360
Total deferred income tax assets	95,743	128,791	252,908
Deconsolidation effect (a)	(5,845)	(47,938)	(155,574)
Deferred income tax asset	\$ 89,898	\$ 80,853	\$ 97,334
Deferred income tax liabilities:			
Property, plant and equipment	\$ (192,394)	\$ (228,634)	\$ (318,297)
Finance leases	(279,605)	(282,525)	(285,000)
Effect of assets FV and intangible of Ventika	(79,867)	(83,054)	(86,241)
Prepaid expenses	(6,181)	(4,396)	(4,693)
Other	(1,708)	(16,221)	(12,957)
Right-of-use-assets	(12,047)	-	-
Total deferred income tax liabilities	(571,802)	(614,830)	(707,188)
Deconsolidation effect (a)	5,845	47,938	155,574
Deferred income tax liabilities	\$ (565,957)	\$ (566,892)	\$ (551,614)

a. The effects of tax deconsolidation in deferred income tax are presented to reflect that the Company no longer has the right to offset income taxes of its subsidiaries and, therefore, they are presented separately in the Consolidated Statements of Financial Position as of December 31, 2019, 2018 and 2017.

i. During 2017, the Company has not recognized a deferred tax asset in the amount of \$15.2 million generated from the deductible temporary differences between book value and tax basis as a result of the decision to sell the partnership interest in TDM.

- ii. As of December 31, 2019, the Company has not recognized a deferred tax asset in the amount of \$26.2 million generated from the deductible temporary differences between book value and tax basis of TDM. The Company considers that there are no sufficient taxable profits available to recognize all or part of the deferred tax asset.

25.4. DEFERRED INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following is an analysis of the deferred tax assets (liabilities) included in the Consolidated Statements of Financial Position:

	AS OF		
	12/31/19	12/31/18	12/31/17
Assets	\$ 89,898	\$ 80,853	\$ 97,334
Liabilities	\$ (565,957)	\$ (566,892)	\$ (551,614)
	\$ (476,059)	\$ (486,039)	\$ (454,280)

Deferred tax assets have been recognized for tax-loss carryforwards and the IMPAC paid which provide for future tax benefits in the form of future deductible amounts and tax credits, respectively, and can be realized subject to compliance with certain requirements. Expiration dates and restated amounts as of December 31, 2019, are as follows:

YEARS	TAX-LOSS CARRY- FORWARDS	IMPAC RECOVERABLE
2020	\$ 1,750	\$ 163
2021	1,458	163
2022	576	163
2023	492	163
2024	2,411	163
2025	1,502	163
2026	36,141	163
2027	3,058	163
2028	17,231	161
2029	8,231	-
	\$ 72,850	\$ 1,465

In determining the deferred income tax as described above, the effects of tax-loss carryforwards and IMPAC paid recoverable were included for \$72.8 million and \$1.4 million respectively.

25.5. CURRENT TAX RECEIVABLE AND PAYABLE

	AS OF		
	12/31/19	12/31/18	12/31/17
Current tax assets:			
ISR receivable	\$ 22,061	\$ 74,806	\$ 81,909
Current tax liabilities:			
ISR payable	\$ (62,699)	\$ (63,044)	\$ (3,384)

26. STOCKHOLDERS' EQUITY

	AS OF		
	12/31/19	12/31/18	12/31/17
Common stock	\$ 955,239	\$ 963,272	\$ 963,272
Additional paid-in equity	2,342,883	2,351,801	2,351,801
	\$ 3,298,122	\$ 3,315,073	\$ 3,315,073

26.1. ISSUED MEMBER'S EQUITY IS COMPRISED AS FOLLOWS:

Pursuant to a resolution of the general ordinary member's meeting on February 15, 2013, member's equity increase was approved at \$1.00 Mexican Peso per share, which was subscribed and paid by SEH an unconsolidated affiliate, increasing the value of its social part; also, Company's name change from Sempra Mexico, S. de R. L. de C. V. to "Sociedad Anonima de Capital Variable" ("S. A. de C. V.", Public limited Company) was approved. As a result of such resolution, the change of social parts for shares was performed; as of February 15, 2013, the distribution of such shares was as follows:

SHAREHOLDERS NAME	SHARES		
	CLASS I	CLASS II	TOTAL
Sempra Energy Holdings XI, B.V.	4,990	935,908,312	935,913,302
Sempra Energy Holdings IX, B.V.	10	-	10
	5,000	935,908,312	935,913,312

Shareholder's equity consists of nominative shares with no-par value. The theoretical value per share is \$10.00 Mexican Pesos. The Class I and II represent the fixed and the variable part of shareholder's equity, respectively. Variable capital may be increased without limitation.

On March 6, 2013, SEH subscribed for a capital increase in Semco Holdco, S. de R. L. de C. V. ("SEMCO" (a subsidiary of Sempra Energy)), agreeing to pay for such capital increase through a contribution of IEnova's shares in an amount to be determined based on the price per share in the Global Offering, and subject to the shares being duly registered with the Mexican National Securities Registry ("RNV", by its initials in Spanish). On March 21, 2013, the effective date of the Global Offering and registration of IEnova's shares with the RNV, SEMCO acquired 100 percent of the Shares of SEH pursuant to the above described terms; therefore, beginning on this date, SEMCO was the new Parent Company of IEnova.

On March 21, 2013, the Company carried out a Global Offering of shares. Through such Global Offering, the Company issued 189,661,305 shares at a placement price of \$34.00 Mexican Pesos per share; such offering included an over-allotment option up to 28,449,196 shares. The amount of this Global Offering was \$520,707 (\$6,448.4 million Mexican Pesos).

In connection with the Global Offering, on March 27, 2013, the underwriters in Mexico and abroad exercised the over-allotment option. The amount of over-allotment was \$78,106.0 (\$967.0 million Mexican Pesos), related to 28,449,196 shares at the placement price of \$34.00 Mexican Pesos per share.

On September 14, 2015, the Ordinary and Extraordinary Shareholder's Meeting approved the proposal of an equity offering through a combined global offering which consists of a public offering in Mexico to the general public and a concurrent international offering as defined by Rule 144A and in Regulation S, under the United States Securities Act of 1933.

In addition an equity increase was approved for up to \$3,300.0 million Mexican Pesos in Ordinary and Extraordinary Shareholder's Meetings; of which 330 million ordinary shares were issued. As of December 31, 2015, such shares have been neither subscribed nor paid, and therefore no impacts have been reflected in the Consolidated Financial Statements.

26.2. FORMATION OF A REPURCHASE FUND ITS OWN SHARES

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

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

FOR THE YEAR ENDED DECEMBER 31, 2019 (MEXICAN PESOS)

COMPANY STOCKHOLDER'S	NUMBER OF SHARES	FIXED SHARES	VARIABLE SHARES	TOTAL	TOTAL SHARES IN USD
SEMCO	1,019,038,312	\$ 50,000	\$ 10,190,333,120	\$ 10,190,383,120	\$ 751,825
Private investors	510,365,500	-	5,103,655,000	5,103,655,000	203,414
	1,529,403,812	\$ 50,000	\$ 15,293,988,120	\$ 15,294,038,120	\$ 955,239

FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017 (MEXICAN PESOS)

COMPANY STOCKHOLDER'S	NUMBER OF SHARES	FIXED SHARES	VARIABLE SHARES	TOTAL	TOTAL SHARES IN USD
SEMCO	1,019,038,312	\$ 50,000	\$ 10,190,333,120	\$ 10,190,383,120	\$ 751,825
Private investors	514,985,500	-	5,149,855,000	5,149,855,000	211,447
	1,534,023,812	\$ 50,000	\$ 15,340,188,120	\$ 15,340,238,120	\$ 963,272

27. DECLARED DIVIDENDS

During 2019, 2018 and 2017, pursuant to the resolution of Company's General Shareholders' Meeting, payments of dividends in cash were approved and were paid from retained CUFIN balances. Under Mexican tax regulation, dividends paid from CUFIN balances are not taxed, dividends were declared and paid, for the following amounts:

MEETING DATE	AMOUNT
October 22, 2019	\$ 220,000
July 24, 2018	210,000
July 25, 2017	200,000

27.1. DIVIDENDS PER SHARE

	CENTS PER SHARE FOR YEAR ENDED		
	31/12/19	31/12/18	31/12/17
IEnova	\$ 0.14	\$ 0.14	\$ 0.13

28. SEGMENT INFORMATION

28.1. 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 1.3.

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

28.2. SEGMENT REVENUES AND PROFITS

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment:

	REVENUES YEAR ENDED		
	31/12/19	31/12/18	31/12/17
Gas	\$ 1,054,218	\$ 1,058,535	\$ 991,690
Power	323,131	308,244	229,356
Corporate	1,907	1,776	1,859
Total revenue	\$ 1,379,256	\$ 1,368,555	\$ 1,222,905

	SEGMENT PROFIT YEAR ENDED		
	31/12/19	31/12/18	31/12/17
Gas	\$ 449,115	\$ 445,259	\$ 463,483
Power	89,907	65,357	(34,316)
Corporate	(71,337)	(80,030)	(74,993)
Total segment profit	\$ 467,685	\$ 430,586	\$ 354,174

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

28.3. ASSETS AND LIABILITIES BY SEGMENT

	AS OF		
	12/31/19	12/31/18	12/31/17
Assets by segment:			
Gas	\$ 7,030,018	\$ 6,705,011	\$ 6,425,446
Power	1,654,192	1,356,815	1,170,970
Corporate*	868,296	706,771	567,443
Consolidated total assets	\$ 9,552,506	\$ 8,768,597	\$ 8,163,859
Liabilities by segment:			
Gas	\$ 1,306,150	\$ 1,066,774	\$ 1,031,448
Power	690,230	655,386	652,502
Corporate*	2,598,889	2,292,687	1,963,322
Consolidated total liabilities	\$ 4,595,269	\$ 4,014,847	\$ 3,647,272

*Corporate segment

Management have decided to reclassify retrospectively the amounts of \$39.7 in assets and \$0.8 in liabilities as of December 31, 2017, related to Liquid Terminals included in Corporate segment to the Gas segment, considering more appropriate to include operations and assets to this segment. (Please refer to Note 1.3.3.).

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

- i. All assets are allocated to reportable segments. Goodwill is allocated to reportable segments.
- ii. All liabilities are allocated to reportable segments.

28.4. OTHER INFORMATION BY SEGMENT

	PROPERTY, PLANT AND EQUIPMENT AS OF			ACCUMULATED DEPRECIATION AS OF		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	\$ 4,191,996	\$ 3,777,923	\$ 3,569,528	\$ (716,867)	\$ (616,526)	\$ (510,744)
Power	1,402,750	1,150,247	686,195	(265,568)	(232,776)	(24,885)
Corporate	39,572	19,685	18,881	(13,921)	(11,639)	(9,519)
	\$ 5,634,318	\$ 4,947,855	\$ 4,274,604	\$ (996,356)	\$ (860,941)	\$ (545,148)

	DEPRECIATION AND AMORTIZATION YEAR ENDED			ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT YEAR ENDED		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	\$ 108,438	\$ 100,794	\$ 86,182	\$ 396,834	\$ 218,811	\$ 205,452
Power	42,137	34,228	31,049	247,123	222,384	8,373
Corporate	5,224	2,135	1,789	20,127	1,550	3,237
	\$ 155,799	\$ 137,157	\$ 119,020	\$ 664,084	\$ 442,745	\$ 217,062

	INTEREST INCOME YEAR ENDED			FINANCE (COST) INCOME YEAR ENDED		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	\$ 2,360	\$ 2,105	\$ 813	\$ (7,024)	\$ (12,074)	\$ 3,371
Power	571	804	963	(19,395)	(23,631)	(25,573)
Corporate	42,734	24,540	21,032	(106,430)	(87,174)	(51,299)
	\$ 45,665	\$ 27,449	\$ 22,808	\$ (132,849)	\$ (122,879)	\$ (73,501)

	SHARE OF PROFITS OF JOINT VENTURES YEAR ENDED			INCOME TAX (EXPENSE) BENEFIT YEAR ENDED		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	\$ 36,916	\$ 34,158	\$ 41,094	\$ (80,421)	\$ (107,875)	\$ (97,340)
Power	3,987	3,826	3,583	(20,295)	(22,861)	(3,972)
Corporate	(1,134)	-	-	(31,842)	(12,328)	(2,851)
	\$ 39,769	\$ 37,984	\$ 44,677	\$ (132,558)	\$ (143,064)	\$ (104,163)

28.5. REVENUE BY TYPE OF PRODUCT OR SERVICES

The following is an analysis of the Company's revenue from its major type of product or service:

	YEAR ENDED		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Transportation of gas	\$ 472,597	\$ 483,458	\$ 438,277
Power generation	311,193	307,039	229,934
Sale of natural gas	260,838	258,966	176,334
Other operating revenues (a)	154,510	133,646	156,306
Storage and regasification capacity	113,337	112,923	109,837
Natural gas distribution	66,781	72,523	112,217
Total revenues	\$ 1,379,256	\$ 1,368,555	\$ 1,222,905

Other operating revenues mainly conforms of:

- a. IEnova Marketing received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of \$102.1, \$98.5 and \$103.0 million for the years ended December 31, 2019, 2018 and 2017, respectively; such balances are presented within the revenues line item in the Consolidated Statements of Profit.

On August 3, 2018, as a part of dissolution of SLNGIH there was a deed of termination executed between IEnova Marketing and SLNGIH, transferred indemnity obligations under the deed of indemnity from SLNGIH back to SLNGI by executing the Third Amended and Restated LNG SPA between IEnova Marketing and SLNGI.

- b. The Company reported damage and declared a force majeure event for the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory that has interrupted its operations since August 23, 2017. There is no material economic impact due to this event. The Sasabe-Puerto Libertad-Guaymas segment remains in full operation.

29. REVENUES

29.1. DISTRIBUTION BY TYPE OF REVENUES

The Company has initially applied IFRS 15 from 1 January 2018. The following table shows the distribution by type of revenue shown in the Consolidated Statements of Profit for the years ended on December 31, 2019 and 2018:

	YEAR ENDED	
	12/31/19	12/31/18
Revenue from operations:		
Contracts with customers	\$ 818,695	\$ 866,426
Leases	190,281	161,584
Derivatives	81,721	69,617
Others - Sale of natural gas	176,271	171,206
Other revenue - Non IFRS 15	112,288	99,722
Total revenue	\$ 1,379,256	\$ 1,368,555

29.2. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Following is a breakdown of income from contracts with clients by type of product or service, operating segment and date on which obligations are met, as well as a reconciliation of total revenue per segment for the years ended on December 31, 2019 and 2018:

	YEAR ENDED	
	12/31/19	12/31/18
Power generation	\$ 311,193	\$ 307,039
Transportation of gas	308,347	341,464
Storage and regasification capacity	93,676	112,923
Natural gas distribution	74,277	78,657
Administrative services	31,202	26,343
Total revenue from contracts with clients	\$ 818,695	\$ 866,426
Obligations met:		
Over time	\$ 818,695	\$ 866,426

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

Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect. That income is assigned on the basis of independent sales prices established in the contract and on the basis of amounts incurred. Assignment of the consideration, and therefore the schedule of income recognition, required no changes as a result of adopting IFRS 15 during 2018.

Following is a detailed description of the principal features by type of product or service:

a. Revenue from power generation

The Company generates revenue from renewable energy generated by Ventika, a wind energy generation facility acquired in December 2016.

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

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

Pima Solar. In March 2017, the Company, through one of its subsidiaries executed a 20-year electric supply contract with DeAcero to provide energy, CEC, and capacity from a new solar power plant located in Caborca, Sonora, Mexico. The solar power plant has a 110 MW capacity.

On April 1, 2019, management declared the completion of the construction COD of the Pima Solar project.

La Rumorosa Solar and Tepezala Solar. On September 28, 2016, the Company was declared winner of two solar projects, bided by the CENACE with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW capacity, located in Aguascalientes, Mexico, respectively. The Tepezala project was built and developed and constructed in collaboration with Trina Solar who has a 10 percent of shares.

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

On October 6, 2019, management declared the completion of the construction and COD of Tepezala Solar project.

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

b. Revenue from transportation of gas

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

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

c. Revenue from storage of natural gas

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

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

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

d. Revenue from administrative services

Revenue from services rendered under the management agreements generally arises as services are rendered and are recorded over time as clients receive and consume the benefits of said services. Clients are invoiced for services on the basis of a fixed annual rate and payment is generally due in one month. Certain agreements allow for the reimbursement of expenses when the Company acts as agent of affiliates, such as in cases where it manages invoicing and personnel subcontracting of other affiliates. In those cases, income is recorded net of the respective expenses incurred.

e. Revenue from natural gas distribution

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

29.3 BALANCES FROM REVENUE ARISING FROM CONTRACTS WITH CUSTOMERS

Revenue from rendering services to customers prior to expiration of the payment date is recorded as contractual assets until the remaining performance obligations are satisfied.

When payments are received prior to complying with the performance obligations associated with contracts with customers, that revenue is deferred as a contractual liability and is generally amortized in line with profits during the lifetime of the contract, provided performance obligations are met.

The following table shows the reconciliation of balances at the opening and closing of contracts with clients for Company, contractual assets and liabilities as of December 31, 2019 and 2018.

	CONTRACTS ASSETS	CONTRACT LIABILITIES
Balance as of January 01, 2018	\$ -	\$ (834)
Revenue from performance obligation satisfied during reporting period	-	-
Revenue from performance obligation satisfied in previous reporting periods	-	-
Other deferred revenue adjustments	-	(6,803)
Cash receipts	-	-
Advance payments	-	(4,347)
Reclassifications to accounts receivable	-	-
Balance as of December 31, 2018 *	\$ -	\$ (11,984)

	CONTRACTS ASSETS	CONTRACT LIABILITIES
Balance as of January 01, 2019	\$ -	\$ (11,984)
Revenue from performance obligation satisfied during reporting period	-	-
Revenue from performance obligation satisfied in previous reporting periods	-	-
Other deferred revenue adjustments	-	(3,781)
Cash receipts	-	-
Advance payments	-	-
Reclassifications to accounts receivable	-	-
Balance as of December 31, 2019 *	\$ -	\$ (15,765)

* The contract liabilities are presented in Other non-current liabilities in the Consolidated Statements of Financial Position. (See Note 19.).

a. Accounts receivable from contracts with customers

The following table shows the receivable balances associated with contracts with customers shown in the Consolidated Statements of Financial Position.

	AS OF		
	12/31/19	12/31/18	12/31/17
Accounts receivable - commercial - net	\$ 59,330	\$ 101,038	\$ 68,991
Accounts receivable - other - net	80,077	52,611	25,802
Total	\$ 139,407	\$ 153,649	\$ 94,793

29.4 PERFORMANCE OBLIGATIONS

Company revenue from contracts with customers are principally related to the generation, transfer and distribution of electricity and the transfer, distribution and storage of natural gas via our regulated public services. Likewise, other midstream services are provided as well as others pertaining to renewable energy.

The Company considers the transfer of electricity and natural gas, as well as natural gas storage services, to be continuous and integrated services. Electricity and natural gas services are generally received and consumed by the client simultaneously. Therefore, the performance obligation related to the services is met over time and represents a series of differentiated services which are substantially the same and show the same transfer-to-client pattern. Energy services and deliveries are conducted over time, as the client receives the benefits provided by the Company throughout the period in which the contract remains in effect.

Payment conditions in contracts with clients vary. There is generally an unconditional right to client payment, which expires once the performance obligation to the client has been complied with.

Therefore, there are no material contractual assets or contractual liabilities in the Consolidated Statements of Financial Position. The lapse from the date of invoicing to the expiration date is not significant, i.e., usually from 10 to 90 days.

Therefore, revenue is usually recognized when the agreed basic service has been rendered to the clients and an amount has been invoiced to the clients reflecting the consideration to which it is entitled in exchange for those services.

29.5 TRANSACTION PRICE ASSIGNED TO PENDING PERFORMANCE OBLIGATIONS

REMAINING PERFORMANCE OBLIGATIONS	IN MILLIONS
2020	\$ 403
2021	396
2022	399
2023	396
2024	342
Thereafter	4,530
Total Revenues to be recognized	\$ 6,466

No information is disclosed concerning remaining performance obligations for (a) contracts with an expected duration of one year or less, (b) revenue recorded in the amount the entity is entitled to invoice for services rendered, and (c) a variable consideration assigned to performance obligations that have remained entirely unsatisfied.

29.6 SIGNIFICANT JUDGMENTS

The Company uses the product method to record revenue from regular operations under contracts with clients related to performance obligations satisfied over time so as to determine the schedule for satisfaction of said performance obligations, as the value of the delivery of electricity or natural gas to the client can be measured directly on the basis of units delivered. In most cases, the right to the consideration of the client corresponds directly to the value transferred to the client and is recorded in income in the amount the entity is entitled to invoice.

The Company records revenue from services and from the generation of wind and electric energy at the time those services are rendered or delivered to and accepted by that client, in the terms of the programs established in each contract. Consequently, assignment of that revenue is based on independent sales prices established in the contract and on the basis of amounts incurred.

29.7 ASSETS RECORDED FOR COSTS INCURRED IN ORDER TO SECURE OR COMPLY WITH A CONTRACT WITH A CLIENT.

The Company has not recorded assets pertaining to costs incurred in order to secure or comply with a contract with clients at December 31, 2019 and 2018.

30. INTEREST INCOME

	YEAR ENDED		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Interest income:			
Unconsolidated affiliates	\$ 41,766	\$ 24,405	\$ 21,651
Bank investments	3,899	3,044	1,157
	\$ 45,665	\$ 27,449	\$ 22,808

During 2018, the Company entered into assignment agreements of the permits and rights of way. During the year ended December 31, 2019, payments under these contracts were \$0.4 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 1,964

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, 2019, payments under these contracts were \$0.3 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 285
2021	285
2022	285
Thereafter	3,987
	\$ 4,842

- n. **Border Solar project Construction.** During 2019 the Company entered into several contracts for the construction of the solar facility in Cd. Juarez. Payments under these contracts were \$28.0 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 104,862

On October 31, 2019 the Company has signed an Energy Transformers agreement to acquire some power transformers for substation at the solar facility, includes all licenses, fees, taxes, charges for packing or transport, freight and related services applicable. Net future payments under this contractual commitment will be \$1.5 million.

- o. **Don Diego Solar project.** During 2019 the Company entered into several contracts for the construction of the solar facility in Benjamin Hill Sonora. Payments under these contracts were \$97.3 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 2,647

- p. **Sonora Compression Station Projects.** During 2019, the Company, entered into several contracts for the engineering, procurement and construction of natural gas compression station in Pitiquito Sonora, for an amount of \$ 64.6 million, this for one-year period, payments under these contracts were \$3.6 million. Net future payments under these contractual commitments are as follows:

The following is an analysis of interest income by category of asset:

	AS OF		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Loans and receivables	\$ 41,766	\$ 24,405	\$ 21,651
Held-to-maturity investments	3,899	3,044	1,157
	\$ 45,665	\$ 27,449	\$ 22,808

31. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

	YEAR ENDED		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Purchased services	\$ 80,306	\$ 101,490	\$ 81,954
Employee benefit expenses	102,441	88,231	78,033
Purchased materials	22,774	20,750	22,305
Outside services and others	4,804	4,048	20,690
	\$ 210,325	\$ 214,519	\$ 202,982

Outside services and others include charges related to leases of land and buildings with low value and less than one year.

32. OTHER GAINS (LOSSES), NET

	YEAR ENDED		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Net foreign exchange gains (losses) (a)	\$ 27,116	\$ (6,104)	\$ (37,027)
Net (losses) gains arising on derivative financial instruments (b)	(1,364)	3,415	(6,135)
Other (losses) gains	(133)	2,697	2,262
	\$ 25,619	\$ 8	\$ (40,900)

- a. A foreign exchange gain (loss) by \$29.9, \$(2.9) and \$(34.9) million for the years ended December 31, 2019, 2018 and 2017, on a peso-denominated inter-affiliate loan granted to IMG for the development of the South Texas - Tuxpan marine pipeline project for our proportionate share of the project's financing is included. (Please refer to Note 10.2.).
- b. The amount represents a change in FV arising from the cross currency swaps, interest rates swaps and foreign exchange forwards and the related settlements. (Please refer to Note 24.).

33. FINANCE COSTS

	YEAR ENDED		
	12/31/19 (NOTE 12)	12/31/18 (NOTE 12)	12/31/17 (NOTE 12)
Interest	\$ (124,804)	\$ (104,711)	\$ (68,058)
Capitalized interest (a)	22,454	10,746	10,181
Decommissioning liabilities accretion expense	(2,803)	(2,552)	(2,249)
Other finance costs	(7,403)	(8,615)	(5,037)
Interest on loans from unconsolidated affiliates	(10,972)	(17,747)	(8,338)
Financial lease interest	(9,321)	-	-
	\$ (132,849)	\$ (122,879)	\$ (73,501)

a. Please refer to Note 14., for the capitalized interest on qualified assets.

34. DEPRECIATION AND AMORTIZATION

	YEAR ENDED		
	12/31/19 (NOTE 14, 15, 38)	12/31/18 (NOTE 14, 15, 38)	12/31/17 (NOTE 14, 15, 38)
Depreciation of property, plant and equipment	\$ 133,682	\$ 126,839	\$ 110,461
Rights-of-use assets amortization	11,777	-	-
Other assets amortization	10,340	10,318	8,559
Total depreciation and amortization expense	\$ 155,799	\$ 137,157	\$ 119,020

35. EARNINGS PER SHARE

35.1. BASIC EARNINGS PER SHARE

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Basic and diluted earnings per share	\$ 0.31	\$ 0.28	\$ 0.23

35.2. BASIC AND DILUTED EARNINGS PER SHARE

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

	YEAR ENDED		
	12/31/19	12/31/18	12/31/17
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	\$ 468,241	\$ 430,592	\$ 354,174
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,530,116,250	1,533,857,145	1,534,023,812

The Company does not have potentially diluted shares.

36. COMMITMENTS

36.1. SALES COMMITMENTS

- a. **GRO.** Entered into Firm Transportation Service Agreements ("FTSAs") with eight customers. Under the FTSAs, the Company is committed to provide firm natural gas transportation service up to certain daily quantities of natural gas, defined as Maximum Daily Quantities ("MDQ") measured in dekatherms per day ("Dth/d"). The FTSAs establish a transportation service rate which can be a conventional rate or a regulated rate. Such rates are applied to customer's reserved daily transportation capacity. Conventional rates typically remain fixed during the term of the contract. The regulated rates are adjusted annually for inflation and other factors per regulations and the CRE authorization. The range of effective periods and the agreed-upon MDQ for each agreement described above are from 5 to 25 years and from 800 to 1,307,000 Dth/d, respectively.
- b. **TGN.** Entered into FTSAs with two clients. Through FTSAs the Company commits to surrender transportation services up to a certain daily amount of natural gas. The FTSAs establish conventional or regulated transportation rates.
- c. **ECA.** The Company has a Firm Storage Services Agreement ("FSSA") for 50 percent of the LNG Terminal's capacity to a third party for 20 years commencing in May 2008. As of April 2009, the customer assigned a portion of its contracted capacity to another independent third party. The other 50 percent of the capacity is a FSSA with a related party IEnova Marketing for 20 years.

The Company built a nitrogen facility to provide nitrogen injection services to agreed storage capacity parties. Agreement terms were embedded into the LNG Terminal's FTSAs with same period term of 20 years.

- d. **GAP.** Entered into a 25 years capacity contract with CFE corresponding to segment Sasabe Guaymas, which started operations in December 2014 and has a capacity of 793,100 Dth/d.

The Company, entered into a 25 years capacity contract with CFE related to next segments:

	SASABE PUERTO LIBERTAD	PUERTO LIBERTAD GUAYMAS	SAN ISIDRO SAMALAYUCA	GUAYMAS EL ORO	OJIANGA EL ENCINO
Capacity	793.1 Dth/d		1,169.02 Dth/d	525.3 Dth/d	1,396.7 Dth/d
Started Operation	10/01/2015	08/01/2015	03/31/2017	05/19/2017	06/30/2017
Zone	Sonora		Chihuahua	Sonora y Sinaloa	Chihuahua

The Company entered into a 21 years capacity contract with CFE corresponding to segment El Ramal Empalme which started operations in June 2017 and has a capacity of 232.8 Dth/d. This agreement was executed on May 5, 2016.

The Company has entered into Interruptible Transportation and Compression of natural gas Service Agreements (“ITSAs”) with Shell Trading Mexico, S. de R. L. de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 1,000 Dth/d defined as MDQ. The ITSAs establish a transportation service rate which has to be approved by CRE. This agreement was executed on May 15, 2017 and will continue in full force until May 15, 2022.

The Company has entered into ITSAs with Union Energetica del Noroeste, S. A de C. V. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation service up to 3,600 Dth/d defined as MDQ. The customer will pay the regulated fee applicable in accordance with the latest publication by the Official Gazzete of the Federation and according to the modifications approved by the CRE. This agreement will be valid as of the date on which the customer notifies to GAP that is ready to start the natural gas tests and will be in force until such tests are concluded. This agreement was executed on January 4, 2017.

- e. **IEnova Pipelines.** The Company has entered into ITSAs with two customers. Under the ITSAs, the Company is committed to provide interruptible natural gas transportation and compression service up to certain daily quantities of natural gas, defined as MDQ measured in Gigacalories per day (“Gcal/d”). The ITSAs establish a transportation and compression service rate published in the Official Gazette of the Federation in accordance with the applicable regulations. The range of effective periods and the agreed-upon MDQ for each agreement described above are from one to three years and from 3,822 to 10,000 Gcal/d respectively. The agreements were executed on March 22, 2017 and April 19, 2017 and will continue in full force until March 22, 2018 and April 30, 2020, respectively.

On February 15, 2001, entered into a contract with to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with the right of renewal for additional five years. The maximum daily capacity covered by this contract is 60 MMCFPD.

On October 22, 2014, entered into a natural gas transportation services contract, under the TF-1 firm transport service scheme with CFE for a firm base reserved capacity of 100 MMCFPD with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On October 22, 2014, entered into an agreement to provide natural gas transportation service under the TI-1 interruptible transport service scheme to CFE for an interruptible capacity of 72 MMCFPD with a regulated rate. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On October 31, 2014, entered into a natural gas transportation services contract, under the TI-2 interruptible transport service scheme with CFE for an interruptible capacity of 50 MMCFPD with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TF-1 firm transport service scheme with Pemex TRI signed on December 11, 2009, for a firm base reserved capacity of 40 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered into a fifth natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Pemex TRI signed on December 11, 2009 for an interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

On September 28, 2016, entered the into a fifth natural gas transportation services amending agreement, under the TI-2 interruptible transport service scheme with Pemex TRI signed on December 11, 2009 for an interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year periods. The agreement is currently in effect with Pemex TRI.

On December 16, 2014, entered into a second natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Energia Chihuahua signed on December 21, 2012, for an interruptible capacity of 80 MMCFPD. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On February 17, 2012, signed a service contract to LPG storage with Pemex TRI. This contract provides base storage capacity reserved of 4,470 MMCFPD to 30,000 Bbld. The contract term is 15 years with a conventional rate, which represents the rate regulated by the CRE minus 1.2 percent. This contract was given in all rights and obligations, together with all attachments to TdN, by signing an amendment agreement dated on June 18, 2012, between IEnova Pipelines, TdN and Pemex TRI.

- f. **GAP.** In October 2012, was awarded by the CFE with two contracts to build and operate an approximately 835 Km (500 miles) natural gas pipeline network connecting the northwestern Mexican states of Sonora and Sinaloa (“Northwest gas pipeline”, also known as the “Sonora Pipeline”) to the U.S. interstate pipeline. The Northwest gas pipeline will comprised of two segments; the first one is for an approximate length of 505 Km, 36-inch diameter pipeline with 770 MMCFPD of transportation capacity; and the second one, is for an approximate length of 330 Km, 30-inch pipeline with 510 MMCFPD of transportation capacity. The estimated price per MMCFPD is approximately \$250.0. The Company estimates the total cost of the Northwest gas pipeline will be \$1.0 billion. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-years firm contracts denominated in U.S. Dollars.

In order to ensure compliance, during the construction stage and up to the scheduled date of commercial operation of the Northwest gas pipeline, GAP issued 2 irrevocable standby credit letters, for \$90.0 million and \$65.0 million with CFE as beneficiary, with term of one year, which can be extended automatically for annual periods until November 30, 2039 and until October 31, 2041, respectively.

- g. La Rumorosa solar project.** Entered into an Electricity SPA with CFE for 15 years and has a contracted energy of 114,115.9 MWh by year and shall take effect from COD which is on June 15, 2019; the contract was executed on January 20, 2017.

The Company, signed a CEC SPA with CFE for 20 years. During this period ESJH acquired the obligation to sell to CFE 117,064 CEC per year. This commitment took effect on June 1, 2019 (COD), the contract was executed on January 20, 2017.

- h. Tepezala solar project.** Entered into an Electricity SPA with CFE for 15 years and has contracted energy of 278,357.76 MWh per year and it took effect on October 6, 2019, the contract was executed on January 20, 2017.

The Company entered into an Power SPA with CFE for 15 years and has a contracted power of 10 MW per year and it took effect on October 6, 2019, the contract was executed on January 20, 2017.

The Company signed a CEC with CFE for 20 years, during this period ESJRI acquired the obligation to sell to CFE 285,606 CEC per year, this commitment took effect on October 6, 2019, the contract was executed on January 20, 2017.

- i. Pima solar project.** Entered into an electricity, power and CEC with De Acero, this contract was executed on March 24, 2017 and will have a duration of 20 years starting on April 1, 2019.

Must deliver for each contract year at least the amount of CEC corresponding to the guaranteed Energy that will be one CEC per MWh and is obligated to transfer the net power of the power plant which is 110 MW.

- j. Marine terminal Veracruz project.** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD is expected to take place in April 2020 and include 2,100,000 barrels of shell storage capacity. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

- k. Puebla in-land terminal project.** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 650,000 barrels of shell capacity. The parties expect the COD to occur during first quarter 2020. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

- l. Estado de Mexico in-land project.** The Company executed the services agreement with Valero dated as of July 29, 2017. With effect since the COD, the Company will provide to the customer the terminal services for the reception, storage and delivery of refined products. The COD shall mean, among others, has tankage availability of 650,000 barrels of shell capacity. The parties expect the COD to occur during first quarter 2020. The initial term of this agreement shall commence on the COD and shall run for a period of 10 years.

- m. IEnova Marketing.** On July 1, 2008, entered into a contract with CFE, for supply natural gas at the delivery points from an LNG Storage Plant, the contract ends on December 31, 2022, equivalent to 14.5 years.

The Company has entered into a base contract for SPA of natural gas (the "Base Contract"), through this contract IEnova Marketing celebrated a Supply Agreement with several clients to supply natural gas. The terms and conditions of the Supply Agreement are variable for each customer. As of December 31, 2017, IEnova Marketing support seven ongoing supply agreements with contract terms less than 5 years.

On January 1, 2013 entered into natural gas SPA with SLNGI. Dated as of August 3, 2018 entered a third amended SPA with SLNGI, to transfer 65 percent of profits and losses. The agreements end on August 20, 2029. The acquired annual capacity are 188,000,000 MMBtu/year.

On February 1, 2013, entered into a Scheduling Agreement with SG&PM; the agreement ends on December 31, 2022. The objective of the agreement is to engage in the service of SGEN to supply natural gas at the delivery points of SG&PM.

- n. GdT.** Executed a natural gas compression and transport service contract with Pemex TRI. Such contract was signed on December 19, 2001 and stipulates a capacity of 1,000 million cubic feet of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (COD). On January 1, 2016, this agreement was transferred to CENACE.

- o. GdN.** On July 19, 2013, entered into an agreement to provide natural gas transportation services to Pemex TRI. The agreement has a term of 25 years from COD the system with a regulated rate. This contract is under scheme firm transport capacity reserved of 2,100 Mcfd. This contract was transferred to CENACE on January 1, 2016.

- p. DEN.** On December 15, 2014, entered an agreement with TAG to provide O&M services. This agreement expires in 25 years from the pipeline commercial operations.

On January 1, 2016, entered an agreement with TAG to provide commercial services for a period equal Natural Gas Transport Permit G/335/TRA/2014 in favor of TAG, starting from the firm contract date.

- q. Ventika.** During 2014, entered into a 10 to 20-year contract with their customer's partners to sell 100 percent of the renewable energy produced from the wind energy project. Such agreement commenced in April 2016 once Ventika started commercial operations.

r. **TDF.** On December 15, 2005, entered into a LPG transport service contract with Pemex TRI, under firm base capacity reserved of 4,470 MMCFPD equivalent to 30,000 Bbld. This agreement expires 20 years after COD.

s. **GdS.** On December 13, 2012, entered into an ethane gas transportation services contract with Pemex TRI. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme for a firm base reserved capacity of: Segment I Cangrejera- Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI-Cangrejera 29,500 BPD, Segment II Nuevo Pemex Km 3 66,000 BPD, Segment II Cactus-Km 3 38,000 BPD, Segment II Km 3-Complejo Etileno XXI 95,500 BPD and Segment III Cd. Pemex-Nuevo Pemex 105,600 BPD.

t. **Wind power generation facility.** On November 16, 2017, the Company through Energia Sierra Juarez 2 U. S., LLC, its wholly owned subsidiary, executed a 20-year PPA with SDG&E, a IEnova's unconsolidated affiliate. The contract will be supplied through a new wind power generation facility that will be located in the municipality of Tecate in Baja California, Mexico. The project will have a capacity of 108 MW. This contract was assigned by Energia Sierra Juarez 2 U. S., LLC to Energia Sierra Juarez 1 U. S., LLC on March 2019. The beginning of commercial operations is expected to occur on July 19, 2021.

u. **Long-term electric supply contract.** On February 28, 2018, the Company executed a 15-years electricity supply contract with various subsidiaries of Liverpool. The electricity will be generated by a new solar power plant that will be located in the municipality of Benjamin Hill in the State of Sonora, Mexico with a capacity of 125 MW. The beginning of commercial operations is expected to occur in the second half of 2020.

v. **Marine terminal, Baja California, Mexico.** On April, 2018, the Company signed a long-term contract with Chevron, for approximately 50 percent of the terminal's storage capacity for a period of 15 years.

On March 14, 2018, the Company executed a second long-term contract for the storage and delivery of hydrocarbons with BP, for the remaining 50 percent of the terminal's storage capacity for a period of 10 years.

w. **Marine terminal in Topolobampo, Sinaloa, Mexico.** In September and October 2018, the Company announced the execution of two long-term, U. S. dollar-denominated, contracts with subsidiaries of Chevron and Marathon for the storage and delivery of refined products, primarily gasoline and diesel, at the terminal, for the receipt, storage and delivery in Topolobampo, Sinaloa, Mexico. The agreements will allow Chevron and Marathon to each utilize approximately 50 percent of the terminal's initial one million barrels of storage capacity. Its term in Chevron is 15 years and with Marathon 10 years.

x. **Marine terminal in Manzanillo, Colima, Mexico.** On September 26, 2018, the Company executed a long - term contract with Trafigura, for 580 thousand barrels, equivalent to 50 percent of the terminal's storage capacity.

y. **LNG project.** On November 7, 2018, the Company announced together with Sempra LNG & Mid-stream, the signature of three agreements with affiliated companies of Total S. A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the ECA LNG project located in Baja California, Mexico.

z. **Don Diego.** On December 17, 2018, the Company, executed a 15-year electric supply contract with Autlan to provide energy from the Company's portfolio of solar generation projects.

The beginning of commercial operations is expected to occur in the second quarter of 2020.

36.2. PURCHASE COMMITMENTS

a. **TDM CSA.** On May 31, 2019, the Company signed a services agreement ("CSA") for the gas and steam turbines maintenance, it includes the replacement of pieces and a termination date of 10 years. Payments under this contract in 2019 were \$6.1 million. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 5,140
2021	2,640
2022	6,160
Thereafter	8,500
	\$ 22,440

b. **ECA.** Entered into a service agreement with Turbinas Solar, S. A. de C. V. ("Turbinas Solar") which provides extended service and maintenance for five gas turbines. As of April 2014, Turbinas Solar assigned this agreement to Turbinas Solar. The agreement establishes two main types of services: a monthly fee covers operational support and extended product warranty for \$124.4 million and a variable cost based on turbine usage, expensed as incurred, for major turbine maintenance, that will be capitalized and amortized over a five-year period based on its estimated useful life. The term of the agreement is 60-months starting from the date of first beneficial use. During 2013, the Company renegotiated the agreement-terms until 2018; On March 31, 2018 agreement shall be extended for a period of five hundred and eighteen (518) days through August 31, 2019 and On August 16, 2019 the term of this agreement was extended until December 31, 2020.

During 2019, 2018, payments under the agreement were \$1.3 million and \$1.4 million, respectively. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 1,982

c. **IEnova.** On January 1, 2013, the Company entered into an Information Technology Services Agreement with Sempra Infrastructure (formerly U.S. Gas & Power) (a related party in U.S.). Pursuant to this agreement, Sempra Infrastructure will provide certain software and information technology services, including software, support and security services. The Company pays an approximate annual rate of \$6.8 million. This agreement has an initial term of five years, and for subsequent five year Renewal Terms thereafter.

d. **GdT.** On December 5, 2012, entered into an agreement with Pemex TRI through which it receives compression services based on interruptible by Pemex TRI to GdT, on investment of \$4.6 million will be used for the rehabilitation of compression station 19 and Pemex TRI reinstate costs in 75 percent and only paid 25 percent to Pemex TRI. On January 1, 2016 this agreement was transferred to CENAGAS. This contract is for indefinite term.

e. **TDF.** On December 15, 2005, entered into an agreement with Pemex TRI, through which it receives O&M services for liquid gas transport system. This agreement expires 20 years after COD. The agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were \$5.2 million and \$5.2 million, respectively. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 5,692
2021	5,692
2022	5,692
Thereafter	17,075
	\$ 34,151

- f. **TdN.** On February 21, 2012, entered into an agreement with Pemex TRI, through which it provides operation and maintenance services for the LPG transportation services. This agreement expires 20 years after COD. This agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were \$3.0 million and \$3.0 million, respectively. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 3,047
2021	3,047
2022	3,047
Thereafter	27,927
	\$ 37,068

- g. **GdS.** On April 16, 2014, entered into an agreement with Pemex TRI, through which it provides operation and maintenance services for the ethane gas transportation services. This agreement expires in 20.5 years after the first segment COD. This agreement is currently in effect with Pemex Logistica.

During 2019 and 2018, payments were \$6.2 million and \$6.2 million, respectively. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 6,201
2021	6,201
2022	6,201
Thereafter	72,856
	\$ 91,459

- h. **Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V. ("GSCA").** On March 30, 2017, entered into an agreement with GE Oil & Gas Products and Services, S. de R. L. de C. V. ("GE") for the maintenance of GdT's turbines. This agreement will expire upon the first occur considering the following:

- a) The date upon which all covered units have reached their performance end date, or
b) Eight years from the contract effective date.

The estimated cost of this contract amounts to \$18.2 million.

During 2019 and 2018, payments were \$3.1 million and \$2.5 million, respectively. Future contractual cash payments are as follows:

YEAR	AMOUNTS
2020	\$ 5,038
2021	3,080
2022	835
Thereafter	1,477
	\$ 10,430

GSCA and GdT. Entered into various O&M agreements during 2017. During 2019 and 2018, payments during the agreement were \$1.0 million and \$1.3 million, respectively.

- j. **INova Marketing.** On May 1, 2008, entered into a contract with MGI Supply, LTD ("MGI"), to purchase the gas natural transportation capacity in GAP (formerly the North Baja System). The acquired capacity is 210 Dth/d. The contract term is for 14 years (ends on August 31, 2022).

On November 24, 2016, entered into a purchase natural gas capacity agreement with SG&PM, to guarantee the ongoing Supply Agreements signed with several customers. The acquired capacity is variable and the average maturity is less of 5 years.

- k. **GAP Estación de Compresión.** Durante 2018, la Compañía celebró varios contratos para la construcción del proyecto. Por el año terminado el 31 de diciembre de 2019, los pagos realizados de estos contratos fueron de \$22.6 millones. Los pagos futuros de dichos contratos se mencionan a continuación:

YEAR	AMOUNTS
2020	\$ 4,367

- l. **Software licenses.** During 2018, the Company entered into a contract for the purchase of software licenses. For the year ended December 31, 2019, the payments derived from said contract were \$4.7 million. Net future payments under this contractual commitment are as follows:

YEAR	AMOUNTS
2020	\$ 1,100
2021	880
2022	880
Posteriores	880
	\$ 3,740

- m. **Tepezala solar project.** During 2018, the Company entered into several contracts for the project. During the year ended December 31, 2019, payments under these contracts were \$59.8 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 11,294

YEAR	AMOUNTS
2020	\$ 61,014

- q. **Enterprise Resource Planning ("ERP") project.** During 2019, the Company entered into several contracts for services derived from the implementation of the new ERP system "SAP and implementations", the contract was signed on June 27, 2019 with no expiration date. The ERP implementation "SAP" has master data service, licenses, advisory services.

Payments under these contracts were \$8.1 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 5,140
2021	1,989
2022	1,485
Thereafter	1,459
	\$ 10,073

- r. **Terminals.** During 2018, the Companies of the liquid segment entered into several contracts for the construction of the terminal projects, during the year 2019 the payments under these contracts were \$174.02 million and future payments are as follows:

TERMINAL DESCRIPTION	YEAR 2020	YEAR 2021
Puebla in-land project	66,815	
Estado de Mexico in-land project	60,580	
Veracruz marine terminal project	215,696	
Baja Refinados project	1,175	
Manzanillo terminal project	205,154	15,569
Topolobampo terminal project	111,232	
	\$ 660,652	\$ 15,569

- s. **DEN project.** During 2019, the Company entered into two right of ways agreement; considering starting date December 23, 2019, first agreement expires in two-years and the second one on January 2, 2019, this agreement expires in one-year, related to the project construction. Payments under these contracts were \$3.0 million. Net future payments under these contractual commitments are as follows:

YEAR	AMOUNTS
2020	\$ 791

37. CONTINGENCIES

a. Matters related with tax authorities

Additional income taxes payable could arise in transactions with related parties if the Mexican Tax Authority (Servicio de Administracion Tributaria, "SAT" by its initials in Spanish), during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

b. Organized crime penalties propose for smuggling, tax fraud, fraudulent tax invoices.

i. On November 8 2019, were published several amendments to the legislation that contains a new strategy to combat tax fraud and improve revenue collection by effectively equating certain activities with organized crime, which could be subject to penalties (i.e., imprisonment and the seizure/auction of a taxpayer's assets).

ii. The legislation amends various criminal provisions and makes false invoicing and certain cases involving tax fraud subject to the same consequences as apply to organized crime.

iii. Three or more persons would be punished as members of an organized crime group if they organized to carry out, permanently or together with other activities, have as their purpose, or result in, the commission of any of the following crimes:

- Smuggling or a comparable crime described in the Federal Tax Code
- Tax fraud or a comparable crime described in the Federal Tax Code, but only if the amount at issue exceeds \$7.8 million Mexican Pesos
- The issuance, sales, purchase or acquisition, directly or through an interested party, of tax invoices supporting non-existent, false or simulated activities when the person knowingly allows or publishes, by any means, advertisements for the acquisition or sale of these invoices ("fraudulent tax invoicing"), buy only if the invoices are for amount or value exceeding \$7.8 million Mexican Pesos

iv. The commission of these crimes also would merit pre-trial detention.

v. Fraudulent tax invoicing would be punishable by imprisonment for two to nine years.

- c. Tax Reform was published in the Official Gazette on November 25 and December 9, 2019. Most of the Reform will be effective January 1, 2020. The most relevant modifications to the Mexican Tax Law are summarized below:

i. Income Tax

• The Reform establishes for taxpayers with interest expense over \$20.0 million Mexican Pesos to a net interest expense deduction limitation equal to 30 percent of "adjusted taxable profit". Non-deductible interest expense for each year could be carried forward for 10 years.

• The Reform limits the deduction of payments made, directly or indirectly, to related parties whose income is considered subject to a preferential tax jurisdiction ("REFIPRE" for its initials in Spanish). The Reform establishes that payments made directly, indirectly or through a "structured arrangement" to entities whose income is considered subject to REFIPRE, including the cost of sales and services, will not be deductible.

ii. IVA

- The independent services provided by a third party is an issue that is also addressed by this tax reform. When a third party that places personnel at the client's disposal, regardless of the legal form of the contract, where the service is provided, or who directs the personnel, will carry a 6 percent VAT withholding on the consideration paid for these services. Non-compliant withholding agents shall not be able to take either the corresponding income tax deduction or VAT credit related to the payments made for the outsourcing services.
- It is established that the VAT in favor can only be recovered by accreditation or refund.

iii. Federal Tax Code

- A general anti-avoidance rule would give Mexican tax authorities the ability to re-characterize a transaction for tax purposes if the transaction lacked a business purpose. The tax authorities may re-characterize the transaction to one that would have provided the taxpayer with the reasonably expected economic benefit.
- The Reform aligns Mexican law with BEPS 12 Action by introducing mandatory reporting requirements or "reportable schemes" for tax advisors and taxpayers. Taxpayers would be required to report transactions not otherwise reported by their advisor. Reportable transactions entered in 2020 would be reportable beginning in 2021. For tax benefits obtained in 2020 or later years, taxpayers may be obligated to report certain transactions entered before 2020.

The Company evaluated the accounting and fiscal impact of the 2020 Tax Reform on its financial information and concluded, based on the facts and circumstances as of the date of the authorization of the Consolidated Financial Statements as of December 31, 2019, that they were not significant impacts as of that date. However, the Administration will subsequently evaluate the facts and circumstances that will change in the future, especially due to the particular rules that the tax authorities will issue or the interpretation and recently on the application of the 2020 Tax Reform.

iv. New taxes on the sale of gasoline and natural gas in Baja California. On December 31, 2019 the Congress of Baja California approved the creation of the following local taxes:

- Tax on the first hand sale of gasoline, natural gas and other crude oil derivatives. A tax on the total monthly income generated by the first hand sale of gasoline, natural gas and other crude oil derivatives made in the territory of Baja California, calculated at a rate of 2.5 or 5 percent payable monthly on the 15th day of each month. This tax was created through amendments to the Finance Law of Baja California.
- Tax on the sale of gasoline and other crude oil derivatives. A tax on the total monthly income generated by the sale of gasoline and other crude oil derivatives made in the territory of Baja California (this tax covers both the first hand sale and subsequent sales of gasoline and other crude oil derivatives), calculated at a rate of 2.5 or 5 percent payable monthly on the 25th day of the following month. This tax was created through amendments to the Revenue Law of Baja California.
- It remains unclear if Baja California's Congress intended to create two separate taxes. In any case, these amendments tax the first hand and subsequent sales of gasoline, natural gas and other crude oil derivatives in Baja California's territory.

- d. The Tax Reform was published in the Official Gazette on December 31, 2018, the Decree of tax incentives for the Northern Border Region ("The Decree"), which will enter into force from January 1, 2019 and will have a validity of two years, 2019 and 2020.

The purpose of the Decree is to strengthen the economy of the northern border of the Mexico, stimulate and incentivize investment, promote productivity and contribute to the creation of sources of employment. The Decree establishes tax incentives in ISR and VAT, applicable to those who have their fiscal domicile, branches or establishments in the northern border region. The stimuli consist of the following:

- i. A tax credit for the equivalent of a third of the ISR for the year or of provisional payments related to the income obtained in the region, except those derived from intangible assets and digital commerce.
- ii. A 50 percent reduction in VAT for the sale of goods, the provision of services and the temporary use or enjoyment or materially delivered goods or services provided in the region, except the sale of real estate and intangibles and the supply of digital content.

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

37.2. JUDICIAL, ADMINISTRATIVE OR ARBITRAL PROCEEDINGS

The Company may become involved in litigation and administrative proceedings relating to claims arising out of its operations and properties. These may include claims filed by suppliers and customers, federal, state or local governmental authorities, including tax authorities, neighboring residents and environmental and social activists, as well as labor disputes. Other than as described below, there are no material governmental, legal or arbitration proceedings against the Company which may have a material adverse effect on its business, financial position or results of operations:

- a. **Motions for review (recurso de revision) against MIA of the ECA Terminal, filed by Castro, Valdez y Palafox.** In May 2003, *Hiram Castro Cruz and Roberto Valdez Castañeda* ("Castro and Valdez"), jointly, and *Monica Fabiola Palafox* ("Palafox"), acting individually filed motions for review before the Ministry of the Environment and Natural Resources (*Secretaria de Medio Ambiente y Recursos Naturales, SEMARNAT*) to challenge the issuance of the MIA to the ECA Terminal granted in April 2003, based on allegations similar to IVG's allegations. SEMARNAT dismissed the motions and the plaintiffs filed before the Federal Court of Tax and Administrative Justice (*Tribunal Federal de Justicia Fiscal y Administrativa, TFJFA*), in Mexico City, motions for annulment against the respective rulings. In January 2006 and May 2013, the TFJFA issued the judgments declaring null and void the rulings through which SEMARNAT dismissed the motions for annulment ordering SEMARNAT to issue new rulings in the terms set forth in such judgments. In the case of Castro and Valdez, SEMARNAT admitted the motion and in January 2012 it issued a resolution ratifying the validity of the MIA. In March 2012, Valdez filed before the TFJFA a motion for annulment against the ruling issued by SEMARNAT and ECA filed before the Collegiate Circuit Court for the Federal District, a motion against the ruling whereby the TFJFA ordered the admittance of the motion filed by Valdez. In the case of Palafox, SEMARNAT has not issued its resolution on the MIA yet. The management of the Company deems that the claims of Castro, Valdez and Palafox are unfounded.

Finally, against the resolution of dismissal Roberto Valdes filed an annulment proceeding that was resolved denying the annulment to the complainant by means of a judgment published in January 2017.

- b. **Saloman Arya Furst and Abraham Hanono Raffoul** filed before the Unitary Agrarian District Court of Ensenada a claim against the Ministry of Agrarian Reform (*Secretaria de la Reforma Agraria*), ECA and other 20 defendants. The purpose of such claim is to procure a declaration of nullity of the property rights granted by the National Agrarian Registry regarding some plots of land where ECA's Terminal is located, as well as the return of another plot which allegedly is located in the same place, based on the argument that the property titles issued in favor of the ECA's former owners were issued improperly and without considering the existing property rights of such immovable property. In September 2011, was held a definitive hearing on the subject, where the plaintiffs offered evidence to extend their claim. The judge did not admit the evidence, and before issuing the judgment, the plaintiffs filed a constitutional claim against the refusal of the judge to the admittance of the evidence. The action of the judge is suspended by the constitutional claim, and, the constitutional trial cannot continue until the Court serves notice of the civil claim to the other defendants, which has not happened. The Company deems that the claim is ungrounded.

After several adjourned hearings, on June 9, 2015, the parties were duly notified of these proceedings. On that same date, the hearing was held, during which the disputed issues were set and the evidence of all the parties was offered. Given the amount of evidentiary material, the Court reserved the right of study and assessment thereof to subsequently set a new date of hearing. It was held on September 2015, where there was no resolution, later it was programmed the relief of an expert test in the field for the November 3, 2016. This test was released and to the date was submitted to the Agrarian Court.

On November 3, 2017, a diligence for inspection and study in the field was carried out by various experts offered by the litigants. To date all experts have surrendered their respective opinions. The Agrarian Court has ordered the issuance of an expert opinion of a third party in dispute and is requesting the Superior Agrarian Court, the appointment of an expert for this purpose.

- c. Amparo trial filed by TAG Pipelines Norte against the Closing of the MLV2211 valve, of the Los Ramones Phase II North Pipeline, made by the Municipality of Dr. Arroyo, Nuevo Leon, for the alleged lack of the Building Use License, derived from an alleged inspection ordered in official letter 001/2019 dated February 21, 2019, carried out on February 25, 2019. TAG Pipelines Norte promoted Amparo Trial before the Third Court of Distrito. in Administrative Matters in Monterrey, Nuevo Leon, whose amparo notebook is 413/2019, the responsible authorities being the Municipal President of Dr. Arroyo, the First and Second Trustees of said Municipality, and the Secretary of Urban Development and Public Works. It is noteworthy that on October 8, 2019, the Municipality of Aramberri, Nuevo Leon, at the request via exhortation, of the Municipality of Dr. Arroyo Nuevo Leon, notified TAG Pipelines Norte of the Resolution contained in official letter number 090/2019, dated March 29, 2019, due to the lack of building use license, through which it intends to impose a Tax Credit. Resolution 090/2019 of March 29, 2019, it is fought through a nullity trial before the Administrative Litigation Court based in Monterrey, Nuevo Leon, which claim was filed on October 18, 2019, which process continues.

- d. On October 8, 2019, the Municipality of Aramberri, Nuevo Leon, notified TAG Pipelines Norte of the resolution contained in official letter number 122/2019, dated March 29, 2019, for allegedly not having fully covered various contributions such as land use permit, approval of construction plans, and lack of building use license, through which it intends to impose a tax credit. Resolution 122/2019 of March 29, 2019, it is fought through a nullity trial before the Administrative Litigation Tribunal based in Monterrey, Nuevo Leon, which claim was filed on October 18, 2019.

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

- f. Federal Injunction case number 603/2018 at the 9th District Court with residence in Ensenada, B.C. filed by Bajamar Homeowners Association, against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. ECAs was recently served. The constitutional hearing is set for February 24, 2020. Regarding the definite suspension or injunction of the permits, the judge denied the petition, the plaintiff filed an appeal, and it has not been resolved.

- g. Lawsuit challenging the permits issued by the Safety, Energy and Environment Agency (Agencia de Seguridad, Energia y Ambiente ASEA) and the Mexican Ministry of Energy (Secretaria de Energia de Mexico SENER) related to the Environmental Impact Assessment and the Social Impact Assessment, respectively, from one of our liquefaction projects in ECA. On August 2018, the Bajamar's Leading Resort through Banco Santander. Institucion de Banca Multiple Grupo Financiero Santander, Institucion Fiduciaria in the Trust 53153-0, filed an amparo lawsuit before a District Court in Ensenada, Baja California, against the Environmental Impact Assessment and the Social Impact Assessment from one of our liquefaction projects in ECA, which was issued in late 2017, by ASEA and SENER, respectively. The District Court admitted the lawsuit and granted a provisional suspension so that things would remain as they are, and without suspending the procedure, no final resolution would be issued on the authorization of the works and/or construction and/or operation of the project from which the claimed acts derive, provided that this has not occurred.

Incidental hearing that was scheduled for October 23, 2018, was postponed to January 28, 2019. ECA filed a complaint against the order granting the temporary suspension.

38. APPLICATION OF NEW AND REVISED IFRS

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

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

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

The adoption of the IFRS and amendments to IFRS Standards listed above did not have a material impact on the Consolidated Financial Statements of the Company except for the following:

IFRS 16

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

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

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

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

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

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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

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

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

Nature of the effect of adoption of IFRS 16

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

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

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

Leases previously accounted for as operating leases.

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

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

The Company also applied the available practical expedients wherein it:

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

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

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

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

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

Amounts recognized in the Consolidated Statements of Financial Position and Profit

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

	RIGHT OF USE ASSETS	LEASE LIABILITIES
As at January 1, 2019	\$ 164,540	\$ (96,245)
Additions	24,331	(24,433)
Depreciation expense	(11,784)	–
Interest expense	–	(9,401)
Payments	–	27,440
Exchange differences on translation of foreign operations	–	(3,049)
Change in minimum lease payments for inflation index update	(1,246)	1,246
As of December 31, 2019	\$ 175,841	\$ (104,442)

Amendments to IFRS 9

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

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

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

Amendments to IAS 28

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

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

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

IFRIC 23

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

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

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

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

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

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

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

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

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

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

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

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

IFRS 3 and IFRS 11

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

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

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

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

IAS 12

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

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

IAS 23

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete, if the specific borrowing remains outstanding at that date.

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

b. New and revised IFRSs issued but not yet effective

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

- Amendments to IFRS 3 - *Definition of a Business*
- Amendments to IAS 1 and IAS 8 - *Definition of Material*
- IFRS 17 - *Insurance Contracts*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Financial Instruments - Interest Rate Benchmark Reform*

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

39. EVENTS AFTER REPORTING DATE

39.1 GUAYMAS - EL ORO PIPELINE

In January 13, 2020, the Guaymas - El Oro contract was extended the term suspension until May 15, 2020. (See Note 1.2.16.).

39.2. ICM CAPITAL INCREASE

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

39.3. WITHDRAWALS OF CREDIT LINE

On January 27 and February 11, 2020, regarding the credit line mentioned in Note 22.a. the Company withdrew \$50.0 and \$20.0 million, respectively, to be used for working capital and general corporate purposes.

39.4. CORPORATE LONG - TERM CREDIT FACILITIES

On March 23, 2020, the Company informed that the U.S. International Development Finance Corporation ("DFC") approved a long-term financing for IEnova for up to \$241 million dollars.

On March 26, 2020, the Company entered into a 15-year credit facility for \$100 million dollars with Japan International Cooperation Agency ("JICA").

These facilities are part of the financig structure that the Company closed in November 2019, with the IFC and NADB (See Note 23.h.).

The funds will be used to finance and/or refinance the construction of IEnova's solar generation projects.

39.5. CHANGE IN REPORTABLE SEGMENTS

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

39.6. THE CONTINUITY OF THE COMPANY'S BUSINESS COULD BE AFFECTED BY MEASURES IMPLEMENTED BY MEXICO'S GOVERNMENTS AND OTHER COUNTRIES TO PREVENT THE SPREAD OF CONTAGIOUS DISEASES AMONG THE POPULATION

During the first quarter of 2020, there has been an outbreak of Coronavirus (COVID-19), initiated in China in 2019, which has spread to other jurisdictions, including locations where IEnova does business (Mexico). The full extent of the outbreak, related business and travel restrictions and changes in behavior intended to reduce its spread are uncertain as of the date of the issuance of the consolidated financial statements as this continues to evolve globally.

IEnova is one of the first companies without governmental investment to enter the Energy Infrastructure business in Mexico as described in Note 1.3. During the last 23 years, the Company has increased its presence as a leader in private investment in the Mexican Energy Sector (including through new development projects, organic growth, acquisitions and by diversifying its type of assets and customer base) and it is recognized as one of the largest sector companies in the country.

The energy sector is a sector of essential economic interest in Mexico and the world. COVID-19 has not stopped the activity of the energy sector, although the demand for electricity, natural gas, gasoline and other fuels could decline. The extent of such decline will depend on how the pandemic evolves. Activity in the energy sector cannot be stopped: electricity, natural gas, gasoline and other fuels must continue to reach consumers. It is not expected that IEnova's operation will stop providing energy services.

In addition, many of the Company's gas transportation, storage, and power purchase agreements are "take or pay contracts". With this kind of contract the customer pays por reserved capacity regardless of its use. IEnova will continue to evaluate recoverability and collection considering the effect in the supply chain. It is possible that certain customers may experience delay in payments and others may temporarily stop operations.

IEnova has sufficient liquidity to meet its financial obligations, service debt, and funding capital expenditures projects. As of March 31, 2020, the Company had approximately US\$1 billion of liquidity (including cash and committed credit lines as described in Note 39.4).

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain. Given the speed and frequency of the continuously evolving developments with respect to this pandemic, the Company cannot accurately estimate the magnitude of the impact to its business, operations, liquidity, operating results or financial situation. Nevertheless, IEnova is working with its Board of Directors and management through crisis planning, effective communication, and cooperation to minimize the negative impact of the COVID-19 pandemic.

GLOSSARY AND FORMULAS

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on April 11, 2020 and subject to the approval of the Ordinary General Shareholders' Meeting and Board of Directors.

41. MAIN REGISTERED OFFICES

- Paseo de la Reforma No. 342 Piso 24
Torre New York Life
Col. Juárez, C.P. 06600
Ciudad de México, México.

Actis	Actis LLP, an asset management entity, through its subsidiary Saavi Energía, participates in a joint venture with the Company
ASEA	Agencia de Seguridad, Energía y Ambiente (National Agency for Safety, Energy, and the Environment)
Average hours of training per employee	Total hours of training provided by IEnova / Number of trained employees
Baja Refinados Terminal	Refined petroleum products storage terminal located in Baja California that is currently under construction. The project will have a capacity of 1,000,000 bl
BMV	Bolsa Mexicana de Valores (Mexican Stock Exchange)
Border Solar	Solar power plant of 150 MW _{AC} capacity that is under construction and is located in Ciudad Juárez, Chihuahua
BP	BP plc., and subsidiaries, formerly British Petroleum, is an energy company, specializing in oil and natural gas
Carbon dioxide equivalent (CO ₂ e)	The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis
Cemefi	Centro Mexicano para la Filantropía (Mexican Center for Philanthropy)
CEMEX	Cemex, S.A.B. de C.V., and subsidiaries
CENACE	Centro Nacional de Control de Energía (National Center for the Control of Energy)
CENAGAS	Centro Nacional de Control del Gas Natural (National Natural Gas Control Center)
CFE	CFE Comisión Federal de Electricidad (Federal Electricity Commission)
CH ₄	Methane
Chevron	Chevron Combustibles de México, S. de R.L. de C.V.
DeAcero	DeAcero, S.A.P.I. de C.V., and subsidiaries
DEN	Ductos y Energéticos del Norte, S. de R.L. de C.V., was the joint venture between IEnova and Pemex TRI until November 2017
Don Diego Solar	Solar energy park with a 125 MW _{AC} capacity. It is currently under construction. Located in the state of Sonora
ECA	Energía Costa Azul S. de R.L. de C.V., is an LNG storage and regasification terminal
ECOGAS	Ecogas México, S. de R.L. de C.V., is IEnova's natural gas distribution business
ESJ	Energía Sierra Juárez, S. de R.L. de C.V., a 155 MW wind powered generation project, located in Baja California, in which the Company and Actis each hold a 50% equity interest. The wind park second stage is under construction and will have a capacity of 108 MW

Ethane Pipeline	It is a three-segment pipeline with a length of approximately 224 km. Its transportation capacity is up to approximately 52 MMcfd (0.6 MMThd) of the ethane gas in the first segment, approximately 152 MMcfd (1.8 MMThd) of ethane gas in the second segment, and approximately 106,000 bpd (3.1 MMThd) of liquid ethane in the third segment. It transports ethane from Pemex's processing facilities in the states of Tabasco, Chiapas and Veracruz to the Ethylene XXI ethylene and polyethylene polymerization facility in the State of Veracruz
FCPA	Foreign Corrupt Practices Act
FEMSA	Fomento Económico Mexicano, S.A.B. de C.V.
GAP	The 20-inch diameter pipeline with an approximate length of 13 km and a capacity of 200 MMcfd (2.1 MMThd)
GHG	Greenhouse Gas
GJ	Gigajoules
GPTW	Great Place to Work Certification
GR	Rosarito Pipeline System: The natural gas transportation system is comprised of three segments of approximately 302 km in aggregate length, which include the 30-inch diameter Rosarito Mainline with a capacity of approximately 534 MMcfd (5.6 MMThd), the 42-inch diameter LNG Spur with a capacity of approximately 2,600 MMcfd (27.0 MMThd), and the 12-inch diameter Yuma Lateral with a capacity of 190 MMcfd (2.0 MMThd). Located in Baja California, it also includes two 32,500 horsepower compression stations
GRI	Global Reporting Initiative
Guadalajara Terminal	Refined petroleum products storage terminal located in Jalisco, currently under development
GW	Gigawatts
GWh	Gigawatts hour
HP	Horsepower
HR Ratings	HR Ratings de México S.A. de C.V. is a Mexican, credit rating agency
IEnova	Infraestructura Energética Nova, S.A.B. de C.V.
IEnova Adjusted EBITDA	The Company defines IEnova Adjusted EBITDA as IEnova EBITDA plus adjustment to IEnova EBITDA from joint ventures. The Company defines the adjustment to IEnova EBITDA from joint ventures to as the Company's share of the profit from joint ventures after adding back or subtracting, as the case may be, the Company's share of: (1) depreciation and amortization, (2) finance costs, net, (3) other (gains) losses, net, and (4) income tax expense

IEnova EBITDA	The Company defines IEnova EBITDA as profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) impairment of Termoeléctrica de Mexicali, (3) financing cost, net, (4) other (gains) losses, net, (5) income tax expense, and (6) share of profits of joint ventures, net of income tax
IEnova Marketing	IEnova Marketing, S. de R.L. de C.V.
IFC	International Finance Corporation, miembro del Grupo Banco Mundial.
IPC	Índice de Precios y Cotizaciones (IPC Index of the Mexican Stock Exchange)
IPC Sustentable	Índice de Precios y Cotizaciones Sustentable (IPC Sustainability Index of the Mexican Stock Exchange)
ISO	International Organization for Standardization
km	Kilometers
kW	Kilowatts
kWh	Kilowatts-hour
Liverpool	El Puerto de Liverpool, S.A.B. de C.V.
LMV	Mexican Securities Market Law
LNG	Liquefied Natural Gas
LNG Terminal or ECA	The LNG terminal with an aggregate storage capacity of 320,000 m ³ (73.3 MMTh) in two tanks, each of 160,000 m ³ (36.6 MMTh), and a send-out capacity of 1,300 MMcfd (13.5 MMThd) or a nominal capacity of 1,000 MMcfd (10.4 MMThd), located in Ensenada, Baja California
Los Ramones I Pipeline	The system comprised of a 48-inch diameter pipeline with an approximate length of 116 km, a design capacity of 2,100 MMcfd (21.8 MMThd), and two compression stations with a joint capacity of 123,000 horsepower. It extends from the border between the State of Tamaulipas and the U.S. to the interconnection point with the Los Ramones Norte pipeline in the State of Nuevo León
Los Ramones Norte Pipeline	Joint Venture with Brookfield, the system is comprised of a 42-inch diameter pipeline with an approximate length of 452 km, a design capacity of 1,420 MMcfd (14.8 MMThd), and two compression stations with a joint capacity of 123,000 horsepower. It extends from the interconnection point with the Los Ramones I pipeline in Ramones, Nuevo León, to the interconnection point with the Los Ramones Sur pipeline in the State of San Luis Potosí
LPG	Liquefied Petroleum Gas
LP Gas Terminal in Guadalajara	A liquefied petroleum gas storage terminal with a total storage capacity of 80,000 bl (4.4 mthd) of LP Gas. It is located in the state of Jalisco
LTAR	Lost Time Accident Rate, calculated with this formula: (number of accidents x 200,000)/hours of work

Manzanillo Terminal	Storage terminal of refined petroleum products located in Colima, is currently under construction and has 2,180,000 bl capacity. The project will be developed in a joint venture with Trafigura
mmbbl	Millions of barrels
MMcf	Millions of cubic feet
MMcfd	Million cubic feet per day
MMth	Millions of therms
MMthd	Millions of therms daily
MW	Megawatts
MW _{AC}	Megawatt, alternate current
N ₂ O	Nitrogen oxide
NO _x	Nitrogen oxides (applies to various compounds formed by oxygen and nitrogen)
Naco Compression Station	The 14,340-horsepower natural gas compression station installed at the Mexican Center for the Control of Natural Gas's Naco-Hermosillo pipeline in Naco, Sonora
NOM	Norma Oficial Mexicana (Official Mexican Standard)
OECD	Organisation for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
Ojinaga-El Encino Pipeline	The approximately 220 km, 42-inch diameter pipeline with a natural gas transportation capacity of 1,356 MMcfd (14.1 MMThd), located in the State of Chihuahua
Operating Unit or Asset	Refers to IEnova's companies operating in the Gas and Power business segments
Pemex	Petróleos Mexicanos
Pemex TRI	Pemex Transformación Industrial, previously Pemex Gas y Petroquímica Básica
Pima Solar	Photovoltaic solar power plant located in Caborca, Sonora that has a capacity of 110 MW _{AC}
Profeco	Procuraduría Federal del Consumidor (Federal Consumer Protection Agency)
Profepa	Procuraduría Federal de Protección al Ambiente (Federal Environmental Protection Agency)
PROFOI	IEnova Program for Operators' Training
Puebla Terminal	Refined petroleum product storage terminal located in Puebla that is currently under construction. The project will have a capacity of 650,000 bl
Ramal Empalme	20-inch pipeline with a 226 mcf (2.4 mthd) capacity. It is 20 km long and is located between the cities of Empalme and Guaymas, where it interconnects with the Sonora Pipeline
Rumorosa Solar	Photovoltaic solar power generation plant with capacity of approximately 41 MW _{AC} and is located in Baja California

RC Energía	Joint Venture between Rainbow Energy Marketing Corporation and Grupo CLISA
Samalayuca Pipeline	The natural gas transportation system comprised of approximately 37 km of 24-inch diameter pipeline with a capacity of 400 MMcfd (4.2 MMThd). It extends from Ejido San Isidro, Chihuahua, to the Mexican Federal Electricity Commission's Samalayuca power plant and interconnects with a separate 16-inch diameter pipeline that is wholly owned by Pemex TRI, which runs from Ciudad Juárez to Chihuahua
San Isidro-Samalayuca Pipeline	The system comprised of an approximately 23 km pipeline with a transportation capacity of 1,135 MMcfd (11.8 MMThd) and a 46,000 horsepower compression station. The pipeline is located in Chihuahua
SAP	Systems, Applications & Products in Data Processing
Sásabe-Puerto Libertad-Guaymas Pipeline	The first segment of the Sonora pipeline, comprised of approximately 505 km of 36-inch diameter pipeline with a natural gas transportation capacity of 770 MMcfd (8.0 MMThd). The pipeline includes two sections in Sonora: the 220 km Sásabe-Puerto Libertad section and the 285 km Puerto Libertad-Guaymas section
SEFORE	Long-term, retirement-oriented savings instrument that IEnova offers to its employees in order for them to plan and manage their financial goals at the time of retirement
Scotiabank	Scotiabank Inverlat, S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
SEMARNAT	Secretaría del Medio Ambiente y Recursos Naturales (Mexican Ministry of the Environment and Natural Resources)
Sempra Energy	Sempra Energy, a California corporation and the Company's indirect parent
Shell	Shell México Gas Natural, S. de R.L. de C.V.
Sonora Pipeline	The natural gas transportation system with an aggregate length of approximately 835 km, with a capacity of 770 MMcfd (8.0 MMThd) for the first segment and 510 MMcfd (5.3 MMThd) for the second segment. The system is located in the states of Sonora and Sinaloa. The first segment is the Sásabe - Puerto Libertad - Guaymas pipeline and the second segment is the Guaymas - El Oro pipeline; both segments are interconnected
STPS	Mexican Ministry of Labor and Social Welfare (STPS)
TC Energía	TC Energy Corporation, formerly TransCanada Corporation
tCH ₄	Tons of methane
tCO ₂ e	Tons of carbon dioxide equivalent
tN ₂ O	Tons of nitrogen oxide

CONTACT

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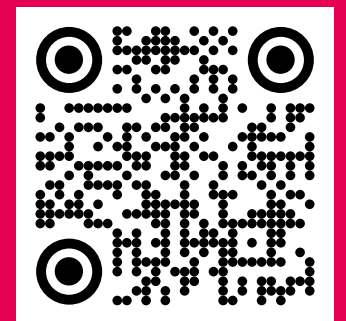
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TDM	Termoeléctrica de Mexicali, S. de R.L. de C.V., or the combined cycle power plant operated by it, as the context may require, with a 625 MW capacity that is in Baja California
Tepezalá Solar	Photovoltaic solar power generation plant with a capacity of approximately 100 MW _{AC} , that is in Aguascalientes. The Tepezalá Solar project was developed as a joint venture between IEnova and Trina Solar, where IEnova had a 90% stake. Since April 28, 2020, holds 100% of Trina Solar asset
TGN	Transportadora de Gas Natural de Baja California, S. de R.L.
TGN Pipeline	The natural gas transportation system comprised of approximately 45 km of 30-inch diameter pipeline with a capacity of 940 MMcf/d (9.8 MMThd) and an 8,000 horsepower compression station, located in Baja California
The Climate Registry	NGO in the US that measures and verifies international carbon standards
Topolobampo Terminal	Refined petroleum product storage terminal located in Sinaloa. It is currently under construction and the project will have a capacity of 1,000,000 bl
Total	Total S.A.
Trafigura	Trafigura México, S.A. de C.V., raw materials logistics and marketing corporation
Trina Solar	Trina Solar Limited
TRIR	Total Recordable Incident Rate, calculated with the formula: (number of total recordable incidents X200,000)/hours of work
Turnover Rate	(Number of hires in a year - number of voluntary and involuntary cuts in a year) / Total number of employees
USD\$	US dollars
Valero	Valero Energy Corporation
VAT	Value Added Tax
Ventika	Ventika includes two adjacent wind powered generation facilities, of 126 MW each, Ventika I and Ventika II, with a total capacity of 252 MW and a total of 84 turbines of 3 MW each. It is located in the state of Nuevo Leon, Ventika I and Ventika II operate as a single wind powered generation facility
Veracruz Terminal	Refined petroleum product storage terminal located in Veracruz. It is currently under construction, and the project will have a capacity of 2,100,000 bl
Vicinity of Mexico City Terminal	A storage terminal for refined products located in the vicinity of Mexico City. It is currently under construction. The project will have a capacity of 650,000 bl



