Infraestructura Energética Nova, S.A.B. de C.V.

US$800,000,000
4.750% Senior Notes due 2051

We are offering US$800,000,000 principal amount of our 4.750% senior notes due 2051 (the "Notes"). The Notes will mature on January 15, 2051. Interest on the Notes will accrue from September 15, 2020 at a rate of 4.750% per annum and will be paid on January 15 and July 15 of each year, commencing July 15, 2021.

We may redeem some or all of the Notes at any time prior to their maturity by paying the greater of 100% of the principal amount of the Notes redeemed and the applicable make-whole amount, plus, in each case, accrued and unpaid interest and any additional amounts. We also have the option to redeem some or all of the Notes at any time beginning on the date that is six months prior to their scheduled maturity at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest. If we experience a change of control triggering event, the holders of the Notes will have the right to require us to purchase some or all of their Notes. In addition, we may redeem all of the Notes a price equal to 100% of their outstanding principal amount plus accrued and unpaid interest and any additional amounts, in the event of certain changes to applicable tax laws and regulations that would require us to pay additional amounts on such Notes. See "Description of the Notes—Optional Redemption" and "Description of the Notes—Change of Control."

The Notes will be our senior unsecured obligation and will rank equally with all of our existing and future outstanding unsecured senior indebtedness, other than obligations preferred by statute or operation of law. The Notes will rank effectively junior to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all liabilities of our subsidiaries.

See "Risk Factors" beginning on page 15 of this offering circular for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Notes have not been and will not be registered with the Mexican National Securities Registry (Registro Nacional de Valores) maintained by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, or "CNBV"), and therefore may not be offered or sold publicly or otherwise be the subject of any intermediation activity in Mexico, except that the Notes may be sold or offered to Mexican institutional and qualified investors solely pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (Ley del Mercado de Valores) and regulations thereunder. We will notify the CNBV of the terms and conditions of this offering outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7, Second Paragraph, of the Mexican Securities Market Law and Articles 24 bis and 24 bis 1 of the General Regulations Applicable to Issuers and Other Market Participants (Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores), as amended, issued by the CNBV, and for statistical and informational purposes only. Delivery to, or receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering circular. The information contained in this offering circular is solely our responsibility and has not been reviewed or authorized by the CNBV. In making an investment decision, all investors, including any Mexican investors who may acquire Notes from time to time, must rely on their own review and examination of our company and the terms of the Notes, including the merits and risks involved.

Issue Price: 97.105%
plus accrued interest, if any, from September 15, 2020

The Notes will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other place and may be offered only in transactions that are exempt from registration under the Securities Act and applicable laws of other jurisdictions. We are offering the Notes only to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

The Notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Regulation (EU) 2017/1129, as amended and supplemented from time to time (the "Prospectus Regulation"), of the European Union, and this offering circular has not been approved by a competent authority within the meaning of the Prospectus Regulation. No public market exists for the Notes. We intend to apply to have the Notes listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained in this offering circular. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

We expect that the Notes will be delivered to investors in book-entry form on or about September 15, 2020 through The Depository Trust Company, including direct and indirect participants Clearstream Banking, société anonyme, and Euroclear Banking, S.A./N.V. See "Plan of Distribution."

Joint Global Coordinators and Joint Bookrunners

BBVA **BofA Securities** **Citigroup** **J.P. Morgan** **Scotiabank**

The date of this confidential offering circular is September 10, 2020.

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You should only rely on the information contained in this offering circular. Neither we nor the initial purchasers have authorized anyone to provide you with information that is different from or in addition to that contained in this offering circular. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering circular is accurate only as of the date on the front cover of this offering circular, regardless of time of delivery of this offering circular or any sale of the Notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering circular. This offering circular may only be used where it is legal to offer or sell the Notes. Neither we nor the initial purchasers are making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted.

NOTICE TO INVESTORS

This offering circular is highly confidential, and we have prepared it for use solely in connection with this offering. This offering circular is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise to acquire our Notes. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make or distribute any copies of this offering circular.

Our Notes offered through this offering circular are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell our Notes or possess or distribute this offering circular and must obtain any consent, approval or permission required for your purchase, offer or sale of our Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers will have any responsibility therefor.

Neither we nor the initial purchasers are making any representation to any purchaser regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, accounting, business and tax advice regarding any investment in the Notes.

We reserve the right to withdraw this offering of Notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe the Notes in whole or in part and to allot to any prospective investor less than the full amount of Notes sought by that investor.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the Notes offered hereby. We and the initial purchasers reserve the right to sell or place less than all of the Notes offered hereby.

This offering circular is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that this information is accurate or complete. This offering circular summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering circular. In making an investment decision, you must rely upon your own examination of our company and of the terms of the offering and the Notes, including the merits and risks involved.

No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of any of the information set out in this offering circular, and nothing contained herein is or shall be relied upon as a promise or representation by the initial purchasers, whether as to the past or the future.

None of the U.S. Securities and Exchange Commission, or the SEC, the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering circular. Any representation to the contrary is a criminal offense.

Notice to Prospective Investors in the European Economic Area and in the United Kingdom

In any Member State in which this offering circular is used, it is only addressed to and is only directed at qualified investors, as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation").

This offering circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("EEA") or in the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in a Member State or the United Kingdom of Notes which are the subject of the offering contemplated in this offering circular may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 1.4 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any or the initial purchasers to publish a prospectus for such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Notes contemplated in this offering circular.

Prohibition of Sales to EEA and United Kingdom Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom. For these purposes, a "retail investor" means a person who is one (or more) of:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation. Any distributor subject to MiFID II subsequently offering, selling or recommending the Notes is responsible for undertaking its own target market assessment in respect of the Notes and determining the appropriate distribution channels.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

These selling restrictions are in addition to any other selling restrictions set out in this offering circular.

Notice to Prospective Investors in the United Kingdom

This offering circular has not been approved by an authorized person for the purposes of section 21 of the United Kingdom Financial Services and Market Act 2000 ("FSMA"). This offering circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the

"Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering circular or any of its contents.

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. To permit compliance with Rule 144A under the Securities Act in connection with resales of Notes, we will be required under the indenture under which the Notes are issued, or the Indenture, upon the request of a holder of Regulation S notes, during the restricted period, as defined in the legend included under "Transfer Restrictions," or Rule 144A notes, to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main offices located at Torre New York Life, Paseo de la Reforma No. 342, Floor 24, Col. Juárez, 06600, Ciudad de México, México.

The Indenture will further require that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of Notes and other reports and communications that are generally made available to holders of the Notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the Notes promptly upon receipt. See "Description of the Notes."

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at our cost, copies of the Indenture as well as this offering circular, including a review of our operations, and copies in English of our annual audited consolidated financial statements and our quarterly unaudited consolidated financial statements.

We intend to apply to have the Notes listed and quoted on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering circular.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

FORWARD-LOOKING STATEMENTS

This offering circular contains estimates and forward-looking statements. These statements relate to our business, financial condition, results of operations, cash flows and prospects. Our estimates and forward-looking statements are based primarily on our current expectations and estimates of future events and trends. Although we believe that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to a number of risks and uncertainties and are made in light of information currently available to us.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in this offering circular include risks and uncertainties relating to:

- actions and the timing of actions by regulatory, governmental and environmental bodies in Mexico and other countries, including actions relating to Mexican energy regulatory reforms and requirements;
- changes in the regulation of the energy sector in Mexico;
- local, regional, national and international economic, competitive, political, legislative, legal and regulatory conditions, decisions and developments;
- political, economic and social conditions globally and in Mexico, the United States and those states and municipalities where our investments are located;
- foreign exchange and interest rates in Mexico and the United States;
- business, regulatory, environmental and legal decisions and requirements;
- the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects;
- deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among regulated energy services providers and their stakeholders, including customers and shareholders and other providers, and delays in regulatory agency authorizations to recover costs through rates collected from customers;
- the availability of electric power, natural gas and LNG, and natural gas pipeline and storage capacity, including disruptions caused by failures related to the transmission grid, pipeline systems and other equipment;
- energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted or material reduction in oil and natural gas prices from historical averages;
- services and financing provided to us by affiliates and third parties;
- increased competition due to expected expansion of the natural gas sector and other energy sectors in Mexico;
- the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for such projects;
- our ability to successfully integrate current and future acquisitions;
- the financial situation and operating capacity of our significant customers, including, but not limited to, Petróleos Mexicanos ("Pemex"), the Mexican National Center for the Control of Natural Gas (*Centro Nacional de Control de Gas*, or "CENAGAS") and the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*, or "CFE");

- loss of significant suppliers or customers;
- the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors;
- reliance on transportation assets and services that we do not own or control to deliver natural gas and other hydrocarbons;
- temporary or permanent disruption of operations at our existing assets, such as our pipelines, storage facilities, and electric generation facilities, due to acts of God, *force majeure* or other events outside of our control;
- risks posed by attacks on, and cybersecurity threats to, the information and systems used to operate our businesses, the energy grid, natural gas storage and pipeline infrastructure and the confidentiality of our proprietary information and the personal information of our customers and employees;
- wars, terrorist attacks, local crime, weather conditions, natural disasters, catastrophic accidents, equipment failures, conservation efforts and other events that may disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases and harmful emissions, and subject us to third-party liability for property damage or personal injuries, some of which may not be covered by insurance (including costs in excess of applicable policy limits) or may be disputed by insurers;
- risks posed by working with volatile and hazardous materials;
- government expropriation of assets, changes in contractual conditions and title or other property disputes;
- changes in trade policies, laws and regulations, including tariffs and revisions to or replacement of international trade agreements, such as the newly effective United States-Mexico-Canada Agreement, that may increase our costs or impair our ability to resolve trade disputes;
- the impact of U.S. and Mexican presidential and congressional elections;
- our ability to hire, train and retain qualified employees and executives;
- the resolution of civil and criminal litigation, regulatory investigations and property disputes;
- changes in rules and regulations relating to taxation;
- capital markets and financial conditions, including the availability of credit and the liquidity of our investments, and inflation, interest and currency exchange rates;
- actions by credit rating agencies to downgrade our credit ratings or to place those ratings on negative outlook, or actions by credit rating agencies to further downgrade the credit ratings of the Mexican government and Pemex, and our ability to borrow at favorable interest rates;
- risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest, and risks that our partners or counterparties will be unable (due to liquidity issues, bankruptcy or otherwise) or unwilling to fulfill their contractual commitments;
- the impact of the novel coronavirus 2019 ("COVID-19") pandemic on our (i) ability to commence and complete capital and other projects and obtain regulatory approvals, (ii) supply chain and current and prospective counterparties, contractors, customers, employees and partners, (iii) liquidity, resulting from bill payment challenges experienced by our customers, decreased stability and accessibility of the capital markets and other factors, and (iv) ability to sustain operations and satisfy compliance requirements due to social distancing measures or if employee absenteeism were to increase significantly; and

- other risks and uncertainties discussed under "Risk Factors" and elsewhere in this offering circular, which may be difficult to predict and many of which are beyond our control.

In this offering circular, when we use the words "believe," "expect," "anticipate," "plan," "estimate," "project," "contemplate," "intend," "assume," "depend," "should," "could," "would," "will," "may," "potential," "possible," "proposed," "target," "pursue," "goals" or similar expressions, or when we discuss our strategy, plans, goals, opportunities, initiatives, objectives or intentions, we are making estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date of this offering circular, and neither we nor the initial purchasers undertake or assume any obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our actual results and future actions may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering circular might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements. Risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations, financial results and the value of the Notes. Because of these uncertainties, you should not rely unduly on these estimates and forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, the terms "IEnova," "company," "we," "our" or "us" and similar terms refer to Infraestructura Energética Nova, S.A.B. de C.V., a *sociedad anónima bursátil* organized under the laws of Mexico, and its subsidiaries (except where the context indicates otherwise).

In addition, the term "Mexico" refers to the United Mexican States, and the phrase "Mexican government" refers to the federal government of Mexico. All references to "Mexican peso," "Mexican pesos," "pesos" or "Ps." are to the Mexican peso, the official currency of Mexico, and all references to "U.S. dollar," "U.S. dollars" or "US$" are to U.S. dollars, the official currency of the United States.

Financial Statements, Exchange Rates and Segment Presentation

Our audited financial statements and other financial information presented herein were prepared in U.S. dollars. Our functional currency is the U.S. dollar, other than with respect to our natural gas distribution business, for which our functional currency is the Mexican peso, and our reporting currency is the U.S. dollar. For the purposes of presenting our consolidated financial statements, the assets and liabilities of our subsidiaries with Mexican peso functional currency are translated into U.S. dollars using the exchange rate for settling U.S. dollar-denominated obligations in Mexico as of the end of each reporting period as reported by the Mexican Central Bank (*Banco de México*) in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*), which was Ps.22.9715 to US$1.00 for the period ended June 30, 2020. See Notes 2.28 and 24.7 to our audited consolidated financial statements and Note 8.a to our unaudited consolidated financial statements included elsewhere in this offering circular. Income and expense items are translated at the exchange rates as of the dates of the related transactions. Exchange differences, if any, are recognized in other comprehensive income and accumulated in equity. Any U.S. dollar-equivalent information presented in this offering circular is provided solely for the convenience of investors and should not be construed as implying that the peso amounts represent such U.S. dollar amounts, or could have been or could be converted into U.S. dollars at such rates or at any other rate. See "Exchange Rates" for more detailed information regarding exchange rates.

We prepare our audited financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB"). Because our securities have not been registered and will not be registered with the SEC, our financial statements contained elsewhere in this offering circular do not and are not required to comply with the applicable rules and requirements adopted by the SEC.

This offering circular includes our audited consolidated financial statements as of and for the years ended December 31, 2019, 2018 and 2017 and our unaudited condensed interim consolidated financial statements as of June 30, 2020 and for the six and three months ended June 30, 2020 and 2019. Our audited consolidated financial statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, as stated in its report included elsewhere in this offering circular. You should read the unaudited condensed interim consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2019 and 2020 in conjunction with our audited consolidated financial statements.

We reorganized our prior operating segments, effective for the first quarter of 2020, to improve visibility into business performance in each segment, and enable the business to respond to management's needs more effectively. This reorganization had no effect on either our accounting policies or the basis of preparation of our financial information. The new reportable segments are Gas, Power and Storage. This change aligns with management's evaluation and review of the performance of our business. Disclosure is uniformly presented in accordance with the new segments for 2020. In addition, our new segment presentation has been retrospectively applied to prior period segment results presented elsewhere in this offering circular.

IEnova EBITDA and Adjusted IEnova EBITDA

We present "IEnova EBITDA" and "IEnova Adjusted EBITDA" in this offering circular. 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. We define IEnova EBITDA to mean profit for the period after adding

back or subtracting, as the case may be, (1) depreciation and amortization, (2) impairment of our Termoeléctrica de Mexicali, (3) interest income, (4) finance costs, (5) other gains and (losses) net, (6) income tax expense, and (7) share of profits of joint ventures, net of income tax. We define IEnova Adjusted EBITDA to mean IEnova EBITDA plus adjustments to IEnova EBITDA from joint ventures ("JV EBITDA"). We define the adjustments to JV EBITDA as our share of profit from joint ventures after adding back or subtracting, as the case may be, (1) share of depreciation and amortization, (2) interest income, (3) finance costs, (4) other (losses) and gains and (5) income tax expense of joint ventures. See "Summary—Summary Financial and Other Information" for a reconciliation of IEnova EBITDA and IEnova Adjusted EBITDA to profit for the period.

In managing our business, we rely on Adjusted IEnova EBITDA as a means of assessing our operating performance. We believe that IEnova Adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe IEnova Adjusted EBITDA is a useful tool for comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure, age and book depreciation of fixed assets, and income taxes. IEnova Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense, share of profits of joint ventures, net of income tax, and for the periods presented, loss for the period from discontinued operations, net of income tax and certain other expenses, as well as the depreciation and amortization, interest income, finance (costs) income, other (losses) and gains, income tax expense and share of profits of joint ventures, net of income tax of our current and former joint ventures.

Joint Ventures

We account for our investments in joint ventures under the equity method. Payment of dividends requires approval from joint venture partners.

Net Debt

We define net debt as interest-accruing indebtedness, other than trade payables and debt associated with value-added tax project financing, obtained from unrelated third parties or non-consolidated related parties, minus cash and cash equivalents and short-term investments in stock investments.

Market Estimates

Certain industry, demographic, market and competitive data, including market forecasts, used throughout this offering circular were obtained from internal surveys, market research, publicly available information and industry publications.

We have made these statements on the basis of information from third party sources that we believe are reliable, including among others:

- the World Bank;
- the International Monetary Fund;
- the International Energy Agency;
- the Mexican Federal Official Gazette (*Diario Oficial de la Federación*);
- the Mexican Central Bank (*Banco de México*);
- the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*);
- the Mexican Ministry of Energy (*Secretaría de Energía*); and

- the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*).

Industry and government publications generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Although we and the initial purchasers have no reason to believe that any of this information or these reports are inaccurate in any material respect, such information has not been independently verified and, therefore, we cannot guarantee its accuracy or completeness.

Some data are also based on our estimates, which are derived from our review of internal surveys and analyses, as well as from independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee their accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain. Nothing in this offering circular should be interpreted as a market forecast.

Principal Industry Terms Used in this Offering Circular

In describing our operations, we often use a number of terms of art in our industry that we have simplified for purposes of this offering circular. The following is a brief explanation of some of these terms:

- "Bbl" means barrels;
- "Bbld" means barrels per day;
- "downstream" means distribution;
- "GW" means gigawatt;
- "LNG" means liquefied natural gas;
- "LPG" means liquefied petroleum gas;
- "m^3" means cubic meters;
- "midstream" means transportation;
- "MMcf" means million cubic feet;
- "MMcfd" means million cubic feet per day;
- "MMTh" means million Therms;
- "MMThd" means million Therms per day;
- "MW" means megawatt, except with respect to our solar power generation business, in which case it means megawatt of alternating current;
- "TWh" means terawatt hour; and
- "upstream" means exploration, extraction, or production.

Rounding

Certain amounts and percentages included in this offering circular have been subject to rounding adjustments and, accordingly, certain totals presented in this offering circular may not correspond to the arithmetic sum of the amounts or percentages that precede them.

Other Information

We refer to various measurements throughout this offering circular that utilize the U.S. or metric systems of measurement. The applicable conversion rates from the U.S. system of measurement to the metric system and vice versa are as follows:

1 mile = 1.609344 kilometers, or km
1 foot = 0.3048 meters
1 square foot = 0.092903 square meters
1 cubic foot = 0.028317 cubic meters, or m^3

In addition, for convenience and consistency we have converted various capacity and volume measurements (as provided in contracts, permits, source materials or other documents in various other capacity and heating value units) into certain consistent units. Specifically, natural gas volume is always presented in millions of cubic feet, or MMcf, LNG is always presented in m^3, and LPG is always presented in barrels, or Bbl. For comparison across natural gas, LNG and LPG units, we also provide parenthetically the heating value in millions of Therms, or MMTh, for each of these products. Actual conversion rates of heating value to volume can depend on various factors, and all conversions are approximate. The applicable rates used for these conversions in this offering circular are as follows:

1 MMcf natural gas = 252 Gigacalories
1 MMcf natural gas = 1,040 million British thermal units (MMbtu)
1 MMcf natural gas = 1,097 Gigajoules
1 MMcf natural gas = 1,040 Decatherms
1 m^3 LNG = 23.0 million British thermal units (MMbtu)
1 MMcf natural gas = 0.01040 MMTh
1 MMcf ethane = 0.017775 MMTh
1 m^3 LNG = 0.000229 MMTh
1 Bbl LPG = 0.000055 MMTh

Description of Contracts and Permits

This offering circular contains summary descriptions of material provisions of various commercial agreements, permits and other contracts. Such descriptions do not purport to be complete or exhaustive. We also note that as with any contract or legal instrument, the terms thereof may be subject to interpretation.

SUMMARY

This summary highlights our activities and our financial and operational information and is not intended to be complete or a substitute for the remainder of this offering circular. This summary does not contain all the information that may be important to you. Before investing in our Notes, you should read this entire offering circular carefully for a more complete understanding of our business and this offering, including "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Risk Factors," "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and related notes included elsewhere in this offering circular.

Our Company

We were the first publicly traded energy infrastructure company on the Mexican Stock Exchange, and we are one of the largest private-sector energy companies in Mexico by market share and by total assets. We develop, build and operate essential energy infrastructure across several business lines, with a portfolio that includes a critical portion of the Mexican energy infrastructure value chain.

Our business consists of three business segments:

- *Gas Segment.* Our Gas Segment includes our natural gas and ethane transportation systems and associated or stand-alone compression assets, our natural gas marketing business and our natural gas distribution business.

- *Power Segment.* Our Power Segment includes wind and solar power generation facilities and a gas-fired combined-cycle power plant.

- *Storage Segment.* Our Storage Segment includes refined products storage, our LPG storage and pipeline systems, and our existing LNG storage and regasification business.

Our assets generate revenues primarily under firm, long-term, take-or-pay, U.S. dollar-denominated contracts with stable, creditworthy counterparties.

We were one of the first private companies to enter the energy infrastructure business in Mexico. Over the last 24 years, our record shows that we have been a leader and pioneer in private sector investment in the Mexican energy infrastructure space, and our presence has grown considerably, both through the development of greenfield projects as well as through acquisitions and a diversification of our customer portfolio.

- We are the first private company to be awarded a natural gas distribution contract through a public auction, and we built Mexico's first private natural gas pipeline system in Baja California.

- We developed the first gas infrastructure joint venture in Mexico between Pemex and a private company.

- We developed the first cross-border renewable energy generation project between Mexico and the United States.

- We built the first LNG storage terminal, Energía Costa Azul ("ECA"), on the west coast of the Americas, near Ensenada, Baja California (the "ECA LNG Regasification Terminal"). Together with an affiliate of Sempra Energy, we are developing the first natural gas liquefaction plant in Mexico, to be located near our existing ECA LNG Regasification Terminal.

- Through a joint venture with TC Energy Corporation, we constructed the South of Texas – Tuxpan pipeline, the first private marine natural gas pipeline in Mexico (the "South of Texas – Tuxpan pipeline"), which began commercial operations in September 2019.

- We executed a twenty-year electric supply contract with DeAcero, S.A.P.I de C.V., to supply energy, power, and clean energy certificates from a new solar power plant ("Pima Solar"), currently in operation, located in Caborca, Sonora. This transaction marked a milestone as the first contract between a generator and a private consumer in the Mexican electric power sector.

- We were awarded the first contract by the Veracruz Port Administration in Mexico to build and operate a marine terminal on the Mexican Gulf Coast for the receipt, storage and send-out of hydrocarbons, and have executed a long-term, dollar-denominated firm storage capacity contract with a subsidiary of Valero Energy Corporation ("Valero") for

the full capacity of a new marine terminal in Veracruz and the full capacity of inland terminals in Puebla and Valle de México, all of which are under construction.

- We were the first energy company to be included in the S&P/BMV Total Mexico ESG Index, the Mexican Stock Exchange's new sustainability index. We received an "AA," or "Leader," rating in the MSCI ESG Ratings Assessment for 2019 and 2020. We are included in the FTSE4Good Index Series, and we were the first energy company to be included in the recently created FTSE4Good BIVA Index.

As of June 30, 2020, we had approximately US$10.4 billion in total assets. The following map shows the location of our principal assets in operation or under development:



Gas Segment

Pipelines Business

Our pipelines business develops, builds and operates systems for the receipt, transportation, compression and delivery of natural gas and ethane. These systems (including assets operated through our joint ventures) feature more than 2,900 km of natural gas pipelines with an aggregate design capacity of over 16,500 MMcfd, and 16 natural gas compression stations (two of which are under construction), with more than 650,000 horsepower in the aggregate. We also have more than 200 km of ethane pipeline, with a transportation capacity of more than 50 MMcfd in the first segment (as ethane gas), more than 150 MMcfd in the second segment (as ethane gas), and more than 100,000 Bbld in the third segment (as liquid ethane).

Our current pipeline assets include the Gasoducto Rosarito pipeline system, the Transportadora de Gas Natural de Baja California ("TGN") pipeline, the Aguaprieta pipeline, the Naco compression station, the Sonora pipelines, the Ojinaga – El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme lateral, the San Fernando pipeline, the Samalayuca pipeline, the Los Ramones I pipeline, the Gloria a Dios compression station, our ethane pipeline and, through joint ventures, the Los Ramones Norte and the South of Texas – Tuxpan pipelines. See "Business—Segment Overview—Gas Segment— Pipelines Business—Our Pipelines" for more information.

Natural Gas Distribution Business

We own and operate the ECOGAS natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With pipelines of more than 4,250 km in length as of June 30, 2020, this system currently serves approximately 136,000 industrial, commercial and residential customers. See "Business—Segment Overview—Gas Segment—Natural Gas Distribution Business—Overview" for more information.

Natural Gas Marketing Business

Our IEnova Marketing business purchases LNG for storage and regasification at the ECA LNG Regasification Terminal and sells natural gas to affiliates and third-party customers. This business also purchases natural gas from Sempra Energy affiliates in order to sell it to our customers in Baja California, including CFE, which purchases such natural gas to power its plants in Rosarito, Baja California, and our Termoeléctrica de Mexicali combined-cycle power plant. IEnova Marketing also supplies natural gas purchased from Sempra Energy affiliates to third-party industrial customers in Mexicali, Chihuahua, Torreón and Durango. IEnova Marketing currently serves over 160 clients.

Gas Segment Financial Results

For the years ended December 31, 2017, 2018 and 2019, our Gas Segment had third party revenues of US$842.3 million, US$903.7 million and US$894.8 million, respectively, representing approximately 69%, 66% and 65%, respectively, of our total consolidated revenues, and IEnova EBITDA Gas of approximately US$424.5 million, US$454.3 million and US$425.4 million, respectively, representing approximately 62%, 59% and 55%, respectively, of our total IEnova EBITDA for each period. For the six month periods ended June 30, 2019 and 2020, our Gas Segment had third party revenues of US$463.7 million and US$378.5 million, respectively, representing approximately 66% and 64%, respectively, of our total consolidated revenues, and IEnova EBITDA Gas of approximately US$225.3 million and US$205.9 million, respectively, representing approximately 57% and 57%, respectively, of our total IEnova EBITDA for each period. Our share of profits of joint ventures is not included in Gas Segment revenues nor in IEnova EBITDA Gas.

See "Business—Segment Overview—Gas Segment."

Power Segment

Wind Power Generation Business

We own three operational wind power generation facilities, with another in development, in the states of Baja California and Nuevo León. These facilities include:

- Energia Sierra Juárez, a joint venture with Saavi Energía, S. de R.L. de C.V. ("Saavi"), an affiliate of Actis LLP ("Actis"), in which we have a 50% interest. The initial phase of this project consists of more than 45 wind turbines with a total capacity of more than 150 MW located in Tecate, Baja California. All of the electricity generated from the first phase is purchased by our U.S. affiliate, San Diego Gas & Electric Company ("SDG&E"), under a 20-year power purchase agreement denominated in U.S. dollars. In 2017, we executed a 20-year power purchase agreement denominated in U.S. dollars with SDG&E in connection with the development of a new wind power generation facility near the first phase of Energía Sierra Juárez, with a capacity of more than 100 MW. We estimate this facility will require an investment of approximately US$150 million, and we expect to start commercial operations in 2021.

- Ventika, two adjacent wind power generation facilities located in Nuevo León, consisting of more than 80 wind turbines with a capacity of more than 250 MW. All of Ventika's capacity is contracted with private companies through long-term supply contracts denominated in U.S. dollars.

Solar Power Generation Business

We own five solar power plants, three of which are in operation: Pima, located in Sonora with a capacity of 110 MW; Tepezalá, located in Aguascalientes with a capacity of 100 MW; and Rumorosa, located in Baja California with a capacity of 41 MW.

One plant, Border Solar, located in Chihuahua with a capacity of 150 MW, is currently under construction, and another plant, Don Diego, located in Sonora with a capacity of 125 MW, is in a test period prior to beginning operations.

Natural Gas-Fired Power Generation Business

We own and operate the Termoeléctrica de Mexicali power plant, a natural gas-fired, combined-cycle power plant located near Mexicali, Baja California with capacity of more than 600 MW. The power plant receives natural gas supplied by our Gas Segment marketing business, IEnova Marketing, through a connection with our Gasoducto Rosarito pipeline system that allows it to receive regasified LNG from the ECA LNG Regasification Terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California in the United States. Through a double-circuit dedicated transmission line, the plant is directly connected to the California Independent System Operator power grid at the Imperial Valley substation, and it is capable of providing energy to a wide range of customers in California.

Power Segment Financial Results

For the years ended December 31, 2017, 2018 and 2019, our Power Segment had third party revenues of US$229.4 million, US$308.2 million and US$323.1 million, respectively, representing approximately 19%, 23% and 23%, respectively, of our total consolidated revenues, and IEnova EBITDA Power of approximately US$74.2 million, US$129.5 million and US$157.0 million, respectively, representing approximately 11%, 17% and 20%, respectively, of our total IEnova EBITDA for each period. For the six month periods ended June 30, 2019 and 2020, our Power Segment had third party revenues of approximately US$154.3 million and US$127.0 million, respectively, representing approximately 22% and 22%, respectively, of our total consolidated revenues, and IEnova EBITDA Power of approximately US$75.3 million and US$59.3 million, respectively, representing approximately 19% and 16%, respectively, of our total IEnova EBITDA for each period. Our share of profits of joint ventures is not included in Power Segment revenues nor in IEnova EBITDA Power.

See “Business—Segment Overview—Power Segment.”

Storage Segment

Liquefied Natural Gas Business

Our ECA LNG Regasification Terminal was the first west coast LNG receiving facility in the Americas and provides receiving and storage facilities for our LNG customers, regasifies their LNG and delivers the resulting natural gas to our Gasoducto Rosarito pipeline system with the ability to deliver to Baja California, Mexico and the United States. Our ECA LNG Regasification Terminal has a storage capacity of approximately 320,000 m^3 between two tanks, each with a capacity of approximately 160,000 m^3. It is designed to operate at a maximum send-out capacity of approximately 1,300 MMcfd, or a nominal capacity of approximately 1,000 MMcfd.

Together with affiliates of Sempra LNG LLC, part of Sempra Energy, we are developing the first natural gas liquefaction plant in Mexico (the “ECA Liquefaction Project”), to be located on land adjacent to our ECA LNG Regasification Terminal. We expect the proposed ECA Liquefaction Project to have aggregate capacity of more than 12 Mtpa, which is being developed in two phases. Phase 1 (“ECA Liquefaction Mid-Scale”) is expected to have a production and export capacity of approximately three Mtpa, and Phase 2 (“ECA Liquefaction Large-Scale”) is expected to have two trains, with an aggregate production and export capacity of approximately nine Mtpa. Both proposed phases will use a portion of the existing infrastructure, such as the LNG tanks and marine berths, and will also require new infrastructure. ECA Liquefaction Mid-Scale has secured definitive long-term LNG purchase-sale agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Additionally, ECA Liquefaction Mid-Scale has signed an agreement with an affiliate of Sempra LNG for approximately 0.8 Mtpa. Both phases have a majority of the permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In 2019, the ECA Liquefaction Project received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with and without a free trade agreement with the United States. We are currently working to obtain the Mexican export permit for ECA Liquefaction Mid-Scale. We estimate construction and commissioning of ECA Liquefaction Mid-Scale will take approximately four years, with first shipments of LNG for export projected to occur in the second half of 2024, subject to, among other things, the timely receipt of all necessary permits. See “Business—Segment Overview—Storage Segment—Liquefied Natural Gas Business” and “Risk Factors—Risks Relating to Prices and Customer Contracts—We are developing liquefaction capabilities adjacent to our ECA LNG Regasification Terminal, but our efforts to such end may prove unsuccessful. In addition, the successful addition of such capabilities could force us to terminate our existing agreements with our regasification customers, which could give rise to indemnification obligations to such customers.”

LPG Storage and Associated Systems

We own and operate the TDF pipeline system and the Guadalajara LPG Terminal. The TDF pipeline system was the first privately owned LPG pipeline in Mexico and consists of approximately 190 km of twelve-inch diameter LPG pipeline with a design capacity of more than 30,000 Bbld and associated storage and dispatch facilities. The TDF system runs from Pemex's Burgos facility in the state of Tamaulipas to our delivery facility near the city of Monterrey, Nuevo León. Our Guadalajara LPG terminal is an 80,000 Bbl LPG storage facility near Guadalajara, Jalisco, with associated loading and dispatch facilities, and serves the LPG needs of Guadalajara, Mexico's second largest city.

Refined Products Storage Business

Our refined products storage business develops systems for the receipt, storage and delivery of refined products, principally gasoline, diesel and jet fuel, throughout the states of Baja California, Colima, Puebla, Sinaloa, Veracruz, Valle de México and Jalisco for private clients. We currently have four marine and three inland terminals under development and construction, with a storage capacity of approximately eight million Bbl, which may be expanded.

Storage Segment Financial Results

For the years ended December 31, 2017, 2018 and 2019, our Storage Segment had third party revenues of US$148.3 million, US$153.7 million and US$156.5 million, respectively, representing approximately 12%, 11% and 11%, respectively, of our total consolidated revenues, and IEnova EBITDA Storage of approximately US$185.0 million, US$179.7 million and US$188.6 million, respectively, representing approximately 27%, 23% and 24%, respectively, of our total IEnova EBITDA for each period. For the six month periods ended June 30, 2019 and 2020, our Storage Segment had revenues of approximately US$76.9 million and US$79.4 million, respectively, representing approximately 11% and 13%, respectively, of our total consolidated revenues, and IEnova EBITDA Storage of approximately US$91.9 million and US$94.5 million, respectively, representing approximately 23% and 26%, respectively, of our total IEnova EBITDA for each period. Our share of profits of joint ventures is not included in Storage Segment revenues nor in IEnova EBITDA Storage.

See "Business—Segment Overview—Storage Segment."

Our Strengths

We believe the following strengths distinguish us from our competitors and are critical to the continued successful execution of our strategy.

- ***Cash flow stability and visibility through long-term contracts***. We have contracted a substantial portion of the capacity of our assets across our business segments through long-term agreements, which are primarily U.S. dollar-denominated or U.S. dollar-indexed. This allows us to rely on steady and predictable long-term cash flows. Our customers are primarily creditworthy private counterparties as well as public counterparties that include CFE, CENAGAS and Pemex. Approximately 56% of our revenue for the six months ended June 30, 2020 related to contracts with private companies and the rest of such revenues related to contracts with governmental entities. In addition to improving our cash flow stability, our business model minimizes our direct exposure to risks related to the price of commodities. The average life of these agreements, weighted in proportion to revenues, is approximately 21 years.

- ***Proven development capability and extensive experience operating diverse energy infrastructure***. With over 24 years of experience in Mexico, we have the necessary skills to develop, build, acquire, own and operate critical energy infrastructure throughout the country. We have established a track record of building greenfield and brownfield projects and the capacity to acquire assets in existing lines of business. We believe that our experience in the energy sector positions us to take advantage of possible investment opportunities in development projects, as well as joint ventures opportunities with companies seeking strategic partners.

- ***Demonstrated ability to execute wide-ranging sustainable growth strategy***. We have managed to grow our business consistently at attractive rates of return by implementing a diversification strategy through entering into new businesses, expanding our creditworthy customer base and positioning ourselves as a key participant in the Mexican energy sector. We have quickly increased our participation in the refined products storage business and in our renewable power generation business.

- ***Diversification of energy assets covering wide market opportunity set***. Our assets are diversified across an important part of the energy infrastructure value chain that is open to private investment in Mexico, including storage and transportation of natural gas, LPG and ethane, LPG and LNG storage, natural gas distribution, refined products storage

and power generation. Given the large scale of our projects and diverse asset base, we believe we are strategically positioned to continue to expand our platform of energy infrastructure assets.

- ***Strong and long-standing relationship with Mexican regulatory bodies***. Over the past 24 years, we have worked closely with the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*, or "CRE") and other Mexican energy regulatory bodies, such as the Mexican Ministry of Energy (*Secretaría de Energía*, or "SENER"), the Mexican Ministry of the Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*, or "SEMARNAT"), the Mexican National Institute of Anthropology and History (*Instituto Nacional de Antropología e Historia*, or "INAH"), and the Mexican National Agency for Industrial Safety and the Protection of the Environment in the Hydrocarbons Sector (*Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*, or "ASEA"), and we have developed a deep understanding of the regulatory processes governing the Mexican energy sector. We believe our knowledge of the regulatory framework provides a key strength and we intend to continue to nurture and build positive relationships based on the experience that we have developed throughout our years of operation in Mexico.

- ***Experienced management team with strong corporate governance framework***. Our management team has extensive experience developing, building, acquiring and operating assets in the energy sector. We believe we have the knowledge, skills and development expertise necessary to successfully and safely manage all of our assets and operations, expand our existing footprint and enter into new sectors within the energy industry as opportunities arise. We further believe our senior management team, with an average of more than 18 years of experience, is one of our principal competitive strengths. Similarly, our framework of internal oversight organizations and committees helps contribute to our strong corporate governance, further facilitating our business objectives.

- ***World-class parent company***. We have the strong support of our indirect controlling shareholder, Sempra Energy, a NYSE-listed (NYSE: SRE) Fortune 500 company. Sempra Energy's mission is to be North America's premier energy infrastructure company. With more than US$60 billion in total assets in 2019, the San Diego-based company is the utility holding company with the largest U.S. customer base. The Sempra Energy companies' more than 18,000 employees deliver energy with purpose to over 35 million consumers. Through our association with Sempra Energy, we expect to continue to have access to a significant pool of strong commercial relationships throughout the energy industry as well as broad operational, commercial, technical, risk management and administrative infrastructure and support. We believe these advantages should continue to help maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.

- ***Leaders in Sustainability***. We have positioned ourselves as a sustainability leader in the market. Our sustainability model is built around three pillars—social, environmental, and economic—with a solid foundation on ethics and strong corporate governance. This model is integrated at all levels of the organization, including our business and risk management strategies. We have a strong sustainability management framework, with a Sustainability Committee controlled and directed at the Executive Vice President level that reports directly to the Corporate Practices Committee of our Board of Directors, ensuring a direct line of report and accountability on sustainability-related matters.

Our Strategy

We provide our customers with critical and essential energy infrastructure that contributes to the country's development. Mexico has a sizable economy, with significant energy infrastructure needs in almost every segment of the energy sector. We believe that our reputation, size, and ability to execute strategically positions us to continue contributing to Mexico's social and economic development.

We expect to maintain our strategy of developing energy infrastructure that is critical for Mexico and that generates stable and predictable long-term cash flows from creditworthy counterparties. We seek to maintain our growth by diversifying our assets and customer base, developing projects, optimizing our existing assets, participating in new energy segments and acquiring or partnering with companies with similar business models. We will continue implementing our strategy by:

- ***Operating Safely and Reliably***. We are focused on operating safely and reliably through a model of asset management governed by strict security and health policies under the highest standards in the industry.

- ***Optimizing our Assets***. We maintain an optimization program for assets under operation that seeks to increase their value by expanding their capacity and/or useful life.

- ***Maintaining our Leadership Position***. We have a leadership position in Mexican natural gas transportation, LNG storage and storage of liquid hydrocarbons, and we have an important position in Mexican renewable energy generation.

These segments continue to offer investment opportunities considering the need for infrastructure required to provide energy to the country.

- ***Portfolio Diversification***. We intend to continue diversifying our assets and client base. Our successful diversification strategy has allowed us to develop new energy infrastructure backed by long-term, primarily U.S. dollar-denominated or U.S. dollar-indexed contracts, and to expand our customer portfolio with creditworthy private sector counterparties.

- ***Participating in Sectors Aligned with our Business Model***. We take advantage of business opportunities that fit our business model, developing energy infrastructure projects that are subject to long-term agreements and that are primarily U.S. dollar-denominated or U.S. dollar-indexed. We believe that there are important business opportunities in different segments of the energy sector in Mexico that fit our business model.

- ***Strengthening our Balance Sheet***. Our strong balance sheet has allowed us to develop a broad portfolio of assets and clients. We seek to maintain a strong balance sheet through diverse financing strategies that allow us to continue taking advantage of market opportunities.

- ***Maintaining a Leadership Position in Sustainability***. We have robust sustainability strategies, policies and goals. Our projects are generally designed, developed and operated in accordance with sustainability and environmental, social and corporate governance ("ESG") best practices.

- ***Participating in M&A and Strategic Partnerships***. We are continuously analyzing opportunities to acquire projects that complement our assets and customer portfolio as well as strategic partnerships in both new and existing projects with companies that are looking for trustworthy partners. We believe that in the event of consolidation in the Mexican energy market, there will still be opportunities to consummate acquisitions and strategic partnerships for projects aligned with our business model.

We maintain a firm commitment to Mexico's development by building and operating critical, essential and strategic infrastructure to provide energy to millions of users.

Recent Developments

Segment Presentation

We reorganized our business segments, effective for the first quarter of 2020, to improve visibility into business performance of each segment and to enable the business to respond to management's needs more effectively. The new reportable segments are Gas, Power and Storage. This change better aligns with management's current evaluation and review of the performance of our business. Disclosure is uniformly conducted in accordance with the new segments for 2020. In addition, our new segment presentation has been retrospectively applied to prior period segment results presented elsewhere in this offering circular. The change does not affect our accounting policies nor the preparation basis of our financial information. For additional details see Notes 1 and 11 of our unaudited condensed interim consolidated financial statements as of June 30, 2020 and for the six and three months ended June 30, 2019 and 2020. See "Presentation of Financial and Other Information."

Ratings Downgrade

On April 17, 2020, Fitch downgraded our credit rating to BBB / Stable from BBB+ / Stable, and on April 20, 2020, Moody's downgraded our credit rating to Baa2 from Baa1. Both actions were taken in response to the corresponding downgrade of the credit ratings for Mexico, CFE and Pemex.

Effects of COVID-19 on our Operations and Financial Condition

As of and for the six months ended June 30, 2020, the COVID-19 pandemic has not had a material impact on our operating results. Although revenues decreased by 15.4% and profit for the period decreased by 19.0% during the six-month period ended June 30, 2020 compared to the same period in the prior year, the decrease was primarily due to the suspension of operations at the Guaymas – El Oro segment of the Sonora pipelines and to the deferral of payments under the related agreement with CFE. IEnova Adjusted EBITDA increased by 10.6% during the six-month period ended June 30, 2020 compared to the same period in the prior year. On a quarter-to-quarter basis, revenues decreased by 13%, profit for the period increased by 12% and IEnova Adjusted EBITDA increased by 11% during the three-month period ended June 30, 2020 compared to the same period in the prior year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Assessment of the Impact of COVID-19," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage," "Management's Discussion and Analysis of Financial

Condition and Results of Operations—Results of Operations—Six Months Ended June 30, 2019 and 2020" and our unaudited consolidated financial statements and related notes included elsewhere in this offering circular.

However, we have observed other companies, including some of our current and prospective counterparties, customers and partners, as well as the Mexican government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address the effects of the pandemic. Some of these actions have resulted in delays in obtaining permits or in resolving legal, administrative and other proceedings in which we are involved. These entities and counterparties may take further actions that affect their normal operations, including actions that could result in a material reduction in cash received from our customers, which could have a material adverse effect on our cash flows, financial condition and results of operations. Our Board of Directors and management are working continuously to minimize the negative impact of the COVID-19 pandemic on our business and results of operations through crisis planning, effective communication and cooperation. The full extent to which the COVID-19 pandemic may impact our results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the effect of COVID-19, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local, federal and other governmental authorities, which are beyond our control. See "Risk Factors—Risks Relating to Mexico—The continuity of our business could be affected by measures implemented by the governments of Mexico and other countries to prevent the spread of contagious diseases, including the novel coronavirus, among the population."

Liquidity Update

During the first quarter of 2020, and in light of the COVID-19 pandemic, we made draws under our committed and uncommitted credit lines of US$570 million to provide financial flexibility. As of June 30, 2020, we had US$1.5 billion of borrowings outstanding under our revolving credit facilities and approximately US$1.1 billion of liquidity, including cash and available committed credit lines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity—Financing Activities" and "Description of Other Indebtedness." We intend to use the net proceeds from the offering of the Notes for general corporate purposes, including to repay all or a portion of the outstanding balance of any of our revolving credit facilities, among other short-term indebtedness. See "Use of Proceeds."

Senior Management

On September 2, 2020, Carlos Mauer Díaz Barriga was appointed as our Chief Financial Officer, effective September 5, 2020. Mr. Mauer has served as our Chief Development Officer since March 2020, and was previously Vice President – South America for Sempra Energy, where he was responsible for Sempra Energy's investments in Chile and Peru. Mr. Mauer joined Sempra Energy in 2002. Manuela ("Nelly") Molina Peralta, who has served as our Chief Financial Officer since July 2017, will join Sempra Energy as Vice President of Investor Relations. Additionally, Jorge Alberto Molina Casellas was appointed as our Chief Development Officer, effective September 5, 2020. Previously, Mr. Molina Casellas served as our Commercial and Planning Vice President from 2018 to 2020, and has held several executive positions in the commercial, development, finance, project, regulatory and operations areas in different business units since joining us in 1997. See "Management and Corporate Governance—Senior Management."

How to Reach Us

Our headquarters are located at Torre New York Life, Paseo de la Reforma No. 342, Floor 24, Col. Juárez, 06600, Ciudad de México, Mexico. You can contact our investor relations department by telephone at +52 (55) 9138-0100 or by e-mail addressed to ienovainvestorrelations@ienova.com.mx. Our website is www.ienova.com.mx. Information contained on, or accessible through, our website is not incorporated by reference in, and shall not be considered part of, this offering circular and shall not be relied upon in determining whether to invest in our Notes.

The Offering

Issuer	Infraestructura Energética Nova, S.A.B. de C.V.
Securities Offered	$800,000,000 principal amount of 4.750% senior notes due 2051.
Maturity Date	The Notes will mature on January 15, 2051.
Interest	Interest on the Notes will accrue at the rate of 4.750% per annum.
Interest Payment Dates	Interest on the Notes will accrue from September 15, 2020. Interest will be paid on January 15 and July 15 of each year, commencing July 15, 2021.
Optional Redemption	We may redeem some or all of the Notes at any time prior to July 15, 2050, the date that is six months prior to the scheduled maturity of the Notes, by paying the greater of 100% of the principal amount of the Notes to be redeemed and the applicable make-whole amount, plus, in each case, accrued and unpaid interest, to, but excluding, the date of redemption and any additional amounts payable with respect thereto. See "Description of the Notes—Optional Redemption—Optional make-whole redemption." We may redeem some or all of the Notes at any time, beginning on July 15, 2050, the date that is six months prior to the scheduled maturity of the Notes, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus, in each case, accrued and unpaid interest, to, but excluding, the date of redemption. See "Description of the Notes—Optional Redemption—Optional redemption without a make-whole premium."
Additional Amounts; Tax Redemption	We are required by Mexican law to deduct Mexican withholding taxes from payments of interest to investors who are not residents of Mexico for tax purposes as described under "Taxation—Certain Mexican Federal Tax Considerations." Subject to certain exceptions and limitations, we will pay additional amounts in respect of those payments of interest so that the net amount received by holders is no less than the amount such holder would have received in the absence of such deduction for Mexican withholding tax. See "Description of the Notes—Payment of Additional Amounts." If certain changes in tax law in Mexico become effective on or after the issue date that would require us to pay additional amounts under the Notes in excess of amounts attributable to the applicable Mexican withholding rate as described under "Taxation—Certain Mexican Federal Tax Considerations" in effect on the issue date, or the applicable withholding rate in effect for the tax authority having jurisdiction over the successor entity on the date of succession if we successfully enter into a merger or other transaction, we may redeem all of the Notes at any time, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, to, but excluding, the date of redemption and any additional amounts payable with respect thereto. See "Description of the Notes—Redemption—Optional redemption upon tax event."
Ranking	The Notes will: • be our general unsecured obligations; • be effectively junior in right of payment to our existing and future secured debt to the extent of the value of the assets securing such debt; • be equal in right of payment with all of our existing and future unsecured unsubordinated debt; • be senior in right of payment to all of our existing and future subordinated debt; and • be junior to certain obligations given preference under applicable law, including labor and tax claims.

	The Notes will not be obligations of or guaranteed by any of our subsidiaries. As a result the Notes will be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries. As of June 30, 2020, we and our subsidiaries had total consolidated indebtedness of US$4.2 billion, of which (i) US$637.1 million was indebtedness of our consolidated subsidiaries to which the Notes will be structurally subordinated, and (ii) US$3.5 billion was unsecured indebtedness of IEnova. The Indenture under which the Notes will be issued does not limit our ability, or the ability of our subsidiaries, to issue or incur other debt or issue preferred stock. We depend on the ability of our subsidiaries to transfer funds to us to meet our obligations, including our obligations to pay interest on the Notes.
Change of Control Triggering Event	Upon the occurrence of specific kinds of change of control events that result in a ratings downgrade, you will have the right, as holders of the Notes, to cause us to offer to purchase some or all of your Notes at 101% of the then-outstanding principal amount thereof, plus, in each case, accrued and unpaid interest, to, but excluding, the date of redemption and any additional amounts payable with respect thereto. See "Description of the Notes—Change of Control."
Covenants	We will issue the Notes under an Indenture with U.S. Bank National Association, as trustee. The Indenture will contain certain restrictions on us and our restricted subsidiaries. These covenants will be subject to a number of important exceptions and qualifications. For more information, see "Description of the Notes—Covenants."
Transfer Restrictions.....	We will not register the Notes under the Securities Act or the securities laws of any other jurisdiction. As a result, the Notes are subject to restrictions on transferability and resale and may only be offered or sold in transactions exempt from or not subject to the registration requirements of the Securities Act and applicable securities laws of other jurisdictions. For more information, see "Transfer Restrictions." We will notify the CNBV of the terms and conditions of the offering of the Notes outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*), as amended, issued by the CNBV and for statistical and informational purposes only. The Notes have not been and will not be listed on the Mexican Stock Exchange or registered with the Mexican National Securities Registry maintained by the CNBV, and therefore may not be offered or sold publicly or otherwise be the subject in Mexico of any intermediation activity, except that the Notes may be sold or offered to Mexican institutional and accredited investors solely pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.
Absence of Public Market for the Notes.....	The Notes are a new issue of securities and there is currently no established trading market for the Notes. Accordingly, we cannot assure you that a liquid market for the Notes will develop. For more information, see "Plan of Distribution."
Listing of the Notes	We intend to apply to have the Notes listed and quoted on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Tax Considerations	For a summary of Mexican federal income tax consequences and U.S. federal income tax consequences of an investment in the Notes, see "Taxation." You should consult your tax advisor with respect to the Mexican federal tax considerations and the U.S. federal income tax considerations relating to owning, holding or disposing of the notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, municipal, foreign or other taxing jurisdiction.
Use of Proceeds	We intend to use the net proceeds from the offering of the Notes for general corporate purposes, including to repay all or a portion of the outstanding balance of any of our revolving credit facilities, among other short-term indebtedness. See "Use of Proceeds."
Trustee, Registrar, Transfer Agent and Paying Agent.....	U.S. Bank National Association.
Governing Law	The Indenture and the Notes are and will be governed by, and construed in accordance with, the laws of the State of New York.
Risk Factors	See "Risk Factors" and the other information included in this offering circular for a discussion of factors you should carefully consider before deciding to invest in our Notes.

Summary Financial and Other Information

The following summary consolidated financial and other information as of and for the years ended December 31, 2019, 2018 and 2017 is derived from our audited consolidated financial statements appearing elsewhere in this offering circular, and the summary unaudited condensed interim consolidated financial data as of June 30, 2020 and for the six months ended June 30, 2019 and 2020 is derived from our unaudited consolidated financial statements appearing elsewhere in this offering circular. You should read this information together with "Presentation of Financial and Other Information," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and our audited and unaudited consolidated financial statements and related notes included elsewhere in this offering circular. Our historical results are not necessarily indicative of our future results.

We reorganized our prior operating segments, effective for the first quarter of 2020, to improve visibility into business performance in each segment, and enable the business to respond to management's needs more effectively. The change did not affect the accounting policies nor the basis of preparation of the financial information. The new reportable segments are Gas, Power and Storage. This change aligns with management's evaluation and review of the performance of our business. Disclosure is uniformly conducted in accordance with the new segments for 2020. In addition, our new segment presentation has been retrospectively applied to prior period segment results presented elsewhere in this offering circular.

The financial statements for the fiscal year ended December 31, 2018, reflect the impacts of adopting the new revenue accounting principle (IFRS 15), as described in Note 29 to our audited consolidated financial statements included elsewhere in this offering circular. Likewise, the financial statements for the fiscal year ended December 31, 2019 and the six months ended June 30, 2020 and 2019 reflect the adoption of the new leasing accounting principle (IFRS 16), as described in Note 38 to our audited consolidated financial statements. In addition, the financial statements for the fiscal year ended December 31, 2017 have been re-presented to reflect the financial results of the Termoeléctrica de Mexicali power plant under continuing operations as a result of the decision of our management to suspend the sale of that plant in the second quarter of 2018.

Consolidated Statements of Profit

	Year Ended December 31,			Six Months Ended June 30,	
	2019	**2018**	**2017**	**2020**	**2019**
	(*in thousands of US$, except for per Share amounts*)				
Revenues	$ 1,379,256	$ 1,368,555	$1,222,905	$ 589,618	$ 697,293
Cost of revenues	(391,093)	(385,791)	(331,846)	(120,318)	(196,282)
Operating, administrative and other expenses	(210,325)	(214,519)	(202,982)	(108,589)	(103,543)
Depreciation and amortization	(155,799)	(137,157)	(119,020)	(80,442)	(76,411)
Impairment of Termoeléctrica de Mexicali	—	—	(63,804)	—	—
Interest income	45,665	27,449	22,808	32,695	15,802
Finance cost	(132,849)	(122,879)	(73,501)	(71,358)	(65,836)
Other gains (losses), net	25,619	8	(40,900)	(133,062)	13,668
Profit before income tax and share of profits of joint ventures	560,474	535,666	413,660	108,544	284,691
Income tax expense	(132,558)	(143,064)	(104,163)	(68,351)	(80,191)
Share of profits of joint ventures, net of income tax	39,769	37,984	44,677	132,371	8,651
Profit for the period	**$ 467,685**	**$ 430,586**	**$ 354,174**	**$ 172,564**	**$ 213,151**
Profit per basic and diluted Share	**0.31**	**0.28**	**0.23**	**0.11**	**0.14**

Condensed Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	**2018**	**2017**	**2020**
	(*in thousands of US$*)			
Assets				
Current assets:				
Cash and cash equivalents	$ 57,966	$ 51,764	$ 38,289	$ 564,891
Trade and other receivables, net	139,407	153,649	94,793	140,462
Assets held for sale	—	—	148,190	—
Other current assets[(1)]	268,208	258,528	233,741	352,028
Total current assets	**465,581**	**463,941**	**515,013**	**1,057,381**
Non-current assets:				
Due from unconsolidated affiliates	744,609	646,297	493,887	609,088

	As of December 31,			As of June 30,
	2019	2018	2017	2020
	(*in thousands of US$*)			
Finance lease receivables	921,270	932,375	942,184	934,118
Deferred income tax assets	89,898	80,853	97,334	151,113
Investments in joint ventures	625,802	608,708	523,102	734,134
Property, plant and equipment, net	4,637,962	4,086,914	3,729,456	4,832,417
Intangible assets	180,867	190,772	190,199	175,964
Goodwill	1,638,091	1,638,091	1,638,091	1,638,091
Other non-current assets[2]	248,426	120,646	34,593	232,257
Total non-current assets	**9,086,925**	**8,304,656**	**7,648,846**	**9,307,182**
Total assets	**9,552,506**	**8,768,597**	**8,163,859**	**10,364,563**
Liabilities and equity:				
Short-term debt[3]	1,235,379	870,174	262,760	1,607,701
Due to unconsolidated affiliates	24,471	310,696	544,217	7,872
Liabilities held for sale	—	—	62,522	—
Other current liabilities[4]	333,682	264,761	184,418	266,940
Current liabilities	**1,593,532**	**1,445,631**	**1,053,917**	**1,882,513**
Non-current liabilities				
Long-term debt	1,818,331	1,675,192	1,732,040	2,078,205
Due to unconsolidated affiliates	233,597	75,161	73,510	305,844
Deferred income tax liabilities	565,957	566,892	551,614	648,873
Other non-current liabilities[5]	383,852	251,971	236,191	431,165
Total non-current liabilities	**3,001,737**	**2,569,216**	**2,593,355**	**3,464,087**
Total liabilities	**4,595,269**	**4,014,847**	**3,647,272**	**5,346,600**
Stockholders' Equity				
Common stock	955,239	963,272	963,272	955,239
Additional paid-in capital	2,342,883	2,351,801	2,351,801	2,339,386
Treasury shares	—	(7,190)	—	(10,344)
Accumulated other comprehensive loss	(130,919)	(104,105)	(114,556)	(221,972)
Retained earnings	1,777,280	1,536,662	1,316,070	1,950,976
Total equity attributable to owners of the Company	**4,944,483**	**4,740,440**	**4,516,587**	**5,013,285**
Equity not attributable to our owners	12,754	13,310	—	4,678
Total stockholders' equity	**4,957,237**	**4,753,750**	**4,516,587**	**5,017,963**
Total stockholders' equity and liabilities	**$ 9,552,506**	**$ 8,768,597**	**$ 8,163,859**	**$ 10,364,563**

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

(2) Other non-current assets include: derivative financial instruments, carbon allowances and other non-current assets.

(3) Short-term debt includes fair value and interest.

(4) Other current liabilities include: trade and other payables, income tax liabilities, derivative financial instruments, other financial liabilities, decommissioning liabilities and other provisions, other taxes payable, carbon allowances and other current liabilities.

(5) Other non-current liabilities include: non-current carbon allowances, decommissioning liabilities and other provisions, derivative financial instruments, and employee benefits.

Other Financial and Operating Data

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2018	2017	2020	2019
	(*in thousands of US$*)				
Acquisitions for property, plant and equipment	$ 613,624	$ 392,073	$ 224,816	$ 303,025	$ 253,211
IEnova EBITDA	**777,838**	**768,245**	**688,077**	**360,711**	**397,468**
IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**	**501,735**	**453,570**
IEnova Adjusted EBITDA(1):					
IEnova EBITDA Gas	425,385	454,291	424,452	205,894	225,299
IEnova EBITDA Storage	188,574	179,690	185,032	94,535	91,901
IEnova EBITDA Power	156,957	129,497	74,150	59,259	75,313
Corporate and eliminations	6,922	4,770	4,443	1,023	4,955
JV IEnova EBITDA Adjusted	160,334	108,121	70,563	141,024	56,102

(1) As a result of the above-mentioned changes, our new segment presentation has been retrospectively applied to prior period segment results presented elsewhere in this offering circular.

Our calculation of IEnova EBITDA and IEnova Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. For our definition of Adjusted IEnova EBITDA, an explanation of why we present it and a discussion of its limitations, see "Presentation of Financial and Other Information—IEnova EBITDA and Adjusted IEnova EBITDA." The following reconciles profit to IEnova EBITDA and IEnova Adjusted EBITDA:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2018	2017	2020	2019
			(*in thousands of US$*)		
		(audited)		(unaudited)	
IEnova EBITDA reconciliation					
Profit for the period	$ 467,685	$ 430,586	$ 354,174	$ 172,564	$ 213,151
Depreciation and amortization	155,799	137,157	119,020	80,442	76,411
Impairment of Termoeléctrica de Mexicali	—	—	63,804	—	—
Financing cost, net	87,184	95,430	50,693	38,663	50,034
Other (gains) losses, net	(25,619)	(8)	40,900	133,062	(13,668)
Income tax expense	132,558	143,064	104,163	68,351	80,191
Share of (profits) of joint ventures, net of income tax	(39,769)	(37,984)	(44,677)	(132,371)	(8,651)
(1) IEnova EBITDA	**$ 777,838**	**$ 768,245**	**$ 688,077**	**$ 360,711**	**$ 397,468**
JV IEnova EBITDA Adjustment reconciliation					
Profit for the period	$ 39,769	$ 37,984	$ 44,677	$ 132,371	$ 8,651
Depreciation and amortization	14,426	6,350	6,276	17,007	4,544
Financing cost, net	65,908	34,576	30,087	45,658	17,246
Other (gains) losses, net	26,561	(3,238)	(16,888)	(129,956)	15,802
Income tax expense	13,670	32,449	6,411	75,944	9,859
(2) JV IEnova EBITDA Adjustment	**$ 160,334**	**$ 108,121**	**$ 70,563**	**$ 141,024**	**$ 56,102**
(1+2) IEnova Adjusted EBITDA	**$ 938,172**	**$ 876,366**	**$ 758,640**	**$ 501,735**	**$ 453,570**

RISK FACTORS

Investing in the Notes involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this offering circular, including our audited and unaudited consolidated financial statements and the related notes, before making an investment decision. Our business, financial condition, results of operations, cash flows and/or prospects could be materially adversely affected by any of these risks as could our ability to repay the Notes. The risks described below are those that we currently believe may materially adversely affect us. Additional risks and factors not currently known to us, or those that we currently deem to be immaterial, may also materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In this section, when we state that a risk or uncertainty may, could or will have a "material adverse effect" on us or could or will "materially adversely affect" us, we mean that the risk or uncertainty could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Risks Relating to Regulation

We operate in a highly regulated environment, and our profitability depends on our ability to comply with a number of laws and regulations on a timely and efficient basis.

We operate under the laws and regulations of various federal, state and local governmental entities in Mexico and are required to obtain and maintain various permits, licenses and governmental approvals for our activities. In some cases, the prices that we charge for our products and services are limited by regulated rates set by governmental authorities. These regulations and permits may limit our operating flexibility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

For example, CRE adjusts the regulated rates that we charge our customers periodically in accordance with applicable regulations. In addition, in order to undertake new energy infrastructure projects in Mexico, we may require permits from SEMARNAT, ASEA, CRE and SENER, as well as the favorable opinion of the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*, or "COFECE"). The Mexican National Energy Control Center (*Centro Nacional de Control de Energía*, or "CENACE"), SENER and CRE have enacted regulations that, among others, could affect our ability to obtain or renew material permits; result in material increases in costs to us and our customers; and diminish the dispatch of our renewable power generation assets. See "—Changes in Mexican federal governmental policies could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes" and "Regulatory, Permits and Environmental Matters."

Various factors, including a change in the CRE's energy policy, changes to existing regulations or enactments of new regulations, could result in reductions or increases to the rates that we charge our customers, our inability to obtain required permits or other restrictions in the way we operate or that negatively impact the demand for our business. Similarly, we have been required to divest assets, including in situations where economic impediments have made it disadvantageous or impossible, in order to receive the favorable opinion of regulatory authorities such as COFECE in connection with applying for permits from regulatory agencies. In addition, due to the complex and overlapping federal, state and local regulatory regimes in which we operate, we may from time to time discover that we are lacking, or non-compliant with, permits or other regulatory requirements.

We cannot predict the future course of changes in laws and regulations that cover our activities or the effect that this changing regulatory environment will have on our business and the development of our projects. Delays in obtaining any required regulatory approval to conduct our operations, failures to obtain or maintain any required approval and reductions or other changes in the rates that we charge our customers imposed by regulators may prevent us from building and operating our energy infrastructure projects profitably, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Business—Legal, Administrative and Arbitration Proceedings."

Regulatory policies, including the electricity price subsidy policy, of the Mexican federal government could materially adversely affect our wind and solar power generation business.

On April 29, 2020, CENACE issued an order titled "Accord to Ensure the Efficiency, Quality, Reliability, Continuity and Safety of the National Electric Grid, due to the recognition of the SARS-CoV2 virus (COVID-19) pandemic" ("*Acuerdo para garantizar la Eficiencia, Calidad, Confiabilidad, Continuidad y seguridad del Sistema Eléctrico Nacional, con motivo del reconocimiento de la epidemia de enfermedad por el virus SARS-CoV2 (COVID-19)*", or the "CENACE Accord") purporting to safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the CENACE Accord suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. Our renewable energy projects affected by the order filed for legal protection through *amparo* claims (suits to seek constitutional protection), and in June 2020, we received injunctive relief until the claims are resolved by the courts.

Additionally, on May 15, 2020, SENER published a policy entitled "Agreement whereby the Policy of Reliability, Safety, Continuity and Quality in the National Electrical System is issued" ("*Acuerdo por el que se emite la Política de Confiabilidad, Seguridad, Continuidad y Calidad en el Sistema Eléctrico Nacional*", or the "SENER Policy") to establish guidelines purporting to guarantee the security and reliability of the national grid's electricity supply by reducing the negative impacts that it claims are caused by intermittent energy, such as renewable energy resources. Our renewable energy projects, including those in construction and in service, filed *amparo* claims against the SENER Policy and received injunctive relief in July 2020. In addition, in June 2020, COFECE filed a complaint with Mexico's Supreme Court against the SENER Policy. COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends the resolution indefinitely.

Finally, on May 28, 2020, CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created unfair competitive conditions. Three of our renewables' facilities (Don Diego Solar, Border Solar, and Ventika) are currently holders of contracts with such legacy rates, and any increases in the transmission rates would be passed through directly to their customers. Our renewable facilities obtained permanent injunctive relief (*suspension definitiva*) against CRE's resolution regarding transmission rates on July 17, 2020.

We and other companies affected by these new orders and regulations have challenged the orders and regulations by filing *amparo* claims, some of which have been granted injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the *amparo* claims or, with respect to the SENER Policy, until Mexico's Supreme Court issues its final ruling on COFECE's complaint, the timing of which is uncertain. An unfavorable final decision on these *amparo* challenges, or the potential for an extended dispute, could impact our ability to successfully complete construction of our solar facilities, or to complete them in a timely manner and within expected budgets, may impact our ability to operate our wind and solar facilities already in service at existing levels or at all, may result in increases in costs for us and our customers, and may adversely affect our ability to develop new projects, any of which may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Currently, electricity prices are subsidized by the Mexican federal government. These electricity subsidies could place certain of our renewable energy projects at a competitive disadvantage. If the electricity price subsidy policy of the Mexican federal government continues and we are not able to provide electricity at prices that are competitive to those available to our customers who do not rely on pre-fixed fees and to potential customers through our competitors, the profitability of these assets could be materially adversely affected, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We are subject to numerous environmental, health and safety regulations that may become more stringent in the future and may result in increased liabilities and increased capital expenditures.

Our business is subject to comprehensive federal, state and local environmental, health and safety legislation, as well as supervision by Mexican governmental agencies that are responsible for the implementation of such laws, regulations, official standards and related policies. These laws, regulations and official standards

mandate, among other requirements, that we obtain and maintain environmental, health and safety licenses for construction and operation of all facilities, including our facilities related to the transportation, storage, liquefaction and distribution of natural gas, LPG, ethane and refined products, and the generation of electric energy. These laws, regulations and official standards may also require us to obtain and maintain the following with respect to the construction and operation of our facilities: environmental impact authorizations; risk studies; Administration System of Industrial and Operational Safety and Environmental Protection (*Sistema de Administración de Seguridad Industrial, Seguridad Operativa y Protección al Medio Ambiente*) accident prevention program authorizations; forestry land use change authorizations; comprehensive environmental licenses for facilities generating air emissions; methane emissions prevention and control, local environmental impact; land use permits and construction licenses; management waste disposal permits and authorizations for the generation, transportation and disposal of waste, including hazardous, special management and urban solid waste; concession titles or permits for the use and exploitation of water and the discharge of wastewaters; and concession titles for the use and occupation of federal zones, construction of maritime infrastructure or installation of new equipment. The failure to obtain and maintain these authorizations, licenses, permits and concessions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Regulatory, Permits and Environmental Matters."

Even once obtained, compliance with authorizations, permits, concessions, regulations and license terms and conditions may be expensive, difficult or economically unfeasible thereby curtailing future operations. Moreover, governmental agencies could take enforcement action against us for our failure to comply with their laws, regulations, official standards and related policies, or for political reasons. These enforcement actions could include, among other things, the imposition of economic fines or remediation and compensation obligations, the renegotiation of contracts, the seizure of machinery and equipment, the revocation of licenses, delays in the delivery of key construction or operating permits, and/or the temporary or permanent closure of part or all of a facility, and possibly imprisonment if environmental violations are classified as criminal offenses. Compliance with enhanced environmental, safety and health regulations, including as a result of any environmental contamination or pollution for which we may be held liable in the future, could require us to divert resources to make capital expenditures. In addition, complying with environmental health and safety laws, regulations, official standards and related policies, including obtaining related licenses, permits, concessions and/or authorizations, could cause delays in the schedule of construction and improvements of any of our on-going projects and/or facilities for the transportation, liquefaction, storage and distribution of natural gas and other hydrocarbons and for the generation of electricity. For example, pursuant to applicable regulations, land-use change authorizations required for an on-going project or facility may be delayed or prohibited in areas damaged by wildfires, which in turn may cause work-arounds, delays or cost overruns. Private parties may also have the right to pursue legal actions to enforce compliance and to seek damages for personal or injury, property damage, environmental damage caused to third parties or for non-compliance with environmental laws, as well as compensation or remedial action of any environmental damage, as may be the case, which is independent of any civil, criminal or administrative liability. The failure to comply with these authorizations, permits, concessions, regulations or licenses, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Mexico is a party to many international agreements regarding environmental protection and safeguard. We anticipate that the regulation of our business operations under Mexican federal, state and local environmental laws and regulations will increase and become more stringent over time, as well as influenced by international agreements. Such international agreements, upon ratification by the Mexican Senate, become a part of Mexican law. Under the North American Agreement on Environmental Cooperation ("NAAEC"), a side agreement to the United States-Mexico-Canada Agreement ("USMCA"), each country that is a party to the USMCA, including Mexico, must ensure that its environmental laws and regulations are duly enforced. While the NAAEC does not empower any of the environmental agencies of the three USMCA partners to enforce the environmental laws of another party, if a USMCA partner fails to enforce its domestic environmental laws, it may be subject to the dispute settlement mechanism created within the NAAEC, which may lead to monetary penalties, and in some cases, to the suspension of USMCA benefits, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and our ability to repay the Notes.

While it is difficult to predict the scope and effect of new environmental laws and regulations, such changes could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In November 2018, the new NAAEC was signed, which substitutes the Environmental Cooperation Agreement, which had been in force since 1994. The signing of the NAAEC

occurred during the USMCA negotiations. The USMCA has been duly ratified by the United States, Mexico and Canada.

The Mexican Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*), which became effective in July 2013, provides for significant penalties for damages to the environment and could subject us to significant liability in the event of any such damage. However, we cannot predict the outcome of any action brought against us or the extent to which we could be held liable under such law. The cost of remediating or providing compensation for any environmental damage could be significant and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Regulatory, Permits and Environmental Matters."

We cannot control the response time from regulatory authorities for granting permits.

Although we have a robust team for managing permits with the authorities, as a result of recent changes to the structures of certain regulatory authorities, we have begun to face considerable delays in the review of permits, in some cases, as a result of mitigation measures enacted by the Mexican government as a result of the COVID-19 pandemic. Notwithstanding the fact that Mexican law provides a statutory deadline for receiving a government response to applications, it is common that Mexican government offices face administrative backlog and present delayed times of response. We cannot predict whether these delays will continue or increase, which could affect our decision whether or not to develop a project, result in delays in construction or commencement of operations, increased costs, and the cancellation of contracts with contractors or customers, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We cannot predict the impact that legal, regulatory and social responses to climate change may have on our business.

A number of legal and regulatory measures as well as social initiatives have been introduced both internationally and in Mexico in an effort to reduce greenhouse gases and other carbon emissions. The Mexican Electric Industry Law (*Ley de la Industria Eléctrica*) and its regulations impose an internal system aimed at encouraging the use of electricity generated through clean energy sources through negotiable CELs and other measures aimed at achieving greenhouse gas reductions, which could result in additional costs in our Power Segment and in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. With respect to our Gas Segment, effective November 2018, regulations were established for the prevention of methane emissions in the Mexican oil and gas sector. These were the first regulations that established mandatory measures for the reduction of a greenhouse gas in Mexico.

At the 24th Conference of Parties to the United Nations Framework Convention on Climate Change in 2018, an international framework was finalized setting forth the rules for the implementation and monitoring of national emission reduction plans, and at a subsequent conference in 2019, the parties focused on implementing the Paris Agreement. This framework, set to become effective in 2020, also includes: (i) the process for implementing new financial targets for developing countries to reduce their emissions by 2025; (ii) the manner in which the climate change plan will be evaluated in 2023; and (iii) the assessment of the development and transition to low-carbon technology. The participating countries also agreed to update their carbon emission reduction targets for 2020.

In order to comply with these agreements, Mexican regulatory authorities will seek to ensure that companies in all sectors, including the energy sector, conduct their businesses in strict compliance with the Mexican General Law on Climate Change (*Ley General de Cambio Climático*), its regulations related to the National Emissions Registry, the Mexican National Strategy on Climate Change (*Estrategia Nacional de Cambio Climático*), and the Mexican National System on Climate Change (*Sistema Nacional de Cambio Climático*), and reduction results will be shown in biannual reports (Mexico submitted its second biannual report in December 2018). Accordingly, we will be required to assume and take into increased consideration the climate-related challenges posed by our operations or facing our existing partners and customers, such as Pemex and CFE, which could force us to incur additional costs and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

As part of such measures, SEMARNAT would begin implementing the Emissions Trading System Test Program (*Programa de Prueba del Sistema de Comercio de Emisiones*). This program does not have economic effects for the participants during the trial phase, which is expected to begin in 2020 and last three years, to be followed by a transition to the final system. Such final system will apply emission caps, which will be determined by SEMARNAT, for greenhouse gases of large emitters in different sectors (the energy and industrial sectors will be the only sectors during the trial phase), along with additional reporting and compliance obligations, including the right to offset a limited percentage of emissions via compensation mechanisms to comply with the emission caps. The establishment of emission caps for greenhouse gases and reporting and compensation obligations may result in additional costs for us in our Gas, Storage and Power business segments to which such obligations are applicable.

Various governmental entities may prematurely terminate our permits under various circumstances, some of which are beyond our control.

Our permits granted by CRE (including our LNG storage permit, liquefaction permit, refined products storage permits, transportation pipeline permits, distribution permits, and power generation permits) are essential for the development or operation of our assets, and we would be unable to develop or continue the operations of a particular asset without the applicable permit granted by the CRE.

Our existing permits may be revoked by CRE for certain reasons set forth in the terms of those permits, as well as for any other cause provided by the legislation applicable to natural gas, LPG, hydrocarbons and electric power that were in effect when the permit was granted, including (1) if we engage in discriminatory practices or charge rates in excess of the maximum rates established by the CRE, (2) if we transfer the permit in violation of its terms or applicable legislation, or (3) if we fail to take action to utilize the permit within the term provided therein. In addition, our permits may be revoked in certain circumstances, including if we do not comply with our obligations under Mexican standards or conditions under the permits, or if we experience partial or total interruption in the operation of the system or facility without just cause or authorization from the CRE.

The Mexican Electricity Industry Law and the Mexican Hydrocarbons Law (*Ley de Hidrocarburos*) provide for similar revocation events that would apply to any new permit we obtain for purposes of our business activities. These events include: (1) engaging in discriminatory practices that affect end consumers, (2) failing to comply with regulations relating to rates and tariffs, (3) assigning a permit without the prior approval of the CRE, (4) failing to exercise our rights under the relevant permit within a certain period of time, (5) failure to maintain in full force and effect the required collateral and insurance, (6) the interruption of services without just cause, or (7) failing to meet relevant construction and operation milestones, including start of operations.

The early termination of any of our related permits and the suspension of the operations of any of our assets, or the imposition of changes to the manner in which we operate any of our assets as a result of changes to our permits requested by the CRE, SENER or any other governmental authority could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Our properties may be subject to expropriation by the Mexican government.

Our assets, which are located in Mexico, may be subject to expropriation by the Mexican government or the government of any political subdivision thereof. We are engaged in the business of energy generation, storage, transportation and distribution and, as such, our business or our assets may be considered by the Mexican government to be a public service or essential for the provision of a public service. Therefore, our business is subject to political uncertainties, including expropriation or nationalization of our business or assets, loss of concessions, renegotiation or annulment of existing contracts, and other similar risks.

In such an event, we may be entitled to receive compensation for the transfer of our assets under applicable law. However, the price received may not be sufficient, and we may need to take legal actions to claim appropriate compensation. Our business, financial condition and results of our operations could be adversely affected by the occurrence of any these events.

Our activities are concentrated in energy infrastructure projects in various Mexican states, and developments affecting such regions specifically, including local regulatory or other developments, may have a material adverse effect on us.

Our current energy infrastructure projects are primarily located in the Mexican States of Baja California, Sinaloa, Sonora, Chiapas, Chihuahua, Coahuila, Colima, Durango, Nuevo León, Jalisco, Tamaulipas, San Luis Potosí, Aguascalientes, Tabasco, Veracruz, Puebla and Valle de México and all our current permits and approvals are issued by either the federal government of Mexico or by such local governmental authorities. As a result, any legislative changes, measures taken, stricter rules implemented or additional requirements imposed by the relevant governmental authorities of such States (including changes derived from state and local elections) may materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In addition, we are exposed to risks of a local recession, the occurrence of a natural disaster in these regions, increases in local crime rates or local political and social developments, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Risks Relating to Prices and Customer Contracts

When we enter into fixed-price, long-term contracts to provide services or commodities, we are exposed to inflation, interest rate, foreign exchange and counterparty credit risks.

We generally endeavor to secure long-term contracts with customers to optimize the use of our facilities, reduce volatility in earnings and support the construction of new infrastructure. However, if these contracts are at fixed prices, the profitability of the contract may be materially adversely affected by inflationary pressures (in the case of contracts which are not adjusted for inflation), including rising operational costs and commodity prices, fuel costs, costs of labor, materials and equipment, rising interest rates that affect financing costs, and changes in the U.S. dollar to Mexican peso exchange rate. In addition, our contract counterparties to long-term contracts may potentially default on their obligations under these agreements. We would be materially and adversely affected if the counterparties under these contracts do not perform their contractual obligations under these agreements. Although we often require bank or parent guarantees, letters of credit and other forms of credit support, such support often does not cover all of the potential losses that we may incur and exposes us to counterparty credit risk. We have not experienced a material increase in these risks to date in connection with the COVID-19 pandemic. To the extent the pandemic continues to exacerbate economic conditions, however, there is a heightened risk that these factors could materially affect our business. See "—Risks Relating to Mexico—The continuity of our business could be affected by measures implemented by the governments of Mexico and other countries to prevent the spread of contagious diseases, including the novel coronavirus, among the population." Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Any prolonged delay of payments by customers may adversely affect our liquidity and put stress on our financial position.

Claims of *force majeure* and, in general, delays in the collection of customer billings due to a variety of factors, including the impact of the COVID-19 pandemic, may adversely affect our liquidity and capital resources. Any material claims or delays in customer payments, such as delays relating to our pending arbitration with Shell Mexico or the damage to the Guaymas – El Oro segment of our Sonora pipelines, may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "—Our business depends on a limited number of customers or users (some of whom are affiliates) with which we have entered into long-term agreements" and "—Other Risks Relating to Our Business—Our business and operations are subject to risks associated with natural disasters, severe weather conditions, catastrophic accidents, major equipment failures, accidents and acts of terrorism or criminality."

Our businesses are exposed to market risks, including fluctuations in commodity prices, such as market prices for electricity, natural gas or LNG.

We buy energy-related commodities from time to time in order to satisfy contractual obligations with customers. Although we are not directly exposed to market risk at this time in our Ecogas natural gas distribution

business due to the fact that the price we pay for natural gas is passed through directly to the Ecogas customers, natural gas prices relative to LPG prices affect our ability to market natural gas and, therefore, the market prices for natural gas can have a material impact on our natural gas distribution business. In addition, our Termoeléctrica de Mexicali power plant participates in the California energy market on a merchant basis, and its profitability is affected by the cost of commodities, such as natural gas, its relative efficiency as compared to other power resources, electricity demand, and other market factors. If the prevailing market prices for electricity, natural gas, LNG or other commodities that we buy change in a direction or manner not anticipated and for which we had not provided adequately through purchase or sale commitments or other hedging transactions, our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes could be materially adversely affected.

We cannot and do not attempt to fully hedge our assets or contract positions against changes in commodity prices. In addition, for those contract positions that are hedged, our hedging procedures may not mitigate our risk as planned.

To reduce financial exposure related to commodity price fluctuations, we may enter into contracts to hedge our known or anticipated purchase and sale commitments, inventories of LNG and natural gas, and electric generation capacity and pipeline capacity. As part of this strategy, we may use forward contracts, physical purchase and sales contracts, futures, financial swaps and options. We do not hedge the entire exposure to market price volatility of our assets or our contract positions, and the hedging will vary over time. To the extent we have un-hedged positions, or if our hedging strategies do not work as planned, fluctuating commodity prices could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. When hedging our purchase and sale commitments, we are subject to the risk that the counterparty to the hedge may be unable to fulfill its obligations. Such failure could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Unanticipated changes in market prices for energy-related commodities result from multiple factors, including: (1) weather conditions, (2) seasonality, (3) changes in supply and demand, (4) transmission or transportation constraints or inefficiencies, (5) availability of competitively priced alternative energy sources, (6) commodity production levels, (7) activities by oil and gas producing nations or organizations affecting the global supply of crude oil and natural gas, (8) energy and environmental regulation and legislation, (9) pandemics, such as the COVID-19 pandemic, natural disasters, wars, embargoes and other catastrophic events, and (10) expropriation of assets by governmental authorities. Finally, we invoice our customers after having provided the service, which poses a credit risk. While we perform credit analyses and request that our customers, to the extent possible, provide guarantees to cover such risk, we are exposed to the risk that we may not be able to collect amounts owed to us. Such changes in market prices or inability to collect amounts owed to us could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. For additional information regarding our hedging strategy and position, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk" and Note 24.4 to our audited consolidated financial statements included elsewhere in this offering circular.

Excess supply of energy and related products could negatively impact the results of our Termoeléctrica de Mexicali power plant.

Several of the wholesale markets supplied by merchant power plants have experienced significant pricing declines from time to time due to excess supply of energy and related products. The results of our Termoeléctrica de Mexicali power plant could be materially adversely affected if such power plant is unable to sufficiently sell its output through long-term agreements or at future higher prices and any need to recognize losses with respect to the capital already invested in the project as a result of significant changes to the market or regulatory conditions, among other factors. We may manage risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak energy sales, daily and hourly spot market sales of capacity, energy and ancillary services, and longer-term structured transactions. However, we cannot provide assurance regarding the implementation of these risk management measures or how successful such implementation may be and entering into long-term contracts in oversupplied markets could be difficult. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Market Risks Associated with our Electric Power Plant."

LPG prices could materially adversely affect our natural gas distribution business.

If we are not able to obtain competitively priced natural gas relative to the LPG that is available to our customers and potential customers through our competitors, the profitability of our natural gas distribution business could be materially adversely affected, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

New or alternative energy sources could reduce the market for natural gas, reducing our revenues from our natural gas business.

Currently, industrial customers of our natural gas distribution business use natural gas as their main source of energy for their operations. However, in the future other energy sources might become available at competitive costs. This circumstance could affect the demand for natural gas and consequently our revenues and financial position.

Individual households in Mexico satisfy their energy needs primarily through electricity, LPG and natural gas. To the extent individual households use electricity, LPG or other alternative sources of energy, natural gas consumption by our individual household customers could diminish, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Our business depends on a limited number of customers or users (some of whom are affiliates) with which we have entered into long-term agreements.

We have entered into long-term capacity agreements in connection with our ECA LNG Regasification Terminal with Shell México Gas Natural, S. de R.L. de C.V. ("Shell Mexico"), Gazprom Marketing & Trading México, S. de R.L. de C.V. ("Gazprom") and our subsidiary, IEnova Marketing, S. de R.L. de C.V. ("IEnova Marketing"), under which users pay capacity reservation and usage fees to receive, store and regasify their LNG at our ECA LNG Regasification Terminal. We have also entered into long-term capacity agreements for the transportation of natural gas and LPG with a limited number of key customers, including Pemex, CFE, CENAGAS, Shell Mexico, Gazprom and our subsidiary IEnova Marketing. Under these agreements, users pay capacity reservation and usage fees to receive, transport and deliver natural gas or LPG, as applicable, through our pipelines. After giving effect to the consolidation of the intercompany revenues received from IEnova Marketing, for the six months ended June 30, 2020 and during the years ended December 31, 2019, 2018 and 2017 our four largest customers together accounted for approximately 55%, 59%, 61% and 61%, respectively, of our total revenues. During the same periods, no other customer accounted for more than ten percent of our total revenues. For the six months ended June 30, 2020 and during the years ended December 31, 2019, 2018 and 2017, our largest customer accounted for approximately 17%, 22%, 23% and 26%, respectively, of our total revenues.

These agreements are in general subject to (1) early termination provisions for the failure of a party to perform its obligations under the agreement or in the event of insolvency of any of the parties, (2) suspension or termination provisions for *force majeure* events beyond the control of the parties, and (3) substantial limitations of remedies for other failures to perform by any of the parties, including limitations on damages to amounts that could be substantially less than those necessary to provide full recovery of costs for breach of the agreements. In addition, CFE may also terminate their agreements before expiration if it determines that doing so would be in the general public interest (*interés público*) by providing evidence that compliance with the agreements would result in losses and damages to Mexico or if, for just cause, CFE no longer requires the supply of natural gas, in each case subject to a hearing and other due process procedures.

Recently, we received a request for arbitration from Shell Mexico pursuant to which Shell Mexico claims that the 2019 update to the terms and conditions related to the storage services provided at our ECA LNG Regasification Terminal resulted in a *force majeure* event for Shell and a breach of contract by ECA. If the customers in one or more of our long-term agreements were to fail to perform or become unable to meet their contractual obligations on a timely basis, or if any of these agreements is prematurely terminated, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In addition, we cannot assure you that upon the termination of any of these agreements we will be able to secure LNG regasification or storage or natural gas transportation capacity agreements with other customers at all or on a long-term basis on terms at least as favorable to the original terms, which could have a material

adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Business—Legal, Administrative and Arbitration Proceedings."

We may be exposed to high costs to acquire LNG in order to maintain the operations of our ECA LNG Regasification Terminal.

In order for our ECA LNG Regasification Terminal to be operational, to prevent equipment damage from thermal expansion or contraction during warming and subsequent re-cooling, and to provide service when needed by customers, the storage tanks and piping must be kept at or below approximately -160° Celsius by maintaining a minimum volume of LNG in the system. That need will be met if one or more of our customers maintain a sufficient amount of LNG in our terminal. However, other than IEnova Marketing, which has agreed to use reasonable efforts to procure LNG for our terminal at our request, none of our customers has an obligation to deliver cargoes or maintain a minimum LNG inventory, and we cannot assure you that our customers will do so. Of the terminal's capacity holders, only IEnova Marketing has delivered LNG cargoes to the terminal. Based on the market price of LNG relative to the price of natural gas in the natural gas markets typically served using regasified LNG from our ECA LNG Regasification Terminal, we do not anticipate that our third-party customers, Shell Mexico and Gazprom, will deliver LNG to the terminal in the foreseeable future, and we do not anticipate that in the foreseeable future our subsidiary IEnova Marketing will deliver more than the minimum quantities required to keep the terminal cold. See "Business—Legal, Administrative and Arbitration Proceedings."

In the event that our ECA LNG Regasification Terminal customers were not maintaining the necessary minimum volume of LNG in our terminal, we would need to secure LNG in the market in order to maintain the cold temperature of the terminal. If the cost to secure such volumes were to exceed the Mexican natural gas market price for which we could resell the regasified LNG, we could be subject to financial losses. In addition, if the quality of LNG that is delivered to the terminal is different from historical quality, or if the natural gas specifications in the United States or Mexico become more restrictive, we may need more LNG to keep the terminal cold than we are currently estimating. The costs of securing cargoes in the open market could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We are developing liquefaction capabilities adjacent to our ECA LNG Regasification Terminal, but our efforts to such end may prove unsuccessful. In addition, the successful addition of such capabilities could force us to terminate our existing agreements with our regasification customers, which could give rise to indemnification obligations to such customers.

In connection with the proposed ECA Liquefaction Project, we are developing certain liquefaction capabilities adjacent to our ECA LNG Regasification Terminal in a joint venture with affiliates of Sempra Energy. We are working to obtain an export permit from SENER for ECA Liquefaction Mid-Scale, which is designed to receive and treat natural gas and liquefy approximately three million tons of LNG per year, with potential first deliveries of LNG in 2024, subject to, among other things, the timely receipt of all necessary permits. See "Business—Segment Overview—Storage Segment—Liquefied Natural Gas Business—ECA Liquefaction Project."

Our natural gas liquefaction project is the subject of certain disputes challenging the issuance of the construction and operation permits and authorizations for our liquefaction project, which may hinder our ability to secure financing for the project or to identify suitable partners and customers. Therefore, we cannot assure you that our liquefaction project will be able to secure the requisite construction permits or build the relevant facilities without facing significant challenges and uncertainty, and any such challenge could hinder our ability to secure adequate financing or to identify suitable partners and customers for this project. The development of the potential liquefaction project will depend to a large extent on the condition of the international market for LNG, including, in particular, as it relates to the supply and demand for LNG from the west coast of the Americas, and on our ability to obtain adequate supply or storage of natural gas from the United States. There are a number of potential liquefaction projects under construction or in the process of being developed by various project developers in North America, including our indirect controlling shareholder's contemplated new projects, and given the projected demand for LNG, the vast majority of these projects likely will not be completed. In addition, an extended decline in current and forward projections of crude oil could reduce the demand for natural gas in some sectors and cause the corresponding reduction in projected global demand for LNG, which could, in turn, result in increased competition among developers of LNG projects. Our ECA LNG Regasification Terminal has in place several profitable long-term regasification agreements that account for 100% of the terminal's installed capacity, so any decision on

whether to acquire or construct new liquefaction facilities depends in part on whether our investment in the construction of the new liquefaction facilities would be more profitable than providing regasification services under our existing agreements. Finally, pursuant to our existing agreements, we are required to provide storage and regasification services to our customers through 2028 (or later, if customers exercise their renewal rights under such agreements). While our mid-scale liquefaction project is expected to permit both regasification and liquefaction, we may decide to offer only liquefaction services to our customers, or to continue to provide regasification services only. If we are unable to continue to offer regasification services to our existing customers, or if the construction of the liquefaction facilities renders us unable to provide such services in a timely fashion, we may be held liable for indemnification to such customers under our existing agreements, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Business—Segment Overview—Storage Segment—Liquefied Natural Gas Business."

Risks Relating to the Operation of Our Energy Infrastructure

The operation of our facilities involves many operating risks, availability risks, technology risks and other risks beyond our control.

The operation of our energy infrastructure assets, such as our ECA LNG Regasification Terminal, pipelines, distribution systems, storage facilities, railyard facilities and power generation facilities involve many risks, including, among others:

- the possibility of performing below expected levels of output or efficiency;
- availability of primary energy resources for power production in our wind power and solar power generation business;
- facility shutdowns due to wear and tear, defects, design errors or the breakdown or failure of equipment or processes, or shortages of replacement equipment, consumables such as oil and grease, or spare parts;
- unanticipated costs of operations and maintenance;
- failure to operate at design specifications;
- operator error;
- government exercise of eminent domain power or similar events; and
- operational accidents.

In addition, our activities are subject to social risk, including protests against our operations from adjacent communities. Even though we are committed to operating in a socially responsible manner, we may face opposition from such local communities with respect to our current and future projects.

If any of these risks were to manifest, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We depend on key suppliers, including an affiliate of our indirect controlling shareholder, for the adequate operation of our energy infrastructure assets.

Our businesses depend on key suppliers performing in accordance with their agreements. In particular, our LNG business has been relying upon affiliates of Sempra Energy for an adequate supply of LNG to keep our ECA LNG Regasification Terminal sufficiently cold to remain in continuous operations and as a source of natural gas to sell to customers. Since our ECA LNG Regasification Terminal commenced operations, we have not been able to obtain sufficient quantities of LNG from the affiliates of Sempra Energy to satisfy all of IEnova Marketing's contractual obligations to its natural gas customers using regasified LNG. However, the affiliates of Sempra Energy are able to purchase and supply the required quantities of gas at the U.S. border, and make payments to IEnova Marketing to cover fixed ECA LNG Regasification Terminal and pipeline capacity costs to the extent its reserved

capacity is underutilized because it provides IEnova Marketing less than the full amount of LNG each year. This payment obligation has mitigated the losses that IEnova Marketing would otherwise have experienced in recent years. Our Ecogas distribution business relies principally on CENAGAS for the supply of natural gas that we distribute through the transportation system for Chihuahua and La Laguna-Durango, and Southern California Gas Company ("SoCalGas") for Mexicali and for its subsequent distribution to our customers. If any of these key suppliers fail to perform, we could incur substantial expenses and, in some cases, be exposed to commodity price risk and volatility, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We are also exposed to the risk that our suppliers that owe us money or commodities as a result of market transactions or other long-term agreements fail to perform their obligations under such agreements. Should they fail to perform, we may be required to acquire alternative hedging arrangements or to honor underlying commitments by making purchases from other suppliers at then-current market prices. In such event, we may incur additional losses to the extent of amounts paid to such other suppliers. Furthermore, any financial difficulties suffered by our suppliers could increase our costs or adversely impact the operation of our energy infrastructure. Our potential LNG suppliers may also be subject to international political and economic pressures and risks, which may affect the supply of LNG.

The financial condition of any of our suppliers could be harmed by a number of events, including natural disasters, accidents or acts of terrorism, which could restrict the suppliers' ability to fulfill their obligations to us. The payment terms in our agreements with suppliers are considered customary in the markets in which we participate; however, a material change in the payment terms with our strategic suppliers could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Our capacity to service our clients relies on transportation assets and services that we do not own or control.

Our facilities are interconnected with other facilities outside the areas we serve. Therefore, we often depend on electric transmission lines, pipelines and other transportation facilities owned and/or operated by third parties to:

- deliver the electricity, natural gas and LPG we sell to our customers;
- ship and receive refined product rail deliveries at our facilities;
- supply natural gas to our electric generation facilities;
- provide retail energy services to customers; and
- supply us with natural gas and LPG for its subsequent sale to our customers.

We also depend on natural gas pipelines to interconnect with our suppliers and customers, and we rely on specialized ships to transport LNG to our ECA LNG Regasification Terminal and on transmission lines to transport the electricity that we sell to our customers. If transportation is disrupted, or if capacity is inadequate, including as a result of mitigation efforts enacted by authorities in response to the COVID-19 pandemic, our ability to sell and deliver our products and services may be hindered. As a result, we may be responsible for damages incurred by our customers, such as the additional cost of acquiring alternative natural gas or LPG supplies or electricity at then-current spot market rates, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

A portion of our business is conducted through joint ventures, over which we share joint control.

Because we share joint control with our joint venture partners on many projects, any failure to reach an agreement with our joint venture partners may materially affect the development or operation of the projects associated with such joint ventures, as well as require us to sell our stake in such joint venture, purchase our joint venture partner's stake in the joint venture or resort to other means of dispute resolution. If any future joint venture partner were unwilling to cooperate effectively with us in the management and operation of the joint venture, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We rely on Pemex for the operation and management of certain of our assets.

Certain of our assets are managed for us by Pemex, pursuant to services and management agreements. These assets include our ethane pipeline system, the TDF pipeline system and the Guadalajara LPG Terminal. While we conduct diligence to adequately ensure the operations meet our own standard, there may be instances of mismanagement by Pemex with respect to these assets. Any such mismanagement of our assets may adversely affect our business, operations and integrity, as well as that of our customers, employees and others.

If the commodities shipped in our systems fail to meet certain specifications, it could result in curtailments by interconnecting pipelines or markets.

The Mexican Official Standards (*Normas Oficiales Mexicanas*) establish specifications for the products that may be delivered through natural gas, ethane, refined products and LPG pipelines. These specifications include requirements such as hydrocarbon dew point, compositions, temperature and foreign content (such as water, sulfur, carbon dioxide and hydrogen sulfide) and composition of refined products. If the total mix of products that we deliver to a pipeline or market fails to meet the applicable product quality specifications set forth in such standards, we are required to disclose such non-compliance to the producer and to the pipeline or market that scheduled the delivery. Such downstream pipeline or market may refuse to accept all or a part of the non-compliant products scheduled for delivery to it, potentially reducing our through-put volumes or revenues, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We do not own all of the land on which our energy infrastructure assets are located, so our operations could be disrupted by actions of the landowners.

We do not own all of the land on which our energy infrastructure assets have been constructed. For example, some of our pipelines cross waterways, in which case governmental approval from entities such as the Mexican National Water Commission (*Comisión Nacional del Agua*) is required. We typically obtain the rights to construct and operate our energy infrastructure on land owned by third parties and governmental agencies for a specific period of time. We are therefore subject to the possibility of more onerous terms or increased costs to retain necessary land or right-of-way use if in the future it is determined that we do not have valid rights-of-way or leases, or if such rights-of-way or leases lapse or terminate. Our loss of these rights, through our inability to renew rights-of-way or lease contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We may face construction delays or increases in costs in our energy generation, pipelines, storage and other infrastructure projects as a result of delays or the impossibility of obtaining rights-of-way to the land through which the projects or assets will be constructed. Moreover, power transmission line projects require the Mexican federal government, the permit holder, or both to obtain legal authorizations to use third party lands to construct and operate a particular project. If rights-of-way are not obtained on time, we may incur additional costs and delays in the start of operations. Furthermore, in the event that rights-of-way are impossible to obtain, we may be required to change the route of a project, which may also result in cost increases and delays in the start of operations, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Risks Relating to Project Acquisitions, Development and Finance

Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments.

The acquisition, development, construction or expansion of the ECA Liquefaction Project, transportation systems, natural gas distribution, ethane, LPG, refined product facilities, and electricity generation and transmission facilities, and other energy infrastructure projects, involve numerous risks. We may be required to spend significant sums for preliminary engineering, permitting, fuel supply, resource exploration, legal, and other expenses before we can determine whether a project is feasible, economically attractive, or capable of being built.

Success in developing a particular project may be impacted by, among other things:

- obtaining the necessary property rights and other real estate rights;
- negotiation of satisfactory engineering, procurement and construction agreements;
- negotiation of supply and natural gas or electricity sales agreements or long-term firm capacity service agreements;
- timely receipt of required governmental permits, licenses, authorizations and rights-of-way;
- delays related to the COVID-19 pandemic, which may arise from delays in the issuance of permits or construction activities, or for other reasons related to the pandemic that are beyond our control;
- negotiation with local communities and minority groups;
- the occurrence of *force majeure* events;
- timely implementation and satisfactory completion of construction; and
- obtaining adequate and reasonably priced financing for the project.

Successful completion of a particular project may be adversely affected by various factors, including:

- unforeseen engineering or construction problems;
- unforeseen difficulty in obtaining rights-of-way and easements, including difficulties in obtaining the consent of local and indigenous communities;
- construction delays and contractor performance shortfalls;
- work stoppages, strikes, boycotts, or criminal acts;
- supplies or equipment unavailability, or delay and cost increases;
- adverse weather conditions;
- environmental and geological conditions;
- public health measures required in response to pandemics, including the COVID-19 pandemic;
- opposition or challenges (judicial or extrajudicial) by community leaders, stakeholders of industries affected by energy development activities, non-governmental environmental organizations or indigenous communities;
- risks related to brownfield project construction, such as hidden defects, inherited environmental liabilities and problems with rights-of-way;
- unanticipated increases in costs associated with known or unknown adverse environmental conditions, including costs of compliance with environmental laws and the Mexican emissions trading system; and
- impact of exchange rates on imported equipment and supplies.

If we experience substantial delays or cost overruns as a result of the above or other factors, or if we are unable, or elect not, to complete the development of a project or obtain the necessary permits, rights-of-way or easements for a project, including our projects that are currently under development and/or construction, we may be unable to recover our investment in such projects or be required to make payments under contractual obligations we have made, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We may not be successful in obtaining new energy infrastructure projects.

The market for new energy infrastructure projects in Mexico is highly competitive. We compete with Mexican and foreign companies for most of the new energy infrastructure projects in Mexico. We may also experience increased competition for key personnel. We may compete for energy infrastructure projects in new sectors where we have not previously operated, we may not be able to fully realize the benefit of these new opportunities as we may lack experience or familiarity in these areas. In addition, there are a number of potential new liquefaction projects under construction or in the process of being developed by various project developers in North America, including our indirect controlling shareholder's contemplated new projects, and given the projected demand for LNG, the vast majority of these projects likely will not be completed. Furthermore, we may not be able to obtain additional permits from the U.S. Department of Energy, CRE, ASEA, SEMARNAT, the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*, or "SCT"), INAH, SENER or local governments or a favorable opinion from COFECE, which may be required for new energy infrastructure projects. The projections contained elsewhere in this offering circular relating to growth in the Mexican energy sector may not be correct for various reasons, including, among others, changes in the global or Mexican economy, the demand for natural gas, LNG, and other refined products, and the direction the Mexican government takes regarding its energy policy (for example, in terms of the development of the Mexican natural gas or renewable energy network). The inability to successfully obtain new energy infrastructure projects may adversely affect our ability to grow our business, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We seek growth opportunities in the market organically and inorganically, including through the acquisition of, or partnerships in, operating companies.

We diligently analyze the financial viability of each acquisition, partnership or joint venture we pursue. However, we are exposed to risks that our diligence was not sufficient, difficulties in integrating acquired assets to our standards or latent unforeseen defects. Any of these events may affect our business and operations as well as our customers, employees and others. Failure to successfully integrate any future acquisitions, partnerships or joint ventures in a timely manner may have a material adverse effect on our business, financial condition, results of operations, and cash flows. In addition, we may not realize all of the anticipated benefits from future acquisitions, partnerships or joint ventures such as increased earnings, cost savings, and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher and unexpected acquisition and operating costs, unknown liabilities, and fluctuations in markets. If benefits from future acquisitions, partnerships or joint ventures do not meet the expectations of financial or industry analysts, it may adversely affect our ability to repay the Notes.

We are continuously analyzing different sources to finance our operations and develop projects, utilizing diverse financing methods, as well as our business cash flows and assets. Should we consider it necessary or convenient, we may incur additional indebtedness, refinance our existing indebtedness or sell our assets, which may pose structural risks or result in fewer assets or assets that generate lower cash flows.

We require considerable resources to finance our operations and develop projects. Consequently, we are continuously analyzing funding sources available in the market in order to improve the terms of our debt financing and capital structure and also considering the possible sale of assets. By virtue of our continuing need of capital, we may incur additional indebtedness or refinance our existing indebtedness, which will not necessarily result in a decrease in our debt or in lower financial expenses. Likewise, our strategy involves investments of additional capital, which may not necessarily be financed through cash flows. Therefore, we expect that a significant part of the resources necessary to finance our strategy should be raised through financing or refinancing, which may be obtained on less favorable terms than the current arrangements, which may result in increased indebtedness, additional restrictions or additional guarantees. Such a result may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Description of Other Indebtedness."

We regularly analyze our productive assets to improve their financial and capital structure. For example, we may sell a portion of our capital stock or assets from any of our subsidiaries or joint ventures and reduce our indebtedness to satisfy our capital requirements. In addition, we may decide that all or part of the proceeds obtained

from such transactions may not be distributed to our shareholders or be reinvested in the business. We cannot guarantee that our financing strategy will result in attractive returns, or in the improvement of our liquidity or profits.

Our business is capital-intensive and changes in capital requirements or the availability of capital could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Any expansion of our businesses will be capital-intensive and require significant investment. The amount and timing of the capital investments and expenditures for any new energy infrastructure projects will depend in part on market conditions. We may not be able to accurately predict the timing, amount of capital investment and expenditures that would be required for our new projects.

To the extent that we do not have sufficient internal resources available to fund new projects, we may be required to access external resources, which may be subject to certain limitations on the availability of credit and/or other financial alternatives and increases in interest rates or credit spreads. In difficult credit markets, we may find it necessary to fund our operations and capital expenditures at a higher cost or on other terms that are unfavorable to us, or we may be unable to raise as much funding as we need to support business activities. This could cause us to reduce capital expenditures and could increase our cost of funding, both of which could reduce our short-term and long-term profitability, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We have relied on and may continue to rely on certain affiliates for services and financing, and there can be no assurance that we will be able to obtain such services or financing from our affiliates or from alternate third parties in the future.

We rely on certain of our affiliates to provide various technical, administrative and management services, and we expect to continue to do so in the future. We depend to a certain extent on these affiliates for the successful operation and development of our energy infrastructure projects. We have agreements in place pursuant to which these services are being rendered, as more fully described in "Certain Relationships and Related Party Transactions." However, there is no obligation on the part of these affiliates to provide these services upon the expiration of the existing agreements. While we intend to continue to rely on affiliates for these services, we may not be able to obtain such services from these affiliates or any alternate third party in the future at reasonable prices or at all. Any failure to obtain these key technical, administrative and management services on acceptable terms could materially adversely affect our ability to satisfy our contractual obligations, or to grow our business, and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

As of June 30, 2020, we had borrowings from affiliates of Sempra Energy in the amount of approximately US$38.5 million. If our affiliates do not provide us with debt financing in the future, we may be unable to secure alternative sources of funding, which would have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. While we believe that the rates and terms of the borrowings we have received in the past from our affiliates are comparable to those we would have obtained from unrelated third parties in arm's-length transactions, we can provide no assurance that we would have been able to obtain such borrowings from unrelated third parties at rates and on terms that were as favorable to us as those we have received from our affiliates. We may not be able to obtain similar financing from these affiliates or any alternate third party at reasonable rates and terms or at all. Any failure to obtain sufficient debt financing on acceptable rates and terms could adversely affect our ability to satisfy our contractual obligations, or to grow our business, and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

In addition, our indirect controlling shareholder, Sempra Energy, has guaranteed certain of our financial obligations, including the obligations of IEnova Marketing to our ECA LNG Regasification Terminal under its firm storage services agreement and to our pipelines business under its transportation services agreements, as well as to third parties. We can provide no assurance that Sempra Energy will be willing to provide similar credit support in the future on other commercial contracts that we may enter into or the terms it may require from us in exchange for providing such credit support. In the event that we are unable to obtain such credit support from Sempra Energy on

commercially reasonable terms, or at all, we can provide no assurance that we would be able to obtain such credit support from third parties on commercially reasonable terms, or at all, which could limit our ability to enter into certain commercial contracts or adversely affect the terms of commercial contracts that we do enter into, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Certain Relationships and Related Party Transactions."

The phase-out of the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with a different reference rate or modification of the method used to calculate LIBOR, may adversely affect interest rates, which may adversely affect our business, financial condition, liquidity and results of operation.

LIBOR is an interest rate benchmark used as a reference rate for a wide range of financial transactions, including derivatives and loans. In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop compelling banks to submit LIBOR rates after 2021. It is unclear whether or not LIBOR will cease to exist at that time (and if so, what reference rate will replace it) or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to LIBOR for use in financial and other derivatives contracts that are currently indexed to U.S. dollar LIBOR. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to financial and other derivative contracts exposed to LIBOR. Uncertainty exists as to the transition process and broad acceptance of SOFR as the primary alternative to LIBOR. As of June 30, 2020, 39.7% of our consolidated indebtedness denominated in foreign currencies has variable rates indexed to LIBOR. At this time, we cannot predict the future impact of a departure from LIBOR as a reference rate. If future rates based upon the successor reference rate (or a new method of calculating LIBOR) are higher than LIBOR rates as currently determined, however, they may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Changes in sovereign and corporate credit ratings could adversely affect our capital cost.

Changes in the credit ratings of Mexico, CFE, Pemex or of Sempra Energy, or of securities issued by such entities, could adversely affect us. These changes could result from changes in the economic and political outlook of Mexico or the United States, laws or regulations (including trade agreements like USMCA), the imposition of tariffs, a decrease in oil production and prices, the impact of the COVID-19 pandemic, increasing fiscal deficits, trade deficits, and other factors. Credit ratings assigned by credit agencies to our securities could be adversely affected by such changes, which could increase the cost of capital or limit our possibility to obtain financing and have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Other Risks Relating to Our Business

We are party to pending legal and other proceedings against us or affecting our permits or property rights in connection with our ECA LNG Regasification Terminal and potential liquefaction projects.

Several parties have initiated actions against the SEMARNAT or the Mexican Environmental Protection Agency (*Procuraduría Federal de Protección al Ambiente*, or "PROFEPA"), challenging the Environmental Impact Authorization, or environmental authorization, for our ECA LNG Regasification Terminal, and one party has brought a civil action challenging the issuance of the authorizations and permits issued for the construction and operation of our ECA LNG Regasification Terminal. While, to date, SEMARNAT and PROFEPA have issued certain rulings against claimants' actions challenging said environmental authorization, the claimants have appealed these determinations. In the event any of these parties were to ultimately prevail against us, this could result in a modification to (or in extreme circumstances, a nullification of) our environmental authorization or one or more of our ECA LNG Regasification Terminal permits. To the extent that any such modifications require new investments to comply with more stringent mitigation measures or conditions, such modifications could materially adversely affect our terminal's operations. If our environmental authorization or one or more of our ECA LNG Regasification Terminal permits were to be nullified, it could result in our terminal being unable to continue operations, which also could result in breaches of one or more permits or contracts to which we are a party. Any modification or nullification of our environmental authorization or one or more of our ECA LNG Regasification Terminal permits

could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We also are engaged in disputes regarding our title to the properties on which our ECA LNG Regasification Terminal is located. In the event that we are unable to defend and retain title to the properties on which our ECA LNG Regasification Terminal is located, we could lose our rights to occupy and use such properties and the related terminal, which could result in breaches of one or more permits or contracts that we have entered into with respect to such terminal. If we are unable to occupy and use such properties and the related terminal, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

In May 2020, the two third-party capacity customers at the ECA LNG Regasification Terminal asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by us and a *force majeure* event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements, and we made draws under letters of credit provided by those customers as payment security. We have rejected the customers' assertions and expect to continue to draw on the customers' letters of credit. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. On July 23, 2020, one of the customers, Shell Mexico, submitted a request for arbitration of the dispute. We intend to avail ourselves of our available claims, defenses and remedies in the arbitration proceeding. Shell Mexico has also informed us that it filed a constitutional challenge to the CRE's approval of the update to the general terms and conditions. We continue to monitor these proceedings.

In 2018, two related claimants filed separate challenges in the federal district court in Ensenada, Baja California in relation to the environmental and social impact permits issued by each of ASEA and SENER to the ECA Liquefaction Project authorizing natural gas liquefaction activities. In the first case, the court issued a provisional injunction in September 2018. In December 2018, ASEA approved modifications to the environmental permit that facilitate the development of the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional injunction. The claimant appealed the court's decision canceling the injunction but was not successful. The claimant's underlying challenge to the permits remains pending. In the second case, the initial request for a provisional injunction was denied. That decision was reversed on appeal in January 2020, resulting in the issuance of a new injunction against the same environmental and social impact permits that were already issued by ASEA and SENER. This injunction has uncertain application absent clarification by the court. The reversal and issuance of the injunction in the second case is under further appeal.

We have spent, and continue to spend, substantial amounts of money and time defending these lawsuits, and in related investigations and regulatory proceedings. The uncertainties inherent in legal proceedings, particularly in Mexico, make it difficult to estimate with any degree of certainty the costs and effects of resolving these matters. In addition to the matters described above, from time to time we may become involved in other litigation and administrative proceedings relating to claims arising out of our operations and properties. These may include claims filed by suppliers and customers, government regulators, including tax authorities, neighboring residents and environmental activists, as well as labor disputes. The outcome of these proceedings could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. For additional information regarding the legal and administrative proceedings to which we are a party, see "Business—Legal, Administrative and Arbitration Proceedings."

We are party to certain legal proceedings against us or in relation to the permits corresponding to the Los Ramones Norte Gas Pipeline.

We have initiated certain judicial and administrative proceedings in two municipalities in Nuevo León, Mexico where the Los Ramones Norte Gas Pipeline operates. One sectioning valve of its transport system is closed, without an impact to the operation of the gas pipeline, until the resolution of certain tax claims imposed by the municipal authorities who alleged that the pipeline lacked the requisite permits during construction. The result of these proceedings could have a material adverse effect on our business, financial condition, results of operations,

cash flows, prospects and/or our ability to repay the Notes. See "Business—Legal, Administrative and Arbitration Proceedings."

Our business and operations are subject to risks associated with natural disasters, severe weather conditions, catastrophic accidents, major equipment failures, accidents and acts of terrorism or criminality.

Our facilities, including our ECA LNG Regasification Terminal, pipeline systems, storage facilities, natural gas, LNG and other hydrocarbons distribution systems, power generation facilities, and office buildings may be damaged by natural disasters, accidents, major equipment failures, leaks, ruptures, acts of terrorism or criminality. Substantially all of our assets are located in areas of northern and central Mexico that are susceptible to earthquakes and wildfires. Natural disasters, severe weather conditions, accidents, major equipment failures, leaks, ruptures, acts of terrorism or criminality and sabotage could result in severe business disruptions, significant decreases in revenues and earnings and/or significant additional costs to us. Any such incident could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Depending on the nature and location of our affected facilities, any such incident also could cause catastrophic fires, leaks, explosions, spills or other significant damage to natural resources or property belonging to third parties, or cause personal injuries, health impacts or fatalities, or present a nuisance to impacted communities. Any of these consequences could lead to significant claims against us. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds we receive may be insufficient to cover our losses or liabilities, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In particular, we have declared a *force majeure* event as a consequence of certain legal disputes relating to the Guaymas – El Oro segment of the Sonora pipelines located in the territory of the Yaqui indigenous people and, as a result, that segment ceased its operations as of August 23, 2017.

Pursuant to our current agreement with CFE, if the pipeline is not repaired by September 15, 2020 and the parties do not agree on a new service start date, we retain the right to terminate the contract and seek recovery of our reasonable and documented costs and lost profits. In August 2019, we agreed to defer payments under the related agreement with CFE while we address repairs and seek to resume operations, which has adversely affected revenues and profit for the six months ended June 30, 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months Ended June 30, 2019 and 2020." If we are unable to make such repairs and resume operations in the Guaymas – El Oro segment of the Sonora pipelines within this time frame or if we terminate the contract and are unable to obtain recovery, there may be a material adverse impact on our results of operations and cash flows and our ability to recover the carrying value of our investment. The Sasabe-Puerto Libertad-Guaymas segment of the Sonora pipelines remains in full operation and is not impacted by these developments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage" and "Business—Legal, Administrative and Arbitration Proceedings."

Like other major industrial facilities, ours may be damaged by severe weather conditions, natural disasters such as earthquakes, tsunamis and fires, catastrophic accidents, major equipment failures, leaks, ruptures, or terrorism, crime and sabotage. Because we are in the business of using, storing, transporting and disposing of highly flammable and explosive materials and operating highly energized equipment, the risks such incidents may pose to our facilities and infrastructure, as well the risks to the surrounding communities, are substantially greater than the risks such incidents may pose to a typical business. Even if we comply with requisite environmental, sanitary, security, transportation, risk management and safety requirements and standards, our operations are subject to significant hazards associated with using, storing, transporting and disposing of such materials. The facilities and infrastructure that we own and in which we have interests (or which in the future we may own or have an interest in) that may be subject to such incidents include, but are not limited to:

- natural gas, LPG and ethane pipelines, storage and compression facilities;
- LNG and refined products (such as diesel, gasoline, methyl tert-butyl ether ("MTBE") and jet fuel) terminals and storage;
- electric distribution facilities; and

- power generation facilities.

Such incidents could result in severe business disruptions, property damage, injuries or loss of life, significant decreases in revenues and earnings, and/or significant additional costs to us. Any such incident could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Depending on the nature and location of the facilities and infrastructure affected, any such incident also could cause catastrophic fires; release of natural gas odorant; natural gas, LPG and ethane leaks; explosions, spills or other significant damage to natural resources or property belonging to third parties; personal injuries, health impacts or fatalities; or present a nuisance to impacted communities. Any of these consequences could lead to significant claims against us. In some cases, we may be liable for damages even though we are not at fault, and in cases where the concept of inverse condemnation, strict liability or similar legal concepts (such as *responsabilidad objetiva*) apply, we may be liable for damages without being found to be at fault or to have been negligent. Insurance coverage may significantly increase in cost or become unavailable for certain of these risks, and any insurance proceeds we receive may be insufficient to cover our losses or liabilities due to the existence of limitations, exclusions, high deductibles, failure to comply with procedural requirements, and other factors, which could have material adverse effect on our businesses, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Severe weather conditions may also impact our businesses. Significant rainstorms and associated high winds, could damage our facilities, resulting in increased expenses, including higher maintenance and repair costs, and interruptions in electricity and natural gas delivery services. As a result, these events can have significant financial consequences, including regulatory penalties and disallowances if our utilities encounter difficulties in restoring service to their customers on a timely basis. Further, the cost of storm restoration efforts may not be fully recoverable through the regulatory process. Any such events could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Our insurance contracts may be inadequate.

We have insurance for our operations in Mexico, including our ECA LNG Regasification Terminal and related marine terminal, power generation facilities, transportation systems, storage systems and power distribution systems, including property insurance, commercial general liability insurance, environmental liability insurance and business interruption insurance, in amounts and with deductibles that we consider appropriate. However, we cannot assure you that the insurance currently in place or other insurance that may be appropriate will be available in the future at commercially reasonable rates. In addition, in any particular instance our insurance coverage could prove to be insufficient or an accident or casualty could occur that either is not covered or becomes the subject of a dispute. Currently, we do not carry insurance for certain types of events (for example losses caused by war or government action) because these types of losses are often not economically insurable.

If certain casualties occur, if there is a total or partial loss of our facilities, or if there is extended business interruption, there can be no assurance that the proceeds from our applicable insurance policies will be sufficient to cover lost revenues, increased expenses or the cost of repair or replacement. Further, there can be no assurance that at such time our insurers or their reinsurers will be solvent. This loss of revenue, increased expenses or additional costs could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Any change in the policies of the Mexican federal government or its dependencies, or conflicts between us and them, may significantly affect our activities, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

In August 2019, the Mexican federal government began arbitration proceedings against several companies owning natural gas pipelines, including us and our joint venture with TC Energy Corporation in connection with the South of Texas – Tuxpan pipeline and the Guaymas – El Oro segment of the Sonora pipelines. After negotiation, we executed agreements pursuant to which the terms of the transportation services agreements relating to these pipelines were extended for ten years and new rates were applied. These agreements satisfy the interests of both parties and allow CFE to benefit, while maintaining the integrity of the agreement. These arbitration proceedings

have been definitively resolved, and, other than with respect to the contract relating to the Guaymas – El Oro segment of our Sonora pipelines, we do not expect the renegotiated contracts to affect our financial condition or results of operations. Pursuant to our current agreement with CFE, if the pipeline is not repaired by September 15, 2020 and, despite current ongoing efforts, the parties do not agree on a new service start date, we retain the right to terminate the contract and seek recovery of our reasonable and documented costs and lost profits. We are currently working with CFE to extend the term of this agreement. If we are unable to make such repairs and resume operations in the Guaymas – El Oro segment of the Sonora pipelines within this time frame, if we do not reach an agreement with CFE to extend the term of the agreement or if we terminate the contract and are unable to obtain recovery, there may be a material adverse impact on our results of operations and cash flows, and our ability to recover the carrying value of our investment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage." These risks, or the commencement of new proceedings by the Mexican federal government against us, may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We are exposed to conduct that may be incompatible with our ethics and compliance standards. Our compliance policies and procedures may not be capable of totally or partially detecting any fraud, money laundering or other illegal or improper activities, which may expose us to fines, liabilities and reputational risk.

Given the large quantity of agreements entered into with our suppliers and contractors, the distribution of our operations and the large diversity of parties with whom we interact in the course of our business, we are subject to the risk that our employees, suppliers, contractors or any other person with whom we have any business relationship may misappropriate or manipulate our assets or information, make improper payments or participate in money laundering activities, for personal or commercial advantage. Although, we have adopted policies and procedures for the purpose of detecting and preventing money laundering and other illegal activities, such policies and procedures may not completely eliminate such risks. If we fail to comply with the applicable laws and regulations, we may be subject to fines and other sanctions. Additionally, such conduct may result in material financial losses or reputational damages that may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Our risk management procedures may not prevent losses.

Although we have in place risk management systems and control systems that use advanced methodologies to quantify and manage risk, these systems may not always prevent material losses. Risk management procedures may not always be followed or may not always work as planned. In addition, daily value-at-risk and loss limits are based on historic price movements. If prices significantly or persistently deviate from historic prices, the limits may not protect us from significant losses. As a result of these and other factors, there is no assurance that our risk management procedures will prevent losses that could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

The operation of our facilities depends on good labor relations with our employees.

On May 1, 2019, as a result of the 2017 Constitutional reform to Article 123, the Mexican Federal Labor Law (*Ley Federal del Trabajo*) was amended to include among other things, rules and processes for labor unions and the creation of new labor courts. One of the most relevant modifications is that labor unions must demonstrate that they are, in fact, representing workers, in terms of negotiating and enforcing a collective bargaining agreement, which may result in greater union activity in Mexico. We are not yet in a position to predict the impact of these labor reforms in our daily activities. During the last year, new law initiatives have been presented that could significantly affect the outsourcing schemes that we know today as a common practice among companies, and although labor obligations are met timely, if these changes occur, we must review and adjust the structure of service companies under the new regulations.

Any failure to reach an agreement on new collective bargaining agreements may result in strikes, boycotts or other labor disruptions. Our facilities have not experienced any labor disruption since we began operations. However, potential labor disruptions, strikes or significant negotiated wage increases, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Business—Employees."

We depend on our executives and employees and their knowledge of the energy sector and our business segments, and we may not be able to replace key executives and employees if they leave.

The operations and continued growth of our business is dependent upon being able to attract and retain personnel, including corporate management, specialized engineers and employees, who have the necessary and required experience and expertise to manage and operate our businesses. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

We may be subject to interruptions or failures in our information technology systems.

We rely on sophisticated information technology systems and infrastructure to support our business, including process control technology. Any of these systems may be susceptible to outages due to fire, explosions, floods, power loss, telecommunications failures and similar events. Information technology system failures, network disruptions and breaches of data security could disrupt our operations by causing delay or cancellation of transactions and reporting of financial results, could result in the unintentional disclosure of confidential customer or company information, or could cause damage to our reputation. Such failures could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes, and we cannot assure you that our business continuity plans will be completely effective during an information technology failure or interruption.

Cyber-attacks against private businesses or government entities may cause significant harm to us or to government entities in the municipalities and regions where we operate. Cyber-attacks, even if not directed specifically against us or our assets, could cause widespread disruptions to our operational and administrative systems, including causing, among other things, (i) the destruction of critical information and/or (ii) a catastrophic event including the total or partial loss of an asset, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

New business technologies present a risk for attacks on our information systems and the integrity of our energy grid and our infrastructure.

Elements of our energy infrastructure may be exposed to cyber security risks. In addition to general information and cyber risks, such as malware, malicious intent by insiders and inadvertent disclosure of sensitive information, the energy industry faces evolving cyber security risks associated with protecting sensitive and confidential customer information, smart-grid infrastructure, automated metering, and other electronic infrastructure components. Deployment of new business technologies represents a new and large-scale opportunity for attacks on information systems and confidential information as well as the integrity of the energy grid and natural gas infrastructure and other facilities. While our computer systems have been, and will likely continue to be, subjected to computer viruses or other malware, unauthorized access attempts and cyber- or phishing attacks, to date we have not experienced a material breach of cybersecurity. Addressing these risks is the subject of significant ongoing activities across our business, but we cannot ensure that a successful attack will not occur. An attack on our information systems, the integrity of the energy grid or one of our facilities, or the unauthorized access to confidential customer information could result in energy delivery service failures, financial loss, violations of privacy laws, customer dissatisfaction and litigation, any of which, in turn, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

In the ordinary course of business, we collect and retain sensitive information, including personal identification information about customers and employees, customer energy usage and other information. The theft, damage or improper disclosure of sensitive electronic data can subject us to penalties for violation of applicable privacy laws, subject us to claims from third parties, require compliance with notification and monitoring regulations, and harm our reputation.

As seen in recent cyber-attacks against private and/or government entities, attacks of this nature could damage us on a large scale. Any cyber-attack, even if it is not directed directly against us or our assets, could cause widespread disruptions to our operating and administrative systems, including the destruction of critical information and programming, which could have a material adverse effect on our business operations and the integrity of the

power grid, and/or release confidential information about our company and our customers, employees and other constituents.

Our natural gas distribution business may face increased competition due to the expiration of its exclusivity period.

Our natural gas distribution business was entitled to a 12-year exclusivity period with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. See "Business—Competition—Gas Segment—Natural Gas Distribution Business." As a result, we could face competition from other distributors of natural gas as they are now legally permitted to build natural gas distribution systems and compete to attract customers within the locations in which we operate. To the extent that other distributors of natural gas expand or construct distribution systems within these locations, that expansion or market entry could create additional competition against the natural gas we provide to our customers, and if we are unable to successfully compete against any such competitors, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Risks Relating to Mexico

We conduct all our business operations in Mexico, and are subject to adverse Mexican economic and political conditions.

We conduct all of our operations in Mexico and our potential for growth is centered in Mexico; our business is therefore significantly dependent upon the performance of the Mexican economy. Mexico has experienced economic crises in the past, caused by internal and external factors, characterized by, among other things, exchange rate instability (including large devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, and a reduction of liquidity in the banking sector. As a result, such conditions, as well as the general condition of the Mexican economy, over which we have no control, could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

According to the International Monetary Fund, Mexico's gross domestic product changed in percentage terms, in constant prices using 2013 as the base, by 2.0%, 2.0% and (0.1)%, respectively, in 2017, 2018 and 2019. On April 17, 2020, Moody's downgraded the credit rating for Mexico's sovereign debt from A3 to Baa1, with negative outlook. On August 26, 2020, the Mexican National Institute on Statistics and Geography (*Instituto Nacional de Estadística y Geografía*) reported that Mexico's gross domestic product fell a record 18.9% for the second quarter of 2020 compared to the same period of 2019. The COVID-19 pandemic has disrupted and may continue to disrupt economic activity, which may intensify the slowdown in the Mexican economy. If recessionary conditions continue, if inflation or interest rates increase significantly, or if Mexico's sovereign debt credit rating is further downgraded, our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes could be materially adversely affected.

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. dollars (except for certain restrictions related to cash transactions involving a U.S. dollar payment to a Mexican bank) or other currencies and Mexico has not had a fixed exchange rate policy since 1982. The Mexican peso has been subject to significant devaluations against the U.S. dollar in the past and may be subject to significant fluctuations in the future. Severe devaluations or depreciations of the Mexican peso may result in governmental intervention to institute restrictive exchange control policies, as has occurred before in Mexico and other Latin American countries. Accordingly, fluctuations in the value of the Mexican peso against other currencies, particularly the U.S. dollar, may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. For information regarding recent trends in the Mexican peso-U.S. dollar exchange rate, see "Exchange Rates."

Changes in Mexican federal governmental policies could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned and private enterprises could

have a significant effect on Mexican private sector entities in general, and us in particular, as well as on market conditions, prices and returns on investments in Mexico, including the Notes.

The most recent federal congressional elections in Mexico that took place in July 2018 resulted in an absolute majority for the coalition led by the Mexican president's party. Since 1997, no Mexican president has had an absolute majority in the Chamber of Deputies and majority in the Senate. The Mexican federal government along with the Chamber of Deputies could implement significant changes in laws, policies and regulations, which could affect the economic and political situation in Mexico.

During his campaign and more recently while acting as president, Andrés Manuel López Obrador has proposed, among other things, modifying and/or terminating certain structural reforms, including the energy reform of 2013. As of the date of this offering circular, a new education reform was approved by the Mexican Congress and ratified by the legislative authorities of 22 Mexican states. In addition, the new administration canceled the construction of the new Mexico City international airport project, and announced the kickoff of the main infrastructure projects that were promised during the campaign (including a new refinery at the Dos Bocas Port in Tabasco, the "Mayan train," and the construction of a new airport in Santa Lucía in the State of Mexico). In 2020, the Mexican federal government also carried out a referendum to solicit voter opinion in connection with the then pending construction and development of a brewing facility by Constellation Brands in Baja California. Based on the results of the referendum, the government decided to cancel the project, which had a negative effect on international investor perception of the business climate in Mexico. Investors and credit rating agencies may be cautious about the new administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn.

Similarly, changes in government policies could present challenges for our business. For instance, the Mexican federal government began arbitration proceedings against us in August 2019 in order to renegotiate transportation service agreements relating to the South of Texas – Tuxpan pipeline and the Guaymas – El Oro segment of the Sonora pipelines. While the arbitration proceedings were resolved satisfactorily and we do not expect the renegotiated contracts to affect our financial condition or results of operations, we cannot predict if the new administration will implement substantial changes in law, policy and regulations pertaining to hydrocarbons in Mexico or initiate future proceedings against us, any of which could negatively affect our business, financial condition, operations and prospects.

Since 2019, several amendments to existing regulations, as well as new regulations and policies, have been enacted that impact the power sector in Mexico, including our renewable power assets and projects under development. We believe these changes strengthen CFE's authority in the power sector, which could have potential material adverse effects on our wind and solar assets. Such adverse effects could present challenges for our business.

Through administrative action, SENER, CRE and CENACE have issued modifications to existing regulations which we expect to adversely affect our ability to dispatch renewable energies and to receive or maintain operation permits, which could be material. Such modifications may also increase costs of electricity provided under legacy concessions contracts, and otherwise negatively impact the consumers and suppliers of renewable energy. See "Regulatory, Permits and Environmental Matters."

Most of these newly enacted regulations and policies have been temporarily suspended through litigation and judicial rulings obtained by businesses operating in the power sector, including by us. See "Business—Legal, Administrative and Arbitration Proceedings." We cannot predict whether we will ultimately be successful in the ongoing litigation, nor can we assure holders of the Notes that there will be no new regulations and policies or further amendments to existing regulations that could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

For instance, official electricity policy papers (*Programa de Desarrollo del Sistema Eléctrico Nacional - PRODESEN and Programa Sectorial de Energía 2020-2024 – PROSENER 2020-2024*) have shed light on the current administration's intention to favor state-owned companies to the detriment of the private sector and of end users. More recently, Mexico's President issued a memorandum informing CRE that CFE's power plants should be given dispatch priority over every other power plant in the country, that the grant of permits should be restricted, and that private investment should only participate in the energy sector through subcontracts from CFE and Pemex. Based on the aforementioned actions of the administration, it could be possible that subsequent regulatory and legal

changes are enacted that limit or restrict the incorporation and operation of privately owned assets, delay our future projects, or entail operational restrictions of current projects.

In general, changes that may be made to the existing legal framework, as well as the impact of new regulations, may result in increased costs to us or our customers, and may require us to amend our existing permits, secure additional permits to operate our natural gas, LNG, LPG, ethane, refined products or power generation facilities or render our services, take additional actions to secure the requisite rights-of-way for our projects, perform social impact assessments or, upon prior consultation with the competent authorities, require the consent of indigenous communities for the development of our projects.

New and unanticipated tax reforms may be approved.

Mexican tax legislation is frequently amended, and there is no guarantee that the current legal framework will not be amended in a way that might adversely affect our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Developments in Mexican class action laws, including the strengthening of such laws, could adversely affect our operations.

Since 2011, Mexico's legal framework has expressly permitted class action lawsuits in connection with the consumption of goods and services and environmental matters. These laws may result in our customers and other market participants initiating class action lawsuits against us. Due to the lack of judicial precedent in the interpretation and application of these laws, we cannot predict the outcome of any actions brought under such laws, including the scope of any liability and the impact of such liabilities on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. See "Regulatory, Permits and Environmental Matters—Constitutional Amendments to Collective Actions."

We may be materially adversely affected by economic and political developments in the United States.

Economic conditions in Mexico are highly correlated with economic conditions in the United States due to the generally high degree of economic activity between the two countries, including the trade facilitated by the USMCA, as well as physical proximity. In addition, political developments in the United States, including changes in the administration and governmental policies, can also have an impact on the exchange rate between the U.S. dollar and the Mexican peso, economic conditions in Mexico and the global capital markets. Exports of a significant number of energy-related products from Mexico to the United States have enjoyed a zero-tariff rate under USMCA. The USMCA will offer new commercial conditions, for which negotiations began during the fourth quarter of 2018.

The 2016 U.S. presidential election and the change in the U.S. administration have had an impact on the worldwide economy, including in Mexico. Current U.S. governmental policies towards Mexico could create uncertainty and adversely affect the Mexican economy. For example, President Donald Trump has instituted import tariffs on a limited number of products imported from Mexico and enforced measures intended to control illegal immigration from Mexico, which have created friction between the U.S. and Mexican governments and may reduce economic activity between these countries. In addition, both countries could announce plans to impose an escalating series of tariffs on one another for a variety of reasons or for no reason. While tariffs have not been imposed by either country on the energy sector as of the date of this offering circular, we cannot assure you that either government will not impose escalating or other tariffs on the other, and that we will not be materially adversely affected by tariffs in the future. Moreover, we are unable to predict the impact of the outcome of the upcoming 2020 U.S. presidential and U.S. congressional election, which may affect policies regarding trade and tariffs of both Mexico and the United States.

Mexico may experience high levels of inflation in the future, which may have a negative effect on our financial condition or performance.

Mexico has a history of high levels of inflation and may experience high inflation in the future. Inflation in Mexico in prior years has led to higher interest rates, depreciation of the Mexican peso and the imposition of substantial government controls over exchange rates and prices, which at times has adversely affected our operating revenues and margins. Historically, Mexico has experienced periods of high inflation, including periods of hyperinflation prior to 2000. More recently, the annual rate of inflation for the last three years, as measured by the

inflation rate officially recognized by Banco de México, was 6.77% in 2017, 4.83% in 2018, 2.83% in 2019 and 0.76% for the six months ended June 30, 2020. Although inflation is less of an issue today than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States. If Mexico experiences high levels of inflation as it has in the past, these may impact our costs and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Changes in the relative value of the Mexican peso to the U.S. dollar could have a material adverse effect on us.

The Mexican peso-U.S. dollar exchange rate is important for us because of its effect on our business, financial condition, results of operations, cash flows and prospects. In general, as described below, a depreciation of the peso will likely result in an increase in our operating margins and an appreciation of the peso will likely result in a decrease in our operating margins. This is because the aggregate amount of our net sales denominated in or linked to U.S. dollars exceeds the aggregate amount of our cost of sales and other selling, general and administrative expenses denominated in or linked to U.S. dollars. In addition, a depreciation of the Mexican peso will likely affect the value of U.S. dollar receivables and payables and peso-denominated deferred income tax assets and liabilities. The economic instability caused by the COVID-19 pandemic has resulted in a high volatility of the foreign exchange rate, including a significant devaluation of the Peso with respect to the U.S. Dollar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Effects of Currency Exchange Rates on Income Tax Expense."

The majority of our net sales are either denominated in, or linked to the value of, the U.S. dollar. However, a portion of our cost of goods sold, including labor costs, and other selling, general and administrative expenses are invoiced in pesos and our Mexican taxes will also be paid in pesos, as may be debt obligations we incur in the future. Consequently, the real appreciation or depreciation of the peso relative to the U.S. dollar can have an effect on our operating margins and our income tax expense. The monetary policy decision by the U.S. Federal Reserve could also impact the Mexican peso-U.S. dollar exchange rate. Changes in the Mexican peso-U.S. dollar exchange rate could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. For information regarding recent trends in the Mexican peso-U.S. dollar exchange rate, see "Exchange Rates."

An increase in interest rates in the United States could adversely impact the Mexican economy and may have a negative effect on our financial condition or performance.

An increase in interest rates in the United States that does not correspond with an increase in interest rates in Mexico, causing a reduction in the interest rate differential between the two countries, could redirect the flow of capital away from emerging markets and into the United States, because investors may be able to obtain greater risk-adjusted returns in larger or more developed economies rather than in Mexico. Thus, companies in emerging market economies such as Mexico could find it more difficult and expensive to borrow capital and refinance existing debt. This may negatively affect our potential for economic growth and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a material adverse effect on our business and performance.

Over the past few years, Mexico has experienced a significant increase in violence. This increase in violence has had an adverse impact on the economic activity in Mexico. Also, social instability in Mexico and adverse social or political developments in or affecting Mexico could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes. In addition, violent crime may increase the cost of our insurance and security costs. We can provide no assurance that the levels of violent crime in Mexico, over which we have no control, will increase or decrease. An increase in violent crime could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Events and the perception of risk in other countries, especially the United States, China, Latin America and emerging market countries, may materially adversely affect our ability to repay the Notes.

The market price of securities issued by Mexican companies is affected to varying degrees by economic and market conditions in other countries, including the United States, China, Latin America and emerging market countries. Therefore, investors' reactions to developments in these other countries and regions may have an adverse effect on the market value of securities of Mexican issuers. Crises in the United States or emerging market countries may reduce investor interest in securities issued by Mexican companies, including those issued by us.

In the past, the development of adverse economic conditions in other emerging market countries resulted, in general, in capital flight and, consequently, in a decrease in the value of foreign investments in Mexico. The financial crisis that originated in the United States during the third trimester of 2008 triggered a recession of global scale. Similarly, the COVID-19 pandemic has resulted in unprecedented reductions in economic activity on a global scale. These events have adversely affected the Mexican economy and Mexican capital markets, both directly and indirectly, and led to, among other things, fluctuations in the trading prices of securities issued by publicly owned companies, scarcity of credit, cuts in expenditures, slowdown in the global economy, exchange rate volatility, and inflationary pressures. Any of these factors could negatively affect the market value of our securities and make it more difficult for us to access capital markets and finance our operations in the future on acceptable terms, or at all, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Further, the Mexican economy is affected by international economic and market conditions generally, and especially by economic and market conditions in the United States. For example, share prices on the Mexican Stock Exchange have traditionally been sensitive to fluctuations in U.S. interest rates and activity on the major U.S. securities exchanges. The Mexican economy can also be affected by the tariffs imposed by China and the United States on their respective imports, since the implementation of tariffs can destabilize the supply chains or production of goods globally and within Mexico, as well as increase production costs. We can provide no assurance that current tariffs will not be maintained or increased. This situation could negatively impact the American and Chinese economies, as well as the economies of other countries, including Mexico. We cannot guarantee that these events will not have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Adverse economic conditions in the United States, the termination or re-negotiation of USMCA or other related events could have an adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not materially adversely affect our business, financial condition, results of operations, cash flows, outlook and/or our ability to repay the Notes.

We could be materially adversely affected by violations of the Mexican Federal Anticorruption Law in Public Contracting, the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The Mexican Federal Anticorruption Law in Public Contracting (*Ley Federal Anticorrupción en Contrataciones Públicas*), the U.S. Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials and other persons for the purpose of obtaining or retaining business or any business advantage. Many of our operations require us to use third parties to conduct business or to interact with people who are deemed to be governmental officials under the FCPA. Thus, we face the risk of receipt of unauthorized payments, offers of payments or other things of value by our employees, contractors or agents. It is our policy to implement compliance procedures to prohibit these practices. However, there can be no assurance that our internal control policies and procedures will protect us from unlawful acts committed by our employees, contractors, associated persons or agents, regardless of whether such conduct occurs within or outside the United States. Violations of these laws, or allegations of such violations, could damage our reputation, be expensive to defend, disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

The continuity of our business could be affected by measures implemented by the governments of Mexico and other countries to prevent the spread of contagious diseases, including the novel coronavirus, among the population.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is currently materially impacting communities, supply chains and markets around the world. The U.S. and Mexican economies are experiencing significant slowdowns and claims for unemployment have increased to historic levels. As of and for the six months ended June 30, 2020, the COVID-19 pandemic has not had a material impact on our results of operations. See "Summary—Recent Developments—Effects of COVID-19 on our Operations and Financial Condition," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Assessment of the Impact of COVID-19," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months Ended June 30, 2019 and 2020" and our unaudited consolidated financial statements and related notes included elsewhere in this offering circular. However, we are conducting business with substantial modifications to employee travel, employee work locations, increased sanitization of working areas and virtualization or cancellation of certain business activities, among other modifications. If these or other similar measures were to increase or continue for an extended period, we could experience employee absenteeism, decreased efficiency and productivity by our workforce and other similar impacts that could jeopardize our ability to sustain operations and satisfy compliance requirements.

We also have observed other companies, including our current and prospective counterparties, customers and partners, as well as our regulators and other governing bodies that affect our businesses, taking precautionary, preemptive and responsive actions to address the effects of the COVID-19 pandemic, some of which have resulted in delays in obtaining permits as well as in several proceedings in which we are involved, and they may take further actions that alter their normal operations and our business and may cause delays in our infrastructure projects. For example, in response to the COVID-19 pandemic, on March 30, 2020, the Mexican government announced a national state of health emergency, suspending all non-essential activities and urging people in Mexico to stay at home until April 30, 2020, which was subsequently extended to May 30, 2020. Essential business activities that may continue to operate during the health emergency include the conservation, maintenance and repair of critical infrastructure that ensures the production and distribution of electric and gas services. On June 1, 2020, the Mexican government began phasing in non-essential economic activities in some states and municipalities. We cannot predict the impact on the Mexican economy or on our business of future mitigation measures, such as additional lockdowns, imposed by the Mexican government in response to rising COVID-19 infection rates.

On April 6, 2020, Mexico's Federal Government unveiled a plan to provide relief from the COVID-19 pandemic. This plan consists primarily of increases in public investment and social spending, providing loans to small businesses and individuals and adopting additional austerity measures. However, there remains substantial uncertainty as to the mechanics and processes necessary to implement this plan. Furthermore, the plan currently does not include bailouts, tax cuts or increases in public debt, although such measures could be adopted in the future. The success of these strategies is uncertain as well as the effect that the pandemic will have on the Mexican economy as well as on our customers and on our business, financial position and results of operations over the near, medium or long-term.

Additionally, while many of our customer agreements feature "take or pay" provisions that guarantee us a minimum portion of the payment due, we will continue evaluating recoverability and collection considering the effects of the COVID-19 pandemic on the supply chain. It is possible that certain customers may delay payments and others may temporarily stop operations. The economic slowdown caused by the COVID-19 pandemic and the current uncertainty in the global oil and gas markets, or a combination of these factors, may also contribute to delays in investment decisions. These conditions, as well as potential disruptions of construction and development activity if our project counterparties implement or are required to implement stay-at-home or limited workforce measures in response to the pandemic, could result in substantial delays in projects and other initiatives currently under development. Further, the COVID-19 pandemic has adversely affected conditions in the capital markets and may adversely affect our cost of and access to capital, including from the capital markets generally.

Our Board of Directors and management are working continuously to minimize the negative impact of the COVID-19 pandemic on our business and results of operations through crisis planning, effective communication and cooperation. The full extent to which the COVID-19 pandemic may impact our results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the

effect of COVID-19, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local, federal and other governmental authorities, which are beyond our control.

To the extent the COVID-19 pandemic and the measures adopted by the authorities to contain it adversely affect our business and financial results, they may also have the effect of heightening many of the other risks described in this "Risk Factors" section. See "Summary—Recent Developments—Effects of COVID-19 on our Operations and Financial Condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Assessment of the Impact of COVID-19."

Risks Relating to the Notes

We are a holding company and none of our subsidiaries are guarantors. We depend on dividends and this debt will be structurally subordinate to all liabilities of our subsidiaries.

We are a holding company. We conduct substantially all of our operations through subsidiaries that own substantially all of our consolidated assets. Consequently, our ability to meet our debt service obligations depends in large part upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of loans, dividends or otherwise. Our subsidiaries are not obligated to make funds available to us for payment of our debt securities or otherwise. In addition, their ability to make any payments will depend on their earnings, the terms of their indebtedness, business and tax considerations and legal restrictions.

As a result, the Notes will be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries. This means that creditors of our subsidiaries will be paid from their assets before holders of the Notes would have any claims to those assets. The Indenture does not limit the amount of unsecured debt that our subsidiaries may incur. See "Description of the Notes."

We cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies.

On April 17, 2020, Fitch downgraded our credit rating to BBB / Stable from BBB+ / Stable, and on April 20, 2020, Moody's downgraded our credit rating to Baa2 from Baa1. Both actions were taken in response to the corresponding downgrade of the credit ratings for Mexico, CFE and Pemex. See "Summary—Recent Developments—Ratings Downgrade."

We cannot assure you that our credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes and may adversely affect our cost of obtaining financing in the future.

If we fail to comply with certain restrictions under the agreements governing our material indebtedness, our debt could be accelerated and we may not have sufficient cash to pay our accelerated debt.

The covenants in the agreements governing our material indebtedness, including the Indenture governing the Notes, may adversely affect our ability to finance future operations or capital needs or to engage in new business activities. The terms of our indebtedness may restrict our ability to engage in mergers, acquisitions or asset sales and alter the business we conduct. See "Description of Other Indebtedness."

We may incur additional secured indebtedness, and the Notes would be effectively subordinated to any secured debt to the extent of the value of the assets securing that debt. We are also not restricted from paying dividends.

The Notes will be unsecured and effectively subordinated to any secured debt that we have issued or that we may issue in the future. As of June 30, 2020, we and our subsidiaries had total consolidated indebtedness of US$4.2 billion of which (i) US$637.1 million was indebtedness of our consolidated subsidiaries to which the Notes will be structurally subordinated, and (ii) US$3.5 billion was unsecured indebtedness of ours. Although the Indenture will limit our ability to secure indebtedness with liens on (i) pipeline assets, (ii) processing and manufacturing plants and terminals, (iii) wind and power generation assets and (iv) capital stock, there are significant exceptions to such restrictions, including an ability to incur secured debt owed to our subsidiaries (which would be senior to the Notes to the extent of such security). We expect that we will from time to time incur additional debt and other liabilities. In addition, the Indenture will not restrict us from paying dividends or issuing or repurchasing securities. See "Description of the Notes." The holders of any secured debt that we may issue would have priority over unsecured creditors to the extent of the value of the assets securing that debt. In the event of our bankruptcy, liquidation or similar proceeding, the holders of secured debt that we may have issued would be entitled to proceed against their collateral, and that collateral may not be available for payment of unsecured debt, including the Notes.

We are permitted to incur additional unsecured indebtedness, which may increase risks associated with our ability to repay the Notes.

We are not restricted from incurring additional unsecured indebtedness or other liabilities, including additional unsecured senior debt, under the Indenture. If we incur additional unsecured indebtedness or liabilities, our ability to pay our obligations on the Notes could be adversely affected. We expect that we will from time to time incur additional unsecured indebtedness and other liabilities.

No active trading market may develop for the Notes.

Prior to this offering, there has been no trading market for the Notes. Although we intend to apply to have the Notes listed and quoted on the Official List of the SGX-ST, we cannot provide investors with any assurances that the application will be accepted. Once listed, we cannot provide investors with any assurances that we will be able to obtain or maintain such listing. We have been informed by the initial purchasers that they intend to make a market in the Notes after the offering is completed. However, the initial purchasers may cease their market making at any time without notice. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. In addition, such market-making activities will be subject to limits imposed by the U.S. federal securities laws. As a result, we cannot assure you that an active trading market for the Notes will develop or continue. If an active market does not develop or continue, the market price and liquidity of the Notes may be adversely affected.

In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this offering circular arising from this transaction or the market for securities of Mexican issuers generally. As a result, we cannot assure you of the level of liquidity of any trading market for the Notes and, as a result, you may be required to bear the financial risk of your investment in the Notes indefinitely.

Although we will agree in the Indenture to use commercially reasonable efforts to have the Notes listed and admitted to trading on the SGX-ST within a reasonable period after the issue date of the Notes and to maintain such listing as long as the Notes are outstanding, we cannot assure you that the Notes will become or remain listed. If we are unable to maintain the listing on the Official List of the SGX-ST or it becomes unduly burdensome to make or maintain such listing, we may cease to make or maintain such listing on the Official List of the SGX-ST, provided that we will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that we will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the SGX-ST or another recognized listing exchange for issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the SGX-ST or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

We will not register the Notes and will not become subject to the reporting requirements of the Exchange Act as a result of this offering.

We will not register the Notes under the Securities Act or the securities laws of any other place. Absent registration, the Notes may be offered or sold only in transactions that are exempt from the registration requirements of the Securities Act and applicable state securities laws. Therefore, you may transfer or resell the Notes in the U.S. only in a transaction registered under or exempt from the registration requirements of the U.S. and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See "Transfer Restrictions." In addition, we will not become subject to the reporting requirements of the Exchange Act as a result of this offering. See "Description of the Notes—Covenants—Reporting Requirements."

We are part of a corporate group and, as such, we enter into transactions with related parties and affiliates, which could result in conflicts of interest.

We have entered into and intend to continue to enter into transactions with several entities directly or indirectly owned or controlled by Sempra Energy, our indirect controlling shareholder. Mexican law applicable to public companies and our bylaws provide for several procedures designed to ensure that the transactions entered into with or among our subsidiaries and our indirect controlling shareholder do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of our board of directors for some types of transactions. We are likely to continue to engage in transactions with our indirect controlling shareholder and its subsidiaries and affiliates, our subsidiaries and affiliates are likely to continue to engage in transactions among themselves, and no assurance can be given that the terms that we or our subsidiaries consider to be "substantially on market conditions" will be considered as such by third parties. In addition, future conflicts of interest may arise between us and our indirect controlling shareholder or any of its subsidiaries or affiliates, and among our subsidiaries and affiliates, which conflicts are not required to be and may not be resolved in our favor. See "Certain Relationships and Related Party Transactions."

We may not be able to purchase the Notes upon a change of control triggering event.

If a change of control triggering event occurs, as defined in this offering circular, we will be required to offer to purchase the Notes at a price equal to 101% of the then-outstanding principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the repurchase date, including any applicable Additional Amounts. At the time of any change of control, we may not have sufficient financial resources to purchase all of the Notes that you may tender to us in connection with a change of control offer.

You may not be able to determine when a change of control giving rise to your right to have the Notes repurchased by us has occurred.

A change of control triggering event, as defined in the Indenture, will require us to make an offer to repurchase all outstanding Notes. The definition of change of control, which is a condition precedent to a change of control triggering event, includes a phrase relating to the sale, lease or transfer of "all or substantially all" of our assets. There is no precisely established definition of the phrase "substantially all" under applicable law. Accordingly, your ability to require us to repurchase your Notes as a result of a sale, lease or transfer of our assets to another individual, group or entity may be uncertain.

If we were to be declared insolvent or bankrupt, holders of the Notes may find it difficult to collect payment on the Notes.

Under the Mexican Bankruptcy Law (*Ley de Concursos Mercantiles*), if we become subject to judicial reorganization (*concurso mercantil*) and declared bankrupt (*en quiebra*), our obligations under the Notes, (i) would be converted into Mexican pesos and then from Mexican pesos into inflation-adjusted units (*unidades de inversión*, or "UDIs"), a unit that is adjusted to the inflation rate officially recognized by Banco de México), (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, (v) would not be adjusted to take into account any depreciation of the Mexican pesos to U.S. dollars occurring after such declaration, and (vi) would be subject to certain statutory preferences, including tax, social security and labor claims and claims of secured creditors (up to the value of the collateral provided to such creditors). In addition, if claims by our affiliates represent less than 25% of our total liabilities, our affiliates,

including our controlling shareholder, may be able to exercise influence in the *concurso mercantil* proceeding. In addition, certain of our creditors that hold negotiable instruments governed by Mexican law, and other creditors holding documents or instruments (*títulos ejecutivos*) that, pursuant to the Mexican Commercial Code (*Código de Comercio*), are entitled to executory proceedings, may have preferential enforcement rights ahead of holders of the Notes.

In addition, under Mexican law, it is possible that, in the event we are declared insolvent, bankrupt or become subject to *concurso mercantil*, any amount by which the stated principal amount of the Notes exceeds their accreted value may be regarded as not matured and, therefore, claims of holders of the Notes may be allowed only to the extent of the accreted value of the Notes.

Under Mexican law, our obligations under the Notes are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the security provided), social security, employee housing fund contributions, taxes and court fees and expenses. In the event of our liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the Notes.

Payments of judgements against us on the Notes may be made in Mexican pesos.

We are required to make payments in respect of the Notes in U.S. dollars. However, under the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), obligations to make payments in Mexico in foreign currency, whether by agreement or upon enforcement of a judgment, denominated in a currency other than Mexican pesos, which is payable in Mexico, may be discharged in Mexican pesos at the exchange rate at the time and place of payment or judgment. Such rate is currently determined by the Mexican Central Bank and published every banking day in the Mexican Federal Official Gazette. Accordingly, we will be legally entitled to make payment of amounts due on the Notes in Mexican pesos if payment of the Notes is sought in Mexico, whether by seeking payment directly or through the enforcement of a non-Mexican judgment. As a result, you may suffer a U.S. dollar shortfall if you obtain judgement or a distribution in bankruptcy in Mexico and we elect to make payments in respect thereof in Mexican pesos.

You may not be able to effect service of process on us or to enforce judgments against us in Mexican courts.

We and most of our subsidiaries are companies organized under the laws of Mexico. Almost all of our directors and executive officers, and the directors and executive officers of many of our subsidiaries, are Mexican residents. A majority of our assets and the assets of certain of our subsidiaries are located in Mexico, and a majority of our net sales and the net sales of certain of our subsidiaries are derived from sources in Mexico. As a result, it may not be possible for investors to effect service of process outside Mexico on us, our directors or executive officers or our subsidiaries or their respective directors or executive officers, or to enforce against such parties judgments of courts located outside Mexico predicated on civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated on the civil liability provisions of the U.S. federal securities laws or other laws of the United States. No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Mexican law relating to the enforcement of foreign judgments in Mexico, consisting of the review by Mexican courts of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*), among other requirements, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. See "Enforcement of Civil Liabilities."

In addition, certain of our creditors (including our creditors of indebtedness represented by negotiable instruments or other instruments (*títulos ejecutivos*) governed by Mexican law that grant rights to executory proceedings (*procedimientos ejecutivos*) and the Mexican tax authority with respect to certain tax claims) are entitled to obtain prejudgment attachment of our assets from a Mexican court at inception of the judicial proceeding. If our assets are attached in accordance with an order of a Mexican court, creditors benefitting from the attachment would have priority against other creditors (including holders of the Notes) over the assets attached.

The collection of interest on interest may not be enforceable in Mexico.

Mexican law does not permit the collection of interest on interest and, as a result, the accrual of default interest on past due ordinary interest accrued in respect to the Notes may be unenforceable in Mexico.

EXCHANGE RATES

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the peso is allowed to float freely against the U.S. dollar and other foreign currencies. Banco de México typically intervenes directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. On February 21, 2017, the Foreign Exchange Commission (*Comisión de Cambios*), composed by officials from the Ministry of Finance and Public Credit and Banco de México, announced the implementation of a new foreign exchange market mechanism, which consists of non-deliverable forward auctions that are settled in pesos. The mechanism aims to maintain the proper functioning of the local exchange market, while supplying market participants with a foreign exchange hedging instrument in order to mitigate exposure to foreign exchange risk. Banco de México, as an autonomous authority, recognizes price stability as its fundamental goal and implements monetary policy using a target for the overnight interest rate charged in the interbank market. An interest rate regime became effective on January 21, 2008, and substituted the regime based on daily balances known as the "*corto*." As part of the interest rate target regime, open market operations (liquidity auctions) aim to provide the incentives for commercial banks to keep their accounts at Banco de México with a balance of zero at the daily market closing, in an environment where the overnight rate equals the target rate. Banco de México provides or withdraws liquidity as needed to meet its target rate through these operations. Positive balances in the accounts kept by the commercial banks at Banco de México are not paid interest, while overdrafts or negative balances are charged twice the overnight interest rate target. An increase in interest rates can make domestic financial assets more attractive to investors than foreign financial assets, which could trigger an appreciation of the nominal exchange rate and vice versa.

We cannot assure you that Banco de México will maintain its current policies with respect to the peso, or that the peso will not depreciate or appreciate significantly in the future. Specifically, in light of the economic instability caused by the COVID-19 pandemic, foreign exchange rates have experienced high levels of volatility, including a significant devaluation of the peso with respect to the U.S. dollar. Additionally, in the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations, if any, would continue to be available without substantial additional cost.

This offering circular contains translations of certain peso amounts into U.S. dollars, and vice-versa, at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts, or that the U.S. dollar amounts actually represent such peso amounts, as applicable, or that either currency could be converted into the other at the specified rate, or at all. The following tables set forth the exchange rate, expressed in pesos per U.S. dollar (Ps./US$), for the periods indicated, at the exchange rate reported by Banco de México at noon daily based on the daily average of quotations in the wholesale foreign exchange market.

	Exchange rate of pesos per US$			
	Low	**High**	**Average[1]**	**Period-End**
Year ended December 31,				
2015	14.556	17.378	15.881	17.249
2016	17.177	21.051	18.689	20.619
2017	17.494	21.908	18.907	19.663
2018	17.979	20.716	19.237	19.651
2019	18.772	20.125	19.257	18.864
Month ended				
January 31, 2020	18.673	18.941	18.804	18.908
February 29, 2020	18.571	19.776	18.844	19.776
March 31, 2020	19.284	25.119	22.378	23.485
April 30, 2020	23.565	24.858	24.266	23.928
May 31, 2020	22.178	24.381	23.423	22.178
June 30, 2020	21.584	23.133	22.299	23.089
July 31, 2020	21.962	22.823	22.403	22.201
August 31, 2020	21.860	22.785	22.207	21.888
September 2020 (through September 4, 2020)	21.612	21.839	21.708	21.612

Source: Banco de México, Mexican Federal Official Gazette

(1) The average exchange rate is the daily average of the exchange rate on each day during the relevant period. All amounts are stated in pesos.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Notes, after payment of the initial purchasers' commissions and estimated transaction expenses payable by us, will be approximately US$770 million. We intend to use the net proceeds from the offering for general corporate purposes, including to repay all or a portion of the outstanding balance of any of our revolving credit facilities, among other short-term indebtedness. See "Description of Other Indebtedness" for a description of our revolving credit facilities.

Certain of the initial purchasers or their affiliates act as lead arrangers, joint book-runners and lenders under certain of our revolving credit facilities. As a result, certain of the initial purchasers or their affiliates may receive a portion of the proceeds from this offering. See "Plan of Distribution."

CAPITALIZATION

The table below shows our capitalization as of June 30, 2020, on a historical basis and as adjusted to reflect the issuance of the Notes and the application of the proceeds therefrom as if they had occurred on June 30, 2020. See "Use of Proceeds." The historical information described below was derived from our unaudited condensed interim consolidated financial statements as of and for the six months ended June 30, 2020, included elsewhere in this offering circular.

You should read this Capitalization section together with "Presentation of Financial and Other Information," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and our audited and unaudited consolidated financial statements included elsewhere in this offering circular.

	As of June 30, 2020	
	Historical	As Adjusted
	(in thousands of US$)	
Cash and cash equivalents	$ 564,891	$ 564,891
Debt:		
Current debt:		
Short-term debt:		
Short-term debt	1,607,701	837,701[(1)]
Debt due to related parties	—	—
Non-current debt:		
Long-term debt	2,078,205	2,848,205[(2)]
Debt due to related parties (loans)	305,844	305,844
Total debt	3,991,750	3,991,750
Total Shareholders' equity	5,017,963	5,017,963
Total capitalization (total debt and shareholders' equity)	**$ 9,009,713**	**$ 9,009,713**

(1) Reflects the application of all the net proceeds from the sale of the Notes to repay a portion of our Syndicated Revolver. See "Use of Proceeds." As of June 30, 2020, there were borrowings of approximately US$1.3 billion outstanding under our Syndicated Revolver. See "Description of Other Indebtedness."

(2) Reflects US$800.0 million face amount of Notes offered hereby net of debt issuance costs of approximately US$30.0 million. See Note 7 to our unaudited consolidated financial statements and Note 23 to our audited consolidated financial statements included elsewhere in this offering circular.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information as of and for the years ended December 31, 2019, 2018 and 2017 is derived from our audited consolidated financial statements appearing elsewhere in this offering circular, and the selected unaudited condensed interim consolidated financial data as of June 30, 2020 and for the six months ended June 30, 2020 and 2019 is derived from our unaudited consolidated financial statements appearing elsewhere in this offering circular. You should read this information together with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and our audited and unaudited consolidated financial statements and related notes included elsewhere in this offering circular. Our historical results are not necessarily indicative of our future results.

We reorganized our prior operating segments, effective for the first quarter of 2020, to improve visibility into business performance in each segment, and enable the business to respond to management's needs more effectively. The change did not affect the accounting policies nor the basis of preparation of the financial information. The new reportable segments are Gas, Power and Storage. This change aligns with management's evaluation and review of the performance of our business. Disclosure is conducted uniformly in accordance with the new segments for fiscal 2020. In addition, our new segment presentation has been retrospectively applied to prior period segment results presented elsewhere in this offering circular.

The financial statements for the fiscal year ended December 31, 2018, reflect the impacts of adopting the new revenue accounting principle (IFRS 15), as described in Note 29 to our audited consolidated financial statements. Likewise, the financial statements for the fiscal year ended December 31, 2019 and the six months ended June 30, 2020 and 2019 reflect the adoption of the new leasing accounting principle (IFRS 16), as described in Note 38 to our audited consolidated financial statements. In addition, the financial statements for the fiscal year ended December 31, 2017 have been re-presented to reflect the financial results of the Termoeléctrica de Mexicali power plant under continuing operations as a result of the decision of our management to suspend the sale of that plant in the second quarter of 2018.

Consolidated Statements of Profit

	Year Ended December 31,			Six Months Ended June 30,	
	2019	**2018**	**2017**	**2020**	**2019**
	(*in thousands of US$, except for per Share amounts*)				
Revenues	$ 1,379,256	$ 1,368,555	$1,222,905	$ 589,618	$ 697,293
Cost of revenues	(391,093)	(385,791)	(331,846)	(120,318)	(196,282)
Operating, administrative and other expenses	(210,325)	(214,519)	(202,982)	(108,589)	(103,543)
Depreciation and amortization	(155,799)	(137,157)	(119,020)	(80,442)	(76,411)
Impairment of Termoeléctrica de Mexicali	—	—	(63,804)	—	—
Interest income	45,665	27,449	22,808	32,695	15,802
Finance cost	(132,849)	(122,879)	(73,501)	(71,358)	(65,836)
Other gains (losses), net	25,619	8	(40,900)	(133,062)	13,668
Profit before income tax and share of profits of joint ventures	560,474	535,666	413,660	108,544	284,691
Income tax expense	(132,558)	(143,064)	(104,163)	(68,351)	(80,191)
Share of profits of joint ventures, net of income tax	39,769	37,984	44,677	132,371	8,651
Profit for the period	**$ 467,685**	**$ 430,586**	**$ 354,174**	**$ 172,564**	**$ 213,151**
Profit per basic and diluted Share	**0.31**	**0.28**	**0.23**	**0.11**	**0.14**

Condensed Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	2018	2017	2020
	(*in thousands of US$*)			
Assets				
Current assets:				
Cash and cash equivalents	$ 57,966	$ 51,764	$ 38,289	$ 64,891
Trade and other receivables, net	139,407	153,649	94,793	140,462
Assets held for sale	—	—	148,190	—
Other current assets[1]	268,208	258,528	233,741	352,028
Total current assets	**465,581**	**463,941**	**515,013**	**1,057,381**
Non-current assets:				
Due from unconsolidated affiliates	744,609	646,297	493,887	609,088
Finance lease receivables	921,270	932,375	942,184	934,118
Deferred income tax assets	89,898	80,853	97,334	151,113
Investments in joint ventures	625,802	608,708	523,102	734,134
Property, plant and equipment, net	4,637,962	4,086,914	3,729,456	4,832,417
Intangible assets	180,867	190,772	190,199	175,964
Goodwill	1,638,091	1,638,091	1,638,091	1,638,091
Other non-current assets[2]	248,426	120,646	34,593	232,257
Total non-current assets	**9,086,925**	**8,304,656**	**7,648,846**	**9,307,182**
Total assets	**9,552,506**	**8,768,597**	**8,163,859**	**10,364,563**
Liabilities and equity:				
Short-term debt[3]	1,235,379	870,174	262,760	1,607,701
Due to unconsolidated affiliates	24,471	310,696	544,217	7,872
Liabilities held for sale	—	—	62,522	—
Other current liabilities[4]	333,682	264,761	184,418	266,940
Current liabilities	**1,593,532**	**1,445,631**	**1,053,917**	**1,882,513**
Non-current liabilities				
Long-term debt	1,818,331	1,675,192	1,732,040	2,078,205
Due to unconsolidated affiliates	233,597	75,161	73,510	305,844
Deferred income tax liabilities	565,957	566,892	551,614	648,873
Other non-current liabilities[5]	383,852	251,971	236,191	431,165
Total non-current liabilities	**3,001,737**	**2,569,216**	**2,593,355**	**3,464,087**
Total liabilities	**4,595,269**	**4,014,847**	**3,647,272**	**5,346,600**
Stockholders' Equity				
Common stock	955,239	963,272	963,272	955,239
Additional paid-in capital	2,342,883	2,351,801	2,351,801	2,339,386
Treasury shares	—	(7,190)	—	(10,344)
Accumulated other comprehensive loss	(130,919)	(104,105)	(114,556)	(221,972)
Retained earnings	1,777,280	1,536,662	1,316,070	1,950,976
Total equity attributable to owners of the Company	**4,944,483**	**4,740,440**	**4,516,587**	**5,013,285**
Equity not attributable to our owners	12,754	13,310	—	4,678
Total stockholders' equity	**4,957,237**	**4,753,750**	**4,516,587**	**5,017,963**
Total stockholders' equity and liabilities	**$ 9,552,506**	**$ 8,768,597**	**$ 8,163,859**	**$ 10,364,563**

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

(2) Other non-current assets include: derivative financial instruments, carbon allowances and other non-current assets.

(3) Short-term debt includes fair value and interest.

(4) Other current liabilities include: trade and other payables, income tax liabilities, derivative financial instruments, other financial liabilities, decommissioning liabilities and other provisions, other taxes payable, carbon allowances and other current liabilities.

(5) Other non-current liabilities include: non-current carbon allowances, decommissioning liabilities and other provisions, derivative financial instruments, and employee benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the information below together with "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Capitalization," "Use of Proceeds," "Description of Other Indebtedness" and "Selected Consolidated Financial Information" and our audited and unaudited consolidated financial statements and related notes included elsewhere in this offering circular. Our audited and unaudited consolidated financial statements were prepared in accordance with IFRS as issued by the IASB.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in such forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and other matters set forth in this offering circular.

Overview

We were the first publicly traded energy infrastructure company on the Mexican Stock Exchange, and we are one of the largest private-sector energy companies in Mexico by market share and by total assets. We develop, build and operate essential energy infrastructure across several business lines, with a portfolio that includes a critical portion of the Mexican energy infrastructure value chain.

Our Business Segments

We reorganized our prior operating segments, effective for the first quarter of 2020, to improve visibility into business performance in each segment, and enable the business to respond to management's needs more effectively. The change did not affect the accounting policies nor the basis of preparation of the financial information. The new reportable segments are Gas, Power and Storage. This change aligns with management's evaluation and review of the performance of our business. Disclosure is conducted uniformly in accordance with the new segments for fiscal 2020. In addition, our new segment presentation has been applied retrospectively to prior period segment results presented elsewhere in this offering circular.

Our business is divided between three operating segments:

- *Gas Segment.* Our Gas Segment includes our natural gas and ethane transportation systems, and associated or stand-alone compression assets, our natural gas marketing business and our natural gas distribution business.

- *Power Segment.* Our Power Segment includes wind and solar power generation facilities, and a gas-fired combined-cycle power plant.

- *Storage Segment.* Our Storage Segment includes refined products storage, our LPG storage and pipeline systems, and our existing LNG storage and regasification business.

In addition, certain revenues and costs that are not directly attributable to our operating segments are reported as corporate revenues and expenses, which we refer to as Corporate. These Corporate revenues and expenses are primarily administrative and typically represent company-wide functions not allocated to any particular operating business segment.

Results of Operations by Business Segment

The following tables show certain recast financial information as of December 31, 2019, 2018 and 2017 from our previous operating segments disclosure:

	Year ended December 31, 2019				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 894,790	$ 156,477	$ 323,131	$ 4,858	$1,379,256
Intercompany revenue	89,618	83,703	—	(173,321)	—
Revenue	984,408	240,180	323,131	(168,463)	1,379,256
Cost of revenue	(434,529)	(198)	(128,327)	171,961	(391,093)
Operating costs, administration and others	(124,494)	(51,408)	(37,847)	3,424	(210,325)
IEnova EBITDA	425,385	188,574	156,957	6,922	777,838
Depreciation and amortization	(66,084)	(48,298)	(42,912)	1,495	(155,799)
Operating income	359,301	140,276	114,045	8,417	622,039
Interest income					45,665
Financial costs					(132,849)
Other (loss), net					25,619
Profit before income tax and share of profits of joint ventures					560,474
Income tax expense					(132,558)
Share of profits of joint ventures					39,769
Profit of the period					$ 467,685

	Year ended December 31, 2018				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 903,741	$ 153,716	$ 308,244	$ 2,854	$1,368,555
Intercompany revenue	114,635	83,297	—	(197,932)	—
Revenue	1,018,376	237,013	308,244	(195,078)	1,368,555
Cost of revenue	(444,942)	(175)	(137,468)	196,794	(385,791)
Operating costs, administration and others	(119,143)	(57,148)	(41,282)	3,054	(214,519)
IEnova EBITDA	454,291	179,690	129,494	4,770	768,245
Depreciation and amortization	(64,509)	(39,949)	(34,288)	1,589	(137,157)
Operating income	389,782	139,741	95,206	6,359	631,088
Interest income					27,449
Financial costs					(122,879)
Other (loss), net					8
Profit before income tax and share of profits of joint ventures					535,666
Income tax expense					(143,064)
Share of profits of joint ventures					37,984
Profit of the period					$ 430,586

	Year ended December 31, 2017				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 842,30	$ 148,314	$ 229,356	$ 2,931	$1,222,905
Intercompany revenue	115,081	83,189	—	(198,270)	—
Revenue	957,385	231,503	229,356	(195,339)	1,222,905
Cost of revenue	(420,965)	(163)	(108,170)	197,452	(331,846)
Operating costs, administration and others	(111,968)	(46,308)	(47,036)	2,330	(202,982)
IEnova EBITDA	424,452	185,032	74,150	4,443	688,077
Depreciation and amortization	(49,900)	(39,859)	(31,125)	1,864	(119,020)
Impairment	—	—	(63,804)	—	(63,804)
Operating income	374,552	145,173	43,025	6,307	505,253
Interest income					22,808
Financial costs					(73,501)
Other (loss), net					(40,900)
Profit before income tax and share of profits of joint ventures					413,660
Income tax expense					(104,163)
Share of profits of joint ventures					44,677
Profit of the period					$ 354,174

	Six-month period ended June 30, 2020				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 378,461	$ 79,445	$ 126,960	$ 4,752	$ 589,618
Intercompany revenue	23,281	41,647	—	(64,928)	—
Revenue	401,742	121,092	126,960	(60,176)	589,618
Cost of revenue	(141,232)	(113)	(43,343)	64,370	(120,318)
Operating costs, administration and others	(54,616)	(26,444)	(24,358)	(3,171)	(108,589)
IEnova EBITDA	205,894	94,535	59,259	1,023	360,711
Depreciation and amortization	(32,646)	(23,405)	(23,503)	(888)	(80,442)
Operating income	173,248	71,130	35,756	135	280,269
Interest income					32,695
Financial costs					(71,358)
Other (loss), net					(133,062)
Profit before income tax and share of profits of joint ventures					108,544
Income tax expense					(68,351)
Share of profits of joint ventures					132,371
Profit of the period					$ 172,564

	Six-month period ended June 30, 2019 (Restated)				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 463,690	$ 76,882	$ 154,316	$ 2,405	$ 697,293
Intercompany revenue	44,004	41,210	2	(85,216)	—
Revenue	507,694	118,092	154,318	(82,811)	697,293
Cost of revenue	(218,849)	(128)	(61,967)	84,662	(196,282)
Operating costs, administration and others	(63,546)	(26,063)	(17,038)	3,104	(103,543)
IEnova EBITDA	225,299	91,901	75,313	4,955	397,468
Depreciation and amortization	(31,505)	(23,224)	(19,866)	(1,816)	(76,411)
Operating income	193,794	68,677	55,447	3,139	321,057
Interest income					15,802
Financial costs					(65,836)
Other gains, net					13,668
Profit before income tax and share of profits of joint ventures					284,691
Income tax expense					(80,191)
Share of profits of joint ventures					8,651
Profit of the period					$ 213,151

	As of December 31,		
	2019	2018	2017
Assets by segment:			
Gas	$ 5,795,587	$ 5,735,059	$ 5,569,420
Storage	2,126,634	1,719,083	1,438,728
Power	1,720,286	1,408,760	1,176,115
Corporate and eliminations	(90,001)	(94,305)	(20,404)
Consolidated total assets	$ 9,552,506	$ 8,768,597	$ 8,163,859
Liabilities by segment:			
Gas	$ 2,087,468	$ 2,125,645	$ 2,243,112
Storage	776,212	408,176	279,127
Power	1,193,539	929,937	758,345
Corporate and eliminations	538,050	551,089	366,688
Consolidated total liabilities	$ 4,595,269	$ 4,014,847	$ 3,647,272

Segment revenues

The following tables show certain restated financial information from the previous operating segments disclosure:

	Revenues			
	Year ended December 31, 2019			
	Previous	Storage	Other	Current
Gas	$ 1,054,218	$ (240,180)	$ 170,370	$ 984,408
Storage	—	240,180	—	240,180
Power	323,131	—	—	323,131
Corporate and eliminations	1,907	—	(170,370)	(168,463)
	$ 1,379,256			$ 1,379,256

	Revenues			
	Year ended December 31, 2018			
	Previous	Storage	Other	Current
Gas	$ 1,058,535	$ (237,013)	$ 196,854	$ 1,018,376
Storage	—	237,013	—	237,013
Power	308,244	—	—	308,244
Corporate and eliminations	1,776	—	(196,854)	(195,078)
	$ 1,368,555			$ 1,368,555

	Revenues			
	Year ended December 31, 2017			
	Previous	Storage	Other	Current
Gas	$ 991,690	$ (231,503)	$ 197,198	$ 957,385
Storage	—	231,503	—	231,503
Power	229,356	—	—	229,356
Corporate and eliminations	1,859	—	(197,198)	(195,339)
	$ 1,222,905			$ 1,222,905

	Revenues			
	Six-month period ended June 30, 2019			
	Previous	Storage	Other	Current
Gas	$ 542,041	$ (118,092)	$ 83,745	$ 507,694
Storage	—	118,092	—	118,092
Power	154,318	—	—	154,318
Corporate and eliminations	934	—	(83,745)	(82,811)
	697,293			$ 697,293

Assets and liabilities by segment

The following tables show the restated financial information from the previous operating segments disclosure:

	Assets			
	As of December 31, 2019			
	Previous	Storage	Other	Current
Gas	$ 7,030,018	$ (2,126,634)	$ 892,203	$ 5,795,587
Storage	—	2,126,634	—	2,126,634
Power	1,654,192	—	66,094	1,720,286
Corporate and eliminations	868,296	—	(958,297)	(90,001)
	$ 9,552,506			$ 9,552,506

	Assets			
	As of December 31, 2018			
	Previous	Storage	Other	Current
Gas	$ 6,705,011	$ (1,719,083)	$ 749,131	$ 5,735,059
Storage	—	1,719,083	—	1,719,083
Power	1,356,815	—	51,945	1,408,760
Corporate and eliminations	706,771	—	(801,076)	(94,305)
	$ 8,768,597			$ 8,768,597

	Assets			
	As of December 31, 2017			
	Previous	Storage	Other	Current
Gas	$ 6,7425,446	$ (1,438,728)	$ 582,702	$ 5,569,420
Storage	—	1,438,728	—	1,438,728
Power	1,170,970	—	5,145	1,176,115
Corporate and eliminations	567,443	—	(587,847	(20,404)
	$ 8,163,859			$ 8,163,859

	Liabilities			
	As of December 31, 2019			
	Previous	Storage	Other	Current
Gas	$ 1,306,150	$ (776,212)	$ 1,557,530	$ 2,087,468
Storage	—	776,212	—	776,212
Power	690,230	—	503,309	1,193,539
Corporate and eliminations	2,598,889	—	(2,060,839)	538,050
	$ 4,595,269			$ 4,595,269

	Liabilities			
	As of December 31, 2018			
	Previous	Storage	Other	Current
Gas	$ 1,066,774	$ (408,176)	$ 1,467,047	$ 2,125,645
Storage	—	408,176	—	408,176
Power	655,386	—	274,551	929,937
Corporate and eliminations	2,292,687	—	(1,741,598)	551,089
	$ 4,014,847			$ 4,014,847

	Liabilities			
	As of December 31, 2018			
	Previous	Storage	Other	Current
Gas	$ 1,031,448	$ (279,127)	$ 1,490,791	$ 2,243,112
Storage	—	279,127	—	279,127
Power	652,502	—	105,843	758,345
Corporate and eliminations	1,963,322	—	(1,596,634)	366,688
	$ 3,647,272			$ 3,647,272

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

- All assets are allocated to reportable segments. Goodwill is allocated to reportable segments.
- All liabilities are allocated to reportable segments.

External revenue by segment and subsegment

The following is an analysis of our revenue from our major products and services by type:

	Year ended December 31,			Six-month period ended June 30,	
	2019	2018	2017	2020	2019
Distribution	$ 72,880	$ 74,671	$ 114,327	$ 30,516	$ 41,969
Transportation	440,339	468,582	448,054	214,421	227,533
Sale of natural gas	381,571	360,488	279,923	133,524	194,188
Storage	156,477	153,716	148,314	79,445	76,882
Power	323,131	308,244	229,356	126,960	154,316

Corporate and others	4,858	2,854	2,931	4,752	2,405
Total revenues	$ 1,379,256	$ 1,368,555	$ 1,222,905	589,618	697,293

Payments received from Sempra Natural Gas

IEnova Marketing received payments from our U.S. affiliate, Sempra Natural Gas, related to the losses and obligations incurred in the amount of US$102.1 million, US$98.5 million and US$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.

Mexican Economic Environment

Substantially all of our operations are conducted in Mexico. As a result, our business, financial condition and results of operations depend on, and may be affected by, the general condition of the Mexican economy, over which we have no control. Mexico's GDP changed in percentage terms, in constant prices using 2013 as the base, by (0.1)% in 2019, 2.0% in 2018 and 2.0% in 2017.

Factors Affecting our Results of Operations

The following are certain key factors that affect, or have recently affected, our results of operations. These should be read in conjunction with the risks and uncertainties discussed under "Risk Factors."

Revenues

Revenues generated by each of our businesses are affected by the following factors:

- Our businesses are subject to regulation and permit requirements of federal, state and local governmental entities in Mexico. Although the rates we charge customers for certain services are not regulated, many prices, fees and rates we charge customers in our Gas, Storage and Power Segments require approval from the CRE. Accordingly, we cannot unilaterally modify these prices, fees and rates, which restricts our operational flexibility. CRE adjusts regulated rates periodically in accordance with applicable regulations, and we have no control over these adjustments. Although the established prices, fees and rates are generally based on costs, our profit could decrease if we are unable to timely raise prices or rates to keep up with costs. See "Risk Factors—Risks Relating to Regulation."

- We depend on a limited number of customers with whom we have entered into long-term agreements. These agreements are, in general, subject to:

    - early termination provisions for the failure of a party to perform its obligations under the agreement or in the event of insolvency of any of the parties;

    - suspension or termination provisions for *force majeure* events beyond the control of the parties;

    - substantial limitations of remedies for other failures to perform by any of the parties, including limitations on damages to amounts that could be substantially less than those necessary to provide full recovery of costs for breach of the agreements; and

    - our ability to collect payments from customers under these agreements for any of these reasons or for any other reason, which may reduce our revenues.

  See "Risk Factors—Risks Relating to Prices and Customer Contracts."

- Our ECA LNG Regasification Terminal's primary revenue stream is generated through long-term firm storage services agreements with third-party customers Shell Mexico and Gazprom, as well as with our subsidiary, IEnova Marketing, which purchases LNG for storage and regasification at our ECA LNG

Regasification Terminal. Each of our customers must pay for its full contracted LNG storage capacity and natural gas send-out capacity, regardless of whether it delivers LNG to our terminal. We are currently engaged in an arbitration proceeding with Shell Mexico regarding Shell Mexico's obligations. See "Business—Legal, Administrative and Arbitration Proceedings." IEnova Marketing generates revenues by purchasing LNG for storage and regasification at our ECA LNG Regasification Terminal, and selling natural gas that is consumed by CFE at its Presidente Juárez power plant, by our Termoeléctrica de Mexicali power plant and by other consumers pursuant to natural gas supply contracts covering 100% of its ECA LNG Regasification Terminal natural gas send-out capacity. IEnova Marketing also generates revenues from payments it receives to the extent its LNG supplier, Sempra Energy, does not deliver LNG to IEnova Marketing pursuant to a long-term LNG supply contract. Relatively high prices for LNG in Asian markets, together with low natural gas prices in Mexico and the United States, have reduced the number of expected shipments of LNG to IEnova Marketing by Sempra Energy. Accordingly, we also depend on revenues derived from these payments. Under a long-term supply contract with Sempra Energy, the payments made by Sempra Energy to IEnova Marketing have been sufficient to compensate IEnova Marketing for the storage and transportation costs incurred by IEnova Marketing resulting from Sempra Energy's failure to deliver required LNG shipments. See "Certain Relationships and Related Party Transactions" and "Business—Legal, Administrative and Arbitration Proceedings."

- The price of natural gas is subject to market conditions beyond our control. See "—Cost of Natural Gas." CRE requires that natural gas distributors pass the cost of natural gas directly to their customers without applying any kind of markup or maintaining a profit margin. As a result, the cost of natural gas effectively offsets the revenues received from its sale. Instead, profit margins obtained by natural gas distributors, including our own natural gas business, are derived from natural gas distribution fees and other related services. Accordingly, revenues for our natural gas distribution business are impacted by market swings in natural gas prices and our customers' preference for natural gas relative to other energy sources, such as LPG, and the profit derived from distribution fees and other related services are subject to variations in the overall demand for natural gas.

- Customer demand is also impacted by seasonality in the United States market and, with respect to natural gas distribution, general economic conditions in Mexico. See "—Mexican Economic Environment." Lower demand due to seasonality or unfavorable economic conditions could materially lower our revenues and profits.

- The markets and pipelines to which we deliver natural gas and LPG typically establish minimum quality specifications for the natural gas and LPG we deliver. These specifications can vary by pipeline or by market. If the quality of natural gas or LPG that we deliver fails to meet the applicable product quality specifications, the pipeline or market may refuse to accept all or a part of the delivery or may invoice us for the costs associated with handling the non-conforming products. In those circumstances, we may be required to find alternative markets for delivery or stop accepting non-conforming product into our pipelines, either of which could materially reduce our throughput volumes or revenues.

- We may use derivative financial instruments in the ordinary course of our business. We use these instruments for hedging purposes. We do not hedge the entire exposure to market price volatility or our contract positions, and our hedging strategies may vary over time. Unanticipated changes in market prices for energy-related commodities can result from multiple factors, including weather conditions, seasonality, changes in supply and demand, transmission or transportation constraints or inefficiencies, availability of competitively priced alternative energy sources and commodity production levels. If we do not hedge our exposure to market price volatility or our contract positions correctly, we could incur material losses.

- Our Ecogas natural gas distribution business benefitted from a twelve-year period of exclusivity with respect to each of its three distribution zones. The last of these exclusivity periods expired in 2011. Accordingly, we could face competition from other distributors of natural gas in all of our distribution zones. See "Risk Factors—Other Risks Relating to Our Business—Our natural gas distribution business may face increased competition due to the expiration of its exclusivity period."

Cost of Natural Gas

Cost of natural gas primarily consists of the acquisition cost of natural gas, costs of services, minor materials used in the power generation process, labor costs and transportation costs. The principal factors that affect these costs include the following:

- Our results are affected by energy prices, including market prices for natural gas, LNG, electricity, LPG and petroleum. If our customers or suppliers fail to fulfill their obligations under their contracts with us, we may be required to enter into alternative arrangements to honor underlying commitments by making purchases from other suppliers at then-current market prices.

- Our LNG business is also impacted by worldwide LNG market prices. High LNG prices in markets outside the market in which our ECA LNG Regasification Terminal operates have resulted in and could continue to result in lower than expected deliveries of LNG to our ECA LNG Regasification Terminal, which could increase our costs if we do not receive expected LNG deliveries from third parties under existing supply agreements and are instead required to obtain LNG in the open market at prevailing prices. Any inability to obtain expected LNG could also impact our ability to maintain the minimum level of LNG required to keep our ECA LNG Regasification Terminal operational. LNG market prices also affect our IEnova Marketing operations, through which we must purchase natural gas in the international market to meet our contractual obligations to deliver natural gas to our customers, which could have an effect on revenues.

- Currently, our Ecogas natural gas distribution business relies on two of our affiliates, IEnova Marketing and SoCalGas, for the supply of natural gas that we distribute to our customers. If either of these suppliers fail to comply with their supply obligations and we are forced to procure natural gas from other sources, we could lose customers and sales volume and, in some cases, we could be exposed to commodity price risk and volatility.

Effects Arising from Recent Regulatory Changes in Energy Renewable regulation

On April 29, 2020, Mexico's CENACE issued an order that it claims would safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. Our projects affected by the order filed for legal protection via *amparo* claims (constitutional protection lawsuit), and in June 2020, received permanent injunctive relief until the claims are resolved by the courts.

On May 15, 2020, Mexico's SENER published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy.

On May 28, 2020, CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. See "Risk Factors—Risks Relating to Regulation—Regulatory policies, including the electricity price subsidy policy, of the Mexican federal government could materially adversely affect our wind and solar power generation business."

For our renewables' facilities that are currently holders of contracts with such legacy rates, any increases in the transmission rates would be passed through directly to our customers.

We and other companies affected by these new orders and regulations have challenged the orders and regulations by filing *amparo* claims, some of which have been granted temporary or permanent injunctive relief. We have received definitive suspensions with respect to these orders and regulations. See "Business—Legal, Administrative and Arbitration Proceedings." The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the *amparo* claims, the timing of which is uncertain. An unfavorable final decision on these *amparo* challenges may impact our ability to operate our wind and solar facilities which may have a

material adverse impact on our results of operations and cash flows, and our ability to recover the carrying values of our renewable energy investments in Mexico.

Assessment of the Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The U.S. and Mexican economies are experiencing significant slowdowns and claims for unemployment have increased to historic levels. The pandemic has resulted in quarantines, travel restrictions and operational slowdowns in locations where we do business, principally in Mexico.

As soon as the pandemic was declared and the first cases were reported in Mexico, we and Sempra Energy, our controlling entity, took strategic actions to protect our employees and other stakeholders in Mexico, including establishing an "Activated Executive Crisis Management Task Force" to mitigate the impact of COVID-19, supported by a leading infectious disease expert, implementing travel bans, office access restrictions and enhancing sanitization measures in working areas.

In addition, in alignment with Sempra Energy, we continuously monitor four main items in relation to the COVID-19 pandemic:

- *Workforce Protocol*. We revised protocols for onsite employees; those who can work remotely continued to do so for the second quarter of 2020, and continue to do so as of the date of this offering circular.

- *Customer Exposure*. During the second quarter of 2020, non-governmental customers continued to account for more than 50% of our total revenue.

- *Volumetric Exposure*. During the second quarter of 2020, the majority of contracts with customers remained take-or-pay and U.S. dollar denominated contracts, with an average remaining life of 21 years. However, we will continue evaluating 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. This could imply that our customers require additional time to pay us, which may require us to record additional allowances for doubtful accounts. As of June 30, 2020, our collection did not present recoverability issues and remains in line with the original due terms. We are continuously evaluating and working with customers to resolve any potential credit issues. As of June 30, 2020, we have not increased the allowance for doubtful accounts.

- *Capital Deployment*. Although we do not expect major impacts from the pandemic, such as infrastructure project cancellations, we do expect some of our construction costs will be deferred to future years. We do not expect these changes to be significant.

The energy sector has been considered "essential" by Mexican authorities, which has allowed us to operate practically uninterrupted through the second quarter of 2020. Although the demand for electricity, natural gas, gasoline and other fuels has declined quarter over quarter, primarily due to social confinement and other restrictions on mobility (similar to what was observed in the rest of the world), we expect to continue to provide energy services on a normal basis.

We believe that we have sufficient liquidity to meet our operating costs, expenses and financial obligations for the foreseeable future. As of June 30, 2020, we had approximately US$1.1 billion of cash and available committed credit lines that contribute to a healthy working capital. To date, we have not furloughed any employees and we have not implemented any salary reductions.

As of and for the six months ended June 30, 2020, the COVID-19 pandemic has not had a material impact on our results of operations. See "Summary—Recent Developments—Effects of COVID-19 on our Operations and Financial Condition," "—Results of Operations—Six Months Ended June 30, 2019 and 2020" and our unaudited consolidated financial statements and related notes included elsewhere in this offering circular. However, we have observed other companies, including some of our current and prospective counterparties, customers and partners, as well as the Mexican government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address the effects of the COVID-19 pandemic. Some of these

actions have resulted in delays in obtaining permits or in resolving legal, administrative and other proceedings in which we are involved. These entities and counterparties may take further actions that affect their normal operations, including actions that could result in a material reduction in cash received from our customers, which could have a material adverse effect on our cash flows, financial condition and results of operations.

Our Board of Directors and management are working continuously to minimize the negative impact of the COVID-19 pandemic on our business and results of operations through crisis planning, effective communication and cooperation. The Mexican government has recently issued certain regulatory changes in the Mexican Electric Industry (i.e., the CENACE Accord, the SENER Policy and an increase in wheeling charges (the charges that an energy transmission system operator receives for the use of its system to export energy) for legacy electricity projects). These changes could affect the operation and construction schedule of intermittent renewable power plants (i.e., wind and solar power plants) interconnected to the Mexican National Grid (*Sistema Eléctrico Nacional*) and increase their operating costs. These changes are being challenged by us, other private companies, NGOs and other institutions through the filing of *amparo* claims, and by state governments and COFECE through the filing of constitutional challenges. As of the date of this offering circular, the foregoing actions have suspended the measures contained in the CENACE Accord and in the SENER Policy across the industry, including for our renewable energy projects, as long as the injunctive relief remains in place or the Mexican Supreme Court overturns such measures. See "Risk Factors—Risks Relating to Mexico—The continuity of our business could be affected by measures implemented by the governments of Mexico and other countries to prevent the spread of contagious diseases, including the novel coronavirus, among the population."

Effects of Currency Exchange Rates on Income Tax Expense

Exchange rate fluctuations and Mexican inflation can result in significant fluctuations in our income tax expense. We have U.S. dollar-denominated receivables and payables that are subject to Mexican currency exchange rate movements for Mexican income tax purposes. We also have deferred income tax assets and liabilities that are denominated in Mexican pesos, which are translated to U.S. dollars for financial reporting purposes. In addition, we adjust our monetary assets and liabilities for Mexican inflation for purposes of determining our Mexican income tax expense. See Note 24.7 to our audited consolidated financial statements included elsewhere in this offering circular.

Under IFRS, we are required to remeasure the tax basis of property, plant and equipment at each reporting period using the period-end Mexican peso exchange rate and change in inflation rate for our U.S. dollar functional currency subsidiaries. The impact from this period-end conversion of our deferred income taxes relating to property, plant and equipment can result in significant fluctuations in our income tax expense and deferred income tax balances. See Note 25.1 to our audited consolidated financial statements included elsewhere in this offering circular.

Effects of Guaymas – El Oro Damage

In August 2017, we reported damage and ceased operations of the Guaymas – El Oro segment of our Sonora pipelines. The Sasabe-Puerto Libertad-Guaymas segment remains in full operation. See "Risk Factors—Other Risks Relating to Our Business—Our business and operations are subject to risks associated with natural disasters, severe weather conditions, catastrophic accidents, major equipment failures, accidents and acts of terrorism or criminality." As of the date of this offering circular, closure of this segment has not had a material impact on our financial results, although we have agreed to defer payments under the related agreement with CFE while we address repairs and seek to resume operations, which has adversely affected revenues and profit for the six months ended June 30, 2020. See "—Results of Operations—Six Months Ended June 30, 2019 and 2020." However, no assurances can be given regarding the recommencement of operations of this pipeline. Pursuant to our current agreement with CFE, if the pipeline is not repaired by September 15, 2020 and, despite current ongoing efforts, the parties do not agree on a new service start date, we retain the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. We are currently working with CFE to extend the term of this agreement. If we are unable to make such repairs and resume operations in the Guaymas – El Oro segment of the Sonora pipelines within this time frame, if we do not reach an agreement with CFE to extend the term of the agreement or if we terminate the contract and are unable to obtain recovery, there may be a material adverse impact on our results of operations and cash flows, and our ability to recover the carrying value of our investment.

Tax Reform

The tax legislation in Mexico has undergone various modifications, so there is no guarantee that the legal regime, including, but not limited to, tax matters will not be modified in the future. Various facets of and reforms to tax legislation in Mexico are described in more detail below.

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*, or "SAT"), during a review, believes that prices and amounts used by us are not similar to those used with or between independent parties in comparable transactions.

Organized crime penalties propose for smuggling, tax fraud and fraudulent tax invoices.

On November 8, 2019, several amendments were published 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) (the "Tax Reform"). 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.

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 Mexican Federal Tax Code.
- Tax fraud or a comparable crime described in the Mexican Federal Tax Code, but only if the amount at issue exceeds Ps.7.8 million.
- 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 Ps.7.8 million.
- The commission of these crimes also would merit pre-trial detention.
- Fraudulent Tax Invoicing would be punishable by imprisonment for two to nine years.

The Tax Reform was published in the Mexican Federal Official Gazette on November 25, 2019 and December 9, 2019. Most of the Tax Reform was effective for the first quarter of 2020. The most relevant modifications to the Mexican tax law are summarized below:

Income Tax

The Tax Reform establishes for taxpayers with interest expense over Ps.20.0 million to a net interest expense deduction limitation equal to 30% of "adjusted taxable profit." Non-deductible interest expense for each year could be carried forward for 10 years.

The Tax Reform limits the deduction of payments made, directly or indirectly, to related parties whose income is considered subject to a preferential tax jurisdiction ("REFIPRE"). The Tax 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.

Value Added Tax

The Tax Reform also addresses independent services provided by a third party. 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, such services will carry a 6% Value Added Tax ("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.

Mexican Federal Tax Code

A general anti-avoidance rule gives 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 Tax 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 into in 2020 would be reportable beginning in 2021. For tax benefits obtained in 2020 or past years, taxpayers may be obligated to report certain transactions entered into before 2020.

We evaluated the accounting and fiscal impact of the 2020 Tax Reform on our financial information and concluded, based on the facts and circumstances as of the date of the authorization of the Consolidated Financial Statements as of June 30, 2020, that its impact was not significant as of that date. However, we 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 on the application of the 2020 Tax Reform.

New taxes on the sale of gasoline and natural gas in Baja California.

On December 31, 2019, the Baja California state legislature 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 two-and-a-half or five 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 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 two-and-a-half or five 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 the Baja California state legislature 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.

- On May 1, 2020, the Baja California state legislature eliminated this tax and enacted a new emissions tax. The new emissions tax would apply to entities and individuals with installations or a "fixed place of business" in Baja California where goods (e.g., gasoline, diesel, natural gas and liquefied petroleum gas) that generate pollutants are sold to final consumers.

On December 31, 2018, the Decree of Tax Incentives for the Northern Border Region (*Decreto de Estímulos Fiscales Para la Región Fronteriza Norte*) was published in the Mexican Federal Official Gazette, which entered into force on January 1, 2019 and has a validity of two years, including 2019 and 2020.

The purpose of this decree is to strengthen the economy of the northern border region of Mexico, stimulate and incentivize investment, promote productivity and contribute to the creation of sources of employment. The decree establishes tax incentives in Income Tax ("ISR") and VAT, applicable to those taxpayers who have their fiscal domicile, branches or establishments in the northern border region. The stimuli consist of the following:

- 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

- A 50% 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.

Market Risks Associated with our Electric Power Plant

The results from our Termoeléctrica de Mexicali power plant are affected by market conditions, as the plant is currently operating on the basis of direct offers in the wholesale energy market in California. Termoeléctrica de Mexicali currently sells its production capacity in medium and long-term markets, while it sells its power primarily in the short-term market. Revenues from power from our Termoeléctrica de Mexicali power plant are dependent on market conditions at the time of sale, so we cannot predict with any certainty:

- the amount or timing of revenue the plant receives from power sales;
- operating profits (i.e., the difference between the cost of operations and power sales revenue);
- the effect of competition from other suppliers;
- regulatory actions or changes that may affect market behavior;
- the demand for power in markets served by Termoeléctrica de Mexicali relative to available supply; or
- the availability of delivery capabilities to support the sale of power.

Several of the wholesale markets supplied by merchant power plants have experienced significant pricing declines due to excess renewable supply during periods of low net demand. Termoeléctrica de Mexicali's results could be adversely affected if market or regulatory conditions, among other factors, render it incapable of selling a sufficient amount of its output at prices that would allow us to obtain reasonable profits. We manage risks at Termoeléctrica de Mexicali by optimizing among a mix of forward on-peak capacity and energy sales, daily and hourly spot market sales of capacity, energy and ancillary services, and longer-term structured transactions. We use these measures to improve certainty regarding profits and/or to reduce the risk of a shortfall in revenues or the incurrence of losses. However, we cannot provide any assurances regarding the results of these risk management measures or predictions regarding their success, and entering into long-term contracts could be difficult or unappealing.

Results of Operations—Six Months Ended June 30, 2019 and 2020

Profit for the Period

The following table sets forth our profit for the period and the corresponding variances for the six-month periods ended June 30, 2020 and 2019. Segment profit is presented after the elimination of intercompany transactions.

	Six Months Ended June 30,		Variance	
	2020	2019	2020 vs. 2019	
	(in thousands of US$, except percentages)			
Revenues	589,618	697,293	(107,675)	(15.4)%
Cost of revenues	(120,318)	(196,282)	75,964	(38.7)%
Operating, administrative and other expenses	(108,589)	(103,543)	(5,046)	4.9%
Depreciation and amortization	(80,442)	(76,411)	(4,031)	5.3%
Interest income	32,695	15,802	16,893	n.s.
Finance costs, net	(71,358)	(65,836)	(5,522)	8.4%
Other gains (losses), net	(133,062)	13,668	(146,730)	n.s.
Profit before income tax and share of profits of joint ventures	108,544	284,691	(176,147)	(61.9)%
Income tax expense	(68,351)	(80,191)	11,840	(14.8)%

Share of profits of joint ventures, net of income tax	132,371	8,651	123,720	n.s.
Profit for the period	**172,564**	**213,151**	**(40,587)**	(19.0)%

IEnova EBITDA

The following table sets forth our IEnova EBITDA, IEnova Adjusted EBITDA and the corresponding variances for the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30,		Variance	
	2020	**2019**	**2020 vs. 2019**	
	(in thousands of US$, except percentages)			
IEnova EBITDA				
Gas Segment	205,894	225,299	(19,405)	(8.6)%
Storage Segment	94,535	91,901	2,634	2.9%
Power Segment	59,259	75,313	(16,054)	(21.3)%
Corporate and eliminations	1,023	4,955	(3,932)	(79.4)%
Total IEnova EBITDA	**360,711**	**397,468**	**(36,757)**	(9.2)%
JV IEnova EBITDA Adjustment	141,024	56,102	84,922	n.s.
IEnova Adjusted EBITDA	**501,735**	**453,570**	**48,165**	10.6%

Gas Segment

Gas Segment IEnova EBITDA decreased by US$19.4 million, or 8.6%, in the six months ended June 30, 2020, compared to the six months ended June 30, 2019, primarily due to deferred revenue at the Guaymas – El Oro pipeline and a one-time distribution rates true-up at Ecogas Chihuahua in 2019, partially offset by higher transportation rates and lower operating expenses. See "—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage."

Storage Segment

Storage Segment IEnova EBITDA in the six months ended June 30, 2020, were in line with the six months ended June 30, 2019.

Power Segment

Power Segment IEnova EBITDA decreased by US$16.1 million, or 21.3%, in the six months ended June 30, 2020, compared to the six months ended June 30, 2019, primarily due to lower operational results at Termoeléctrica de Mexicali power plant. See "—Factors Affecting our Results of Operations—Market Risks Associated with our Electric Power Plant."

Joint Ventures

Joint Ventures IEnova EBITDA increased by US$84.9 million, in the six months ended June 30, 2020, compared to the six months ended June 30, 2019, primarily due to the start of operations of the South of Texas – Tuxpan pipeline in September 2019.

Revenues

The following table sets forth our revenues and the corresponding variances for the six months ended June 30, 2020 and 2019. Segment revenues are presented after the elimination of intercompany transactions.

	Six Months Ended June 30,		Variance
	2020	**2019**	**2020 vs. 2019**

	(in thousands of US$, except percentages)			
Revenues				
Gas Segment	378,461	463,690	(85,229)	(18.4)%
Storage Segment	79,445	76,882	2,563	3.3%
Power Segment	126,960	154,316	(27,356)	(17.7)%
Corporate and eliminations	4,752	2,405	2,347	97.6%
Total Revenues	**589,618**	**697,293**	**(107,675)**	**(15.4)%**

Gas Segment

Gas Segment revenues decreased by US$85.2 million, or 18.4%, in the six months ended June 30, 2020, compared to the six months ended June 30, 2019, primarily as a result of US$61.1 million from lower price and volume of natural gas sold, US$27.9 million from deferred revenue at the Guaymas – El Oro segment of the Sonora pipelines and US$5.0 million of one-time distribution rates true-up at Ecogas Chihuahua in 2019, partially offset by US$9.0 million from higher transportation rates. See "—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage."

Storage Segment

Storage Segment revenues in the six months ended June 30, 2020, were in line with the six months ended June 30, 2019.

Power Segment

Power Segment revenues decreased by US$27.3 million, or 17.7%, in the six months ended June 30, 2020, compared to the six months ended June 30, 2019, primarily as a result of US$35.6 million for lower electricity prices and volume at the Termoeléctrica de Mexicali power plant, partially offset by US$5.7 million for the commencement of commercial operations at the solar power generation facilities and US$2.2 million from higher power volume and price at Ventika.

Depreciation and Amortization

In the six months ended June 30, 2020, depreciation and amortization was US$80.4 million, compared with US$76.4 million for the same period of 2019. The increase of US$4.0 million was due primarily to the start of operations of the solar power generation facilities.

Finance Costs, net

In the six months ended June 30, 2020, financing cost, net was US$38.7 million, compared with US$50.0 million in the same period of 2019. The decrease of US$11.3 million was due primarily to higher interest income related to the shareholder's loan granted to the South of Texas – Tuxpan pipeline.

Other Gains (Losses), net

In the six months ended June 30, 2020, other losses were US$133.0 million, compared with other gains of US$13.6 million in the same period of 2019. The variance of US$146.6 million was primarily related to exchange rate effects, primarily due to a peso-denominated shareholder's loan to fund the South of Texas – Tuxpan pipeline, which is offset in Share of Profits from Joint Ventures.

Income Tax Expense

In the six months ended June 30, 2020, income tax expense was US$68.4 million, compared with US$80.2 million in the same period of 2019. The decrease of US$11.8 million is due primarily to lower profit before income tax and the effect of exchange rate on monetary assets and liabilities, partially offset by 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 exchange rate.

Share of Profits of Joint Ventures, Net of Income Tax

In the six months ended June 30, 2020, our Share of Profit from Joint Ventures, net of Income Tax was, US$132.4 million compared with US$8.7 million for the same period of 2019. The increase of US$123.7 million was due primarily to the South of Texas – Tuxpan pipeline foreign exchange rate effects primarily related to a peso-denominated shareholder's loan and its start of operation, offset by higher finance cost. The foreign exchange rate effects are offset in Other Gains (Losses), net.

Reconciliation of IEnova EBITDA and IEnova Adjusted EBITDA

	Six Months Ended June 30,	
	2020	**2019**
	(in thousands of US$) (unaudited)	
Profit for the period	172,564	213,151
Depreciation and amortization	80,442	76,411
Impairment of Termoeléctrica de Mexicali	—	—
Finance cost, net interest income	38,663	50,034
Other losses (gains), net	133,062	(13,668)
Income tax expense	68,351	80,191
Share of (profits) of joint ventures, net of income tax	(132,371)	(8,651)
(1) IEnova EBITDA	**360,711**	**397,468**
JV IEnova EBITDA Adjustment reconciliation:		
Profit for the period	132,371	8,651
Depreciation and amortization	17,007	4,544
Financing cost, net	45,658	17,246
Other losses, net	(129,956)	15,802
(Benefit) income tax expense	75,944	9,859
(2) JV IEnova EBITDA Adjustment	**141,024**	**56,102**
(1+2) IEnova Adjusted EBITDA	**501,735**	**453,570**

For our definition of IEnova Adjusted EBITDA, an explanation of why we present it and a discussion of its limitations, see "Presentation of Financial and Other Information—IEnova EBITDA and IEnova Adjusted EBITDA."

Results of Operations—Years Ended December 31, 2017, 2018 and 2019

The following table sets forth our profit for the year and the corresponding variances for the years ended December 31, 2019, 2018 and 2017. Results are presented after the elimination of intercompany transactions.

	Year ended December 31,			Variance		Variance	
	2019	**2018**	**2017**	**2019 vs 2018**		**2018 vs 2017**	
	(in thousands of US$, except percentages)						
Revenues	1,379,256	1,368,555	1,222,905	10,701	0.8%	145,650	11.9%
Cost of revenues	(391,093)	(385,791)	(331,846)	(5,302)	1.4%	(53,945)	16.3%
Operating, administrative and other expenses	(210,325)	(214,519)	(202,982)	4,194	(2.0)%	(11,537)	5.7%
Depreciation and amortization	(155,799)	(137,157)	(119,020)	(18,642)	13.6%	(18,137)	15.2%
Impairment of Termoeléctrica de Mexicali	—	—	(63,804)	—	n.s.	63,804	n.s.
Interest income	45,665	27,449	22,808	18,216	66.4%	4,641	20.3%
Finance costs	(132,849)	(122,879)	(73,501)	(9,970)	8.1%	(49,378)	67.2%
Other (losses) gains, net	25,619	8	(40,900)	25,611	n.s.	40,908	n.s.
Profit before income taxes and share of profits of joint ventures	560,474	535,666	413,660	24,808	4.6%	122,006	29.5%
Income tax expense	(132,558)	(143,064)	(104,163)	10,506	(7.3)%	(38,901)	37.3%

Share of profits of joint ventures, net of income taxes	39,769	37,984	44,677	1,785	4.7%	(6,693)	(15.0)%
Profit for the year	467,685	430,586	354,174	37,072	8.6%	(400,816)	21.6%

IEnova EBITDA

The following table sets forth by segment our IEnova EBITDA and IEnova Adjusted EBITDA for the year and the corresponding variances for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,			Variance			
	2019	**2018**	**2017**	**2019 vs 2018**		**2018 vs 2017**	
			(in thousands of US$, except percentages)				
IEnova EBITDA							
Gas Segment	425,385	454,291	424,452	(28,906)	(6.4)%	29,838	7.0%
Storage Segment	188,574	179,690	185,032	8,884	4.9%	(5,342)	(2.9)%
Power Segment	156,957	129,494	74,150	27,463	21.2%	55,344	74.6%
Corporate and eliminations	6,922	4,770	4,443	2,152	45.1%	327	7.4%
Total IEnova EBITDA	**777,838**	**768,245**	**688,077**	**9,593**	**1.2%**	**80,168**	**11.7%**
JV IEnova EBITDA	160,334	108,121	70,563	52,213	48.3%	37,558	53.2%
IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**	**61,806**	**7.1%**	**117,726**	**15.5%**

Gas Segment

In 2019, Gas Segment IEnova EBITDA decreased by US$28.9 million, or 6.4%, compared to 2018, primarily due to deferred revenue at the Guaymas – El Oro pipeline, higher operating expenses and lower transportation rates partially offset by higher natural gas distribution rates. See "—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage."

In 2018, Gas Segment IEnova EBITDA increased by US$29.8 million, or 7.0%, compared to 2017, primarily due the acquisition of the remaining 50% of Ductos y Energéticos del Norte, a one-time natural gas distribution rates true-up from prior years at Ecogas Mexicali and higher distribution rates.

Storage Segment

In 2019, Storage Segment IEnova EBITDA increased by US$8.9 million, or 4.9%, compared to 2018, primarily due to higher storage rates and lower expenses at the Veracruz marine terminal related to the 2018 concession fee with API due to the adoption of the new lease accounting standard IFRS 16 in 2019.

In 2018, Storage Segment IEnova EBITDA decreased by US$5.3 million, or 2.9%, compared to 2017, primarily due to higher storage rates offset by higher operating expenses and expenses at the Veracruz marine terminal related to the 2018 concession fee with API.

Power Segment

In 2019, Power Segment IEnova EBITDA increased by US$27.5 million, or 21.2%, compared to 2018, primarily due to 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.

In 2018, Power Segment IEnova EBITDA increased by US$55.3 million, or 74.6%, compared to 2017, primarily due to Termoeléctrica de Mexicali power plant higher operational results and its scheduled major maintenance in 2017, and higher operational results for our Ventika wind power generation facilities.

Joint Ventures

In 2019, Joint Ventures IEnova EBITDA increased by US$52.2 million, or 48.3%, compared to 2018, primarily due to the start of operations of the South of Texas – Tuxpan pipeline.

In 2018, Joint Ventures IEnova EBITDA increased by US$37.6 million, or 53.2%, compared to 2017, primarily due to the November 2017 acquisition of the remaining 50% of Ductos y Energéticos del Norte.

Revenues

The following table sets forth our revenues and the corresponding variances for the years ended December 31, 2018, 2017 and 2016. Segment revenues are presented after the elimination of intercompany transactions.

	Year ended December 31,			Variance			
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
	(in thousands of US$, except percentages)						
Revenues							
Gas Segment.....	894,790	903,741	842,304	(8,951)	(1.0)%	61,437	7.3%
Storage Segment.....	156,477	153,716	148,314	2,761	1.8%	5,402	3.6%
Power Segment.....	323,131	308,244	229,356	14,887	4.8%	78,888	34.4%
Corporate and others	4,858	2,854	2,931	2,004	70.2%	(77)	(2.6)%
Total revenues.....	**1,379,256**	**1,368,555**	**1,222,905**	**10,701**	**0.8%**	**145,650**	**11.9%**

Gas Segment

In 2019, Gas Segment revenues decreased by US$9.0 million, or 1.0%, compared to 2018, primarily due to US$23.3 million from revenue deferment at the Guaymas – El Oro pipeline and US$4.4 million from lower transportation rates partially offset by US$9.0 million from natural gas higher volume, net of lower price, and US$6.8 million from higher natural gas distribution rates.

In 2018, Gas Segment revenues increased by US$61.4 million, or 7.3%, compared to 2017, primarily due to US$31.9 million from higher volume of natural gas sold, US$11.5 million for the acquisition of DEN, US$6.9 million from an extraordinary adjustment of distribution rates of former years in Ecogas Mexicali and US$6.3 million from higher distribution rates.

Storage Segment

In 2019, Storage Segment revenues increased by US$2.8 million, or 1.8%, compared to 2018, primarily due to US$2.4 million from higher storage rates.

In 2018, Storage Segment revenues increased by US$5.4 million, or 3.6%, compared to 2017, primarily due US$4.8 million from higher storage rates.

Power Segment

In 2019, Power segment revenues increased by US$14.9 million, or 4.8%, compared to 2018, primarily due to US$11.1 million from the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities, and US$5.7 million from Ventika primarily due to an availability guarantee.

In 2018, Power Segment revenues increased by US$78.9 million, or 34.4%, compared to 2017, primarily due to US$70.5 million in income from greater volume and higher power prices for the Termoeléctrica de Mexicali power plant, and US$9.0 million from higher power prices paid to our Ventika wind power generation facilities.

Depreciation and Amortization

In 2019, depreciation and amortization was US$155.8 million, compared with US$137.2 million in 2018. The increase of US$18.6 million was due primarily 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.

In 2018, depreciation and amortization expense totaled US$137.2 million, compared with US$119.0 million in 2017. The increase of US$18.2 million was due primarily to the commencement of operations of the four new gas pipelines: Sonora (Guaymas – El Oro segment), Ojinaga – El Encino, San Isidro – Samalayuca and Empalme Lateral, in 2017, and the depreciation of the Termoeléctrica de Mexicali power plant.

Impairment of Termoeléctrica de Mexicali power plant

The asset value indicated by the Termoeléctrica de Mexicali power plant sale process was determined to be lower than the carrying value of this asset, resulting in a non-cash after-tax impairment charge of US$63.8 million and US$136.9 million in 2017 and 2016, respectively.

Finance Costs, net

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

In 2018, financing cost, net was US$95.4 million, compared with US$50.7 million for 2017. The increase of US$44.7 million was primarily due to higher interest rates and greater interest expenses from corporate debt, partially offset by interest income related to the shareholder's loan granted to fund the South of Texas – Tuxpan pipeline.

Other (Losses) Gains

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

In 2018, other (losses) gains were US$0.0 million, compared with other gains of US$40.9 million in 2017. The decrease of US$40.9 million was related to exchange rate effects, primarily due to a peso-denominated shareholder's loan to fund the South of Texas – Tuxpan pipeline, which was partially offset in share of profits of joint ventures.

Income Taxes

In 2019, income tax expense was US$132.6 million compared with US$143.1 million in 2018. The decrease of US$10.5 million was due primarily 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.

In 2018, income tax expense was US$143.1 million compared with US$104.2 million in 2017. The increase of US$38.9 million was due primarily to higher earnings before taxes, the effect of the currency exchange rate on 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 exchange rate and inflation. This decrease was partially offset by the currency exchange rate and inflation movements on monetary assets and liabilities.

Share of Profits of Joint Ventures, Net of Income Tax

In 2019, our share of profit of joint ventures, net of income tax, was US$39.8 million compared with US$38.0 million in 2018. The increase of US$1.8 million was due primarily to the South of 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.

In 2018, our share of profits of joint ventures, net of income tax, was US$38.0 million, compared with US$44.7 million in 2017. The decrease of US$6.7 million was due primarily to losses from the South of Texas – Tuxpan pipeline and from foreign exchange rate effects related to a peso-denominated shareholder's loan to fund the

South of Texas – Tuxpan pipeline, partially offset by the increase in participation in the Los Ramones Norte pipeline. These foreign exchange rate effects are offset in other (losses) gains, net.

IEnova EBITDA and IEnova Adjusted EBITDA Reconciliation to profit

	Year Ended December 31,		
	2019	**2018**	**2017**
	(in thousands of US$) (unaudited)		
Profit for the period	467,685	430,586	354,174
Depreciation and amortization	155,799	137,157	119,020
Impairment of Termoeléctrica de Mexicali	—	—	63,804
Finance cost, net	87,184	95,430	50,693
Other losses (gains), net	(25,619)	(8)	40,900
Remeasurement of equity method investment	—	—	—
Income tax expense	132,558	143,064	104,163
Share of (profits) of joint ventures, net of income tax	(39,769)	(37,984)	(44,677)
(1) IEnova EBITDA	**777,838**	**768,245**	**688,077**
JV IEnova EBITDA Adjustment reconciliation			
Profit for the period	39,769	37,984	44,677
Depreciation and amortization	14,426	6,350	6,276
Finance cost, net	65,908	34,576	30,087
Other (gains) losses, net	26,561	(3,238)	(16,888)
Income tax expense	13,670	32,449	6,411
(2) JV IEnova EBITDA Adjustment	**160,334**	**108,121**	**70,563**
(1+2) IEnova Adjusted EBITDA	**938,172**	**876,366**	**758,640**

For our definition of IEnova Adjusted EBITDA, an explanation of why we present it and a discussion of its limitations, see "Presentation of Financial and Other Information—IEnova EBITDA and IEnova Adjusted EBITDA."

Liquidity and Capital Resources

Overview

Historically, we have generated, and we expect to continue to generate, positive cash flow from operations. Our principal capital needs are for working capital, capital expenditures related to maintenance, expansions and acquisitions, and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements, including our revolving credit facilities, and our access to the capital markets. In connection with managing our capital needs, we may also seek to replace our existing financing arrangements, although there is no guarantee as to whether, or when, we may conduct such activities or the terms upon which any new financing may be available, if at all. We believe that our future cash from operations, together with our access to financing and the equity and debt capital markets, will provide adequate resources to fund our operating activities, capital expenditures, acquisitions and new business development activities. In this regard, we regularly analyze foreign and local banking and capital markets to identify appropriate resources to finance and refinance our operations.

A substantial portion of the capacity of the assets across our business segments is under long-term agreements with customers, which provides us with a generally steady and predictable cash flow stream. Our counterparties, with respect to a substantial majority of these agreements, are stable and creditworthy private or government entities.

Cash flows from operations primarily represent inflows from revenues and outflows for costs of revenues and increases in working capital needed to grow our business. Cash flow used in investing activities represents our

investments in property, plant and equipment required for our growth, expansion and maintenance, as well as our acquisition activities. Cash flows from financing activities are primarily related to changes in indebtedness with affiliates to grow our business, repayment of indebtedness with cash from operations or refinancing transactions, and the payment of dividends.

We expect that our cash flows from operations, as well as our capacity for future borrowings and access to debt and equity capital markets, will be sufficient to finance our liquidity requirements for the foreseeable future. We are also subject to certain capital requirements imposed by governmental agencies on our regulated pipelines and natural gas distribution businesses.

Liquidity

We are a holding company. As a result, our ability to meet our obligations depends primarily on the earnings and cash flows of our subsidiaries, our investments in joint ventures and the ability of those subsidiaries or joint ventures to pay dividends or other amounts to us.

Sources and Uses of Cash

	Year ended December 31,			Six Months Ended June 30,	
	2019	**2018**	**2017**	**2020**	**2019**
	(in thousands of US$)				
Net cash provided by operating activities.....	706,654	624,986	586,234	199,156	362,745
Net cash (used in) investing activities	(655,003)	(628,113)	(969,456)	(301,887)	(269,037)
Net cash provided (used in) financing activities..	6,637	(33,975)	406,584	639,085	3,553
Cash and cash equivalents at the end of the period.....	91,502	78,047	94,109	600,815	140,242

Operating Activities

In the six months ended June 30, 2020, net cash provided by operating activities was US$199.2 million, compared with US$362.7 million in the same period of 2019, primarily due to changes in working capital, higher income tax payments and lower operational results.

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

Net cash provided by operating activities was US$625.0 million in 2018, compared to US$586.2 million in 2017. The increase was primarily due to higher operating results and lower taxes paid, partially offset by changes in working capital.

Investing Activities

We expect to maintain financial resources sufficient to meet our financial commitments related to capital expenditures and other investing activities and those of our subsidiaries.

In the six months ended June 30, 2020, net cash used in investing activities was US$301.9 million, primarily due to capital expenditures of US$303.0 million related to our solar and liquid terminal projects, US$22.6 million related to the Energía Sierra Juárez expansion project and US$8.5 million related to the ECA Liquefaction Project, partially offset by US$30.2 million interest payments from the shareholder's loan granted to the South of Texas – Tuxpan pipeline.

In the six months ended June 30, 2019, net cash used in investing activities was US$269.0 million, primarily due to capital expenditures of US$253.2 million primarily related to our solar and liquid terminal projects and the funding of US$15.8 million in the South of Texas – Tuxpan pipeline.

Net cash used in investing activities was US$655.0 million in 2019, primarily due to capital expenditures of US$613.6 million primarily related to our solar and liquid terminal projects, and the funding of US$49.1 million in the ECA Liquefaction Project and US$15.8 million in the South of Texas – Tuxpan pipeline, partially offset by a US$18.7 million interest payment from the shareholder's loan granted to South of Texas – Tuxpan pipeline.

In 2018, net cash used in investing activities was US$628.1 million, primarily due to equity investments of US$456.4 million, primarily related to our solar and liquid terminal projects and US$174.9 million to fund the South of Texas – Tuxpan pipeline.

Net cash used in investing activities was US$969.5 million in 2017 primarily due to US$578.1 million used to fund the South of Texas – Tuxpan pipeline and capital expenditures of US$253.0 million related to our Ojinaga – El Encino pipeline, Guaymas – El Oro segment of the Sonora pipelines, San Isidro – Samalayuca pipeline, Empalme lateral pipeline, and Veracruz marine terminal project and the acquisition of the remaining 50% interest in DEN for US$147.6 million, net of cash available at closing date.

Financing Activities

In the six months ended June 30, 2020, net cash provided by financing activities was US$639.1 million, primarily due to US$667.8 million of net proceeds from revolving credit lines and US$64.0 million net proceeds of loans from unconsolidated affiliates, partially offset by US$66.6 million of interest paid, US$10.3 million of share repurchases and US$5.3 million from finance lease payments. During the first quarter of 2020, and in light of the COVID-19 global situation, we made draws under our committed and uncommitted credit lines of US$570 million to provide financial flexibility. At the end of the quarter, to provide financial flexibility, we had approximately US$1.1 billion of liquidity, including cash and available committed credit lines.

In the six months ended June 30, 2019, net cash provided by financing activities was US$3.6 million, primarily due to US$100.1 million of net proceeds from bank financing, partially offset by US$67.2 million of interest paid, US$21.2 million of lease payments and US$8.2 million of share repurchases.

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

Net cash used by financing activities was US$34.0 million in 2018 due to US$242.0 million in payments from unconsolidated affiliates, Mexican peso-denominated debt securities (*certificados bursátiles*, or "CEBURES") 5-year repayment of US$102.1 million and interest paid of US$85.0 million, partially offset by US$612.4 million in net borrowings from bank loans.

Net cash provided by financing activities was US$406.6 million in 2017 due to a US$807.4 million issuance of senior notes, net of expenses, US$331.2 million in net borrowings from unconsolidated affiliates and US$360.5 million in net borrowings from bank loans, partially offset by a dividend payment of US$200.0 million, payment to Pemex TRI, which operated Pemex's processing plant of US$95.8 million as part of the acquisition of a 25% interest in Los Ramones Norte pipeline and interest paid of US$75.6 million.

Existing Indebtedness

	As of December 31,			As of June 30,
	2019	2018	2017	2020
		(in thousands of US$)		
Short-term debt[(1)]	1,238,085	871,432	199,395	1,608,085
Short-term debt with unconsolidated affiliates	—	267,778	510,009	—
Long-term debt with unconsolidated affiliates	233,597	75,161	73,510	305,844
Short-term debt related to CEBURES	—	—	102,000	—
Long-term debt related to CEBURES	206,949	198,142	277,175	169,776
Long-term bank debt (including senior notes)(1)	1,705,790	1,512,875	1,572,551	2,035,600

(1) Short-term debt excludes fair value and interest.

For a description of our existing indebtedness as of June 30, 2020, see "Description of Other Indebtedness."

Tax Status

As of June 30, 2020, we and our subsidiaries have no relevant tax credits.

Capital Expenditures

We expect to continue making investments in the energy infrastructure sector in Mexico that are capable of generating stable cash flows as well as expanding into related businesses to increase our revenues and profitability.

We made capital expenditures of US$303.0 in the six months ended June 30, 2020, and US$613.6, US$392.1 and US$224.8 for the full years ended December 31, 2019, 2018 and 2017, respectively.

Contractual Obligations

The following is a summary of our contractual maturity for our financial liabilities with agreed repayment periods. The table has been drawn up based on the projected cash flows of financial liabilities based on contractual maturity, which is the earliest date on which we can be required to pay. The table includes principal cash flows:

(in thousands of US$)	Less than 1 year	1-2 years	3-5 years	More than 5 years	Total
Due to unconsolidated affiliates	1,440	44,219	122,865	245,933	414,457
CEBURES	12,803	190,191	—	—	202,994
Bank loans	1,649,190	212,852	192,758	357,057	2,411,857
International Senior Notes	37,567	112,717	187,867	1,461,891	1,800,042
Multilateral Credit Facility	17,490	50,992	91,949	535,567	695,998
Lease liabilities	2,690	4,176	5,366	69,909	82,141
Derivative financial instruments	(5,597)	(14,117)	(165,342)	(25,062)	(210,118)
Total	1,715,583	601,030	435,463	2,645,295	5,397,371

In the ordinary course of business, we also enter into long-term supply arrangements with affiliates that are not reflected in the above table. In addition, our obligations under derivative financial instruments are described further below under "—Quantitative and Qualitative Disclosures about Market Risk—Derivative Financial Instruments."

Off-Balance Sheet Arrangements

As of June 30, 2020, we did not have any off-balance sheet arrangements.

Internal Controls

Our management is responsible for maintaining a system of internal control over financial reporting. This system gives our shareholders a 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 modern and efficient systems designed to generate key financial information in real time. These systems also facilitate the efficient preparation of our financial reports.

To fulfill its responsibilities regarding the integrity of financial reporting, management maintains and relies on our system of internal control over financial reporting. This system is based on an organizational structure that delegates responsibility and ensures selection of competent personnel. The system also includes policies that are communicated to appropriate employees.

Our system of internal control over financial reporting has the following primary goals:

- to issue reliable, timely and meaningful financial information;
- to delegate authority and assign responsibilities for achieving the system's goals and objectives;
- to establish proper business practices within our organization; and
- to provide administrative control methods to help oversee and monitor compliance with our policies and procedures.

We have manuals that establish our policies and procedures regarding the implementation and promotion of our business, the control and monitoring of transactions involving the acquisition, promotion, distribution or sale of our subsidiaries, and the controls in the areas of human resources, finance, accounting, legal, tax and data processing, among others.

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

We enter into derivative financial instruments to reduce our exposure to risks. These instruments are negotiated with institutions of recognized financial strength, and trading limits have been established for each institution. Our policy is to carry out transactions in derivative financial instruments for the purpose of offsetting our exposure to such risks through risk management.

We recognize all assets or liabilities that arise from transactions with derivative financial instruments at fair value on our financial statements, regardless of our intent in holding them.

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

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 fair value through profit or loss.

Own Use Exemption

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with our 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.

Financial Risk Management Objectives

The activities we carry out may expose us to financial risk, including market risk, which encompasses foreign exchange, interest rate and commodity price risks, credit risk and liquidity risk. We seek to minimize the potential negative effects of these risks on our financial performance through an overall risk management program. We may use derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in assets and liabilities reported on our financial statements as well as 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.

We identify, assess, monitor and centrally manage the financial risks of our operating subsidiaries through written policies that establish limits associated with specific risks including guidelines for determining when the use of certain derivative financial instruments are appropriate and within policy 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 by our management with established policies and exposure limits is reviewed by internal audit on a regular basis.

Market Risk

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

We have policies governing our 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 our 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.

We enter into a variety of derivative financial instruments to manage our 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 our exposure to market risks or the manner in which those risks are managed and measured.

Value at Risk (VaR) analysis

The VaR measure estimates the maximum potential loss we can experience in any of our underlying positions 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 risks measures can be aggregated to arrive at a single risk number.

Along with other tools, we use VaR to measure exposure to market risk primarily associated with commodity derivative instruments that we hold. We use historical volatilities and correlations between instruments and positions in the calculations.

We use a one-day holding period and a 95% confidence interval in VaR calculations. The one-day 95% VaR number reflects a 95% probability that the daily loss will not exceed the reported VaR.

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

VaR History (95%, one day), by risk type (in thousands of US$)	**As of December 31,**		
	2019	**2018**	**2017**
Interest rate swaps 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% 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. There is no guarantee that the actual losses will not exceed the calculated VaR.

While VaR captures our daily exposure to commodity and interest rate risk, sensitivity analysis evaluates the impact of a reasonable possible change in commodity prices and interest rates over the period of a year.

Commodity Price Risk

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

We are generally indirectly exposed to commodity price risk through our LNG, gas pipelines storage, and our power generating assets. We may utilize commodity transactions in the course of optimizing these assets. These transactions are typically priced based on market indices, but may also include fixed price purchases and sales of commodities.

Foreign Currency Risk Management

We have investments in entities whose functional currency is not the U.S. dollar. Additionally, we have balances in Mexican pesos held by our U.S.-dollar-functional-currency subsidiaries, exposing us to currency fluctuations.

Our primary objective in reducing foreign currency risk is to preserve the economic value of our investments and to reduce earnings volatility that would otherwise occur due to exchange rate fluctuations. As mentioned above, we enter into transactions denominated in foreign currencies and consequently, we are exposed to exchange rate fluctuations.

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

	As of December 31,		
(in thousands of US$)	**2019**	**2018**	**2017**
Monetary assets			
U.S. dollar-functional currency subsidiaries	1,025,682	907,113	746,038
Mexican peso-functional currency subsidiaries	26,462	32,146	33,594
Monetary liabilities			
U.S. dollar-functional currency subsidiaries	938,184	860,870	853,067
Mexican peso-functional currency subsidiaries	47,867	31,325	26,478

For our U.S. dollar functional currency subsidiaries, 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 our Mexican peso functional currency subsidiaries, U.S. dollar balances include: bank accounts, intercompany loans, trade accounts receivables or payables and provisions.

See "Exchange Rates."

Foreign Currency Sensitivity Analysis

Our account balances disclosed in Note 24.7 to the audited consolidated financial statements included elsewhere in this offering circular are exposed to the Mexican peso for our U.S. dollar functional currency subsidiaries and to the U.S. dollar for its Mexican peso functional currency subsidiaries.

The following table details our profit and other comprehensive income sensitivity to a 10% increase and decrease in the U.S. dollar against the Mexican peso. We use a 10% sensitivity rate to report foreign currency risk internally to key management personnel, 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 respective period end for a 10% 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% against the Mexican peso for U.S. dollar functional currency subsidiaries. For a 10% 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% against the Mexican peso. For a 10% 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.

(in thousands of US$)	**U.S. dollar-functional currency subsidiaries**			**Mexican peso-functional currency subsidiaries**		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
Profit (loss)(i)	5,532	2,943	6,811	(916)	52	(453)
Other comprehensive income	—	—	—	2,865	414	2,580

(1) Primarily 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. dollar-functional currency subsidiaries sensitivity to foreign currency decreased primarily due to higher intercompany loans with unconsolidated affiliates

The Mexican peso-functional currency subsidiaries sensitivity to foreign currency has increased, primarily due to higher trade and other trade receivables balances.

Interest Rate Risk Management

Interest rate swap contracts entered into by our joint ventures

The joint venture with Actis entered into a swap contract that effectively hedges the interest rate risk due to variable rate financings. See Note 10.1.b to our audited consolidated financial statements and Note 4.1.b to our unaudited consolidated financial statements included elsewhere in this offering circular.

The joint venture with Brookfield entered into swap contract that effectively hedges interest rate risk due to variable rate financings. See Note 10.4.b to our audited consolidated financial statements and Note 4.3.b unaudited consolidated financial statements included elsewhere in this offering circular.

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

Our management considers the results of the sensitivity analysis for these derivatives to be immaterial.

Credit Risk Management

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

As with market risk, we have 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.

For our natural gas distribution business, 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 with 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, bonds or promissory notes among others.

The oversight includes a monthly review of 100% of the balances of major customers by the credit and collection department to make sure that payments are made in a timely manner and to ensure that they comply with the agreed terms of their contract. We believe that we have provided adequate reserves for counterparty nonperformance.

For all other entities of the Gas, Storage and Power segments, when our development projects become operational, we rely significantly on the ability of our suppliers to perform on long-term agreements and on our ability to enforce contract terms in the event of nonperformance.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with our directors and key executives, who have established an appropriate liquidity risk management framework for management of our funding and liquidity management requirements. As of December 31, 2019, our projects were funded with resources obtained from a variety of sources, including our own cash generation, equity and debt offerings, unconsolidated affiliate loans and bank financing. Our current liabilities exceed our current assets primarily due to loans from unconsolidated affiliates and short-term debt. As explained in Notes 6 and 22 to our audited consolidated financial statements and Notes 3

and 6 to our unaudited consolidated financial statements included elsewhere in this offering circular, we had US$892.5 million of unused lines of credit with banks.

Critical Accounting Estimates, Provisions and Reserves

Critical Accounting Judgments and Key Sources for Estimating Uncertainties

In the application of our accounting policies, management was required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in our consolidated financial statements.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that our management has made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements. See Note 3.2 to our audited consolidated financial statements included elsewhere in this offering circular.

Contingencies

We accrue losses for the estimated impacts of various matters, situations or circumstances involving uncertain outcomes. For loss contingencies, we accrue for the loss if an event has occurred on or before the date of the Consolidated Statements of Financial Position. We do not accrue contingencies that might result in gains. We continuously assess contingencies for litigation claims, environmental remediation and other events. See Note 37 of the Consolidated Financial Statements included elsewhere in this offering circular.

Own use exemption

IAS 39 and IFRS 9 contain 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 either net in cash or by 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.

Classification of our 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 our share of the profits and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

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 our Consolidated Statements of Financial Position.

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. See Note 13 of our Consolidated Statements of Financial Position included elsewhere in this offering circular.

Asset decommissioning obligation

The estimated cost of decommissioning at the end of the useful lives of our 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. We use our long-term "borrowing cost" rate as the discount rate for calculating its provision related to our decommissioning liabilities, which is the 30-year borrowing cost for companies in its industry with similar credit ratings, as measured by Bloomberg.

Recoverability of deferred tax assets

As mentioned in Note 25 of our audited consolidated financial statements included elsewhere in this offering circular, we have accumulated tax loss carryforward benefits, for which an evaluation of recoverability is performed on a quarterly basis.

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

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 Fair Value 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.

We concluded that the carrying value of the fixed assets is deemed to be representative of Fair Value for IFRS purposes.

Key sources of estimation uncertainty for Ventika

Selected Valuation Methodology. Based on the nature of the Ventika power facility and generally accepted industry practice, we relied on the income approach, specifically the discounted cash flow method, to conduct a valuation of that facility.

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

It is noted that the derived Fair Value estimate embeds a developer margin (i.e., margin above the cost to develop/construct the power project) that we believe 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).

Although we opted to use the income approach instead of the cost approach to determine fair value, we conducted a valuation using the cost approach for comparative purposes.

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

INDUSTRY OVERVIEW

Introduction

The energy industry in Mexico, including the oil, gas and power sector, is highly regulated. In December 2013, the Mexican constitution was amended to increase the scope of open private investment in the energy industry. Secondary laws to implement the constitutional reforms were enacted in 2014. These reforms and the legal framework that followed enable the private sector to participate in refining, marketing, transportation, storage, import and export of hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, distribution, commercialization and retail of natural gas, refined products and the transportation and storage of petrochemicals. In the power sector, these reforms enabled non-governmental entities to participate in the generation and commercialization of electricity in the wholesale electric power market, and to enter into contracts for the financing, installation, maintenance, procurement, operation and expansion of the transmission network.

These reforms also transformed Pemex and CFE into state productive enterprises (*empresas productivas del estado*) that continue to be owned and controlled by the federal government and, as such, remain key players in the industry.

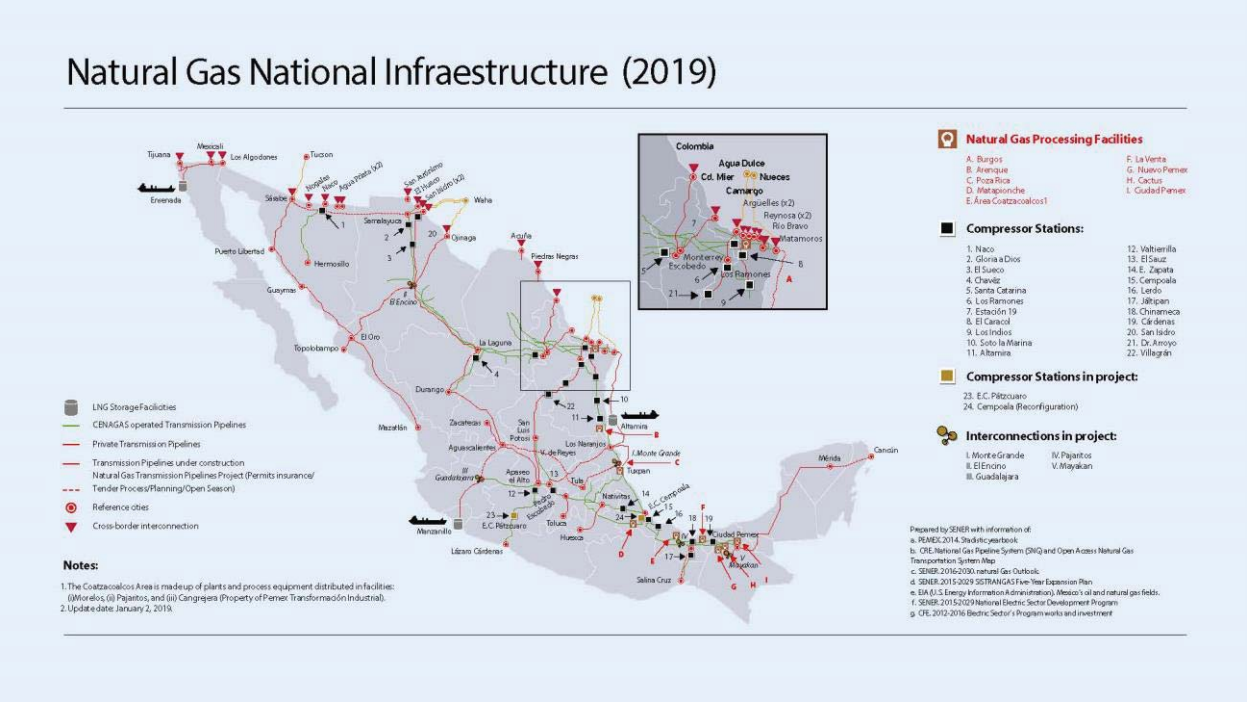
The market information presented below is based on the prospects published by SENER. We cannot guarantee that the estimates included in these documents will materialize.

Natural Gas

Before the reforms were enacted in 2014, natural gas exploration activities were reserved for Pemex. In 1995, the midstream (transportation and storage) and downstream (distribution) natural gas sectors began to allow private participation. These reforms further enabled the private sector to store, transport, distribute, market and carry out direct sales of natural gas, as well as to operate terminals, pipelines and liquefaction, regasification, compression and de-compression stations.

According to various reports issued by SENER, Mexico is a net importer of natural gas. In 2019, imports increased by 37% compared to the previous year. The majority of imports (92%) come from the United States through pipelines. Mexico's demand for natural gas in 2019 was driven by power plants (62%) and the industrial sector (19%) followed by the oil sector (17%). By 2032, demand for natural gas in Mexico is expected to increase by 30.3% from 2017 levels driven by power sector demand.

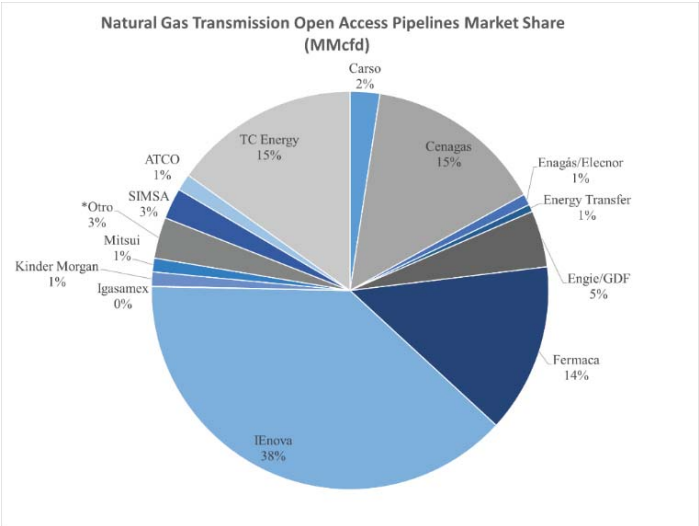
As of January 2020, according to CRE, private investment in the natural gas sector was concentrated in transportation (88 permits had been issued) and distribution (61 permits had been issued), with only three permits issued for LNG import terminals. The following map shows Mexico's natural gas infrastructure in 2019:



Source: SENER, Statistic compendium January 2020

Transportation

The network of natural gas pipelines in Mexico is composed of approximately 20,472 km of open access transport pipelines. According to CRE, led by us, four companies control more than 80% of the pipelines. The industry market share, as measured by a percentage of total MMcfd, for natural gas transmission through open access pipelines is shown in the following chart:



*Includes Finsa, Conceptos Energéticos Mexicanos and Brookfield participation

Source: CRE, December 2019.

Currently, Mexico does not have natural gas storage capacity, with the exception of LNG import and regasification projects. Consequently, the administration has revised its policies on natural gas storage to require up to 45,000 MMcfd of minimum inventory, which is equivalent to the national demand for natural gas estimated for 2029. This will allow the country to have five days of natural gas inventory to deal with emergencies in the pipeline network or at any point of import. To meet these storage requirements, the sector will require investments for the construction of storage infrastructure.

Distribution

Distribution in Mexico is permitted through pipelines, vehicles and portable containers. Since 2017, private distributors may distribute natural gas on a national level.

LNG Storage and Regasification

The substantial increase in demand of natural gas, paired with pipeline contracts, has fueled a demand for liquefied natural gas, as 12.3% of Mexico's natural gas imports are transported as LNG according to SENER. Currently, Mexico has three LNG regasification terminals. As of June 30, 2020, the Issuer owns approximately 50% of Mexico's LNG regasification capacity.

Electricity

Electricity generation by the private sector has been permitted for self-supply, small production (under 30 MW) and import and export since 1992. As a result of the reforms that were enacted in 2014, the private sector may participate in the construction and operation of power plants, commercialization of electricity, participate in the wholesale market and sell electricity directly to qualified users (determined by their offtake profile). Electricity sales to qualified users are made at market prices or contracted prices. Retail of electricity to small and medium end users (at regulated tariffs) continues to be an activity reserved for CFE. Transmission and distribution activities are exclusively performed by the Mexican state. Notwithstanding, private parties may participate in transmission and distribution activities though association agreements or service contracts with SENER. Planning and control of the grid is regulated by CENACE, which also operates the wholesale electric power market.

The following map shows the distribution of the 70 most important electricity facilities in Mexico according to CENACE.



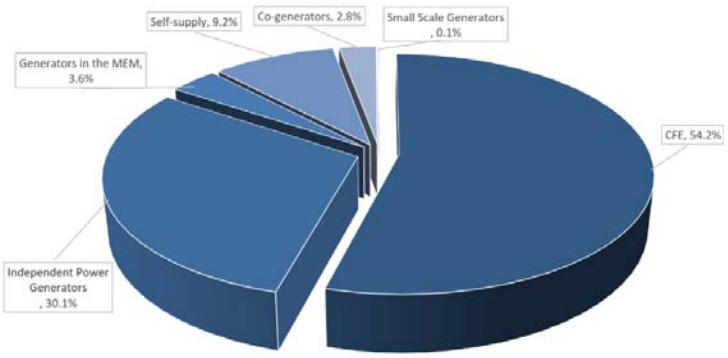
Wholesale Power Market

Since the reforms in 2014, Mexico operates a wholesale electric power market, comprised of next day and real time markets, a capacity market and a CELs market. The market also holds auctions for medium and long-term contracts, capacity, CELs and transmission rights. As of 2017, through three long-term auctions, CFE had acquired 20.6 million CELs, 19.8 million MWh of electricity and 1.8 GW of capacity, accounting for a total investment of US$9,000 million to be deployed before 2020. In January 2019, SENER cancelled the fourth long-term auction and, since November 2019, auctions have remained suspended.

Clean Energy Certificates are sold in the wholesale market. CELs are awarded to clean generators, who may resell them in the wholesale electric power market in the spot market through auctions or directly to buyers in bilateral contracts. Certain off-takers are required by regulation to acquire an amount of CELS that is determined as a percentage of their load that does not come from clean sources. In October 2019, SENER issued a decree changing the criteria for eligibility for generators to obtain and issue CELs, creating a surplus of CELs and making their price uncertain.

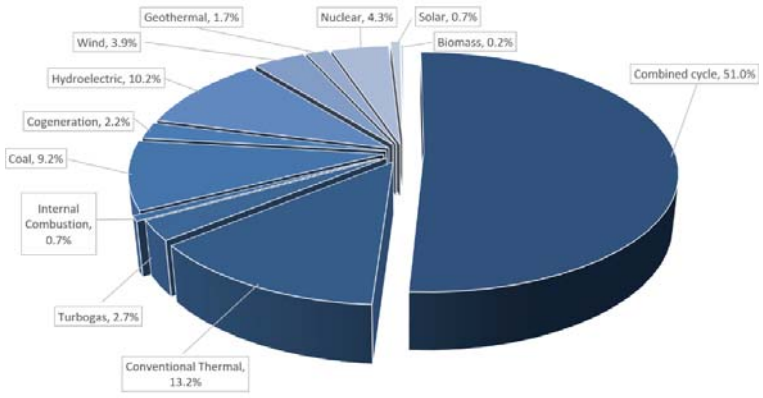
Generation Profile

Mexico is a net importer of electricity; in 2018 5,620 GWh were imported, while 3,488 GWh were exported. CFE continues to dominate generation in Mexico. In 2018, Mexico generated 317,278 GWh, 54.2% of which was generated in CFE-owned facilities. According to SENER, independent power producers, on the other hand, generated 30.1% and private generators that participate in the wholesale power market produced 3.6%.



Source: CENACE – PRODESEN 2019-2033

In 2018, Mexico generated a total of 317,278 GWh. According to CENACE, combined cycle accounted for 51% of generation, while the most important source of renewable energy was hydroelectric (10.2%), and non-hydroelectric renewables produced 6.3% of Mexico's electricity generation. Since 2007, the source of generation with the highest growth was wind according to SENER. The following chart illustrates the distribution of generation by source in 2018:



Source: CENACE – PRODESEN 2019-2033

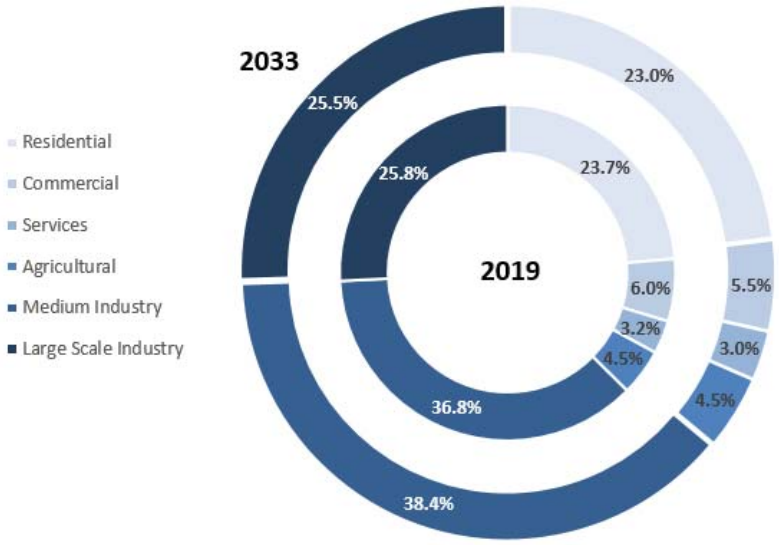
According to CENACE, by the end of 2018, installed capacity in Mexico was 70,053 MW, a 3.1% increase compared with 2017. CFE owns 59.2% of the installed capacity, independent power producers own 19.2% and private generators that participate in the wholesale power market account for 6.6%. Conventional sources accounted for 71.1% of installed capacity during 2018 36.5% of which was in combined cycle facilities, followed by 18% in hydroelectric facilities and 17% in conventional thermal.

CENACE estimates that to satisfy the expected increase in demand, by 2031 Mexico will require an additional 66,912 MW of installed capacity, accounting for plants that will retire by then. In its 2013 National Energy Strategy, SENER set a target to generate 35% of Mexico's electricity using non-fossil fuel sources by 2024, which has added pressure to shift installed capacity to non-fossil fuel sources.

Load Profile

According to CENACE, in 2018 national electricity offtake was 268,811 GWh, 3.8% higher than in 2017. The number of individuals that had access to electricity in 2018 increased by 2.7% from 2017 led by a strong increase in medium-sized industrial off takers. Mexico's offtake is principally driven by the industrial sector, which in 2019 represented 68.9% of the load, followed by residential consumers who account for 23.7% and are geographically concentrated in the central-western region of Mexico.

CENACE estimates that electricity demand will continue to grow with a mean annual growth of 3.1% between 2019 and 2033. The following graph illustrates the offtake distribution by sector in 2019, and estimates distribution for 2033.


2033
2019
Residential
Commercial
Services
Agricultural
Medium Industry
Large Scale Industry
23.0%
5.5%
3.0%
4.5%
38.4%
25.5%
23.7%
6.0%
3.2%
4.5%
36.8%
25.8%

BUSINESS

Overview

We were the first publicly traded energy infrastructure company on the Mexican Stock Exchange, and we are one of the largest private-sector energy companies in Mexico by market share and by total assets. We develop, build and operate essential energy infrastructure across several business lines, with a portfolio that includes a critical portion of the Mexican energy infrastructure value chain.

Our business consists of three business segments:

- *Gas Segment.* Our Gas Segment includes our natural gas and ethane transportation systems and associated or stand-alone compression assets, our natural gas marketing business and our natural gas distribution business.

- *Power Segment.* Our Power Segment includes wind and solar power generation facilities and a gas-fired combined-cycle power plant.

- *Storage Segment.* Our Storage Segment includes refined products storage, our LPG storage and pipeline systems, and our existing LNG storage and regasification business.

Our assets generate revenues primarily under firm, long-term, take-or-pay, U.S. dollar-denominated contracts with stable, creditworthy counterparties.

We were one of the first private companies to enter the energy infrastructure business in Mexico. Over the last 24 years, our record shows that we have been a leader and pioneer in private sector investment in the Mexican energy infrastructure space, and our presence has grown considerably, both through the development of greenfield projects as well as through acquisitions and a diversification of our customer portfolio.

- We are the first private company to be awarded a natural gas distribution contract through a public auction, and we built Mexico's first private natural gas pipeline system in Baja California.

- We developed the first gas infrastructure joint venture in Mexico between Pemex and a private company.

- We developed the first cross-border renewable energy generation project between Mexico and the United States.

- We built our ECA LNG Regasification Terminal, the first LNG storage terminal on the west coast of the Americas, near Ensenada, Baja California. Together with an affiliate of Sempra Energy, we are developing the first natural gas liquefaction plant in Mexico, to be located near our existing ECA LNG Regasification Terminal.

- Through a joint venture with TC Energy Corporation, we constructed the South of Texas – Tuxpan pipeline, the first private marine natural gas pipeline in Mexico, which began commercial operations in September 2019.

- We executed a twenty-year electric supply contract with DeAcero, to supply energy, power, and clean energy certificates from our Pima Solar project, currently in operation, located in Caborca, Sonora. This transaction marked a milestone as the first contract between a generator and a private consumer in the Mexican electric power sector.

- We were awarded the first contract by the Veracruz Port Administration in Mexico to build and operate a marine terminal on the Mexican Gulf Coast for the receipt, storage and send-out of hydrocarbons, and have executed a long-term, dollar-denominated firm storage capacity contract with a subsidiary of Valero for the full capacity of a new marine terminal in Veracruz and the full capacity of inland terminals in Puebla and Valle de México, all of which are under construction.

- We were the first energy company to be included in the S&P/BMV Total Mexico ESG Index, the Mexican Stock Exchange's new sustainability index. We received an "AA," or "Leader," rating in the MSCI ESG Ratings Assessment for 2019 and 2020. We are included in the FTSE4Good Index Series, and we were the first energy company to be included in the recently created FTSE4Good BIVA Index.

.As of June 30, 2020, we had approximately US$10.4 billion in total assets. The following map shows the location of our principal assets in operation or under development:



Gas Segment

Pipelines Business

Our pipelines business develops, builds and operates systems for the receipt, transportation, compression and delivery of natural gas and ethane. These systems (including assets operated through our joint ventures) feature more than 2,900 km of natural gas pipelines with an aggregate design capacity of over 16,500 MMcfd, and 16 natural gas compression stations (two of which are under construction), with more than 650,000 horsepower in the aggregate. We also have more than 200 km of ethane pipeline, with a transportation capacity of more than 50 MMcfd in the first segment (as ethane gas), more than 150 MMcfd in the second segment (as ethane gas), and more than 100,000 Bbld in the third segment (as liquid ethane).

Our current pipeline assets include the Gasoducto Rosarito pipeline system, the TGN pipeline, the Aguaprieta pipeline, the Naco compression station, the Sonora pipelines, the Ojinaga – El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme lateral, the San Fernando pipeline, the Samalayuca pipeline, the Los Ramones I pipeline, the Gloria a Dios compression station, our ethane pipeline and, through joint ventures, the Los Ramones Norte and the South of Texas – Tuxpan pipelines. See "—Segment Overview—Gas Segment—Pipelines Business—Our Pipelines" for more information.

Natural Gas Distribution Business

We own and operate the ECOGAS natural gas distribution utility, which covers three distribution areas: Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc

and Anáhuac) and La Laguna – Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango). With pipelines of more than 4,250 km in length as of June 30, 2020, this system currently serves approximately 136,000 industrial, commercial and residential customers. See "—Segment Overview—Gas Segment—Natural Gas Distribution Business—Overview" for more information.

Natural Gas Marketing Business

Our IEnova Marketing business purchases LNG for storage and regasification at the ECA LNG Regasification Terminal and sells natural gas to affiliates and third-party customers. This business also purchases natural gas from Sempra Energy affiliates in order to sell it to our customers in Baja California, including CFE, which purchases such natural gas to power its plants in Rosarito, Baja California, and our Termoeléctrica de Mexicali combined-cycle power plant. IEnova Marketing also supplies natural gas purchased from Sempra Energy affiliates to third-party industrial customers in Mexicali, Chihuahua, Torreón and Durango. IEnova Marketing currently serves over 160 clients.

Power Segment

Wind Power Generation Business

We own three operational wind power generation facilities, with another in development, in the states of Baja California and Nuevo León. These facilities include:

- Energia Sierra Juárez, a joint venture with Saavi, an affiliate of Actis, in which we have a 50% interest. The initial phase of this project consists of more than 45 wind turbines with a total capacity of more than 150 MW located in Tecate, Baja California. All of the electricity generated from the first phase is purchased by our U.S. affiliate, SDG&E, under a 20-year power purchase agreement denominated in U.S. dollars. In 2017, we executed a 20-year power purchase agreement denominated in U.S. dollars with SDG&E in connection with the development of a new wind power generation facility near the first phase of Energía Sierra Juárez, with a capacity of more than 100 MW. We estimate this facility will require an investment of approximately US$150 million, and we expect to start commercial operations in 2021.

- Ventika, two adjacent wind power generation facilities located in Nuevo León, consisting of more than 80 wind turbines with a capacity of more than 250 MW. All of Ventika's capacity is contracted with private companies through long-term supply contracts denominated in U.S. dollars.

Solar Power Generation Business

We own five solar power plants, three of which are in operation: Pima, located in Sonora with a capacity of 110 MW; Tepezalá, located in Aguascalientes with a capacity of 100 MW; and Rumorosa, located in Baja California with a capacity of 41 MW. One plant, Border Solar, located in Chihuahua with a capacity of 150 MW, is currently under construction, and another plant, Don Diego, located in Sonora with a capacity of 125 MW, is in a test period prior to beginning operations.

Natural Gas-Fired Power Generation Business

We own and operate the Termoeléctrica de Mexicali power plant, a natural gas-fired, combined-cycle power plant located near Mexicali, Baja California with capacity of more than 600 MW. The power plant receives natural gas supplied by our Gas Segment marketing business, IEnova Marketing, through a connection with our Gasoducto Rosarito pipeline system that allows it to receive regasified LNG from the ECA LNG Regasification Terminal as well as gas supplied from the United States through the North Baja pipeline system. This facility is a modern, efficient, combined-cycle plant that employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California in the United States. Through a double-circuit dedicated transmission line, the plant is directly connected to the California Independent System Operator power grid at the Imperial Valley substation, and it is capable of providing energy to a wide range of customers in California.

Storage Segment

Liquefied Natural Gas Business

Our ECA LNG Regasification Terminal was the first west coast LNG receiving facility in the Americas and provides receiving and storage facilities for our LNG customers, regasifies their LNG and delivers the resulting natural gas to our Gasoducto Rosarito pipeline system with the ability to deliver to Baja California, Mexico and the United States. Our ECA LNG Regasification Terminal has a storage capacity of approximately 320,000 m^3 between two tanks, each with a capacity of approximately 160,000 m^3. It is designed to operate at a maximum send-out capacity of approximately 1,300 MMcfd, or a nominal capacity of approximately 1,000 MMcfd.

Together with affiliates of Sempra LNG LLC, part of Sempra Energy, we are developing the ECA Liquefaction Project, the first natural gas liquefaction plant in Mexico, to be located on land adjacent to our ECA LNG Regasification Terminal. We expect the proposed ECA Liquefaction Project to have aggregate capacity of more than 12 Mtpa, which is being developed in two phases. ECA Liquefaction Mid-Scale is expected to have a production and export capacity of approximately three Mtpa, and ECA Liquefaction Large-Scale is expected to have two trains, with an aggregate production and export capacity of approximately nine Mtpa. Both proposed phases will use a portion of the existing infrastructure, such as the LNG tanks and marine berths, and will also require new infrastructure. ECA Liquefaction Mid-Scale has secured definitive long-term LNG purchase-sale agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Additionally, ECA Liquefaction Mid-Scale has signed an agreement with an affiliate of Sempra LNG for approximately 0.8 Mtpa. Both phases have a majority of the permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In 2019, the ECA Liquefaction Project received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with and without a free trade agreement with the United States. We are currently working to obtain the Mexican export permit for ECA Liquefaction Mid-Scale. We estimate construction and commissioning of ECA Liquefaction Mid-Scale will take approximately four years, with first shipments of LNG for export projected to occur in the second half of 2024, subject to, among other things, the timely receipt of all necessary permits. See "—Segment Overview—Storage Segment—Liquefied Natural Gas Business" and "Risk Factors—Risks Relating to Prices and Customer Contracts—We are developing liquefaction capabilities adjacent to our ECA LNG Regasification Terminal, but our efforts to such end may prove unsuccessful. In addition, the successful addition of such capabilities could force us to terminate our existing agreements with our regasification customers, which could give rise to indemnification obligations to such customers."

LPG Storage and Associated Systems

We own and operate the TDF pipeline system and the Guadalajara LPG Terminal. The TDF pipeline system was the first privately owned LPG pipeline in Mexico and consists of approximately 190 km of twelve-inch diameter LPG pipeline with a design capacity of more than 30,000 Bbld and associated storage and dispatch facilities. The TDF system runs from Pemex's Burgos facility in the state of Tamaulipas to our delivery facility near the city of Monterrey, Nuevo León. Our Guadalajara LPG terminal is an 80,000 Bbl LPG storage facility near Guadalajara, Jalisco, with associated loading and dispatch facilities, and serves the LPG needs of Guadalajara, Mexico's second largest city.

Refined Products Storage Business

Our refined products storage business develops systems for the receipt, storage and delivery of refined products, principally gasoline, diesel and jet fuel, throughout the states of Baja California, Colima, Puebla, Sinaloa, Veracruz, Valle de México and Jalisco for private clients. We currently have four marine and three inland terminals under development and construction, with a storage capacity of approximately eight million Bbl, which may be expanded.

Our Strengths

We believe the following strengths distinguish us from our competitors and are critical to the continued successful execution of our strategy.

- ***Cash flow stability and visibility through long-term contracts***. We have contracted a substantial portion of the capacity of our assets across our business segments through long-term agreements, which are primarily U.S. dollar-denominated or U.S. dollar-indexed. This allows us to rely on steady and predictable long-term cash flows. Our customers are primarily creditworthy private counterparties as well as public counterparties that include CFE, CENAGAS and Pemex. Approximately 56% of our revenue for the six months ended June 30, 2020 related to contracts with private companies and the rest of such revenues related to contracts with governmental entities. In addition to improving our cash flow stability, our business model minimizes our direct exposure to risks related to the price of commodities. The average life of these agreements, weighted in proportion to revenues, is approximately 21 years.

- ***Proven development capability and extensive experience operating diverse energy infrastructure***. With over 24 years of experience in Mexico, we have the necessary skills to develop, build, acquire, own and operate critical energy infrastructure throughout the country. We have established a track record of building greenfield and brownfield projects and the capacity to acquire assets in existing lines of business. We believe that our experience in the energy sector positions us to take advantage of possible investment opportunities in development projects, as well as joint ventures opportunities with companies seeking strategic partners.

- ***Demonstrated ability to execute wide-ranging sustainable growth strategy***. We have managed to grow our business consistently at attractive rates of return by implementing a diversification strategy through entering into new businesses, expanding our creditworthy customer base and positioning ourselves as a key participant in the Mexican energy sector. We have quickly increased our participation in the refined products storage business and in our renewable power generation business.

- ***Diversification of energy assets covering wide market opportunity set***. Our assets are diversified across an important part of the energy infrastructure value chain that is open to private investment in Mexico, including storage and transportation of natural gas, LPG and ethane, LPG and LNG storage, natural gas distribution, refined products storage and power generation. Given the large scale of our projects and diverse asset base, we believe we are strategically positioned to continue to expand our platform of energy infrastructure assets.

- ***Strong and long-standing relationship with Mexican regulatory bodies***. Over the past 24 years, we have worked closely with CRE and other Mexican energy regulatory bodies, such as SENER, SEMARNAT, INAH, and ASEA, and we have developed a deep understanding of the regulatory processes governing the Mexican energy sector. We believe our knowledge of the regulatory framework provides a key strength and we intend to continue to nurture and build positive relationships based on the experience that we have developed throughout our years of operation in Mexico.

- ***Experienced management team with strong corporate governance framework***. Our management team has extensive experience developing, building, acquiring and operating assets in the energy sector. We believe we have the knowledge, skills and development expertise necessary to successfully and safely manage all of our assets and operations, expand our existing footprint and enter into new sectors within the energy industry as opportunities arise. We further believe our senior management team, with an average of more than 18 years of experience, is one of our principal competitive strengths. Similarly, our framework of internal oversight organizations and committees helps contribute to our strong corporate governance, further facilitating our business objectives.

- ***World-class parent company***. We have the strong support of our indirect controlling shareholder, Sempra Energy, a NYSE-listed (NYSE: SRE) Fortune 500 company. Sempra Energy's mission is to be North America's premier energy infrastructure company. With more than US$60 billion in total assets in 2019, the San Diego-based company is the utility holding company with the largest U.S. customer base. The Sempra Energy companies' more than 18,000 employees deliver energy with purpose to over 35 million consumers. Through our association with Sempra Energy, we expect to continue to have access to a significant pool of strong commercial relationships throughout the energy industry as well as broad operational, commercial, technical, risk management and administrative infrastructure

and support. We believe these advantages should continue to help maximize the operational and financial performance of our assets and enhance the efficiency of our current operations as well as our growth and expansion projects.

- ***Leaders in Sustainability***. We have positioned ourselves as a sustainability leader in the market. Our sustainability model is built around three pillars—social, environmental, and economic—with a solid foundation on ethics and strong corporate governance. This model is integrated at all levels of the organization, including our business and risk management strategies. We have a strong sustainability management framework, with a Sustainability Committee controlled and directed at the Executive Vice President level that reports directly to the Corporate Practices Committee of our Board of Directors, ensuring a direct line of report and accountability on sustainability-related matters.

Our Strategy

We provide our customers with critical and essential energy infrastructure that contributes to the country's development. Mexico has a sizable economy, with significant energy infrastructure needs in almost every segment of the energy sector. We believe that our reputation, size, and ability to execute strategically positions us to continue contributing to Mexico's social and economic development.

We expect to maintain our strategy of developing energy infrastructure that is critical for Mexico and that generates stable and predictable long-term cash flows from creditworthy counterparties. We seek to maintain our growth by diversifying our assets and customer base, developing projects, optimizing our existing assets, participating in new energy segments and acquiring or partnering with companies with similar business models. We will continue implementing our strategy by:

- ***Operating Safely and Reliably***. We are focused on operating safely and reliably through a model of asset management governed by strict security and health policies under the highest standards in the industry.

- ***Optimizing our Assets***. We maintain an optimization program for assets under operation that seeks to increase their value by expanding their capacity and/or useful life.

- ***Maintaining our Leadership Position***. We have a leadership position in Mexican natural gas transportation, LNG storage and storage of liquid hydrocarbons, and we have an important position in Mexican renewable energy generation. These segments continue to offer investment opportunities considering the need for infrastructure required to provide energy to the country.

- ***Portfolio Diversification***. We intend to continue diversifying our assets and client base. Our successful diversification strategy has allowed us to develop new energy infrastructure backed by long-term, primarily U.S. dollar-denominated or U.S. dollar-indexed contracts, and to expand our customer portfolio with creditworthy private sector counterparties.

- ***Participating in Sectors Aligned with our Business Model***. We take advantage of business opportunities that fit our business model, developing energy infrastructure projects that are subject to long-term agreements and that are primarily U.S. dollar-denominated or U.S. dollar-indexed. We believe that there are important business opportunities in different segments of the energy sector in Mexico that fit our business model.

- ***Strengthening our Balance Sheet***. Our strong balance sheet has allowed us to develop a broad portfolio of assets and clients. We seek to maintain a strong balance sheet through diverse financing strategies that allow us to continue taking advantage of market opportunities.

- ***Maintaining a Leadership Position in Sustainability***. We have robust sustainability strategies, policies and goals. Our projects are generally designed, developed and operated in accordance with sustainability and ESG best practices.

- ***Participating in M&A and Strategic Partnerships***. We are continuously analyzing opportunities to acquire projects that complement our assets and customer portfolio as well as strategic partnerships in both new and existing projects with companies that are looking for trustworthy partners. We believe that in the event of consolidation in the Mexican energy market, there will still be opportunities to consummate acquisitions and strategic partnerships for projects aligned with our business model.

We maintain a firm commitment to Mexico's development by building and operating critical, essential and strategic infrastructure to provide energy to millions of users.

Primary Customers

The following table shows our revenues (in thousands of US$) for our top customers and our other customers combined. See Note 24.9.1 to our audited consolidated financial statements included elsewhere in this offering circular:

		As of December 31,		
Customer	Segment	2019	2018	2017
		(in thousands of US$)		
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[(1)]	Power	38,381	36,353	35,389
Customer 9	Gas	36,366	36,723	36,397
Others[(2)]		175,491	138,209	105,300
Total consolidated revenues		$1,379,256	$1,368,555	$1,222,905

(1) See Note 12 to our audited consolidated financial statements included elsewhere in this offering circular.
(2) Within Others there were no customers that represented more than 9% of our consolidated revenues.

Each of our following customers represent more than 10% of the revenue, for one or more of the years ended December 31, 2019, 2018 and 2017: CFE, SGPM and CENAGAS. CFE, CENEGAS and Pemex account for approximately 44% of our revenue for the six months ended June 30, 2020.

SGPM is a subsidiary of Sempra Energy our indirect controlling shareholder.

Segment Overview—Gas Segment

Our Gas Segment includes our natural gas and ethane transportation systems and associated or stand-alone compression assets, our natural gas and LNG marketing business, and our natural gas distribution business.

Pipelines Business

Overview

Our pipelines business develops, builds and operates systems for the receipt, transportation, compression and delivery of natural gas and ethane. These systems (including assets operated through our joint ventures) feature more than 2,900 km of natural gas pipelines with an aggregate design capacity of over 16,500 MMcfd, and 16 natural gas compression stations in operation and two of which are under construction, with more than 650,000 horsepower in the aggregate. We also have more than 200 km of ethane pipeline, with a transportation capacity of more than 50 MMcfd in the first segment (as ethane gas), more than 150 MMcfd in the second segment (as ethane gas), and more than 100,000 Bbld in the third segment (as liquid ethane).

Our current pipeline assets include the Gasoducto Rosarito pipeline system, the TGN pipeline, the Aguaprieta pipeline, the Naco compression station, the Sonora pipelines, the Ojinaga – El Encino pipeline, the San Isidro – Samalayuca pipeline, the Empalme lateral, the San Fernando pipeline, the Samalayuca pipeline, the Los Ramones I pipeline, the Gloria a Dios compression station, our ethane pipeline and, through joint ventures, the Los Ramones Norte and the South of Texas – Tuxpan pipelines.

Our Pipelines

The following table summarizes both operating assets and assets under development of our pipelines business as of June 30, 2020, including those in which we have an interest through our joint ventures.

Assets	Ownership Interest	Length of Pipelines (km)	Design Capacity (MMcfd)	% of Capacity Under Long-Term Contract (1)	Installed Compression (Horsepower)	Commercial Operation Date
Natural Gas Systems						
Gasoducto Rosarito Pipeline System	100%	302 (2)	1,434 (2)	82% (8)	32,500 (11)	August 2002
TGN Pipeline.....	100%	45	940	100%	9,600	June 2000 (3)
Aguaprieta Pipeline	100%	13	200	25% (9)	N/A	November 2002
Naco Compression Station.....	100%	N/A	90	100%	14,340	September 2001
Sonora Pipeline (Sásabe-P. Libertad-Guaymas segment).....	100%	505	812	100%	44,400-33,3000	December 2014
Sonora Pipeline (Guaymas-El Oro segment)		330	510	100%	33,000 (5)	May 2017 (4)
San Fernando Pipeline	100%	114	1,460	100%	90,000	November 2003
Samalayuca Pipeline.....	100%	37	400	50%	14,300 (12)	December 1997
Los Ramones I Pipeline	100%	116	2,100	100%	123,000	December 2014
Ojinaga ─ El Encino Pipeline	100%	220	1,356	100%	N/A	June 2017
Los Ramones Norte Pipeline (6).....	50%	452	1,420	100%	123,000	February 2016
San Isidro ─ Samalayuca Pipeline	100%	23	1,135	100%	71,000	March 2017
South of Texas ─ Tuxpan Pipeline (7)...	40%	800	2,600	100%	100,000	September 2019
Empalme Lateral Pipeline.....	100%	20	226	100%	N/A	June 2017
Ethane System						
Ethane Pipeline.....	100%	224	52/152/106,000 MMcfd / Bbld (10)	100%	N/A	December 2015

(1) This reflects the percentage of capacity contracted, which depending on the contract, may be expressed in volume or a heating value (such as BTUs). Although we sometimes show design capacity and contracted capacity figures in both units of volume and heating capacity in order to facilitate comparisons of the different gas segment businesses, in view of the slight differences arising when these figures are converted, some of the figures shown in this offering circular may not coincide exactly with the percentage of contracted capacity.

(2) The Gasoducto Rosarito Pipeline is comprised of three segments with different lengths, diameters and transportation capacities. The capacity of 1,434 MMcfd refers to the volume that can be transported in the system considering the two reception points.

(3) The TGN pipeline includes an expansion that began operation in February 2008.

(4) The Sásabe-Puerto Libertad-Guaymas segment of the Sonora pipelines began commercial operations in December 2014 and the Guaymas ─ El Oro segment began commercial operations in May 2017. The Guaymas ─ El Oro segment of the Sonora pipelines has been out of service since August 23, 2017. See "Risk Factors—Other Risks Relating to Our Business—Our business and operations are subject to risks associated with natural disasters, severe weather conditions, catastrophic accidents, major equipment failures, accidents and acts of terrorism or criminality" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Effects of Guaymas – El Oro Damage."

(5) Compression stations under design.

(6) Joint venture with Brookfield.

(7) In construction through IMG, the joint venture with TC Energy.

(8) In 2018, the Gasoducto Rosarito Pipeline had more than 97% of its capacity contracted on a firm basis.

(9) 25% of the contracted long-term capacity. If additional, non-long-term contracts are included, the contracted capacity of the Aguaprieta Pipeline is 65%.

(10) Approximately 52 MMcfd (0.6 MMThd) in the first segment, approximately 152 MMcfd (1.8 MMThd) in the second segment, both as ethane gas, and approximately 106,000 bpd (3.1 MMThd) in the third segment as liquid ethane.

(11) Includes La Jovita compression station.

(12) Includes Gloria a Dios compression station.

Contracts Overview

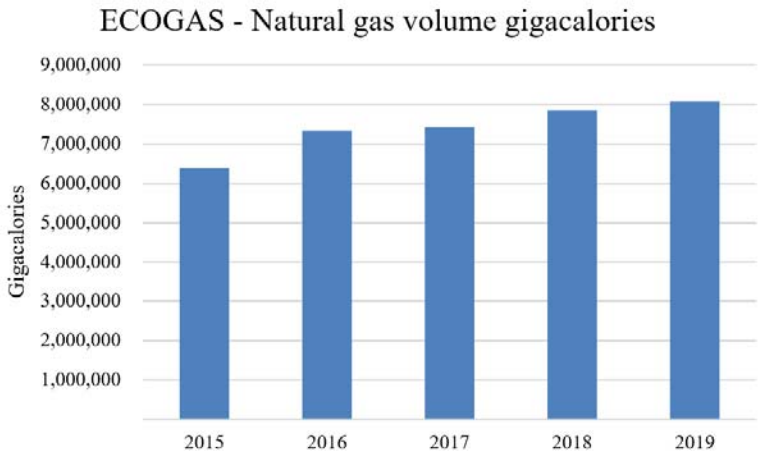
The majority of our pipelines and compression stations and our natural gas and LPG storage facilities have contracts with leading industry participants, including Shell, Gazprom, CFE, Saavi, TC Energy Corporation and CENAGAS, as assignee of Pemex TRI. Substantially all our contracts are long-term agreements, with terms ranging from 20 to 35 years, and have an average remaining contract length of 12 years. The contracted capacity of our pipeline agreements ranges from 40 MMcfd maximum daily quantity to 2,600 MMcfd maximum daily quantity.

Natural Gas Distribution Business

Overview

Our subsidiary Ecogas was awarded a distribution permit, the first to be awarded to a private company under the 1995 natural gas regulation, to build and operate a natural gas distribution system. As of June 30, 2020, the Ecogas distribution system, through its approximately 4,250 km of pipelines, served approximately 136,000 residential, commercial and industrial customers in Northern Mexico, with operations in the distribution zones of Mexicali (serving the city of Mexicali), Chihuahua (serving the cities of Chihuahua, Delicias, Meoqui, Cuauhtémoc and Anáhuac) and La Laguna—Durango (serving the cities of Torreón, Gómez Palacio, Lerdo and Durango).

In addition to receiving the first distribution permit under the 1995 natural gas regulation, we became the first private distribution company to meet its build-out obligations in terms of amount of investment and number of customers. Since the Ecogas distribution system became operational, we have marketed natural gas as a better alternative to LPG for industrial, commercial and residential consumption in our markets. The following chart shows the growth in volume of natural gas distributed by our distribution business over the last five years.



Our natural gas distribution business includes the following key activities:

- purchasing natural gas from our suppliers;
- receiving and transporting natural gas through our distribution network, including the maintenance of our pipelines and other equipment;
- connecting our customers to the Ecogas system;
- delivering natural gas into our customers' homes and businesses;
- metering, invoicing and collecting payment for gas delivered;
- customer service activities for our existing customers; and
- marketing activities to increase our customer base.

Our revenues are derived from service and distribution fees charged to our customers through monthly invoices. The price we pay to purchase natural gas, which is based on international price indexes, is passed through directly to our customers. We do, however, undertake certain hedging activities on these prices in order to reduce potential volatility in the price for natural gas that our customers ultimately pay. The service and distribution fees charged by our Ecogas business are regulated by the CRE, which performs a review of rates every five years and monitors prices charged to end-users. The last review of rates in 2016 approved the rates for each of our distribution zones. The current natural gas fee structure minimizes our market risk by periodically adjusting the rates to account for inflation or fluctuations in exchange rates. The inflation indexing adjustments take into consideration separate U.S. and Mexican cost components so that U.S. costs can be included in the final distribution rates.

Natural Gas and Our Market Opportunity

We believe that our customer service at each stage of the natural gas service cycle has led to high levels of customer satisfaction differentiating our business from traditional Mexican LPG distributors, which historically have held a strong position in the Mexican gas market, in particular with respect to residential heating. We believe our great customer service (based on our annual customer service satisfaction survey) and quick response time are key competitive advantages that have helped us to establish a reputation for quality and to build customer loyalty.

Natural Gas Customer Arrangements

Residential customers comprised approximately 97% of our customer accounts (in terms of number of accounts), and represented 49% of the profit margin of our distribution business as of and for the year ended June 30, 2020. We do not typically enter into long-term agreements with our residential customers, and they pay the rates for our distribution services that are established by the CRE. We invoice these customers on a monthly basis and service can be terminated by either party at any time.

Commercial and industrial customers together comprise approximately 3.0% of our customers (in terms of number of accounts), but were responsible for approximately 91% of our systems' aggregate volume, and over 50.8% of the profit margin of our distribution business as of and for the year ended June 30, 2020. We have entered into long-term supply agreements with certain of these customers; while CRE sets the maximum rate we can charge for our distribution service, we may negotiate a rate that is at a discount to the maximum authorized rate in exchange for a long-term obligation from these customers to purchase contractual minimum volumes. In certain cases, our customers are required to provide us with guarantees in the form of letters of credit or cash deposits.

LNG Marketing Business

Our IEnova Marketing business purchases LNG for storage and regasification in our ECA LNG Regasification Terminal and sells natural gas to affiliates and third-party customers. This business also purchases natural gas from Sempra Energy affiliates in order to sell it to our customers in Baja California, including CFE, which purchases such natural gas to power its plants in Rosarito, Baja California, and our Termoeléctrica de Mexicali combined-cycle power plant.

LNG Purchase and Sale Agreement with Our U.S. Affiliate

Our subsidiary IEnova Marketing purchases LNG for our ECA LNG Regasification Terminal from an affiliate of Sempra Energy. Pursuant to this agreement, which will expire on August 20, 2029, Sempra Energy agreed to sell IEnova Marketing up to 8.2 million m^3 (1,880 MMTh) of LNG annually. If it delivers less than this amount for reasons other than a *force majeure* event, it is required to make payments to us to compensate for our fixed capacity costs under IEnova Marketing's agreements with our ECA LNG Regasification Terminal and our pipelines business. This agreement requires Sempra Energy's affiliate to make available a limited number of LNG cargoes to IEnova Marketing for the purpose of allowing us to have the minimum input volume necessary to maintain the operation of our ECA LNG Regasification Terminal. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, this Sempra Energy affiliate paid us approximately US$100.3 million, US$100.3 million, US$101.6 million, and US$50.6 million, respectively, to compensate for delivering less than the full contract volume of LNG. In August 2018, we executed an amendment to this agreement to modify the mechanics that determine the quarterly consumption adjustment, which is added or discounted to the monthly indemnification.

The Sempra Energy affiliate that is party to this agreement with IEnova Marketing purchases LNG from suppliers, including pursuant to a long-term contract with the Tangguh partners (a consortium of companies that produce LNG in the Tangguh LNG Project in Indonesia) which have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Energy. However, the Tangguh partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than this U.S. affiliate. Having non-divertible cargoes available under our U.S. affiliate's agreement with the Tangguh partners increases the likelihood that our ECA LNG Regasification Terminal will be able to maintain sufficient annual volumes of LNG to remain in continuous operation and ensures that we will be able to satisfy at least some portion of our natural gas customer commitments by selling natural gas that has been regasified at our ECA LNG Regasification Terminal. Our U.S. affiliate's agreement with the Tangguh partners expires in 2029, and we are a party to the agreement solely with respect to the scheduling of delivery of LNG cargoes and to coordinate the parties' rights with respect to the use of our marine terminal.

Segment Overview—Power Segment

Our Power Segment includes wind and solar power generation facilities and a gas-fired power plant.

Wind Power Generation Business

Energía Sierra Juárez

We have developed and constructed the first phase of a wind power generation facility, Energía Sierra Juárez, along mountain ridges in the Sierra de Juárez Mountains in Baja California, Mexico. This region has one of the strongest wind resources on the west coast of North America. The first phase of this project started operations in June 2015 and is located approximately 70 miles from San Diego and just south of the Mexico – U.S. border. The project interconnects via a cross-border transmission line to a substation owned by an affiliate of SDG&E in eastern San Diego County, and future phases could potentially also connect directly with the Mexican power grid.

The first phase of Energía Sierra Juárez, which we operate through a 50/50 joint venture with Saavi, an affiliate of Actis, has 47 wind turbines and a total capacity of 155 MW (enough to supply approximately 65,000 average U.S. homes). Based on five years of meteorological data, we expect that these wind turbines will operate at a net capacity factor of between 34% and 36% (net capacity factor is a measure of the percentage of peak power a facility generates on average over an extended period of time, reflecting wind resource availability and other factors). The electricity generated from the initial phase of this project is being sold entirely to our affiliate SDG&E, pursuant to a 20-year power supply agreement entered into in April 2011.

In November 2017, we executed a 20-year power purchase agreement with SDG&E in connection with the construction of the 108 MW second phase of Energía Sierra Juárez, which is expected to be located in the vicinity of the first phase of Energía Sierra Juárez. We expect to construct 26 additional wind turbines with a net capacity factor between 40% and 41%. We estimate this facility will require an investment of approximately US$150 million and we expect to start commercial operations in 2021.

Ventika

In December 2016, we acquired 100% of the equity interests (other than certain shares that have neither voting nor economic rights) in the 252 MW Ventika wind power generation facilities for a purchase price of US$920 million, comprised of a cash payment of US$435 million and the assumption of approximately US$485 million of non-recourse debt. The Ventika facilities consist of two adjacent wind farms, Ventika I and Ventika II, each powered by 42 turbines, providing an aggregate of up to 252 MW of generating capacity, which together makes Ventika one of the largest wind farms in Mexico and Latin America. All of the facilities' generation capacity is contracted under long-term, U.S. dollar-denominated power purchase agreements with stable creditworthy private off-takers. The Ventika facilities are located in the General Bravo municipality in the State of Nuevo León approximately 34 miles from the U.S. border.

Fisterra Energy, a portfolio company of Blackstone Energy Partners, and Cemex S.A.B. de C.V., ("Cemex") a global building supplies company, jointly developed the Ventika facilities, which began commercial operations in April 2016. Until November 2018, an affiliate of Acciona Energía, S.A. ("Acciona"), a global leader in the development and administration of renewable energy assets, provided the facilities with operation and maintenance services pursuant to operation and maintenance agreements with five-year terms. In July 2019, Acciona

assigned these agreements to a Mexican affiliate of Nordex Group, which now provides such services. Commercial asset management services were provided to these facilities by Cemex pursuant to an asset management services agreements which expired in April 2020. Since April 2020, one of our affiliates, Gasoductos Ingeniería, S. de R.L. de C.V., has assumed responsibility for providing such asset management services.

All of the Ventika facilities' generation capacity is contracted under 20-year term U.S. dollar-denominated firm capacity power purchase agreements expiring in April 2036. Customers for Ventika's wind power include subsidiaries, affiliates and/or related parties of each of Fomento Económico Mexicano, S.A.B. de C.V., Cemex, DeAcero, S.A. de C.V., Fiat Chrysler Automobiles, N.V., and the Instituto Tecnológico y de Estudios Superiores de Monterrey.

Nordex Group's Mexican affiliate provides the Ventika facilities with operational and maintenance services pursuant to agreements with five-year terms, which may be renewed for equal periods up to a maximum of 20 years. Pursuant to these agreements, the operator guarantees the availability of each facility subject to the limits specifically indicated in the applicable agreement. The operator is responsible for complying with applicable laws, obtaining the permits and authorizations required for each project, carrying out Ventika's instructions and performing the other services detailed in the interconnection agreements and other applicable documents. The operator is responsible for obtaining all the necessary personnel to render its services. Nordex guarantees the performance of the operator pursuant to the terms of the agreements.

Solar Power Generation Business

Pima Solar Project

In March 2017, we executed a 20-year dollar-denominated electric supply agreement with DeAcero to provide energy, power and capacity generated by the 110 MW Pima Solar project.

We developed, constructed and began commercial operations of this project, which is located in Caborca, Sonora, in the first quarter of 2019.

Rumorosa Solar Project

In January 2017, we executed a dollar-indexed, long-term (20 years for the CEL and 15 years for energy and capacity) power purchase agreement with CFE for the capacity generated by the 41 MW Rumorosa Solar project to be located near our Energía Sierra Juárez wind farm in Baja California. The Rumorosa Solar project began commercial operations in the second quarter of 2019.

Tepezalá Solar Project

In January 2017, in connection with the Tepezalá Solar project, we executed a dollar-indexed, long-term (20 years for the CEL and 15 years for the energy and capacity) power purchase agreement with CFE for the sale of the capacity generated by the 100 MW Tepezalá Solar project to be located in the State of Aguascalientes. The Tepezalá Solar project was developed and built by us in collaboration with Trina Solar, a world leader in solar energy. The Tepezalá Solar project started commercial operations in the fourth quarter of 2019.

Don Diego Solar Project

In February 2018, we announced a new solar energy plant located in Benjamin Hill in Sonora. The power plant will have a 125 MW capacity to supply Liverpool, Compañía Minera Autlán, S.A.B. de C.V. and Scotiabank through long-term agreements. We currently expect that the power plant will start commercial operations in the second half of 2020 and our investment for the project is approximately US$130 million.

Border Solar Project

In October 2019, we announced a new solar energy plant located in Ciudad Juarez, State of Chihuahua. The plant will have the ability to supply to Liverpool, Círculo K, Grupo Cementos de Chihuahua and Envases Universales de Mexico. We will develop, build and operate the Border Solar project, with a capacity of 150 MW.

We expect that the power plant will begin commercial operations in the fourth quarter of 2020 or the first quarter of 2021 and our investment in the project will be approximately US$160 million.

Natural Gas-Fired Power Generation Business

Termoeléctrica de Mexicali

We own and operate the Termoeléctrica de Mexicali power plant in the vicinity of Mexicali, Baja California, adjacent to the Mexico-U.S. border. This 625 MW, natural gas-fired, combined-cycle power plant commenced commercial operations in June 2003 and is well-positioned to access both the United States and Mexican electricity grids. The power plant is connected to our Gasoducto Rosarito pipeline system, which allows it to receive regasified LNG from our ECA LNG Regasification Terminal as well as continental gas supplied from the United States on the North Baja pipeline.

This facility is a modern, efficient, combined-cycle plant that employs technologies that meet the environmental standards of both Mexico and California, and includes General Electric MS7241FA gas turbines, inlet chilling and evaporative cooling components. The design of the facility contributes positively to the environmental quality of the local area by relying for cooling on untreated sewage water from the sewage water treatment lagoons, the Zaragoza Lagoons in Mexicali, located 13 km from the site. The sewage water is treated in biological reactors in the facility's water treatment plant to eliminate biological contaminants and significantly reduce other contaminants before being returned to a nearby irrigation canal.

Termoeléctrica de Mexicali is directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to the power grid controlled by the California Independent System Operator at the Imperial Valley substation and is capable of providing energy to a wide range of potential customers in California. While the entire output of the plant is currently provided to the U.S. grid, the physical transmission could be modified so that a portion or all of the plant's output could be delivered to CFE, based on studies made by the Mexican National Center of Energy Control (*Centro Nacional de Control de Energía*), subject to obtaining the necessary permits.

Termoeléctrica de Mexicali Key Agreements

We are party to an energy management services agreement with an affiliate of Sempra Energy with respect to the electricity generated at our Termoeléctrica de Mexicali power plant. Pursuant to this agreement, Sempra Energy has marketed and served as scheduling coordinator for our electricity sales and performed other related administrative, hedging and U.S. regulatory support tasks on our behalf. Under this agreement, we reimburse Sempra Energy's expenses in connection with these services and pay Sempra Energy an energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant (depending on, among other factors, the amount of energy scheduled and sold by Sempra Energy). This agreement is renewable annually additional unless either party provides written notice of termination at least 180 days prior to the end of the then-current term.

We are also party to a natural gas purchase agreement with our subsidiary IEnova Marketing, whereby we supply between 67 MMcfd and 101 MMcfd of natural gas to the Termoeléctrica de Mexicali power plant with natural gas purchased directly from our subsidiary IEnova Marketing.

Segment Overview—Storage Segment

Our Storage Segment includes storage for refined products, our LPG storage and pipeline systems and our existing LNG storage business.

Liquefied Natural Gas Business

Overview

Our ECA LNG Regasification Terminal was the first west coast LNG receiving facility in the Americas and provides receiving and storage facilities for our LNG customers, regasifies their LNG and delivers the resulting natural gas to our Gasoducto Rosarito pipeline system. Our ECA LNG Regasification Terminal provides its customers with a secure delivery point for LNG and the option value of access to the Mexican and Southern California natural gas markets.

ECA LNG Regasification Terminal

LNG is natural gas that has been cooled to approximately -160° Celsius in order to condense the gas into a liquid. Liquefaction of natural gas reduces its volume by a factor of 600, making it more feasible to transport by ship or truck.

Our ECA LNG Regasification Terminal consists of:

- one marine berth for the unloading of LNG cargoes by cryogenic LNG marine tankers;
- two insulated full-containment LNG storage tanks with an aggregate of 320,000 m^3 (73.3 MMTh) of storage capacity; and
- a nitrogen generation facility that generates nitrogen from the surrounding air via membrane separation, which is then injected into the regasified LNG, when necessary, to lower its heating content to meet pipeline gas quality standards in Mexico and the United States.

Our ECA LNG Regasification Terminal has a maximum natural gas send-out capacity of 1,300 MMcfd. It can also be expanded to accommodate an additional marine berth and two additional LNG storage tanks in the future.

ECA Liquefaction Project

Overview

We are developing the ECA Liquefaction Project on the site where our current ECA LNG Regasification Terminal is located, adjacent to the existing facilities. This project would be designed to serve export markets, primarily in Asia, and its Phase 1 is projected to commence exports as early as 2024, subject to, among other things, the timely receipt of all necessary permits. Phase 1 of this project would be developed by us through ECA LNG Holdings B.V., a joint venture in which we and an affiliate of Sempra LNG LLC each currently hold a 50% equity interest. We may provide a limited, non-controlling interest in the joint venture of Phase 1 to offtakers of the Phase 1 ECA Liquefaction Project. We expect to develop Phase 2 through new joint venture and project company entities to be owned 50% by us and 50% by Sempra LNG.

The proposed ECA Liquefaction Project is being developed in two phases. Phase 1 ("ECA Liquefaction Mid-Scale") is expected to have natural gas pipeline receiving facilities, natural gas treatment facilities, a single train with a natural gas liquefaction capacity of approximately three Mtpa and interconnections to the storage tanks of the ECA LNG Regasification Terminal. Phase 2 ("ECA Liquefaction Large-Scale"), is proposed to have two liquefaction trains with a total capacity of at least nine Mtpa, for a total of at least 12 Mtpa. Both phases have the majority of permits necessary to develop this type of infrastructure (liquefaction of natural gas, marketing, environmental and social permits, among others). In January and March 2019, the ECA Liquefaction Project received, for both phases, authorizations from the United States Department of Energy to export natural gas produced in the United States to Mexico and to re-export liquefied natural gas to countries with or without a free trade agreement with the United States. We currently have liquefaction and commercialization permits for ECA Liquefaction Mid-Scale and are seeking to obtain the export permit for ECA Liquefaction Mid-Scale from SENER.

Because the construction of ECA Liquefaction Mid-Scale is not expected to hinder our ability to continue providing the existing services (Phase 1 requires only part of the existing infrastructure to operate), we anticipate that, subject to, among other things, the timely receipt of all necessary permits, between 2024 and 2028 (i.e., after the commencement of Phase 1 commercial operations, and until expiration of our existing LNG storage contracts with IEnova Marketing, Shell Mexico and Gazprom), these liquefaction activities may coexist with our existing reception, storage and regasification of LNG facilities without affecting the availability to render the services required under the existing contracts with companies related to our regasification business. See "Regulatory, Permits and Environmental Matters—Permits—Natural Gas Marketing Permit," "Regulatory, Permits and Environmental Matters—Permits—LNG Export Permit" and "Regulatory, Permits and Environmental Matters—Permits—Natural Gas Liquefaction Permit."

Project Status

ECA Liquefaction Mid-Scale is in an advanced stage of development having (i) obtained certain key permits in Mexico and the United States; (ii) executed definitive agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A and a preliminary agreement with Sempra LNG; (iii) finalized key aspects regarding the engineering and design including the selection of the contractor for the execution, and (iv) secured storage and transportation capacities in the ECA LNG Regasification Terminal and Gasoducto Rosarito pipeline, which are required for the operation of Phase 1 of the project. We anticipate we will be in a position to make a final investment decision with regards to Phase 1 of the ECA Liquefaction Project and its related projects (including the expansion of the Gasoducto Rosarito pipeline), subject to obtaining the export permit from SENER. We expect to begin commercial operations at the end of 2024, subject to, among other things, the timely receipt of all necessary permits, and operate for at least 20 years backed by contracts with customers. In February 2020, we entered into a contract with TechnipFMC for the engineering, procurement and construction of ECA Liquefaction Mid-Scale. In April 2020, Phase 1 of the project executed definitive 20-year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Additionally, Phase 1 of the project executed an agreement with Sempra LNG for approximately 0.8 Mtpa. Each agreement remains subject to certain customary conditions of effectiveness, including our final investment decision for Phase 1 of the project.

In order to enable the supply of natural gas for ECA Liquefaction Mid-Scale, its facilities must be interconnected to the Gasoducto Rosarito pipeline. Once the natural gas has been liquefied, LNG will be transferred from Phase 1 of the project to the ECA LNG Regasification Terminal to be stored and subsequently loaded onto LNG tankers for sale and export. To avoid impacting the energy infrastructure to supply natural gas in the Baja California region, we plan to construct and operate a new pipeline of at least thirty inches in diameter and approximately 200 kilometers in length starting at the border between the United States and Mexico in Baja California and finishing at the interconnections with one of our existing pipelines, ending in the measurement station inside the ECA LNG Regasification Terminal where the ECA Liquefaction Project will be built. This new pipeline would partially run in parallel with another of our pipelines, which provides services to customers in Baja California. Subject to the final investment decision for Phase 1 and the acquisition of certain pipeline permits, we expect that this new pipeline would commence operations before ECA Liquefaction Mid-Scale to enable its commissioning activities.

ECA Liquefaction Large-Scale is in an early stage of development, although progress has been made, specifically in obtaining certain key permits. In order to develop ECA Liquefaction Large-Scale, we would need to identify the customers as well as finalize development of the required liquefaction and pipeline facilities. In addition, ECA Liquefaction Large-Scale would require the use of one or two of the tanks currently in use by the ECA. Consequently, ECA Liquefaction Large-Scale would not be able to begin operations until after the customer contracts in place for the ECA expire in 2028 or they are terminated early by mutual agreement with the existing customer of the ECA. We and Sempra LNG intend to continue working toward the development of ECA Liquefaction Large-Scale, which, if developed, would require additional investments in natural gas liquefaction trains and pipelines.

Development of major infrastructure projects, such as the ECA Liquefaction Project, is subject to a number of risks. See "Risk Factors—Risks Relating to Project Acquisitions, Development and Finance—Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments."

LPG Storage and Associated Systems

We own and operate the TDF pipeline system and the Guadalajara LPG Terminal. The TDF pipeline system was the first privately owned LPG pipeline in Mexico and consists of approximately 190 km of 12-inch diameter LPG pipeline with a design capacity of 34,000 Bbld and associated storage and dispatch facilities. The TDF system runs from Pemex's Burgos facility in the state of Tamaulipas to our delivery facility near the city of Monterrey, Nuevo León. Our Guadalajara LPG terminal is an 80,000 Bbl LPG storage facility near Guadalajara, Jalisco, with associated loading and dispatch facilities, and serves the LPG needs of Guadalajara, Mexico's second largest city.

Refined Products Storage Business

Our refined products storage business develops systems for the receipt, storage and delivery of refined products and other liquids, principally gasoline, diesel and jet fuel in the states of Baja California, Colima, Jalisco, Puebla, Sinaloa, Veracruz and Valle de México for private customers. Currently, we have four marine and three inland terminals in process of development or construction, with a storage capacity of approximately eight million barrels, and with the possibility of expansion.

Currently, the customer contracts for our refined projects storage business are U.S. dollar-denominated firm capacity storage agreements with creditworthy counterparties including BP, Chevron, Marathon, Trafigura and Valero. These contracts are independent from each terminal's regulated rate as determined by CRE.

The following table describes our refined products storage business projects as of June 30, 2020, including those in which we have an interest through our joint ventures:

Storage Terminal	Interest %	Storage Capacity Bbl	% of hired long term capacity	Estimated start date of operations
Veracruz	100%	2,100,000	100%	Second half 2020
Puebla	100%	650,000	100%	Second half 2020
Valle de México	100%	650,000	100%	Second half 2020
Baja Refinados	100%	1,000,000	100%	To be determined
Topolobampo	100%	1,000,000	100%	Second half 2021
Manzanillo	82.5%	2,180,000	100%	To be determined
Guadalajara (under development)	100%	Under development	To be determined	To be determined

Development of major infrastructure projects, such as our refined projects storage terminals, is subject to a number of risks. See "Risk Factors—Risks Relating to Project Acquisitions, Development and Finance—Business development activities may not be successful and projects under construction may not commence operation as scheduled or be completed within budget, which could materially increase our costs and materially impair our ability to recover our investments."

Competition

Gas Segment

Pipelines Business

Our main competitors in the natural gas pipeline business are TC Energy, Kinder Morgan, Engie, Fermaca, Simsa and the Carso Group. These competitors could participate in the development of projects that compete with those that we are seeking to develop and participate in bidding processes that could be carried out by a government entity.

Natural Gas Distribution Business

Our key competitors in the distribution business are the LPG distributors that furnish LPG directly to their customers, generally in trucks, for storage on their own property. While the cost of natural gas that our distribution business passes on to clients is based on the price of LPG in the international market, the price of the LPG with which we compete has recently been decontrolled to adapt to the market price. The natural gas that the distribution business offers competes with LPG not only in terms of price but also in terms of safety, convenience and environmental impact. Unlike LPG, natural gas is lighter than air and, therefore, can disperse more easily, reducing the risk of explosion. In addition, since we furnish an uninterrupted supply of natural gas to customers when they require it, and unlike LPG, the use of natural gas does not require customers to store it, we believe our customers view this product as more convenient than LPG. Finally, because natural gas burns more cleanly than LPG and does not discharge sulfur oxides or particles, we believe that customers also view our product as a more environmentally friendly alternative to LPG. Despite these advantages, many potential customers continue using LPG due to the cost involved in outfitting their homes or businesses to use natural gas. See "Risk Factors—Other Risks Relating to Our Business—Our natural gas distribution business may face increased competition due to the expiration of its exclusivity period."

In addition to the factors above, we could face strong competition as our 12-year exclusivity period expired in 2011. In addition, the recent elimination of the restriction for natural gas distributors to carry out their activities in a limited geographical area and unique geographical area will permit natural gas distributors to expand their networks in any part of the Mexican territory.

Our ability to compete in the natural gas distribution market is also subject to limitations due to the regulation of this activity. For example, in order to obtain a favorable opinion from the COFECE for the permits we required for the operation of the Rosarito pipeline system, we agreed to sell the ECOGAS Mexicali distribution system. We assumed this obligation in 2000 and have tried in good faith to meet this requirement. However, various economic drawbacks have made it difficult to disincorporate the distribution assets of Mexicali, which has been made known to COFECE.

Power Segment

Solar Power Plants

Some of our main competitors in the solar power business are Enel, Engie, X-elio, Atlas Renewable Energy, Iberdrola and Zuma Energía. These competitors could participate in the development of projects that compete with those that we seek to develop and participate in bidding processes that could be carried out by any government or private entity. However, our facilities are not exposed to market prices as they are fully contracted.

Wind Power Generation Facilities

We compete directly with other generators and marketing companies who serve in the same regional markets where we operate in Mexico and the United States. These competitors may include government owned energy-producing companies, local dealers with their own generating capacity and other private companies dedicated to electric energy generation and marketing.

In Mexico, the major wind generation competitors are Enel, Cúbico and Iberdrola. Our facility, Ventika, is not exposed to market prices as its capacity and generation are fully contracted.

In the United States, we compete in the State of California with developers such as Terra-Gen, Salka-Energy, Pattern Energy Group and Iberdrola Renewables.

The key elements on which we compete in the wind power generation sector are price, availability, terms of service, flexibility and reliability. The supply and demand for electric energy are affected by the performance of the economy in general, conservation measures, legislation, environmental regulations, weather conditions and the expansion of generation capacity, among other factors.

Combined-cycle

The Termoeléctrica de Mexicali natural gas power plant actively participates in the energy wholesale market of the State of California. The California market allows purchases primarily through advanced day-to-day offers and the imbalance in real time transactions. It is also possible to achieve short, medium or long-term negotiation, generally in the form of financial transactions. In the California market, supply and demand establish the price until the necessary electricity demand is met. The primary competitors of Termoeléctrica de Mexicali in the energy market in California are NextEra, Calpine, Pacific Gas and Electric Company and Saavi.

Storage Segment

LNG Regasification Business

Currently, our ECA LNG Regasification Terminal does not face any competition because the total storage capacity is already contracted through long-term contracts that generate revenue regardless of whether its customers deliver LNG shipments to the terminal. In the event that we have storage capacity available in our ECA LNG Regasification Terminal, we will have to compete to attract customers who want to supply natural gas in the north of Mexico and to the United States. Currently, the only other regasification terminals on the Pacific coast of North and

South America are Manzanillo LNG (belonging to KOGAS, Mitsui and Samsung) in the state of Colima, LNG Mejillones (belonging to Engie and Codelco) in Chile and LNG Quintero (belonging to BG Group, ENAP, Endesa Chile and Metrogas), also located in Chile. These terminals serve markets in which we do not participate.

Refined Products Storage Business

We are in the process of developing or constructing seven refined products storage projects, of which, four are marine and three are inland storage terminals, with a nominal storage capacity of approximately eight million barrels. Other companies, such as Grupo Simsa, Grupo Mexico and Vopak, among others, are developing their own infrastructure to guarantee efficiency in national refined petroleum logistics, and we may face competition from these market participants.

Real Property and Land-Use Rights

Gas Segment

Pipelines Business

The real property used in our pipelines business falls primarily into three categories: (1) easements (*servidumbres de paso*) contracted with private and communal landowners (*ejidos* or *comunidades*); (2) leases, land-use rights and/or owned properties, used mainly to install above-ground facilities, such as main line valves, metering stations and compression stations; and (3) permits acquired from federal, state and municipal government entities for road crossings, railroad crossings, crossings over bodies of water and any other state-owned land and/or infrastructure. We believe that we have satisfactory title to those parcels of land we own, although title to some of those parcels is the subject of ongoing litigation. We have occupied our leased properties for many years without any material challenge known to us relating to title to the land upon which these assets are located, and we believe that we have satisfactory leasehold estates on such lands. Except as described under "—Legal, Administrative and Arbitration Proceedings," we have no knowledge of any material challenge to the underlying title of any material lease, easement, right-of-way, land-use right or permit held by us, and we believe that we have satisfactory title to all of our material leases, rights-of-way, land-use rights and permits.

Natural Gas Distribution Business

The real property used in our natural gas distribution business principally consists of easements, rights-of-way, permits, licenses and leases from governmental authorities or private property owners. The pipelines used in our natural gas distribution system typically run along public roads and, in such instances, we pay the local municipality for the right to maintain and operate our distribution system along such roads. Where the pipelines used in our distribution system enter the property of our customers, we have easements allowing us to access their property, as well as to maintain and operate our distribution system. In the case of our La Laguna-Durango and Chihuahua distribution zones, we also lease some rights-of-way from Pemex. Approximately 96% of the total length of our pipeline network is underneath public roads. We believe that we have satisfactory title to all of our material easements, rights-of-way, permits, licenses and leases. In addition, we lease an aggregate of approximately 17,600 meters of office and commercial space in Chihuahua, Torreón and Mexicali.

Power Segment

The Termoeléctrica de Mexicali power plant is situated on approximately 30.6 hectares (75.6 acres) of real property located approximately 15 km west of Mexicali, Mexico and five km south of the Mexico-U.S. border. The plant and ancillary assets, including the sewage-water treatment plant, are located on property we own. We also have rights-of-way with the U.S. Bureau of Land Management with respect to the property upon which our generation tie-line runs into the United States to connect the power plant to the Imperial Valley substation. We hold title to various permits and agreements relating to certain rights-of-way for the transmission line and for the aqueduct that services the power generation plant, including those for the occupation and crossing of public lands.

With respect to the Energía Sierra Juárez wind power generation facility, the initial phase of which commenced operations in the second quarter of 2015, we have leased approximately 5,300 hectares in agrarian lands

(*ejido*) since November 2006. This lease has an initial term of 30 years, and provides for extensions of up to 30 years.

The second phase of the Energía Sierra Juárez wind power generation facility is planned to be developed within the previously leased ejido area and on an adjacent lot of 78 hectares, which has already been leased.

With respect to the Ventika wind power generation facilities, the land-use rights were negotiated directly with the owners of 7,200 hectares where the plant is located and the required areas for substations and access roads. Land-use rights include the right of passage with an indefinite term, as well as a land-use right with a validity of 20 years, which are each subject to subsequent renewal, according to current legal conditions.

With respect to the Ventika wind power generation facilities, the plant and the required areas for substations and access roads are located on 7,200 hectares. Land-use rights include the right of passage with an indefinite term, as well as a land-use right with a validity of 20 years, which are each subject to subsequent renewal, according to current legal conditions.

Regarding solar projects, we have developed the Tepezalá Solar power project located in Aguascalientes, for which we have entered into various leases for approximately 334 hectares with agrarian lands *(ejido*). We have negotiated the right-of-way for the transmission line and the access roads are contracted. All of these leases have an initial term of 20 years and each provides for four extensions of five years each.

For the development of Don Diego Solar project located in Benjamin Hill, Sonora, we leased 498 hectares from a private party. This lease has an initial term of 20 years and provides for extensions of up to ten additional years.

The Rumorosa Solar project located in Mexicali, Baja California near the Energía Sierra Juárez wind power generation facility, has land-use rights for approximately 135 hectares, with an initial term of 20 years with two extensions of up to 20 years each, and rights-of-way for 8.3 hectares with an initial term of 30 years with extensions for up to 30 additional years, in agrarian lands (*ejido*).

Regarding Pima Solar, we have leased approximately 580 hectares with an initial term of 20 years with extensions of up to 20 additional years. We have also contracted rights-of-way for 15 hectares for an indefinite time in the municipality of Caborca, Sonora.

Finally, in August 2018, we acquired Border Solar with a land-use right area of 578 hectares for 20 years, extendable for 20 more years, for the development of the park, and approximately 0.6 hectares of easements, acquired indefinitely, in Juarez City, Chihuahua.

Except for the instances described in "—Legal, Administrative and Arbitration Proceedings," we believe we have satisfactory leasehold estates to such lands. We have no knowledge of any material challenge to the underlying title of any of our material leases, easements, rights-of-way, land-use rights or permits, and believe that we have satisfactory title to all of our material leases, rights-of-way, land-use rights and permits.

Storage Segment

Liquefied Natural Gas Business

Our ECA LNG Regasification Terminal is located on approximately 450 hectares of land owned in a relatively remote, previously undeveloped area of the Baja California coast. The terminal's marine facilities include a single jetty and dock with provision to install a second jetty and dock. The marine facilities have been approved by CRE to accept LNG ships that have a capacity of 70,000 m^3 to 217,000 m^3 (16.0 MMTh to 49.7 MMTh). A portion of this land has been leveled and graded for the potential expansion of the facility to include two additional LNG storage tanks. We also hold a 30-year concession for the occupation and use of the federal maritime terrestrial zone adjacent to this property, which is subject to periodic renewals. The concession title covers a jetty and berth, among other infrastructure ancillary to the ECA LNG Regasification Terminal. We are currently facing certain lawsuits

related to the real property on which the facility is located and adjacent property. See "—Legal, Administrative and Arbitration Proceedings—Other Material Litigation."

Refined Products Storage Business

The land used for the Veracruz and the Topolobampo marine terminals is granted through an assignment of concession rights from the authorities of the Port of Veracruz and Port of Topolobampo, respectively, and were awarded to us through a competitive bidding process. This process allows us to build, operate and use the marine terminals for a 20-year term, with the possibility of an extension. The Veracruz and Topolobampo concessions were granted for approximately 12 hectares with 300 meters of land next to the coast and 9.7 hectares with 1.9 hectares of coastal surface, respectively.

We have a lease agreement with the Port Authority of Veracruz with respect to plots owned by such authority for purposes of developing a railway yard for the output of refined products from the Veracruz marine terminal.

Additionally, we intend to develop three inland terminals for the storage and delivery of hydrocarbons, which will be located in Guadalajara, Puebla and Valle de México. For the Puebla terminal, we acquired land for the project through 20-year term land-use rights, with two additional 20-year period extensions, with an option to purchase on agrarian lands *(ejido)*. For the Valle de México terminal, we have acquired most of the land for the project through private purchase and through 20-year term land-use rights, with extensions of up to 20 years. Regarding the Guadalajara terminal, we acquired land with an approximate area of 40 hectares.

The Baja Refinados marine terminal is intended to be located within the La Jovita Energy Center, 23 km north of Ensenada, Baja California. We have acquired approximately 27 hectares through purchase, leases and easements for the development of this project.

For our Manzanillo, Colima refined products marine terminal project, we acquired 82.5% of the equity of an entity that indirectly owns approximately 87 hectares of land for where the terminal is intended to be built.

Our Guadalajara LPG Terminal, which is currently operating, is located on approximately 44 hectares of land owned by us located in the municipality of Zapotlanejo, Jalisco.

Insurance

We cover our projects under construction and operating assets with insurance under policies that we believe are comparable with those maintained by other companies engaged in similar businesses and protect the integrity of the people, communities, environment and our property based on regulatory compliance and best international practices.

For both construction and operation, we consider obtaining at least the following insurance policies:

- general and environmental civil liability insurance against third parties for physical injuries, property damage and sudden and spontaneous contamination;
- vehicle liability insurance against third parties for physical injuries and goods' damages caused by the vehicle operation, leased or third-party vehicles used by our employees during the performance of their duties; and
- property insurance that covers the replacement value of all real and personal property belonging to us and including coverage against losses caused by the breakdown of equipment, earthquake, fire, explosion, hydrometeorological phenomena and terrorism, as well as the delay in startup and interruption of business as a result of said eventualities.

All insurance policies are subject to certain terms, conditions, limits, exclusions and deductibles, which we believe are similar to those applicable to other comparable companies in the energy sector. We have several insurance programs guaranteed by insurance companies and local and international reinsurers with most of them maintaining an investment grade credit rating on a global scale.

Intellectual Property

We and our affiliates currently hold several registered trademarks in Mexico, including the names and design logos in several classes of "IEnova," "ECOGAS," "IEnova Gasoductos," "IEnova infraestructura energética una empresa de Sempra Energía para Mexico," "Infraestructura energética una empresa de Sempra Energy," "IEnova Energía para México" and "Energía para México." Such trademark registrations are valid and we expect they will be renewed prior to their expiration in accordance with applicable laws. In Mexico, trademark registrations can generally be renewed indefinitely every ten years as long as they are being used. To our knowledge, there are no disputes regarding the ownership of our trademarks. To the extent we consider any trademarks owned by our affiliates to be material to our business, we may enter into licenses with our affiliates for their use. We have no patents for our business activities.

Employees

As of June 30, 2020, we had a total of 1,408 employees, 2.3% of which were unionized. The following table shows the number of our full-time employees by area of activity and business segment:

	Employees
By Activity	
Management	211
Operations	996
Construction and Engineering	202
By Business Segment	
Gas	805
Power	255
Corporate	348
Total employees	1,408

Unions and Labor Relations

The collective bargaining agreements that we have entered into with labor unions are subject to renegotiation by each facility on an annual basis with respect to wages, and otherwise on a bi-annual basis. We have not experienced any significant labor disruptions with our workforce. We believe that our relationships with the labor unions are satisfactory.

Seasonality

Our Gas and Power Segments experience seasonal fluctuations in customer demand. In the Gas Segment, the demand for natural gas distribution service is higher in the summer and winter. In the Power Segment, the demand for power distribution service is higher during the summer. See Note 1.3 to our audited consolidated financial statements and Note 1.a to our unaudited consolidated financial statements included elsewhere in this offering circular.

Legal, Administrative and Arbitration Proceedings

From time to time, we may become involved in litigation and administrative proceedings relating to claims arising out of our 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.

Recent Regulatory Changes

The Mexican government has recently issued certain regulatory changes in the Mexican electric industry (i.e., the CENACE Accord, the SENER Policy and an increase in wheeling charges (the charges that an energy transmission system operator receives for the use of its system to export energy) for legacy electricity projects). See "Regulatory, Permits and Environmental Matters." These changes could affect the operation and construction

schedule of intermittent renewable power plants (i.e., wind and solar power plants) interconnected to the Mexican National Grid (*Sistema Eléctrico Nacional*) and increase their operating costs. These changes are being challenged by private companies and other institutions through the filing of *amparo* claims, and by state governments and COFECE through the filing of constitutional challenges (*controversias constitucionales*), some of which have successfully obtained injunctive relief (*suspensions definitivas*) against the implementation of these changes. Claimants of injunctive relief have generally alleged that these regulatory changes, among other things: violated the Mexican constitution; failed to properly follow administrative rules regarding issuance or improvement of existing regulation and other related measures; contravened the Mexican Electric Industry Law and administrative regulations. *Amparo* claims are adjudicated in federal courts, which can grant temporary or definitive injunctive relief while the claim is ultimately resolved by the court, a process (including their appeals before the Tribunal Colegiado de Circuito) often takes approximately eight to twenty-four months.

A number of NGOs, including *Greenpeace*, have each obtained definitive injunctions (*suspensiones definitivas*) against both the CENACE Accord and the SENER Policy, claiming that the implementation of such regulations will have an adverse effect on the environment. Although the injunctive relief was only granted in favor of these NGOs, it has benefitted all participants in the renewable energy sector given that the measures contained in the CENACE Accord and in the SENER Policy were generally suspended across the industry, including for our renewable energy projects.

On June 22, 2020, COFECE announced that it had filed a constitutional challenge with the Mexican Supreme Court challenging the SENER Policy, claiming that it would jeopardize free competition in the wholesale power market, affecting market participants and end customers.

The Mexican Supreme Court granted COFECE a definitive injunction against the SENER Policy, which suspends the SENER Policy until the constitutional challenge proceeding concludes, and benefits third parties. If the SENER Policy is successfully invalidated because of the COFECE claim, the ruling will extend to all of the administrative regulations, including any adjustments or amendments to the Market Rules enacted by CRE or CENACE. Additionally, because Mexico has signed several bilateral investments treaties and free trade agreements, such as the United States-Mexico-Canada Agreement (USMCA) and the Netherlands-Mexico Bilateral Investment Agreement (BIT), foreign investors can pursue international arbitration claims as well.

We and other members of the private sector have also challenged these regulatory changes via *amparo* proceedings and have successfully obtained injunctive relief, as further described below. As a result, the suspended measures will not have an effect on our renewable projects as long as the injunctive relief remains in place or the Mexican Supreme Court overturns such measures.

Amparos against the SENER Policy

All of our solar and wind projects jointly filed an *amparo* claim against the SENER Policy on July 9, 2020. On July 16, 2020, the judge granted a definitive injunction. Accordingly, the SENER Policy will remain suspended until a definitive decision on the merits is made (which can also be appealed).

Amparos against the CENACE Agreement

On June 3, 2020, our Border Solar and Don Diego Solar projects, neither of which has begun commercial operations, each filed an *amparo* claim against the CENACE Accord and obtained definitive injunctions on June 10, 2020, which prevent CENACE from implementing the measures under the accord that could affect the regulatory framework applicable to such companies, including the suspension of pre-operational tests.

Our Rumorosa Solar and Pima Solar projects each filed an *amparo* claim against the CENACE Accord on June 9 and June 11, 2020, respectively, and each company obtained a definitive injunction on June 17 and June 19, 2020, respectively, that prevents CENACE from implementing the measures under the accord that could negatively affect such companies, including electricity dispatch restrictions or curtailments under the CENACE Accord.

On May 22, 2020, our Tepezalá Solar project filed an *amparo* claim against the CENACE Accord and, on June 5, 2020, it obtained a definitive injunction that allows the Tepezalá project to continue its pre-operational tests

if the requirements set out in the applicable regulations are met and suspends a determination under which the Tepezalá project's test electricity bids with values greater than zero were deemed invalid.

As with the SENER Policy, the effect of these proceedings is that the CENACE Accord will remain suspended until a definitive decision on the merits is made (which can also be appealed) or the conclusion of the two *amparo* proceedings filed by *Greenpeace* and *Defensa Colectiva,* whichever is later.

Amparos against Increase in Wheeling Charges

On July 27, 2020, our Ventika I and Ventika II wind power generation facilities jointly filed an *amparo* claim against a CRE resolution (resolution number RES/893/2020) that would result in an increase to the previously applicable wheeling charges which had been set forth by CRE in 2010, and which were only updated on a monthly basis based on inflation. On August 17, 2020, we obtained definitive injunctions that prevent CFE from applying the wheeling rate increases to these facilities throughout the remainder of the *amparo* proceeding.

As a result of such CRE resolution, as of July 2020, new wheeling charges will be applied. Such wheeling charges consist of significant increases in all voltage levels, allegedly based on a further review by CRE of the real costs incurred by the utility in providing the wheeling service. We have received definitive suspensions with respect to these orders and regulations.

On July 24, 2020, our Border Solar and Don Diego Solar projects also filed an *amparo* claim against a CRE wheeling charges resolution and, on August 3, 2020, obtained a definitive injunction that prevents CFE from applying the wheeling rate increases to both projects throughout the remainder of the *amparo* proceeding.

Arbitration Proceedings Related to ECA Service Agreements

In May 2020, the two third-party capacity customers at the ECA LNG Regasification Terminal asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by us and a *force majeure* event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements, and we made draws under letters of credit provided by these customers as payment security. We have rejected the customers' assertions and expect to continue to draw on the customers' letters of credit. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. On July 23, 2020, one of the customers, Shell Mexico, submitted a request for arbitration of the dispute. We will avail ourselves of our available claims, defenses and remedies in the arbitration proceeding. Shell Mexico has also informed us that it filed a constitutional challenge to the CRE's approval of the update to the general terms and conditions. We are monitoring this proceeding.

Other Material Litigation

A summary of other currently pending material litigation matters is set forth below.

Administrative Appeal (recurso de revisión) against MIA of our ECA LNG Regasification Terminal, filed by Castro, Valdez and Palafox.

In May 2003, Hiram Castro Cruz, Roberto Valdez Castañeda and Monica Fabiola Palafox filed administrative appeals with SEMARNAT to challenge the issuance of the environmental impact assessment (*manifestation de impacto ambiental* or MIA*)* to our ECA LNG Regasification Terminal granted in April 2003.

SEMARNAT dismissed the appeals and the plaintiffs filed motions with the Mexican Federal Court of Tax and Administrative Justice (*Tribunal Federal de Justicia Fiscal y Administrativa*, or the Mexican Federal Tax Court) to vacate the respective rulings. In January 2006 and May 2013, the Mexican Federal Tax Court declared the rulings null and void and ordered SEMARNAT to issue new rulings on the terms set forth in the Mexican Federal Tax Court's ruling. SEMARNAT admitted the motion filed by Castro and Valdez and in January 2012 issued a resolution ratifying the validity of the MIA. In March 2012, Valdez filed a motion with the Mexican Federal Tax Court to vacate the ruling issued by SEMARNAT, and ECA filed a motion with a Mexican federal circuit court seeking to vacate the Mexican Federal Tax Court's admission of the motion filed by Valdez. Valdez sought to vacate the claim's dismissal, but was denied and the dismissal was upheld in January 2017. We believe the claims

filed by Castro and Valdéz are unfounded. In January 2020, SEMARNAT resolved that the claims made by Palafox are unfounded and dismissed the claims.

Saloman Arya Furst and Abraham Hanono Raffoul

Four proceedings involving two adjacent areas of real property on which part of the ECA LNG Regasification Terminal is situated, each brought by a single plaintiff or her descendants, remain pending against the facility. The first disputed area is subject to a claim in the Mexican Federal Agrarian Court that has been ongoing since 2006. The plaintiffs seek to annul the property title for a portion of the land on which the ECA LNG Regasification Terminal is situated and to obtain possession of a different parcel that allegedly overlaps with the site of the ECA LNG Regasification Terminal.

The second disputed area is one parcel adjacent to the ECA LNG Regasification Terminal that allegedly overlaps with land on which the ECA LNG Regasification Terminal is situated, which is subject to a claim in the Mexican Federal Agrarian Court and two claims in civil courts. The proceeding before the Mexican Federal Agrarian Court began in 2013, the plaintiff is demanding that the Ministry for Agricultural, Land and Urban Development (*Secretaria de Desarrollo Agrario, Territorial y Urbano)* issues title to the land to the plaintiff. The parties are awaiting a final decision.

Two related civil court proceedings seek to invalidate the contract by which the ECA LNG Regasification Terminal purchased the applicable parcel of land on which the ECA LNG Regasification Terminal is situated because the purchase price was unfair. In the first case, initiated in 2013, a lower court ruled in favor of the ECA LNG Regasification Terminal and the ruling has been appealed by the plaintiff. The same plaintiff filed a second civil case in 2019, which is in its initial stages. We expect further proceedings on these matters.

The inspection and experts' study were carried out by experts chosen by the parties. The Mexican Federal Agrarian Court has ordered a third-party expert opinion, the issuance of which is pending.

TAG Pipeline Norte Amparo Trial

In 2019, municipal authorities closed one of the valves on the Los Ramones Norte for failing to hold a construction license that they deemed required. Tag Pipelines Norte filed an *amparo* claim against the closure. The request for a definitive injunction against the closure was denied and Tag Pipelines Norte appealed the decision (through a *recurso de revision*), which is still under review. If the appeal is denied, Tag Pipelines Norte will be required to apply for a construction license in order to continue operating the valve. The valve is currently in operation.

Tag Pipelines Norte also filed two annulment proceedings (*juicio de nulidad*) against fines imposed by two municipalities as a result of the construction license allegedly required and not obtained. Both proceedings are waiting for initial responses from the municipalities.

ECA Environmental Amparos

In 2018, two related claimants filed *amparo* claims in the federal district court in Ensenada, Baja California regarding the environmental and social impact permits issued by each of ASEA and SENER to the ECA Liquefaction Project. In the first case, the court issued a provisional injunction against the environmental permit in September 2018. In December 2018, ASEA approved modifications to its environmental permit that facilitate the development of the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional injunction. The claimant appealed the court's decision canceling the injunction, but was not successful. The claimant's underlying case regarding the permits remains pending.

The case is currently suspended due to a pending appeal by the claimant against the admission of certain evidence. With respect to the injunction, we submitted a judicial bond in order to leave the claimed acts without effect.

In the second *amparo* claim, the initial request for a provisional injunction was denied. That decision was reversed on appeal in January 2020, resulting in the issuance of a provisional injunction against the same

environmental and social impact permits that were previously issued by ASEA and SENER. The reversal and issuance of the injunction in the second case is under further appeal by us.

On February 24, 2020, the federal district court denied the grant of a permanent injunction, which was appealed by the complainant. Subsequently, the Mexican Collegiate Circuit Court (*Tribunal Colegiado de Circuito*) granted the permanent injunction. We submitted a judicial bond in order to stay the injunction, which was denied by the court. We appealed the denial and our appeal is currently pending resolution.

Sustainability

On June 1, 2020, we published our 2019 Sustainability and Financial Report. This report sets forth our principal results and achievements in sustainability during 2019. We also reinstated our commitment to the UN Global Compact and the UN Sustainable Development Goals.

We are a leader in sustainability. Our strong sustainability framework and corporate social responsibility practices led to our inclusion in the S&P/BMV Total Mexico ESG Index, the Mexican Stock Exchange's new sustainability index. In 2019 and 2020, we received an "AA," or a "Leader," rating in the MSCI ESG Ratings Assessment and, for the third consecutive year, we were included in the FTSE4Good Index Series. On January 30, 2020, we were included in the first annual FTSE4Good BIVA Index, which measures the ESG performance of Mexican companies with strong ESG practices, making us the first utility company to be featured on the list. Additionally, for the sixth consecutive year, we obtained the Socially Responsible Company Award from the Mexican Center for Philanthropy, and we were certified as a Great Place to Work. Since 2017, we have been among the Top 10 companies in the 500 Companies Against Corruption Ranking, which was developed by *Transparencia Mexicana, Mexicanos contra la Corrupción y la Impunidad* and *Expansión* magazine to showcase Mexican companies' anti-corruption commitments and practices.

Finally, we recently updated our climate change strategy, which details our commitment to investing and developing projects that strengthen Mexico's energy security, promote greenhouse gas emissions reductions, increase energy efficiency in our processes, and support a low-carbon transition. This includes integrating climate change risks and opportunities in our internal risk management systems and informing stakeholders of our performance in this area.

We are committed to transforming lives by supporting organizations and programs that contribute to the development of communities in which we operate. From 2015 to 2020, Fundación IEnova's donations amounted to approximately US$5.4 million, focusing on projects that offer mid to long-term benefits to communities in four areas: education, environment, vulnerable groups and community services.

REGULATORY, PERMITS AND ENVIRONMENTAL MATTERS

Because we have various storage permits for LNG, LPG and refined products; transportation permits through natural gas, LPG and Ethane pipelines; natural gas liquefaction permits; natural gas distribution permits; natural gas commercialization permits, electricity generation, import, export and qualified supply permits, our activities in Mexico are governed by a diverse set of laws, regulations, general provisions, guidelines and official technical standards, as well as by the Mexican Constitution.

Consistent with the regulations enacted in 1992 for the electric power sector, and the regulations enacted in 1995 for the natural gas midstream and downstream sectors, the 2013 amendments to the Mexican Constitution and the overall energy legal framework stemming therefrom have enabled the private sector to participate in the processing, refining, commercialization, transportation, storage, import and export of hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, distribution, commercialization and retail of natural gas, the transportation, storage, distribution, commercialization and retail of refined products, the transportation (through pipelines) and storage (pipeline associated) of petrochemicals, as well as the generation and commercialization of electricity in the wholesale electric power market, and to enter into contracts for the financing, installation, maintenance, procurement, operation and expansion of electricity network infrastructure.

We are subject to Mexican legislation that regulates the following activities of our business:

- ***Storage***: Includes receiving, storing and delivering natural gas, LNG, LPG or refined products with regard to facilities other than pipelines.
- ***Regasification***: The process through which liquid natural gas is changed to a gaseous form.
- ***Liquefaction***: The process through which gaseous natural gas is changed to a liquid form.
- ***Transportation***: Includes the construction, operation and ownership of pipeline systems to receive, transport and deliver natural gas, LPG or ethane.
- ***Distribution***: Includes the reception, transportation and delivery of natural gas for retail sale or final consumption to end-users.
- ***Marketing***: Encompasses activities related to the marketing of hydrocarbons, including the purchase and sale of natural gas and added-value brokerage or intermediary services for end-users.
- ***Export of Natural Gas and LNG***: Consists of the send-out of natural gas or liquefied natural gas from Mexican territory to remain abroad either on a temporary or permanent basis.
- ***Import of Natural Gas***: Consists of the entry of natural gas into Mexican territory to remain there either on a temporary or permanent basis.
- ***Power Generation***: The process that transforms energy (renewable, kinetic, thermal, and nuclear, among others) into electricity. Under certain permits, this process includes the supply or sale of electric power to users (CFE, qualified users, among others) or to the wholesale electric power market.
- ***Exports of Electricity***: The process of generating and supplying electricity to users in any foreign energy market abroad (including the United States' energy market).
- ***Imports of Electricity***: The purchase of electricity abroad (including the United States) from providers for self-supply, or the purchase of electricity from a power plant abroad, when it is interconnected to the Mexican National Grid.
- ***Qualified Supply***: The electrical supply that is provided in a competitive regime of products and services required to satisfy the demand and consumption of electric power to qualified users.

Laws Applicable to Natural Gas, LPG, Ethane and Refined Products Activities

Article 27 of the Mexican Constitution stipulates the general principles applicable to petroleum, natural gas and other hydrocarbons in Mexico. Historically, Article 27 prohibited the Mexican government from entering into agreements or granting concessions for hydrocarbons activities and specified that certain activities involving petroleum and other hydrocarbons were exclusively reserved for the Mexican government under a vertical integration system.

In 1995, the Mexican Congress passed a bill to allow private-sector participation in the transportation, storage, distribution and sale of natural gas and LPG in Mexico. The Natural Gas Regulations (*Reglamento de Gas Natural*) were published in 1995. The Liquefied Petroleum Gas Regulations (*Reglamento de Gas Licuado de Petróleo*) were published in 1999.

Certain provisions of the Mexican Constitution related to the hydrocarbon sector were modified in December 2013. The legal framework applicable to the upstream and midstream sectors, among others, was modified in August and October 2014 with the enactment of new laws and the issuance of regulations. This allowed the Mexican government to grant contracts to private-sector companies in the upstream sector through public tenders. These amendments also allow private-sector entities to obtain permits for processing, refining, marketing, transporting, storing, importing and exporting hydrocarbons, including the processing, compression, liquefaction, regasification, transportation, storage, distribution, marketing and retail sale (to the public) of natural gas; the transportation, storage, distribution, marketing and retail of refined products, including LPG; and the transportation (through pipelines) and related storage of petrochemicals, including ethane.

New legislation enacted in 2014, including the Hydrocarbons Law, maintained the concept of state ownership of hydrocarbons located in the sub-soil of Mexican territory and opened up the hydrocarbons sector to the participation of private companies, provided that such companies meet certain regulatory requirements.

In October 2014, two Hydrocarbons Law regulations were issued: (i) the Hydrocarbons Law Regulations (*Reglamento de la Ley de Hidrocarburos*) and (ii) the Regulations Relating to the Activities Specified in Title Three of the Hydrocarbons Law (*Reglamento de las actividades a que se refiere el Título Tercero de la Ley de Hidrocarburos*). These regulations and general administrative provisions (*Disposiciones Administrativas de Carácter General*) issued by CRE regulate Mexico's natural gas, LNG, LPG, refined product and ethane markets.

Our business is primarily subject to the provisions set forth in the Regulations Relating to the Activities Specified in Title Three of the Mexican Hydrocarbons Law, which provide the following with respect to hydrocarbon storage, transportation, distribution and marketing permits:

- requirements applicable to the rendering of the services as part of permit holders' operations, such as efficiency, frequency, safety, continuity and uniformity of supply;
- open access obligations;
- the rules applicable to the term, duration and renewal of permits;
- the rules applicable to the modification, transfer, cancellation and revocation of permits;
- the requirements to be met for the approval of permits;
- the procedures for the granting of permits;
- the rules for the provision of different services, including specific obligations of permit holders (i.e., contracting and maintaining valid insurance policies, and periodically submitting certain relevant documentation before CRE and SENER regarding their operations, among others);
- the information requirements applicable to the respective activity, and
- the regulation of tariffs and the General Terms and Conditions ("GTCs").

The Hydrocarbons Law allows private-sector companies that hold a permit granted by CRE to store, transport, distribute, market and carry out direct sales to end users of hydrocarbons, petroleum and petrochemicals, as well as to own and operate pipelines, storage, liquefaction, regasification, compression and decompression facilities, and related equipment in accordance with legal, technical and economic regulations. In addition, private-sector companies may import or export hydrocarbons, petroleum and petrochemicals subject to obtaining the permit issued by SENER and the Ministry of Finance and Public Credit. Permits granted prior to the enactment of the Hydrocarbons Law, as is the case with several of our permits, including the GTCs, shall remain in force for their original terms. However, in relation to our operations, it has been necessary to apply for new permits, such as a natural gas marketing permit and two ethane pipeline transportation permits, which were granted by CRE, as well as import and export permits that were also granted by SENER and Ministry of Finance and Public Credit, respectively. We have obtained the permits required within the term stipulated by the applicable regulations.

Midstream and downstream activities (refining, logistics and sales) in the natural gas, LPG, ethane and refined products industries are subject to the provisions of the Hydrocarbons Law, the Energy Sector Coordinated Regulatory Agencies Law (*Ley de los Órganos Reguladores Coordinados en Materia Energética*), the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law (*Ley de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), the General Hydrocarbons Regulations, the Regulations of the Activities Specified in Title Three of the Hydrocarbons Law and applicable environmental, social and industrial and operational safety regulations. The General Administrative Provisions (*Disposiciones Administrativas de Carácter General*), resolutions and agreements issued by the Mexican energy, social and environmental authorities, the Official Mexican Standards (*Normas Oficiales Mexicanas*) and terms and conditions set forth in the related permits also regulate our activities. We operate in a highly regulated environment, and our profitability depends on our ability to comply with the obligations set forth in the permits, laws and regulations on a timely and efficient basis.

The construction and operation of natural gas, LNG, LPG, ethane and refined products storage facilities, pipelines and distribution systems require governmental permits and authorizations from Federal, local and municipal authorities, such as CRE, COFECE, SEMARNAT, ASEA, SENER, SCT, INAH and the Ministry of Finance and Public Credit. Permits issued by such authorities also impose a series of regulatory obligations and specific terms and conditions that must be observed during the validity of each permit.

Open Access

Pursuant to the Natural Gas Regulations (under which we obtained several of our permits but which were repealed by the Hydrocarbons Law and its Regulations), there were two types of natural gas storage and transportation permits: (i) permits for facilities subject to open access obligations (permit holders must provide open and non-discriminatory access to all service applicants for as long as there is available capacity in the facility) and (ii) permits for self-use (granted exclusively to end-users or a group of end-users organized in a special purpose vehicle or company that uses a facility to satisfy its own transportation or storage needs). With the exception of the self-use natural gas pipeline that supplies natural gas to the Termoeléctrica de Mexicali power plant, all our transportation systems, both under the former and current regulation, are subject to open-access obligations. Likewise, our LNG, LPG and refined products terminals are open-access storage facilities, with the exception of the liquefaction plant in development by us, which has already obtained a permit from the CRE. The regulation applicable to each of the activities mentioned above may vary depending on the products that are stored or transported.

Regarding the self-use natural gas pipeline that serves our Termoeléctrica de Mexicali power plant, the Mexican Hydrocarbons Law provides that permits issued prior to the enactment of the law will remain in force during their original term. All our open-access facilities are required to grant non-discriminatory access on a reasonable basis to any shipper that requests the service, provided there is available capacity in the system/facility and the parties reach an agreement on the subject matter, as set forth under the applicable general rules issued by the CRE. Open-access permit holders are heavily regulated and supervised by the CRE.

Permit holders subject to open-access obligations that have available capacity to be used permanently are required to conduct open seasons (similar to an auction process) to allocate such capacity to third parties. Available capacity is deemed to exist when: (1) a new system is developed; (2) the system is extended or enhanced;

(3) existing capacity has not been allocated through a firm-base service contract, or having been allocated under a service agreement, it is not being used; or (4) a user assigns or wishes to assign its firm-base capacity permanently, totally or partially, through the permit holder, including assignments between affiliate companies.

In August 2018, CRE amended the open-access provisions applicable to natural gas transportation and storage. Among other things, those provisions, as modified, provide for the following:

- Permit holders may assign capacity directly to those potential users that contribute with financing to the permit holder's infrastructure by entering into investment agreements ("Anchor User"). Permit holders shall respect the previously agreed conditions under said agreement and the capacity shall not be included in the open season to be held. If there is third-party interest in contracting additional capacity as a result of the open season, the permit holder shall modify the system to resize the capacity and consider the needs declared, provided doing so is technically feasible and financially viable.

- Users who wish to assign capacity permanently to another party that belongs to the same economic group shall do so through the permit holder and said permit holder shall then hold an open season.

- The permit holder may only allocate capacity through open seasons or via the electronic bulletin.

- The secondary market assumptions for total, partial, permanent or temporary capacity assignments are established for the secondary market.

Tariffs

Certain midstream and downstream natural gas, LNG, LPG and refined products services (refining, logistics and sales) are subject to "maximum regulated tariffs" set by CRE. Permit holders may grant discounts or agree to conventional tariffs subject to general provisions issued by CRE. These agreements must be reported to CRE and published on the permit holder's electronic bulletin, which will allow public access to the agreements.

Likewise, in assets that have railway facilities, services related to the provision of auxiliary services, such as the transfer of refined products, are subject to maximum rates that must be registered with the Regulatory Agency for Rail Transport, despite the fact that the permit holders may agree to discounts or a conventional rate with the Users.

Marketing and Cross-Participation Restrictions

The Hydrocarbons Law and the regulations promulgated thereunder provide that a CRE permit is required to market natural gas and LNG, among other products. IEnova Marketing and the ECA Liquefaction Project have obtained the permits required to market and sell natural gas. Vendor companies are required to contract other permit holders' transportation, distribution or storage services, either directly or through third parties. Additionally, the marketing activity requires other permits, such as for imports and exports, granted by the General Customs Administration and SENER, respectively. Permits issued by the General Customs Administration are valid for three years, whereas those issued by SENER last one or 20 years. In addition, with certain exceptions set forth in the law, storage and open-access transportation permit holders are generally prohibited from selling natural gas stored in their facilities or transported through their systems, except in emergencies.

The Hydrocarbons Law sets forth cross-participation restrictions applicable to open-access transportation or storage vendors and permit holders. However, CRE may authorize cross-participation with a prior opinion from COFECE, provided that such cross-participation does not affect competition, efficiency or effective open access in the market. These requirements may be met by guaranteeing independent operations or by establishing legal and corporate mechanisms to prevent intervention in operations and management (i.e., Chinese walls). According to the applicable provisions, the following may be required: (1) the strict legal segregation of authorized activities or a functional, operational and accounting separation, (2) limitation to participation in a company's capital stock, (3) maximum participation limitations for economic agents engaged in the sales market, and (4) the reservation of capacity in storage facilities and pipelines. Some of our assets are subject to cross-participation regulation by CRE;

therefore, the due authorizations have been obtained for such assets and the applicable regulations have been complied with.

In 2019, IEnova Marketing and ECA Liquefaction Project obtained COFECE's favorable opinion regarding their cross-participation in natural gas transportation and storage activities. Further, in March 2020, we requested the CRE's approval for the cross-participation of our affiliates regulated by the open access service. Additionally, we obtained the approval of COFECE in cross-participation issues related to the Manzanillo Refined Products Terminal.

GTCs

The LNG Storage GTCs, the LPG Storage GTCs and the Refined Products GTCs, which form part of our LNG, LPG and refined products storage permits, apply to all of our services agreements for the receipt, storage and delivery of LNG, LPG and refined products. The Storage GTCs are reported to the CRE. Only the LNG Storage GTCs require approval from the CRE. The GTCs, with prior approval from the CRE, are amended by us from time to time, as may be required to comply with applicable regulations and any new administrative regulations that CRE may issue. Thus, certain provisions of the general terms and conditions may vary if the CRE administrative regulations are amended, subject to notifications delivered to the CRE, and, with respect to the LNG Storage GTCs, the CRE's prior approval. The services agreements must be consistent with the GTCs, such that if an amendment is made to the GTCs, the services agreements may need to be amended.

Although the GTCs for each of our storage permits are substantially similar, there may be certain provisions that vary between permits. Below is a summary of the principal provisions that are common to the GTCs for each of our storage permits:

- *Services*. We are required to render storage services to our customers by receiving LNG, LPG or refined products at our storage facilities, rendering storage services and delivering the resulting product to our customers at the authorized point and means of delivery.

- *Access to available storage capacity*. We are required to provide customers with open access to the available storage capacity at our LNG, LPG or refined products terminals not yet contracted pursuant to a firm or contractual reserve storage services agreement. Customers may access such capacity by entering into the respective service agreement, provided that they have the necessary connection to the facilities at the delivery points specified in the service agreement and that the permit holder meets the open-access requirements set forth in the regulation. In addition, customers must provide a financial guarantee to ensure compliance with their obligations under the services agreements and the LNG, LPG or refined products GTCs.

- *Firm or Contractual Reserve Storage Services*. Firm-based storage services consist of storing LNG, LPG or refined products delivered at the reception point up to the customer's maximum storage quantity specified in the respective service agreement and delivering natural gas, LPG or refined products at the delivery point at any time in accordance with the services agreement. Our firm-based storage services may not be subject to reductions or interruptions, with the exceptions specified in the General LNG, LPG or refined products GTCs and the respective service agreement.

- *Interruptible Storage Service (LNG)*. Interruptible storage services consist of storing LNG up to the maximum storage quantity specified in the respective service agreement. Customers shall be entitled to request this service at any time during the term of the service agreement. However, interruptible-based storage services are subject to the available capacity remaining after performing the obligations of the firm-based storage services.

- *Interruptible Storage Services (LPG and refined products)*. Interruptible storage services consist of storing LPG and refined products insofar as there is available capacity. Even if the capacity of the terminal has been contracted for by a user, if an order has not been made it is available for storage services. Under our interruptible storage services, we have the right to request expedited delivery from our customers in order to create additional space for other customers. These common use storage

services may only be provided for as long as they do not interfere with our obligations under the firm storage services.

- Exclusively in the LNG storage service there are additional services, such as nitrogen injection, loading-unloading and accelerated loading services, which, where appropriate, must be documented by an independent contract and separately from the storage service contract.

- *Interruption of Services*. Customers are not entitled to receive storage services if they are in breach of any of their storage services payment obligations, subject to an exception for customers that provide a satisfactory guarantee to cover the overdue payment, with our consent.

- *Creditworthiness*. In order to be eligible to receive the LNG, LPG or refined products storage services, customers must be solvent or provide evidence of creditworthiness within the 30 days following our request. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee to cover their obligations under the Storage GTCs.

- *Suspension, Reduction or Modification of the Storage Service*. If customers fail to comply with their obligations under their services agreements, we may suspend LNG, LPG or Refined Products storage services. Subject to a grace period, we may also terminate the respective service agreement. The service agreement will terminate automatically in the event of customer insolvency of bankruptcy, and we shall be entitled to enforce any financial guarantee granted by such customer. If we suspend LNG or LPG storage services without just cause, it will grant a credit equal to five times the LNG or LPG service tariff that would have been available to said customer during the suspension. This shall be calculated based on the LNG or LPG GTCs, as applicable. With respect to Refined Products storage, on the issuance of the respective invoice, we shall credit the customer an amount equivalent to the amount that said customer would have paid for the rendering of the Service.

- *Miscellaneous Purchases and Sales*. We are not obliged to enter into a service agreement at a tariff lower than the regulated tariff.

- *Payment*. If customers breach their payment obligations, the overdue amounts shall accrue interest at a daily rate calculated pursuant to the LNG, LPG or Refined Products GTCs. Failure to pay within a certain period of time provided in the LNG, LPG or Refined Products GTCs may result in suspension of the service or the rescission of the respective agreement.

- *Liability, Guarantees and Assignment*. We are deemed to be in control of and liable for any LNG, LPG or Refined Products stored from the time of receipt until delivery to customers. Customers are deemed to be in control of and liable for the LNG, LPG or Refined Products prior to reception by Company or after delivery thereof.

- Any of the parties may assign or encumber storage service agreements with the prior written consent of the other party and in accordance with the GTCs and the applicable regulation. Customers are deemed to have unconditionally accepted the assignment of our rights and obligations to the respective creditors in order to secure financing and to any entity that acquires the LNG, LPG or Refined Products terminals, subject to the authorization of CRE.

- Our liability to customers is limited to damages incurred directly as a result of our failure to perform our obligations under a storage services agreement (suspension or interruption of delivery of LNG, LPG or Refined Products at the delivery point). Customers must ensure that their vessels and tanker trucks are fully insured (including environmental insurance) and are operated and maintained in accordance with applicable national and international standards.

- *Force Majeure*. An event of *Force Majeure* is any incident, either foreseeable or unforeseeable but unavoidable, that obstructs or prevents the affected party from performing its obligations under a storage services agreement. On receiving a notification that informs the other party of such conditions (except any prior payment obligation), the obligations of both parties shall be suspended for the

duration of the event of *Force Majeure*. Under no circumstances shall financial and/or technical difficulties be considered events of *Force Majeure*. If an event of *Force Majeure* affects our terminal, our customers' obligations to make storage capacity payments under the services agreement will be suspended or, if applicable, reduced pro-rata for the level of storage services provided during such event. We may also suspend, restrict or modify deliveries of gas to customers to the extent affected by such event.

- In the event of a suspension or reduction of LNG, LPG or Refined Products storage services unrelated to our facilities, customers must continue to pay any amount owed by them at the time of the event of *Force Majeure*.

- *LNG Terminal Operating Gas*. We require a certain amount of natural gas to operate the LNG terminal and to render the storage services and we are entitled to retain and use our customers' available stored LNG for such purposes at no cost or charge.

- *Dispute Resolution*. Any dispute will be resolved by arbitration.

Assignment of User's Capacity. Any customer may assign either temporarily or permanently, all or part of our supplied quantity of natural gas, LPG or Refined Products storage capacity to another customer on prior notice to us. Any permanent transfer of contractual rights must be approved by us and shall be subject to the creditworthiness requirements, as well as the GTCs and the applicable regulations. Natural gas users who wish to assign capacity permanently to another party that belongs to the same economic stakeholder group shall do so through the permit holder, which in turn shall hold an open season.

Connection Policy. We have an obligation to allow any entity to connect to our LNG, LPG or Refined Products terminals and related pipelines, subject to certain conditions of available capacity and technical viability, provided that the party seeking the connection bears all connection and any other related costs.

Natural Gas, LPG and Ethane Transportation GTCs

The Natural Gas, LPG and Ethane and Liquefied Ethane GTCs regulate transportation services agreements signed among transportation systems with the users and form an integral part of such agreements. The GTCs of each transportation permit are approved by and reported to CRE for each transportation permit. The GTCs may be amended from time to time at our request in order to meet market conditions, comply with the applicable legal provisions and any new administrative regulations that CRE may issue. Thus, certain provisions of the GTCs may vary if the terms and conditions are amended from time to time, subject to CRE's prior approval. The executed contracts shall be consistent with the GTCs and, as a result, every time the GTCs are updated, the service contracts are updated accordingly.

Although the GTCs for each of our transportation permits are substantially similar, there may be certain provisions that vary from permit to permit and their related agreements. Below is a summary of the main provisions that are common to the GTCs for each of our transportation permits and their related agreements:

Term. The term of the GTCs is the same as the term of the respective permit granted by CRE.

Increase of Capacity. In the event that requests for transportation services exceed the capacity available, we must build additional facilities to increase the available capacity of our pipelines in order to meet such requests, provided that doing so is technically feasible and economically viable and it holds an open-season to assign the available capacity.

Transportation Service Agreements. We may only render transportation services to customers that have entered into Transportation Service Agreements based on the forms established by the GTCs and once the customer has met all the stipulated requirements. We only enter into agreements following a full analysis of the service requests received from potential customers.

Orders. During the term of a transportation service agreement, our customers prepare and submit orders containing the information about the daily amount of product to be transported, the reception and delivery points (which must have been previously approved) and the start and end dates of the order.

Creditworthiness. Under the GTCs, we are not required to render transportation services to customers with outstanding balances with us or impaired creditworthiness. If sufficient evidence of creditworthiness cannot be provided, customers must provide a financial guarantee to secure their obligations under the GTCs.

Secondary Market. Service users may assign all or part of their capacity contracted with the permit holder to any party interested in obtaining it, either temporarily or permanently, provided that the assignee meets the requirements of the applicable GTCs, including providing the required guarantee. In the case of natural gas, users who wish to assign capacity permanently to another party that belongs to the same economic stakeholder group shall do so through the permit holder, which in turn shall hold an open season.

Payments. If customers breach their payment obligations, the overdue amounts shall accrue interest at a daily rate. Failure to pay within the grace period, which pursuant to each of the GTCs may vary from ten to 90 days, may result in suspension of the service and advanced termination of the agreement.

Interruption of Services. Most of the GTCs specifically provide that we are not liable for interruptions of transportation services if there is an event of *Force Majeure*, in the event of failure of a customer's facilities, if an interruption is required for the maintenance or adjustment of our facilities, or in case of breach of the obligations by the customer. Under some of the GTCs and under certain circumstances, customers are required to pay the respective capacity tariff during the period of the interruption. A service interruption, other than as described above, requires us to provide a bonus to the affected customer equivalent to the amount of product that would have been available during the period of interruption as if such interruption had not occurred.

In the event of an interruption attributable to an event of *Force Majeure* that lasts more than five business days, we must submit a corrective plan to CRE.

An event of *Force Majeure* is any foreseeable or unforeseeable but unavoidable occurrence that obstructs or prevents the affected party from performing its obligations under a transportation services agreement. After a certain time, which may vary in each of the GTCs, depending on the result of the event of *Force Majeure*, the affected party may terminate the services agreement.

Indemnification. Customers must indemnify us and our officers, agents, employees and contractors for any losses or damages incurred in connection with any breach of customer's obligations under their transportation services agreements.

Dispute Resolution. Any disputes will be resolved based on the agreements reached by the parties and may be through arbitration in accordance with the Mexican Coordinated Energy Regulators' Law or be subject to the jurisdiction of the Federal laws and courts in Mexico. If a customer is deemed a consumer for purposes of the Mexican Federal Consumer Protection Law, any disputes will be resolved in accordance with such law.

Tariffs. We are allowed to negotiate tariffs lower than those provided in the respective tariff list approved by CRE. In any case, the tariff for the firm- and interruptible-based services may be the same as or lower than the tariff approved by CRE. We shall be required to publish any regulated and approved tariff in the Federal Official Gazette and in the official gazettes of the states in which we render transportation services.

Natural Gas Distribution GTCs

The natural gas distribution GTCs included in our natural gas distribution permits regulate the reception, delivery and marketing of natural gas. The natural gas distribution GTCs are approved by and reported to CRE for each natural gas distribution permit. The natural gas distribution GTCs may be amended from time to time at our request in order to meet market conditions, comply with applicable legal provisions and any new administrative regulations that CRE may issue. Thus, certain provisions of the natural gas distribution GTCs may vary if the terms and conditions are amended from time to time, subject to CRE. The executed contracts shall be consistent with the GTCs and, as a result, every time the GTCs are updated, the service contracts are updated accordingly.

Although the GTCs of each of our gas distribution permits are substantially similar, there may be certain provisions that vary between each permit. The main provisions common to the GTCs of each of our natural gas distribution permits are summarized as follows:

Services. We provide simple-distribution and distribution-with-marketing of natural gas services by delivering natural gas to our customers at different delivery points in our pipeline system. In the event of a failure or deficiency in our system that prevents deliveries of natural gas to end-users, we shall compensate it with a specific quantity of natural gas that would have been available to said user had the interruption not occurred. In February 2016, CRE approved low natural gas consumption end-user protection provisions. Said provisions prohibit distributors from rendering natural gas sales services to high natural gas consumption end-users beginning in March 2018 (users with an annual consumption or more than 5000 GJ).

Interconnection. After the expiration of the exclusivity periods granted to us by CRE for each geographic zone, we must allow other permit holders to connect to our pipeline system provided that we have sufficient capacity available and if such connection is technically and economically viable. All connection tariffs shall be approved by us and the other permit holders. In January 2018, CRE approved an agreement that specified the entire Mexican territory as a Single Geographical Zone for the purposes of natural gas distribution. When this agreement took effect, the Geographical Zone Determination Department, which requested specific geographical zones to be determined prior to granted distribution permits, was eliminated.

Tariffs. We are allowed to negotiate tariffs lower than those provided in the respective tariffs list approved by CRE. We are required to publish all regulated tariffs annually in the Federal Official Gazette and in the Official Gazettes of the states in which we render distribution services.

System Capacity. We are required to use the "Stoner Workstation" simulation model to calculate the maximum daily use of our distribution system. This model is the international industry standard used to calculate pipeline flows. If the capacity requested exceeds our available capacity, our residential and commercial services shall take priority, and we must consult with our industrial customers regarding the reduction or interruption of their service.

Credit, Deposits and Guarantees. Our customers must comply with at least one of the following creditworthiness requirements: (1) make a cash deposit in our favor in the amount equivalent to three times the estimated monthly consumption for such customer; (2) obtain a guarantor, a letter of credit or a bond to guarantee the payment of invoices; or (3) pay all invoices promptly for 12 consecutive months.

Safety Obligations. If an event occurs that may cause a public health and safety risk, we must inform CRE, ASEA and the appropriate local authorities immediately of the measures taken to overcome the problem. We are also required to use equipment, materials and systems that comply with the specifications provided in the Official Mexican Standards, or in the absence thereof, with international industry specifications. We are also required to train our personnel to prevent and deal with accidents, as well as to provide any assistance needed to government authorities in case of emergencies or disasters. In addition, we must acquire and maintain the insurance required by the respective permits to cover any liabilities that may arise.

Liabilities. We shall be liable for any damages that may be caused while rendering the services up to the delivery point, except in case of willful misconduct or negligence of the injured party. After the delivery point, the customers will be liable for any damages incurred by said customers or any third parties.

Interruption of Services. We may interrupt the services without any liability in the following cases: (1) if we determine that a customer's system or equipment represents a significant hazard or risk or (2) by written order issued by a jurisdictional authority stating that the customer's system represents a hazard or risk or does not comply with applicable legal provisions. We shall also be entitled to suspend service if customers fail to pay more than one past-due invoice.

In addition, we shall not be liable for the interruption of services as a consequence of: (1) unforeseen circumstances or *force majeure* events; (2) failures of customer systems due to operator error; (3) maintenance, extensions or modifications to the systems, if we advise customers in advance; or (4) breach by customers of their obligations under the services agreements.

Rescission. Any customer may rescind or terminate a service agreement with us with at least two days' advance notice given prior to the termination date.

Dispute Resolution. Disputes that arise in connection with the services shall be resolved through arbitration. Disputes in which the customer is considered to be a consumer in terms of the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*) shall be resolved in accordance with that law.

Official Mexican Standards, Directives, Resolutions and General Provisions

In addition to the aforementioned laws and regulations, the legal framework that regulates our activities includes: (1) the Official Mexican Standards issued by SENER, CRE and ASEA on the technical matters of our business, such as product quality and the technical specifications of the design, construction, safety, operation and maintenance of our transportation, storage and distribution systems and facilities; (2) the Directives issued by CRE that regulate the economic matters of our business, such as prices, tariffs, accounting and insurance; (3) the environmental protection and industrial safety Agreements, Resolutions and General Provisions issued by CRE, the General Energy Sector Social Impact Evaluation Provisions issued by SENER and the General Environmental Protection Provisions issued by ASEA; and (4) the public policy documents issued by SENER regarding any of the hydrocarbons sector activities in which we participate.

Other Authorizations

There are several other permits and/or licenses that may be required by each of the three different levels of government (municipal, state and federal) for the development, construction and operation of hydrocarbon systems. These include environmental permits, industrial and operative security permits, social permits, zoning permits, construction permits, dumping permits in Mexican marine zones granted by the Ministry of the Navy, approval for the project in archeological monuments areas, concessions, and/or permits regarding federally controlled areas such as rivers, streams and maritime zones, among others.

Mexican Antitrust Commission (COFECE)

COFECE is an autonomous body of the Mexican government that has authority over natural gas, LPG, refined products, ethane and electric power-related activities in terms of the prevention of economic monopolies and concentrations. With the approval of COFECE, CRE may issue new regulations to develop competitive markets in the hydrocarbons sector, which may include grouping restrictions, stockholder limitations, and limits on economic operators' participations in commercial activities. The favorable opinion of the COFECE is also required to participate in tenders called by Port Administrations, in which we have an interest in building and operating refined products storage terminals or other products.

Mexican Ministry of Communications and Transportation (SCT)

The LNG Terminal and some refined products storage terminals require permits and/or authorizations from the SCT. Marine terminals require public asset concessions or permits that include the construction, operation and use of terminals, marine and port facilities, as well as marine or dredging works. On-shore terminals that have railroad facilities require the approval of the executive project to build private lines, as well as permits for auxiliary services, such as Liquid Loading and Transfer Terminals.

Mexican Ministry of the Navy (Secretaría de Marina)

Marine terminals, such as LNG or refined products storage, which due to their construction and/or operation, need to discharge liquids into Mexican marine zones, shall obtain authorization from the Ministry of the Navy because the Discharges Law and its Regulations stipulate a series of provisions to control, prevent and protect from pollution or alteration caused by the dumping in the marine environment.

Mexican Natural Gas Control Center (CENAGAS)

CENAGAS is a decentralized public entity of the Mexican Federal government. CENAGAS's main responsibility is to manage and operate the National Integrated Natural Gas Transportation and Storage System

("SISTRANGAS"), which was previously managed by the quasi-public sector entity Pemex Gas y Petroquímica Básica, which was a subsidiary of Pemex. Some of our assets are part of the SISTRANGAS.

CENAGAS is responsible for coordinating the development of the storage infrastructure and approving strategic projects through open seasons. SENER also established that beginning in October 2018, transportation and storage permit holders are obligated to submit weekly reports of natural gas consumption and inventories to CRE.

In January 2019, CRE approved the CENAGAS GTCs, regarding its permit as manager of SISTRANGAS, which regulate the management, administration and operation service of the National Integrated Natural Gas Transportation and Storage System provided by CENAGAS. As being part of SISTRANGAS, some of our assets must apply said GTCs.

Mexican National Institute of Anthropology and History (INAH)

INAH is a decentralized body of the current Ministry of Culture and founded in 1939; its objective is to guarantee the investigation, protection and dissemination of the prehistoric, archaeological, anthropological, historical and paleontological heritage of Mexico.

In accordance with the provisions of the Federal Law on Monuments and Archaeological, Artistic and Historical Zones, for the construction of new projects, it is necessary to have the "Approval of work in areas of archaeological monuments or in which its existence is presumed."

In September 2019, the INAH 05-001 procedure was updated to establish that in the event that construction involves larger infrastructure works, such as roads, gas pipelines, oil pipelines, dams, power generation parks, power lines, etc., they must carry out the procedure without exception, given that the impacted area is greater and consequently the probability of damage to the patrimony.

Obtaining the archaeological clearance approval from INAH is essential for the development of our projects. Additionally, when a project is proposed for financing, as in the case of Energía Sierra Juárez expansion, compliance with the Ecuador Principles and the IFC performance standards, which include protection of cultural heritage standards, is required.

Other Significant Provisions

Our business operations are subject to other standards that may affect our business, including state and municipal laws, and construction and civil protection provisions.

In May 2017, the "Rules for Assignees, Contractors and Permit Holders to Provide Information on the National Content of Their Activities Carried Out in the Hydrocarbons Industry" (*Disposiciones para que los asignatarios, contratistas y permisionarios proporcionen información sobre el contenido nacional en las actividades que realicen en la industria de hidrocarburos*) were issued. As of April 2019, pursuant to these rules, the hydrocarbons, refined products and petrochemicals storage, distribution, transportation and marketing permit holders shall report on a quarterly basis to the Mexican Ministry of Economy the national and foreign content of: (i) acquired terminated assets; (ii) contracted services; (iii) workforce; (iv) capacity; (v) expenses made for the transfer of technology; and (vi) expenses made for the construction of infrastructure for social purposes.

During 2019, the Ministry of Economy was informed of the domestic content of our 15 hydrocarbon assets.

On January 23, 2020, the Ministry of Economy modified the "Rules for Assignees, Contractors and Permit Holders to Provide Information on the National Content of Their Activities Carried Out in the Hydrocarbons Industry" of national content, in particular eliminating the obligation of the Permit Holders to report their domestic content every five years, establishing that it will only be reported in case the authority requires it regarding the period that it is determined, which cannot exceed five years.

In December 2017, SENER published in Federal Official Gazette the Public Policy on the Minimum Storage of Refined Products (except LPG), which establishes the refined product vendors' and distributors' obligations to maintain a minimum of five days' sales as a strategic inventory of each of the refined products sold

beginning 2020. Said obligations shall increase to eight days and 11 days for 2022 and 2025, respectively. At least 50% of the minimum inventories shall be stored at the terminals that usually supply service stations by tanker trucks. The Public Policy also establishes that from April 2018, permit holders throughout the value chain (storage, sales, distribution, dispatch to the public, refining) must submit weekly reports detailing production, imports, exports and sales of product to CRE.

In December 2019, SENER published a modification to the Policy in order to homologate five days of minimum gasoline and diesel inventory, and 1.5 days of minimum jet fuel inventory, nationwide, from July 1, 2020 to December 31, 2025. The obligation will be reviewed every five years, to the extent that the national market develops or as deemed necessary by SENER.

Article 28 of the Federal Fiscal Code was amended in June 2018. As a result, hydrocarbons and petroleum product storage, distribution, transportation and sales permit holders must have IT equipment and programs to keep volumetric controls, as well as opinions issued by laboratories authorized by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*). Once the Mexican Tax Administration Service publishes its authorization, the permit holders have six months to obtain or develop the necessary equipment, systems and controls.

During 2019, CRE published the agreement which defines the justified reasons for which the deadline of December 31, 2019 may be extended, to demonstrate to CRE the entry into commercial operation of the total capacity in the legacy projects.

Power Generation, Supply, Import and Export

As a result of the Energy Reform of December 2013 and the enactment of the Mexican Electric Industry Law, which repealed and replaced the previous Public Electricity Service Law, private companies are now permitted to obtain permits to generate and sell electricity to basic-supply users and qualified users, to sell electricity directly to the wholesale electric power market, and to participate in the construction, operation and administration of electric power plants. The Mexican State remains responsible for the transmission and distribution of electricity through CRE. However, it may enter into agreements with private companies engaged in such activities, including agreements for the financing, installation, procurement, operation and expansion of electrical grid infrastructure. The planning and control of the grid is under the exclusive authority of the Federal Government and is conducted by the CENACE. The CENACE is a decentralized public entity responsible for managing the national electrical grid by acting as an independent operator of the system for the wholesale electric power market.

In terms of the Electric Power Market Guidelines, private electricity generators may participate in a new open wholesale market operated by the CENACE by selling energy and products related to Suppliers, Vendors and Qualified Users–Market Participants (i.e., companies registered before CRE that have a global demand of at least 5 MW and an annual consumption of at least 20 GWh).

During 2019, CENACE granted the status of wholesale market participant to the Rumorosa Solar, Pima Solar and Tepezalá Solar facilities to be able to sell or buy energy, power, CELs and other products.

Pursuant to the Mexican Electric Industry Law, generating plants with installed capacities of 0.5 MW or more, as well as those represented by a generator in the wholesale electric power market (regardless of installed capacity) require an electric power generation permit. Generating plants with installed capacities of less than 0.5 MW do not require a permit, but they do need a supplier to act on their behalf to sell their power and related products in the wholesale electric power market.

Permits granted prior to the enactment of the Mexican Electric Industry Law (such as the export permit of the Termoeléctrica de Mexicali power plant, issued in 2001, the import and export permits of the Energía Sierra Juárez wind farm, and the self-supply permits of the Ventika I and Ventika II wind farms, the Don Diego Solar and Border Solar facilities) shall remain valid in the terms under which they were granted and the rights of the permit holders will not be affected by the new laws and regulations.

The Law of Energy Transition was published in December 2015. This law, which repeals a former renewable energy statute, intends to regulate the use of sustainable energy and the obligations regarding clean

energy and reduction of pollutant atmospheric emissions in the electricity industry. As a consequence of this Law, the Mexican Government must implement strategies and programs to achieve specific clean energy targets. The targets currently consist of generating at least 25% of electricity in Mexico from clean sources by 2018, 30% by 2021 and 35% by 2024. The national targets set by the Mexican Energy Transition Law will be achieved through various mechanisms, including voluntary agreements by and between Mexican companies and SENER, the granting of voluntarily certification and the obligation mentioned previously to use clean energy and acquire clean energy certificates.

Pursuant to the Mexican Electric Industry Law and the Mexican Energy Transition Law, certain clean energy usage obligations (for the reduction of air emissions) are applicable to participants in the wholesale electric power market. These participants include energy suppliers, Qualified Users, and Generators subject to the abrogated Mexican Public Electricity Service Law when supplying energy from fossil fuel sources. The usage obligations are credited by CELs and are required as of 2018 in proportion to the actual energy consumption established by SENER each year, which is 5% for 2018, 5.8% for 2019, 7.4% for 2020, 10.9% for 2021 and 13.9% for 2022.

As of 2019, Rumorosa Solar, Pima Solar and Tepezalá Solar have the right to be accredited CELs. Electric clean energy generators are entitled to receive a CEL per MWh of clean energy generated. During 2019, Rumorosa Solar, Tepezalá Solar and Pima Solar were registered at the CRE's CEL portal for the registration of generated CELs. These CELs will be negotiated pursuant to long-term power coverage agreements or under private bilateral transactions and agreements between generators and third parties.

Since 2019, several regulations have been amended through executive actions to align them with the current administration's energy policy. More recently, the Mexican government has published new rules that, if implemented, would reduce the role of renewable energies (solar and wind power) in the country's energy mix.

In October 2019, SENER published an order that modified the guidelines that establish the criteria for granting CELs and the requirements for their acquisition. The modifications allow CFE-owned legacy clean power plants (including CFE's hydroelectric power plants, that reached commercial operation prior to the Energy Reform) to receive a CEL per MWh of clean energy generated. This would abruptly increase the supply of CELs in the market and, hence, reduce the price of these products. However, such modifications do not impact the Rumorosa Solar, Pima Solar and Tepezalá Solar projects because the price of their CELs was negotiated and agreed under long term power purchase agreements. The implementation of the aforementioned order is currently suspended due to definitive injunctive relief (*suspensiones definitivas*) with general effects, obtained through judicial resolutions. These injunctions suspend the application of the agreement until the corresponding *amparo* proceedings conclude.

In April 2020, CENACE (the independent system operator) issued the CENACE Accord. The CENACE Accord provides that, in order to ensure the reliability of the electricity supply in the National Grid (*Sistema Eléctrico Nacional*), certain actions and operational strategies must be implemented during the course of the COVID-19 pandemic, which imply, among other things, (a) that additional parameters may be considered for the operation of the transmission grid, (b) that CENACE may modify dispatch priorities (from economical dispatch to "reliability dispatch" order), and (c) that wind and solar power plants in a pre-operational testing phase (or that are planned to enter this phase as of May 3, 2020) must suspend tests and will not be able to reach commercial operation until CENACE authorizes them to resume tests and these tests successfully conclude. This could result in curtailments and operative restrictions, as well as in delays in the construction programs, therefore, resulting in delays in the commercial operation date of wind and solar power plants.

As further described in "Business—Legal, Administrative and Arbitration Proceedings—Recent Regulatory Changes," our projects under construction, Tepezalá, Don Diego Solar and Border Solar, have filed *amparo* claims against the CENACE Accord and through dates of the month of June obtained definitive injunctive relief against such regulation. Furthermore, certain NGOs have obtained definitive injunctive relief as well, with general effects benefitting all industry participants. Hence, CENACE must refrain from implementing the measures against our projects, until the corresponding *amparo* proceedings conclude.

In addition, in May 2020, SENER published the SENER Policy. The Policy cites as its primary objective the establishment of guidelines allowing competent authorities to guarantee the national grid's electricity supply based on principles of reliability, and notes that clean intermittent energy poses a threat to such security and reliability. Additionally, the Policy, among other things, regulates the issuance of generation permits and

interconnection agreements, and grants CRE and CENACE broad authority to deny permits and reject interconnection study requests made by producers of clean intermittent energy based on security and reliability concerns. Such broad authority erodes the transparency of the permitting process rendering inapplicable precepts of market economy and free access allowing the dispatch of the cheapest energy first as promoted by the 2013 Energy Reform. As a result, clean energy projects are subjected to opaque and unverifiable security and reliability standards as determined by SENER, CFE, CENACE and/or CRE. Another element of the Policy is the reference throughout to "interconnection improvements." In particular, all permits and interconnection agreements, either newly issued or in the renewal process, must include an early termination provision in the event the applicant/grantee fails to undertake certain interconnection work or commence the activities set forth in the permit, including achieving commercial operation, in accordance with a specific schedule. The parameters of such interconnection improvements are not specified and could result in projects being subject to additional costs and being required to undertake additional investments in the form of interconnection improvements that they had not otherwise budgeted.

Due to the above, our projects that could be potentially affected by the SENER Policy have filed *amparo* claims and obtained definitive injunctions. See "Business—Legal, Administrative and Arbitration Proceedings—Arbitration Proceedings Related to ECA Service Agreements."

Furthermore, certain NGOs and governmental entities (such as COFECE and certain State Governments) have obtained definitive injunctive relief with general effects against the implementation of the policy. Hence, the SENER, CRE and CENACE must refrain from implementing the measures against our projects, until the corresponding *amparo* proceedings and the constitutional controversies conclude.

Finally, in June 2020, CRE published resolution number RES/893/2020, whereby tariffs were increased for the electricity transmission services, at 2018 prices to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V., ("CFE CIL") to the holders of legacy interconnection agreements for renewable or efficient cogeneration power plants (*Resolución de la Comisión Reguladora de Energía por la que expide los cargos por el servicio de transmisión de energía eléctrica a precios de 2018 que aplicará CFE Intermediación de Contratos Legados S.A. de C.V. a los titulares de los contratos de interconexión legados con centrales de generación de energía eléctrica con fuentes de energía renovable o cogeneración eficiente, conforme a lo establecido en la Resolución res/066/2010 y su modificación emitida mediante la Resolución res/194/2010*). The resolution approved an update to the rates charged for the electric power transmission service to be applied to the holders of the Legacy Interconnection Contracts with renewable energy sources generation or efficient cogeneration power plants. The government argued that the former wheeling tariffs did not reflect the "fair" and "proportional" costs for providing power transmission services to private generators. Because the previous conditions were thought to be "inequitable" for CFE, the regulator has set out to create "competitive" conditions within the electric power market going forward.

This resolution applies to and has a direct impact in the costs of the operation of projects subject to the abrogated Mexican Public Electricity Service Law, as it, abruptly, increases the wheeling tariffs that legacy generators must pay to CFE CIL. Due to the above, Ventika, Ventika II, Diego Solar and Border Solar have filed *amparo* claims and obtained definitive injunctions against CRE's resolution. See "Business description—Legal, Administrative and Arbitration Proceedings—Arbitration Proceedings Related to ECA Service Agreements." Due to the injunctions, until the *amparo* proceedings conclude, the increase in the wheeling tariffs will not apply to such projects.

As power plants interconnected to the grid controlled by the California Independent System Operator, the Termoeléctrica de Mexicali power plant and the Energía Sierra Juárez wind farm are subject to the electric reliability standards enacted by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council pursuant to Section 215 of the Federal Power Act (Federal Energy Law of the United States).

The United States' electricity services provisions apply to the sales of electricity of the Termoeléctrica de Mexicali power plant and the Energía Sierra Juárez wind farm to the United States. A company engaged in the wholesale sale of electricity for resale in interstate commerce is subject to regulation under the Federal Power Act by the U.S. Federal Energy Regulatory Commission ("FERC"). The FERC provisions under the United States' Federal Power Act includes regulations to set the tariffs, terms and conditions under which electricity generators may sell electricity wholesale, as well as other current provisions on the requirements to file quarterly electronic reports, periodic market power reports, and if an issuer or an affiliate acquires ownership or control of additional

energy assets, to notify FERC of these acquisitions, and to comply with applicable FERC requirements, including those that regulate securities issuances, transfers of facilities under ERC jurisdiction, reliability standards, market behavior, and handling and accounting requirements.

The Termoeléctrica de Mexicali power plant and the Energía Sierra Juárez wind farm are subject to the U.S. Public Utility Holding Company Act of 2005, known as the PUHCA. Pursuant to the PUHCA, a "holding company" is any company, trust, or organized group of persons that directly or indirectly owns or controls 10% or more of the outstanding voting rights in a "public-utility company" or is a company that is a "holding company" of a public-utility company. Unless it qualifies for an exemption or obtains a waiver from the FERC, a holding company is subject to certain regulations that grant the FERC access to its books and records relating to transactions with affiliated public utility companies or "natural gas companies," as defined in the PUHCA, and the FERC regulation of certain affiliates' transactions and certain disclosure, accounting and cost-allocation matters. In some cases, state regulatory commissions also have access to the books and records of holding companies or public-utility companies that are not exempt from the PUHCA. The FERC regulations exempt holding companies solely due to their direct or indirect ownership of: (1) "qualifying facilities" under the Public Utility Regulatory Policies Act of 1978, (2) Exempt Wholesale Generators or EWGs (as defined in the PUHCA), or (3) "foreign utility companies," as defined in the PUHCA. In addition, the FERC regulations stipulated that an EWG is exempt from FERC regulation under the PUHCA, with the exception of the procedures to obtain EWG status. In order to be an EWG, a project company must be exclusively engaged in owning or operating, or in both owning and operating, an "eligible facility" and sell wholesale electricity. An "eligible facility" is a generation facility used exclusively for the sale of wholesale electricity.

Mexican Coordinated Energy Regulators' Law

In addition to the Mexican Hydrocarbons Law and the Mexican Electric Industry Law, the Mexican Coordinated Energy Regulators' Law stipulates the authorities, structure and internal organization of CRE. CRE is a Mexican government body that has technical, operating and management autonomy, and is the main body responsible for granting midstream and downstream (refining, logistics and sales) energy permits to participants in the natural gas, LPG, LNG, refined products and petrochemicals sectors in Mexico. CRE is also responsible for granting permits to electricity generators and suppliers, and electricity import and export authorizations, keeping records of qualified users, clean energy certificates, and for supervising, monitoring and inspecting the activities of said generators, suppliers and users. CRE is our main supervising authority.

Pursuant to the Mexican Coordinated Energy Regulators' Law, CRE has broad powers and authority to regulate natural gas, LPG, LNG, refined products and ethane storage, regasification, transportation, distribution, processing, liquefaction, compression, decompression, marketing, import and export activities. These powers include the approval and issuance of the GTCs and General Terminal Terms and Conditions that govern the services provided by the public and private sectors and the issuance of guidelines to calculate the tariffs applicable to such services. CRE also has the authority to oversee the operations of the wholesale electric power market and to issue regulations and provisions to foster the generation and use of clean energy.

General Administrative Responsibilities Law

The legal framework that created Mexico's National Anti-Corruption System was published in the Federal Official Gazette on July 18, 2016. This new legal framework implements the 2015 Constitutional reform on anti-corruption matters and is comprised of several secondary laws, including the Mexican General Law of Administrative Responsibilities (*Ley General de Responsabilidades Administrativas*). Although it was published in the Official Gazette on July 18, 2016, the Mexican General Law of Administrative Responsibilities took effect on July 19, 2017.

In terms of companies, the aforementioned law regulates administrative breaches that may be committed by individuals who act on their behalf or in their representation and intend to gain benefits for these companies through their conduct. In this vein, this Law contemplates that companies must have a policy of integrity as a mechanism to prevent said conduct-related corruption, which must consist of several elements, such as:

- An organization and procedures manual to demarcate the functions and responsibilities of each of its departments and clearly specifies the different chains of command and leadership throughout the entire structure.
- A code of conduct duly published and instilled among all members of the organization.
- Adequate and efficient control, oversight and auditing systems.
- Adequate reporting and disciplinary processes.
- Adequate training and instruction systems and processes.
- Human resources policies that prevent people that generate a risk to our integrity from joining it.
- Mechanisms that ensure the transparency and disclosure of its interests at all times.

The Mexican General Law of Administrative Responsibilities also sets forth respective provisions and guidelines to investigate and sanction companies for committing administrative breaches in relation to the undue participation in administrative procedures, influence peddling, bribery, misappropriation of public funds, the hiring of ex-civil servants in a certain period of time, collusion in public tenders (including procedures called by foreign entities), and the use of false information to apply for an administrative permit, authorization or concession, among others.

Based on the foregoing, we are subject to the Mexican General Law of Administrative Responsibilities with respect to any activities that require the granting of a permit or a concession, public procurement processes, and/or any other administrative procedure conducted before a governmental entity.

The Mexican General Law of Administrative Responsibilities establishes administrative procedures for the investigation of administrative liabilities. Pursuant to such law, the Mexican Public Administration Ministry (*Secretaría de la Función Pública*) of the Federal Government and the State Governments' Ministries shall be responsible for investigating, substantiating and sanctioning minor offenses, whereas the Federal Audit Office and the local audit offices shall be responsible for investigating and substantiating the administrative procedures of offenses deemed as severe.

Administrative breaches committed by private parties will be subject to jurisdiction of the Federal Administrative Justice Court, which now has a specialized chamber to process severe corruption actions, and is authorized to impose the respective sanctions.

The Mexican General Law of Administrative Responsibilities provides for the following in terms of the extent of the sanctions that may be imposed on private companies for committing administrative breaches related to corruption: (i) fines up to twice the amount obtained by the company from any unlawful act or from 1,000 to 1,500,000 times the unit of measure and restatement; (ii) disqualification from participating in any public procurement procedure for at least three months and up to ten years; (iii) suspension of all the private company's commercial activities for at least three months and up to ten years; (iv) dissolution of the company and (v) compensation for the damage caused to the Federal Public Treasury and/or Federal, Local or Municipal entities.

Mexican Law for the Protection of Personal Data

We, and in particular the ECOGAS distribution system, are subject to the provisions of the Mexican Law for the Protection of Personal Data (*Ley Federal para la Protección de Datos Personales en Posesión de los Particulares*) that took effect in Mexico on July 6, 2010. The Mexican Law for the Protection of Personal Data is applicable to individuals or private companies that process Mexican citizens' personal data.

Pursuant to the Mexican Law for the Protection of Personal Data, the processing and transfer of personal data requires the prior consent of the owner of the data. Consent can be obtained by a document referred to in the Law as a "Privacy Notice." This notice informs the owner about which personal data is being collected, the purpose of the use of the personal data, any intended transfers and the data owner's rights of access, rectification, and

cancellation or to oppose the processing of the personal data. A data owner is deemed to grant consent for the use of the personal data if no opposition to the privacy notice is declared. The privacy notice can be delivered through printed, digital, visual, electronic, audible or any other means. Pursuant to the Mexican Law for the Protection of Personal Data, data owners are entitled to revoke their consent at any time. The Mexican Law for the Protection of Personal Data provides certain requirements for the transfer of personal data to third parties and certain exceptions to such requirements in which the transfer of information is permitted.

Ports Law and Dumping in Mexican Marine Zones Law

As holders of a permit or concession for the use and occupation of a federal maritime zone for the construction and operation of a maritime terminal for our LNG terminal, including a dry dock and ancillary maritime infrastructure, as well as the development and construction of refined products storage terminals, we are subject to the Mexican Ports Law (*Ley de Puertos*) and its Regulations and the jurisdiction of the SCT, as well as the Integral Port Authorities of Veracruz and Topolobampo, for the respective facilities.

Pursuant to the Ports Law, the construction and operation of maritime infrastructure, as well as dredging, require specific authorizations from the SCT. Likewise, the use of Federal maritime zones requires special authorizations, known as concessions or permits. Furthermore, the construction of infrastructure on the seabed and dumping in the required Mexican marine zones require authorization from the Ministry of the Navy.

Concessions and permits may be granted for up to 50 years, and may be extended for an additional 50-year term. A concession or permit may be terminated by the SCT based on certain reasons set forth in the Ports Law, including: (1) termination of the purpose for which the concession was granted, (2) the bankruptcy or liquidation of the permit holder, or (3) amortization. In addition, our concessions and permits may be revoked in certain circumstances, including breach of our obligations under the permits, or an interruption of operations of the facilities without just cause.

Mexican Railroad Service Regulatory Law

Railroad facilities used for the reception and/or delivery of refined products at our storage terminals require permits to be obtained for the construction of railroad tracks. Pursuant to the provisions of said Law, the loading and/or unloading of refined products onto/from tanker trucks also require permits to be obtained for the rendering of ancillary services, such as liquids loading and transfer terminals.

The Mexican Railroad Service Regulatory Law (*Ley Reglamentaria del Servicio Ferroviario*) and the Railroad Service Regulations establish the conditions for granting permits and concessions necessary for the construction and operation of said facilities, as well as for the rendering of ancillary services related to the railroad network. These permits and concessions are granted the SCT and regulated by ARTF.

Constitutional Amendments to Collective Actions

Article 17 of the Mexican Constitution was amended on July 29, 2010, in order to permit Class Actions to be filed in the Federal courts in relation to matters of consumer protection and environmental laws, among others. Subsequently, on August 30, 2011, the Federal Code of Civil Procedures, the Federal Consumer Protection Law and the General Ecological Balance and Environmental Protection Law (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*) were amended to include Class Actions. Such amendments became effective on March 1, 2012, though at the date of this Offering Circular, as far as we are aware, only a few Class Action lawsuits have been brought before the Federal courts in connection with environmental and environmental liability matters.

Environmental Matters

Environmental Regulation

Our operations are subject to Federal, State and Local environmental laws, regulations, Official Mexican Standards (*Normas Oficiales Mexicanas*) and other technical standards (*Normas Mexicanas*). The distribution of jurisdiction over environmental matters among governmental authorities at the Federal, State and Municipal levels is based on a "residual formula" stipulated by the Mexican Constitution, which establishes that matters not expressly

reserved to the Federal authorities fall under local-government jurisdiction, also known as concurrent jurisdiction. Although electricity and hydrocarbons projects are regulated under the jurisdiction of said Federal authorities, certain specific environmental matters, such as the special handling or management of urban solid waste, the opening of new access roads, urban land use and construction falls under State or Municipal jurisdiction. It must be emphasized that as a result of the new regulation of the hydrocarbons sector, the issues of special waste management, the registration of civil and environmental liability insurance policies, among others, comes under Federal jurisdiction and its regulation and management are within the remit of the ASEA.

The main environmental laws in Mexico applicable to our business are the General Ecological Balance and Environmental Protection Law (*Ley General del Equilibrio Ecológico y Protección al Ambiente*), the General Waste Prevention and Comprehensive Management Law (*Ley General para la Prevención y Gestión Integral de los Residuos*), the National Waters Law (*Ley de Aguas Nacionales*), the General Sustainable Forestry Development Law (*Ley General de Desarrollo Forestal Sustentable*), the General National Assets Law (*Ley General de Bienes Nacionales*), the Mexican General Law on Climate Change (*Ley General de Cambio Climático*) and the National Hydrocarbon Sector Industrial Safety and Environmental Protection Agency Law (*Ley de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*). Pursuant to these laws, provisions and regulations have been enacted on matters such as environmental impact and industrial and operational risks, land use change, noise emissions, atmospheric emissions, prevention and control of methane emissions, emissions trading system, use of national waters and wastewater discharges into national water bodies, hazardous residues, special and solid waste management, to which our business are subject. Our business may also be subject to other laws, regulations and technical requirements relating to environmental protection such as the General Health Law (*Ley General de Salud*), the Federal Occupational Health, Safety and Environmental Regulations (*Reglamento Federal de Seguridad y Salud en el Trabajo*), the Discharges in Mexican Maritime Zones Law (*Ley de Vertimientos en Zonas Marinas Mexicanas*) and the Federal Criminal Code (*Código Penal Federal*).

Breach of the applicable laws, regulations and Official Mexican Standards may result in the imposition of administrative, environmental and criminal fines and sanctions; revocations of authorizations, concessions, licenses, permits or registrations; administrative arrests, the seizure of polluting equipment; and in certain cases, the temporary or permanent closure of facilities and even imprisonment when the breaches are classified as environmental or environmental management offenses, as well as in remediation, reparation or compensation obligations in matters of civil or environmental liability.

In particular, the Mexican Federal Environmental Liability Law, enacted on July 7, 2013, regulates environmental liability for damage to the environment including environmental remediation and compensation. In the event of intentional and unlawful action or inaction, the party responsible shall be fined up to approximately 61.6 million Mexican pesos in 2019, independently of the actions to repair or compensate the damages. This environmental liability regime is independent from administrative, civil or criminal liability regimes.

Environmental liability may be attributed to any company for the conduct of our representatives, managers, directors, employees, or officers who have operational domain over our activities. The limitations to claim environmental liability is 12 years from the date the environmental damage occurred. The law allows the interested parties to resolve disputes through alternative dispute resolution mechanisms, provided public interest or third-party rights are not affected.

Our projects operate under licenses, permits, authorizations, concessions and registrations issued under these environmental laws. We hold all the permits, licenses, registrations, concessions and/or authorizations necessary for our projects and it is in substantial compliance with the applicable environmental laws and the respective permits.

We follow internal policies and procedures to ensure due compliance with applicable laws, regulations and our permits. We update our permits, authorizations, licenses, concessions and registrations from time to time and evaluate their validity periodically, including the amendment, renewal, extension or termination of such permits according to the terms and conditions of the resolutions. In the event that as a result of such evaluations, action needs to be taken to renew, maintain, transfer or obtain any permit, authorization, license or approval, we take all necessary steps in order to keep them valid.

Regulatory and Oversight Authorities

SEMARNAT is the Federal environmental authority responsible for, among other things, granting Federal authorizations for environmental impact and risk, for change of forest land use, comprehensive environmental licenses, accident prevention programs, as well as issuing Official Mexican Standards ("NOMs"). As a result of the 2013 energy reform, the ASEA was created as a decentralized body of the SEMARNAT. The ASEA regulates, authorizes and oversees the industrial safety, operating and environmental protection activities and obligations with the authority to issue the aforementioned authorizations, as well as assigns the Regulated Entity's Single Registration Code (*Clave Única de Registro del Regulado*), the Industrial Safety, Operational Safety and Environmental Protection Administration System (*Sistema de Seguridad Industrial, Seguridad Operativa y Protección al Ambiente*) authorization and generates the civil and environmental safety policy registration, among others.

In addition to the foregoing, there are six decentralized bodies within the SEMARNAT (the National Water Commission, the National Protected Natural Areas Commission, the National Biodiversity Awareness and Use Commission, the National Ecology and Climate Change Institute, PROFEPA and the ASEA). There are two decentralized bodies with their own legal capacity and equity (the National Forestry Commission and the Mexican Water Technology Institute), which as part of their jurisdictions, ensure compliance with the environmental standards. The PROFEPA is responsible for investigating and inspecting facilities (including through the voluntary environmental audit program, described below), imposing sanctions, and ruling on the administrative appeals filed by persons who have been sanctioned for breaching the environmental regulations. The ASEA's remit covers inspecting, issuing licenses and authorizations and imposing sanctions on environmental, industrial and operating safety issues of the hydrocarbons sector.

The National Water Commission is responsible for the management and administration of national waters, both surface and underground, the prevention of water pollution, granting of the use and exploitation of national waters and the protection of certain national assets related to rivers, reservoirs and other water bodies. The National Water Commission grants concessions for the use and exploitation of national waters and permits for wastewater discharges into Federal water bodies. The National Water Commission has its own verification and inspection department, independent from the PROFEPA; however, the PROFEPA is also authorized by law to verify matters related to the use and contamination of national water bodies.

Environmental Certifications, Policies and Programs

Clean Industry and Environmental Quality Certifications

Currently, our Gas and Electricity segments participate in the PROFEPA or ASEA voluntary environmental audit programs. These assets currently hold clean industry certificates or if applicable, are in the application or recertification process. Our goal is for all of our other assets to participate in this program as they commence operations and obtain the respective certificates.

As part of these voluntary environmental audit programs, companies agree to conduct the environmental audits of their own facilities and operations through an authorized third party every two years and approved by the PROFEPA or ASEA. Based on the audit findings, as applicable, the auditor prepares and proposes a corrective and/or improvement action plan to certain companies. Depending on the certification process, the auditor advises the PROFEPA or the ASEA, as the case may be, of the results of the audit and the suitability of the resulting action plan. Subject to the review and approval of the audit findings and recommendations, the PROFEPA or the ASEA, as applicable, approves the implementation of the action plan with the audited company.

The end result of this voluntary environmental audit program is a clean industry or an environmental quality certificate, which generally indicates that the company or business has complied with the action plan and is in compliance with the applicable Federal environmental laws and regulations, and in some cases with the international standards and the best engineering and operational practices. The certificate is valid for two years and may be continuously renewed for similar periods provided that the company continues to prove that it has maintained or improved the environmental compliance conditions in force at the time when the certificate was first granted.

Corporate Environmental Policies

We conduct our business in compliance with our Corporate Environmental Policy. This policy is communicated to our employees and contractors and applied both in new projects and in the operation and maintenance of our facilities. We have made the commitment to comply with the directives established in the policy as follows and with any other that may be implemented in the future:

- Comply with applicable environmental laws, regulations and rules, as well as seek to adopt industry best practices in environmental matters.
- Minimize and mitigate the environmental impact, as well as respect the load capacity of the ecosystems as a result of our activities and the activities of our subsidiaries.
- Generate a strategy that contributes to reducing or avoiding greenhouse gas emissions and adapting activities and infrastructure to climate change-related events.
- Generate reliable environmental information to understand our and our subsidiaries' environmental performance to help decision-making and seek continuous improvement.
- Report our targets, progress and performance with the due transparency to stakeholders.
- Instill awareness and the importance of environmental matters among our and our subsidiaries' employees, clients and suppliers, as well as in the communities in which we operate.
- Interact with energy sector associations to promote public environmental policies that impact on our business, promote energy efficiency, renewable energy and sustainable development.
- Encourage the collaboration and joint work with commercial partners (including suppliers, clients and contractors) to minimize the impacts on the environment.

We frequently seek to improve the environmental performance of our operations based on internal standards that go beyond the regulatory requirements.

Environmental Programs for the Conservation of Biodiversity

We have several on-going environmental programs to conserve biodiversity as well as construction projects and operations that are focused on the conservation, protection and restoration of species of flora and fauna.

We maintain high standards of environmental compliance, we consider it unlikely that we will incur material costs and liabilities related to environmental matters related to our current projects, based on our existing clean industry certificates, the implementation of our Corporate Environmental Policy and on-going compliance monitoring programs. However, we cannot guarantee the future costs and liabilities associated with our projects, which in turn may have a material adverse effect on our activities, financial situation, operating income, cash flows and our outlook, as well as on the market price of our securities.

Climate Change Strategy

The main objective of our climate change strategy is to reduce emissions in our operations and promote the use of sustainable energy in accordance with the commitments of our environmental policy

This strategy consists of four areas of focus:

- Investment and asset development. Develop infrastructure that strengthens Mexico's energy security and supports the transition to a low-carbon energy, seeking to take advantage of new market opportunities.

- Emissions reductions and energy efficiency. Encourage our own and third-party emissions reductions projects and increase energy efficiency in our processes.

- Management of climate risks and opportunities. Integrate climate risks and opportunities into our internal management.

- Transparency and collaboration. Communicate our climate change-related impact and performance, and work in collaboration with our stakeholders to respond to the challenges arising from climate change.

Permits

Natural Gas Distribution Permits

Our distribution permits allow us to supply natural gas within a geographical zone determined by CRE based on the opinion of the local authorities that have jurisdiction over urban development issues. Distribution permits are commonly granted for 30 years and may be extended for a single subsequent period of 15 years. However, the permit holder may apply for a new permit at least two years before the expiration date of such permit.

In January 2018, CRE determined, though an administrative resolution, that the entire Mexican territory would be considered a Single Geographical Zone for purposes of natural gas distribution through pipeline systems. This designation does not afford exclusivity for the permit holders that conduct distribution activities through pipelines. The permits that were previously granted and valid at the time the administrative resolution was issued remain valid on their original terms and conditions.

We currently operate three natural gas distribution systems in the areas of Mexicali, Chihuahua and La Laguna-Durango. The ECOGAS distribution system holds separate distribution permits for each of the three distribution zones, which allows it to render natural gas distribution services in those locations. Each of these permits has a term of 30 years and their expiration dates range from 2026 to 2029. These permits provide that provision of distribution services should be granted in an efficient manner and in accordance with principles of uniformity, homogeneity, regularity, safety and continuity. In addition, the distribution service capacity must be allocated on a non-discriminatory basis in accordance with the principles of open access. The distribution systems must be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure due compliance with all the applicable regulations. These permits can only be assigned if the applicable distribution system is transferred together with the permit. Additionally, these permits may be subject to liens in order to secure obligations under financings related to their distribution services provision, subject to prior written notice to CRE. Any lien not related to the financing of the distribution services requires prior approval from CRE.

Natural Gas, LPG and Petrochemicals (Ethane) Transportation Permits

Transportation companies are not obliged to provide transportation services in any predetermined geographic zone. Transportation permits refer to a determined capacity and a specific route within Mexican territory. Transportation permits are granted on a non-exclusive basis by CRE.

Each of our transportation systems possesses a separate transportation permit issued by CRE that allows it to conduct transportation operations. Each of these permits has a term of 30 years and the expiration dates range from 2027 to 2047.

These permits provide that allocation of pipeline capacity must be conducted on a non-discriminatory basis through open seasons in accordance with open access principles, in the case of permanent allocations. In addition, these permits stipulate that the transportation system must be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure due compliance with all the applicable regulations. Any modification of these permits requires the prior approval of CRE. The assignment of a permit is subject to the transportation system being transferred together with the permit and is also subject to CRE's prior approval.

A transportation system permit may be revoked in the event of: (1) an interruption of transportation service without just cause or the authorization of CRE; (2) engaging in unduly discriminatory practices; (3) charging tariffs in excess of those authorized by CRE; (4) the assignment, modification or transfer of the permit in breach of its conditions; or (5) the lack of payment of the supervision fees of the permit.

Natural Gas Marketing Permit

In December 2015, CRE granted IEnova Marketing a natural gas marketing permit, which includes natural gas trading, management and contracting of transportation, storage and/or distribution services, as well as the provision of value-added services in favor of the end users of natural gas. The permit has a term of 30 years and expires in 2045.

In October 2019, CRE approved a marketing permit to ECA Liquefaction for activities associated with the ECA Liquefaction Project, which authorizes the commercialization of liquefied natural gas and the management and contracting of transport, storage and/or distribution services. The natural gas marketing permit will be valid for 30 years and will expire in 2049.

The marketing permits are subject to revocation for (1) repeated failure to comply with the terms and conditions of the permit; (2) unduly discriminatory practices; (3) assignment, transfer or modification of the permits without the CRE's authorization; (4) failure to comply with the rules of cross-participation imposed by COFECE and CRE; or (5) repeated failure to pay the applicable government fees.

Natural Gas Export Permit

In January 2019, SENER granted IEnova Marketing a natural gas export permit, which enables IEnova Marketing to export natural gas to the United States. In February 2020, IEnova Marketing obtained an extension of the export permit that is valid through February 2021.

LNG Export Permit

The ECA Liquefaction Project is currently working to obtain from SENER an LNG export permit with a validity of 20 years for the development of activities associated with the ECA Liquefaction Mid-Scale project.

Natural Gas Customs Permit

We have 16 natural gas pipeline customs import permits issued by the General Customs Administration, two of which include authorization for the export of natural gas. Each authorization has a term of three years.

Each authorization is subject to the approval of the Mexican Tax Administration Service and the Ministry of Finance and Public Credit. Under the authorizations, we are required to: (1) pay annual duties in accordance with the Mexican Federal Duties Law (*Ley Federal de Derechos*); (2) submit in February of each year an annual report and other paperwork detailing the merchandise purchased and sold during the reporting period, including the cost and quantity of such merchandise; (3) comply with tax obligations; (4) submit a monthly customs document in connection with the payment of import VAT, if any; and (5) register the customs agents and shippers performing operations under the permits.

The authorizations may be revoked when: (1) the applicable governmental duties are not paid within the term provided in the corresponding authorization; (2) the obligations provided under the authorization are not complied with; (3) the rights under the authorization are encumbered, assigned or transferred, either totally or partially; or (4) the imports are made through customs agents not indicated in the permit.

Authorization for customs clearance through a place other than the authorized port

In accordance with Article 10 of the Mexican Customs Law, the ECA Liquefaction Project has an authorization for customs clearance for the import or export of merchandise through a place other than the Port of Ensenada, which is the authorized port. We are currently working to obtain another authorization for customs

clearance for our Veracruz marine terminal through a place other than the Port of Veracruz, the authorized port. Such an authorization would facilitate our ability to import gasoline, diesel and jet fuel.

Electric Energy Customs Permit

We have four electric energy customs import and export permits issued by General Customs Administration, each of which has a term of three years.

Each authorization is subject to the approval of the Mexican Tax Administration Service and the Ministry of Finance and Public Credit. Under the authorizations, we are required to: (1) pay annual duties in accordance with the Mexican Federal Duties Law; (2) submit in February of each year an annual report and other paperwork detailing the merchandise purchased and sold during the reporting period, including the cost and quantity of such merchandise; (3) comply with tax obligations; (4) submit a monthly customs document in connection with the payment of import VAT, if any; and (5) register the customs agents and shippers performing operations under the permits.

The authorizations may be revoked when: (1) the annual duty is not paid; (2) the obligations of the permit are not performed; (3) the rights of the authorization are encumbered, assigned or transferred, either totally or partially; or (4) the imports are made through customs agents not indicated in the permit.

Natural Gas Import Permits

In 2018, the General Customs Administration approved the renewal of the introduction of extraction authorizations of natural gas from Mexican territory via pipelines for import. Each authorization has a term of three years and expires in 2021.

The authorizations are subject to the approval of the Mexican Tax Administration Service and the Ministry of Finance and Public Credit, and to the compliance with the following obligations: (1) the payment of the annual duties in accordance with the Federal Duties Law; (2) file, in the first two-month period of the year, the information on the merchandise purchased/sold compared with the merchandise the entry/exit of which would have been registered; (3) be up to date with fiscal obligations; and (4) register the customs agents and shippers with whom these operations are performed.

The authorizations may be revoked when: (1) the annual duty is not paid; (2) the obligations of the permit are not performed; (3) the rights of the authorization are encumbered, assigned or transferred, either totally or partially; or (4) the imports are made through customs agents not indicated in the permit.

Natural Gas Storage Permit

We operate our natural gas storage facility under a natural gas storage permit granted by CRE in August 2003. This permit allows us to provide LNG storage and regasification services until 2033 and requires that we allocate LNG storage and regasification capacity on a non-discriminatory basis and in accordance with open access principles. In addition, the permit requires the storage facility to be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable regulations.

The assignment and transfer of this permit is only allowed if the permit is transferred together with the LNG storage facility. Any modification of the permit requires prior approval by CRE. The permit is subject to revocation in the event that we: (1) interrupt the storage service without just cause or without the authorization of CRE, (2) engage in unduly discriminatory practices or do not comply with the tariffs authorized by CRE; (3) assign, transfer or modify the permit in breach of its terms; (4) breach the obligations set forth in the permit, and (5) fail to pay the supervision duties stipulated in the permit.

In December 2019, CRE approved an amendment to the Natural Gas Storage Permit to allow changes to the GTCs as well as certain technical modifications that include the elimination of one of the tanks included in the permit for future expansion of the facilities.

Natural Gas Liquefaction Permit

In December 2017, CRE approved our natural gas liquefaction permit in order to liquefy natural gas and supply LNG to tanker vessels and tanker trucks. This permit has a term of 30 years and expires in 2047. The permit is subject to revocation if we: (1) breach the obligations or conditions of the permit without just cause and with the authorization of CRE, (2) engage in unduly discriminatory practices, (3) assign or encumber the permit, the rights conferred therein or the assets used for its performance without the authorization of CRE, (4) fail to maintain the general insurance valid in accordance with the applicable regulation issued, (5) fail to pay, in more than one fiscal year and in the opinion of the Commission, the permit supervision contribution and use payments without just cause, (6) interrupt the activities stipulated in the permit for a period of at least 30 continuous calendar days without just cause in the opinion of the Commission, (7) bar access to our facilities by CRE's inspection personnel, or (8) breach the resolutions issued by CRE, COFECE or the National Industrial Safety and Environmental Protection Agency of the Hydrocarbons Sector within the scope of their respective jurisdictions.

In December 2018, CRE approved the amendment of the natural gas liquefaction permit dividing the project into two phases. The first phase, ECA Liquefaction Mid-Scale, contemplates one liquefaction train with a total capacity of approximately three Mtpa and the second phase, ECA Liquefaction Large-Scale, contemplates additional capacity of approximately nine Mtpa, for a total of 12 Mtpa.

LPG Storage Permit

We operate our LPG storage facility under an "LPG storage permit per supply plant," granted by CRE in February 2012. This permit has a term of 30 years, until 2042, and allows for the reception of 42,000 Bbl of LPG, the storage of 80,000 Bbl of LPG in four storage tanks, each with a capacity of 20,000 Bbl, and the delivery of 30,000 Bbl of LPG through ten loading bays.

The permit also stipulates that the capacity must be allocated on a non-discriminatory basis and in accordance with open access principles. Assignment and transfer of this permit is only allowed if the permit is transferred together with the LPG storage facility. Any modification of the permit requires prior approval by CRE. The permit is subject to revocation if we: (1) interrupt the storage service without just cause or without the authorization of CRE, (2) engage in unduly discriminatory practices or do not comply with the tariffs authorized by CRE, (3) assign, transfer or modify the permit in breach of its terms, or (4) fail to comply with the obligations set forth in the permit.

Refined Products and Bioenergetics Storage Permits

Each of our storage terminals, whether port or onshore, operate under an individual refined products storage permit granted by CRE. Such permits enable us to engage in refined products storage operations, such as regular and premium gasoline, diesel, jet fuel and, in some terminals, ethanol as bioenergetics. Each permit is valid for 30 years from such permit's applicable granting date.

Each permit authorizes us to receive, store and deliver gasoline, diesel, jet fuel and, as the case may be, ethanol or MTBE on a non-discriminatory basis in accordance with the principles of open access. The products shall be received via tanker vessels at port terminals and via tanker trucks at onshore terminals. The products shall be stored in tanks of different specifications depending on the product to be stored, with a rated capacity and an operating capacity. The products shall be delivered by tanker trucks. These permits include a description of the complementary facilities, such as tanks for additives or to filter jet fuel.

In addition, the permits require that the terminals be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with applicable legal regulations. Any modification to these permits requires the prior approval of CRE. This permit cannot be assigned separately from the respective storage terminal, and any assignment shall be authorized through an amendment to each storage permit.

The storage permits are subject to revocation if we: (1) interrupt the storage service without just cause or without the prior authorization of CRE; (2) perform our activities using products obtained from illegal sources; (3) engage in unduly discriminatory practices or do not comply with the tariffs authorized by CRE; (4) assign,

encumber or transfer the permit in breach of the provisions of the Hydrocarbons Law; (5) breach the Official Mexican Standards and the terms set forth in the permit; or (6) fail repeatedly to pay the applicable governmental fees.

Electric Power Generation Permits

Electric Power Generation Permits for LNG Terminal

Our electric power generation activities at the LNG terminal are performed subject to a self-supply electric power generation permit granted by CRE in February 2005. In 2019, CRE approved an amendment to this self-supply generation permit and granted a generation permit under the regime of the Mexican Electric Industry Law. This permit enables us to generate electric power at the terminal for a period of 30 years from its grant date, expiring in 2049. The permit also requires that the electric power generation facilities be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable provisions.

The assignment and transfer of this permit is only permitted if the permit is transferred together with the electric power generation facilities and with the prior authorization of CRE. The permit is subject to revocation in the event that we: (1) are repeatedly sanctioned by CRE for selling, reselling, or in any other way transferring the electric power generated in breach of the permit, (2) generate electric power in breach of the conditions established in the permit, (3) assign, transfer or modify the permit without the authorization of CRE or in any other manner, breach the terms and conditions of the permit.

In July 2017, CRE approved an electric power generation permit for a capacity of 227.6 MW for the Energía Costa Azul liquefaction project. This permit has a term of 30 years from grant date, and expires in 2047. The causes of revocation of this permit include: (1) failing to comply with the legal and accounting separation rules issued by CRE; (2) generating electric power in breach of the conditions established in the permit; (3) assigning, transfering or modifying the permit without the prior authorization from CRE; (4) failing to pay the applicable governmental fees; or (5) breaching in any way the terms and conditions provided in the permit.

Termoeléctrica de Mexicali Permits

The Termoeléctrica de Mexicali power plant holds two-way electric power permits issued by CRE. Under the first of these, we are permitted to produce and export up to 679.7 MW of electric power to the United States, and the term of the permit expires in 2031. In June 2001, we also received a permit to import 12.0 MW of electric power from the United States to power the generation station, for an indefinite term. The export permit requires that the electric power generation facility be operated and maintained by an authorized operator with the necessary technical and administrative experience to ensure compliance with all applicable provisions.

The assignment, transfer or modification of either of these permits requires prior approval of CRE. Additionally, with respect to its export permit, its assignment or transfer is only allowed if the permit is transferred together with the electric power generation facility.

The permits may be revoked in the event the permit holder: (1) is repeatedly sanctioned by CRE for selling, reselling or transferring the electric power generated without permission or for importing electric power in breach of applicable law or the terns of the permits obtained, (2) assigns, transfers or modifies any permit without the authorization of CRE and breaches the requirements provided in the permit to that effect, (3) repeatedly or continuously fails to comply with the terms and conditions of the applicable legislation, its permits, the Official Mexican Standards or applicable technical and operational provisions, or (4) fails to pay the applicable governmental duties provided in the permit.

Energía Sierra Juárez Permits

The Energía Sierra Juárez wind farm located in the municipality of Tecate, Baja California, is scheduled to be developed in different phases over several years.

Energía Sierra Juárez operates under two permits issued in June 2012 by CRE: (1) an electric power import permit that allows Energía Sierra Juárez to import up to 0.16 MW into Mexico from the United States exclusively to cover the needs of the wind farm, with an undefined term; and (2) an electric power export permit that allows Energía Sierra Juárez to generate electric power with an installed capacity of 156 MW, for a period of 30 years from the grant date of the permits. Under these permits, electric power is imported and exported through a transmission line interconnected with the East County substation of SDG&E. The assignment or transfer of these permits requires the prior approval of CRE.

The Energía Sierra Juárez expansion ("ESJ Expansion") project aims to increase the capacity that Energía Sierra Juárez currently has by 108 MW, through the installation of 26 additional wind turbines to the 47 that are currently operating. During 2019 and the first quarter of 2020, ESJ Expansion obtained federal and state permits regarding environmental impact, social impact, land use change in forest lands and approval of INAH works, necessary to start construction.

CRE permits related to ESJ Expansion were obtained under the Mexican Electric Industry Law, in particular, (1) the generation permit, which will be valid for 30 years as of January 2019; (2) the electric power import authorization that permits the import of electric power into Mexico from the United States exclusively to cover the needs of the generating wind plant, with a validity of 30 years as of June 2019, and (3) the authorization to export electric power that allows us to generate electric power with an installed capacity of 108 MW and export it to the United States of America for a period of 30 years as of September 2019.

The revocation events provided under the permits include: (1) failing to comply with the legal and accounting separation rules issued by CRE; (2) assigning, transfering or modifying any of the permits without the prior authorization of CRE; (3) repeated failure to pay the respective oversight fees on said permits; or (4) severely, repeatedly or continuously, failing to comply with the terms and conditions of the applicable law, the permits, the Official Mexican Standards or the applicable technical and operational specifications.

Ventika Permits

The Ventika wind farms hold two self-supply electric power generation permits. Although the term of each permit is undefinded, each permits effectiveness is subject to the term of its respective interconnection agreement with CFE, each of which has a term of 20 years as of its execution date.These permits were granted pursuant to the now repealed Mexican Public Electricity Service Law for clean energy (wind) generation. However, under the terms of the Mexican Electric Industry Law, the Ventika self-supply permits continue to be governed by the Mexican Public Electricity Service, and therefore, allow us to enter into bequeathed interconnection agreements for terms of up to 20 years. These permits also grant several benefits that may not be available to holders of permits granted under the Mexican Law of Electric Industry, such as fixed transmission and distribution tariffs and banking of surplus power for future sale, among others. From the effective date of the Mexican Electric Industry Law, CRE cannot grant permits under the terms of the previous law. Therefore, at the date of this document, it is impossible to obtain self-supply permits such as those granted to Ventika under the Mexican Public Electricity Service Law. The delivery of electric power to any additional self-supply customers not included in the self-supply electric power generation permits requires prior approval from CRE.

Solar Projects' Electric Power Generation Permits

In 2017, CRE approved the electric power generation permits for (a) the Rumorosa solar project for an estimated capacity of 41 MW, (b) the Tepezalá solar project for an estimated capacity of 100 MW, and (c) the Pima solar project for an estimated capacity of 110 MW. These permits are valid for 30 years, as of their respective grant dates, and each of the projects will generate electric power from renewable sources. In December 2019, CRE approved the increase in generation capacity of the Rumorosa project from 41 MW to 44.6 MW. The revocation events provided under these permits include (1) repeated imposition of penalties by CRE for generating electric power in breach of the conditions established in the permit; (2) assigning, transfering or modifying the permit without the authorization of CRE; (3) failing to operate in a manner consistent with the efficient operation of the National Grid or the wholesale electric power market; (4) breaching the terms and conditions of the permit, including the failure to pay the applicable governmental duties; or (5) failing to comply with the legal and accounting separation rules issued by CRE.

In 2018, we acquired two self-supply solar power generation projects, and we have obtained the corresponding permits issued by CRE under the Mexican Public Electricity Service Law. The Don Diego Solar project has a generation capacity of 125 MW and the Border Solar project has a generation capacity of 150 MW. These permits are subject to revocation if, among other reasons, the permit holder: (1) is repeatedly sanctioned for selling or reselling the capacity or electric power; (2) assigns the rights derived from the permit or generates electric power under conditions different than those established in the permit, without prior authorization from the CRE; or (3) repeatedly breaches the applicable regulation and the conditions of the permit. The delivery of electric power to our self-supply customers not included in the self-supply electric power generation permits requires prior approval from CRE.

Electric Power Supply Permits

In 2019, CRE granted IEnova Suministro Calificado, S. de R.L. de C.V. a permit to provide electricity supply services as a qualified supplier to end users. This permit allows IEnova Suministro Calificado, S. de R.L. de C.V to present offers to buy and sell energy, related services, power, clean energy certificates, financial rights for load centers and generators that it represents, carry out import and export transactions, acquire the services of transmission, distribution, operation of CENACE, participate in auctions in the medium and long term in the clean energy certificate market, and participate in auctions of transmission financial rights. This permit is valid for 30 years. This permit is subject to termination or revocation in the following cases: (1) failure to comply with the terms of strict legal separation, accounting separation, and operational and functional separation issued by CRE; (2) failure to begin activities within the period established in the permit; (3) failure to pay the rights or any other fee applicable to the permit; (4) carrying out the permitted activity under conditions other than those established in the permit; (5) failure to comply with the orders of CENACE regarding the operational control of the national electric power system; (6) carrying out activities or omitting activities that prevent the efficient operation of the national electrical system; (7) giving, transferring or selling the rights and obligations derived from permits without prior express authorization from CRE; (8) manipulating in any way the sale prices of electric power or associated products; or (9) a serious breach of the general obligations.

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to our bylaws, we are managed by a board of directors. We are also subject to certain corporate governance and management rules established in our bylaws and the Mexican Securities Market Law, as discussed below. This discussion does not purport to be complete and is qualified by reference to our bylaws, and the applicable provisions of the Mexican Securities Market Law, Mexican corporate law (*Ley General de Sociedad Mercantiles*) and the regulations of the CNBV and of the Mexican Stock Exchange.

Board of Directors

Our board of directors currently consists of 11 members and is responsible for the management of our business. Each director is appointed for a term of one year and may be re-elected. Further, such members may be reelected and removed from office at any time by a decision of our shareholders at a general shareholders' meeting. The members of the board of directors are elected by our shareholders, although in certain circumstances provisional directors may be appointed by the board subject to further ratification by the shareholders. Our board of directors meets at least once quarterly, and can meet extraordinarily as necessary.

Pursuant to Mexican law, at least 25% of the members of the board of directors must be "independent," as such term is defined in the Mexican Securities Market Law. Our bylaws provide for an alternate director to serve in place of an elected director if such director is unable to attend a meeting of the board of directors.

The current members of our board of directors were elected or reelected, as applicable, on April 30, 2020, though in July two members resigned voluntarily and were replaced by Jennifer F. Jett and Trevor I. Mihalik.

The following table sets forth certain information regarding the current members of our board of directors as of September 7, 2020:

Name	Age	Title	Original Date of Appointment
Carlos Ruiz Sacristán	70	Chairman	July 2012
Tania Ortiz Mena López Negrete	50	Director	January 2019
Randall L. Clark	51	Director	April 2020
Trevor I. Mihalik	54	Director**	July 2020
Peter R. Wall	49	Director	April 2018
Faisel H. Khan	44	Director	April 2018
Jennifer F. Jett	46	Director**	July 2020
E. Allen Nye Jr.	53	Director	January 2019
Aarón Dychter Poltolarek	67	Director*	March 2013
Alberto F. Mulás Alonso	59	Director*	April 2017
José Julián Sidaoui Dib	66	Director*	February 2017
Vanesa Madero Mabama	43	Secretary (non-Director)	November 2019

* Indicates independent directors within the meaning of the Mexican Securities Market Law.
** Appointed as interim directors subject to their ratification by shareholders at our next annual shareholders' meeting.

The following is a summary of the experience and principal business interests of the current members of our board of directors:

Carlos Ruiz Sacristán. Mr. Ruiz is Chairman of our board of directors and our Executive President. Mr. Ruiz was Chief Executive Officer of Sempra North American Infrastructure Group from 2018 until September 2020, Chief Executive Officer and Chairman of the board of directors from 2012 to 2018, and a member of the board of directors of Sempra Energy from 2007 to 2012. Mr. Ruiz served as Mexico's Secretary of Communications and Transportation during the administration of Dr. Ernesto Zedillo Ponce de León from 1994 to 2000. Previously he served in various positions at the Central Bank (Banco de Mexico) from 1974 to 1988, the Ministry of Finance from 1988 to 1992, and Petróleos Mexicanos in 1994. Mr. Ruiz holds a Bachelor's Degree in Business Administration from Anahuac University in Mexico City and a Master's Degree in Business Administration from Northwestern

University in Chicago. Currently Mr. Ruiz is a member of the Board of Directors of Southern Copper Corporation, Banco Ve por Más, S.A de C.V., Grupo Creatica, S.A. de C.V., Technical Committee of Diego Rivera and Frida Kahlo Museums Trust and of the Technical Committee of the Energy and Technology Museum Trust.

Tania Ortiz Mena López Negrete. Ms. Ortiz Mena has been a member of our board of directors since January 2019 and our Chief Executive Officer since September 2018. Prior to her appointment, she was Chief Development Officer, responsible for our business development and commercial areas from 2016 to 2018. Ms. Ortiz Mena joined IEnova in 2000. She has held the positions of Manager, Project Director, Director for Government and Regulatory Affairs, Vice President of External Affairs and Vice President for Business Development and External Affairs. From 1994 to 1999, Ms. Mena worked for PMI, Pemex's international trading subsidiary, where she was responsible for the residual oil products international trading area. Ms. Ortiz Mena holds a Master's Degree in International Relations from Boston University and a Bachelor's Degree from Universidad Iberoamericana in Mexico City. Ms. Ortiz Mena is an Independent Board Member of the Mexican Stock Exchange, Mexican Natural Gas Association, Board Member of the World Energy Council - Mexico Chapter, Member of Mexican Council for International Relations. From 2015 to 2016, Ms. Mena was President of the Board of Mexico's Natural Gas Association.

Randall L. Clark. Mr. Clark is a member of our board of directors and Senior Vice President, Chief Human Resources officer for Sempra Energy. In this position, Mr. Clark is responsible for leading human resources functions, including compensation, health and welfare benefits, employee relations, executive/leadership development, talent acquisition, diversity and inclusion programs and corporate culture initiatives. In addition, Mr. Clark is responsible for human resource information systems, payroll and employee programs. Mr. Clark has served in various leadership and legal capacities at the Sempra Energy family of companies over the last 20 years. Most recently, he was Chief Human Resources Officer and Chief Administrative Officer at SDG&E. As Chief Human Resources Officer and Chief Administrative Officer, Mr. Clark was responsible for all SDG&E human resources and safety functions and was the senior officer over operations support and supply management. He has also previously served as Sempra Energy's Deputy General Counsel, Vice President – Human Resources Services, Vice President – Compliance and Governance, Vice President – Corporate Responsibility, Vice President – Corporate Relations and its Corporate Secretary. Prior to Sempra Energy, Mr. Clark practiced law at Morrison & Foerster in Los Angeles and at Cooley Godward in San Diego. Mr. Clark is a member of several bar associations, the National Association of Corporate Directors, the Society for Corporate Governance, the Society for Human Resource Management and World at Work. He also serves as a trustee on the board of the La Jolla Playhouse, where he co-chairs the nominating committee and sits on the finance committee, and as a trustee on the board of Francis Parker School, where he chairs the audit committee and sits on the compensation, governance and executive committees. Mr. Clark graduated summa cum laude and holds a Bachelor's Degree from Pepperdine University, and graduated with honors from Duke University's School of Law.

Trevor I. Mihalik. Mr. Mihalik is Executive Vice President and Chief Financial Officer for Sempra Energy. In this position, Mr. Mihalik oversees all financial matters and corporate development for us, including mergers and acquisitions. He joined Sempra Energy in 2012 as Controller and Chief Accounting Officer and was promoted to Senior Vice President in 2013. In 2018 he was promoted to his current role. Mr. Mihalik has approximately 30 years of financial experience in the energy industry, with extensive knowledge of capital markets, mergers and acquisitions, financial reporting, treasury and market and credit risk. Previously, he served as Senior Vice President of Finance for Iberdrola Renewables, the U.S. subsidiary of Iberdrola S.A., a multinational utility and energy company headquartered in Bilbao, Spain. Prior to that, he was Vice President of Finance for Chevron Natural Gas and also served as its Vice President of Finance and Chief Financial Officer for their natural gas marketing, trading and storage joint venture, Bridgeline Holdings. Mr. Mihalik spent the first nine years of his career working in Houston and London in the energy practice of Price Waterhouse. He currently serves on the board of WD-40 and is on the advisory board for the University of San Diego's School of Business Administration. Mr. Mihalik graduated with a Bachelor's Degree in Accounting, with an emphasis in Finance, from Creighton University, holds a Master's Degree in Business Administration from Rice University and is a certified public accountant.

Peter R. Wall. Mr. Wall is a member of our board of directors and Senior Vice President, Controller and Chief Accounting Officer for Sempra Energy. In this position, Mr. Wall is responsible for managing accounting operations, preparation and analysis of financial statements, financial reporting and accounting systems, in addition to coordinating external audits. Previously, from 2017 to 2018, he was vice president and chief financial officer for

Sempra Energy's domestic infrastructure businesses, leading their accounting, finance, and risk and structuring groups. From 2015 to 2017, he was vice president and chief financial officer for Sempra U.S. Gas & Power. Mr. Wall served as assistant corporate controller at Sempra Energy, where he led various teams overseeing technical accounting, planning and corporate accounting functions. Mr. Wall joined Sempra Energy in 2012, after a 14-year professional career at Ernst & Young LLP, where he worked with numerous multinational companies, including many in the power & utility sector. Mr. Wall is a certified public accountant and holds a Bachelor's Degree and Master's Degree in Accounting from the University of Utah.

Faisel H. Khan. Mr. Khan is a member of our board of directors and Senior Vice President of Finance and Investor Relations for Sempra Energy and chief financial officer of Sempra LNG. Mr. Khan is responsible for communicating Sempra Energy's disciplined focus for delivering long-term shareholder value to the investment community, while providing oversight to Sempra Energy's risk management and treasury matters. In his role as chief financial officer of Sempra LNG, Mr. Khan oversees accounting and financial modeling. From 2018 to 2019, Mr. Khan was Vice President of Investor Relations for Sempra Energy. Mr. Khan previously was a managing director for Citigroup in New York, covering the natural gas, pipeline, midstream, refining and master limited partnership industries. Mr. Khan was ranked as one of the top financial analysts in the natural gas sector for 11 consecutive years by the Institutional Investor Survey. Prior to joining Citigroup in 2005, Mr. Khan worked for six years at Credit Suisse First Boston, first in investment banking and, later, as an equity research analyst following the integrated pipeline, merchant power and gas distribution industries. Mr. Khan holds Bachelor's Degrees in Engineering and Economics from the University of Pennsylvania.

Jennifer F. Jett. Ms. Jett is Vice President of Governance and Corporate Secretary for Sempra Energy. In this role, Ms. Jett is responsible for advising the board of directors and senior management on a broad range of governance matters. Previously, from 2018 to April 2020, Ms. Jett served as corporate secretary for Sempra Energy. Prior to that, Ms. Jett served as Director of Project Finance for Sempra Energy, where she was responsible for advising Sempra Energy's operating companies on the structuring, documentation and execution of financing transactions. She has also served as Director of Corporate Governance and AC Secretary for Sempra Energy, where she oversaw various governance and corporate legal functions for Sempra Energy and its business units and served as the corporate secretary for Sempra Energy's two regulated California utilities, SDG&E and Southern California Gas Co., and Cameron LNG. Ms. Jett also held various positions of increasing responsibility within the law department where she worked on a wide range of transactional matters for Sempra Energy and its subsidiaries. Before joining Sempra Energy in 2005 as corporate counsel, she was an associate at Pillsbury Winthrop Shaw Pittman LLP where she advised both public and private companies on corporate transactional and securities matters. Ms. Jett serves as a board member of the Corporate Directors Forum, which provides board-focused peer networking and director education in corporate governance. Ms. Jett also serves on Sempra Energy's political action committee board. She holds a Bachelor's Degree in Psychology and Anthropology from the University of Vermont, where she graduated summa cum laude and Phi Beta Kappa, and a law degree from the University of California, Berkeley.

E. Allen Nye, Jr. Mr. Nye has served as a member of our board of directors and Chief Executive Officer of Oncor Electric Delivery Company, LLC since March 9, 2018. From January 2011 until March 2018, Mr. Nye served as Senior Vice President, General Counsel and Secretary of Oncor, and in such role was responsible for overseeing all of Oncor's legal and compliance matters. In January 2013 his responsibilities were expanded to include oversight of all regulatory and governmental affairs activity of Oncor. From June 2008 until joining Oncor, Mr. Nye practiced law as a partner in the Dallas office of Vinson & Elkins LLP, where he focused on representation of regulated energy companies before state and federal government agencies, including the PUCT, the State Office of Administrative Hearings and the FERC. Prior to Vinson & Elkins, Mr. Nye was a partner in the law firm of Hunton & Williams LLP (now known as Hunton Andrews Kurth LLP) from January 2002 until May 2008.

Aarón Dychter Poltolarek. Dr. Dychter is an independent member of our board of directors and the President and Founder of ADHOC Consultores Asociados, S.C., a provider of consulting services to infrastructure, transportation and energy investment projects. From December 1994 to December 2006, Dr. Dychter was Undersecretary of Transportation in the Mexican Ministry of Communications and Transportation. In that capacity, he led privatization processes for railways and airports in Mexico, as well as the creation of the first suburban train system for Mexico City. Previously, he held various positions at the Mexican Ministry of Finance and Public Credit, the Mexican Ministry of Programming and Budget and the Mexican Ministry of Energy. He served as Chairman of

the Mexican National Steering Committee for the Normalization of Ground Transportation (*Comité Consultivo Nacional de Normalización del Transporte Terrestre*). In addition, he served as a member of the board of directors and Deputy Chairman of the Nominating and Compensation Committee of Grupo Aeroportuario del Sureste and as a member of the board of directors of Grupo Aeroportuario del Centro Norte, Grupo Aeroportuario del Sureste, Grupo Aeroportuario Centro Norte, Grupo Aeroportuario del Pacífico, Grupo Aeroportuario de la Ciudad de México. He currently is a member of the board of directors of Grupo OCUPA and Traxion. Dr. Dychter is a graduate of Universidad de las Américas in Mexico and holds a Master's Degree and a Ph.D. in Economics from George Washington University.

Alberto Mulás Alonso. Mr. Mulás, is an independent member of our board of directors. From January 2014 to December 2016, Mr. Mulás was the head of Banco Itaú-BBA's office in Mexico. Previously, from 2003 to 2013, he was in charge of CReSCE Consultores, a consulting firm that specialized in corporate, finance, strategy and corporate governance matters. For a period of three years, Mr. Mulás was involved in investment banking activities in Mexico for Donaldson Lufkin & Jenrette (from 1998 to 2001) and Lehman Brothers (from 1992 to 1996). From 2001 to 2003, Mr. Mulás served in Mexican Federal Government, as part of the administration of President Vicente Fox, where he was in charge of the design, structuring and implementation of the national housing policy, including the National Housing Commission (*Comisión Nacional de Vivienda*) and the Federal Mortgage Corporation (*Sociedad Hipotecaria Federal*). Mr. Mulás serves on the board of directors of various publicly traded and private companies, in each case as an independent director, such as: Fibra Uno, Grupo Aeroportuario Centro Norte (OMA), Aleatica, Farmacias del Ahorro, Grupo Proeza and Grupo Cinépolis. He has advised multilateral entities such as the International Monetary Fund, the Inter-American Development Bank and the World Bank. He received a Bachelor's Degree in Chemical Engineering from the Universidad Iberoamericana, where he graduated with honors, and holds a Master's Degree in Business Administration from the University of Pennsylvania.

José Julián Sidaoui Dib. Dr. Sidaoui is an independent member of our board of directors. Currently, he is an advisor and independent director of several financial institutions in the country and abroad. Before joining us, Dr. Sidaoui worked at the World Bank and the Mexican Central Bank. In December 1994, he was appointed Undersecretary of Finance and Public Credit. From 1997 to 2012, Dr. Sidaoui served as the Deputy Governor for the Mexican Central Bank. Prior to that, he was Undersecretary of Finance and Public Credit at the Mexican Ministry of Finance and Public Credit. Dr. Sidaoui has published several articles on structural change, exports, financial markets, public finances, monetary policy and corporate governance, and best practices in central banking. He has participated in various working groups of the International Bank for Payments and has been professor of Economics. Dr. Sidaoui holds a Ph.D. in Economics from George Washington University, a Master's Degree from the University of Pennsylvania and a Bachelor's Degree in Economics from the University of the Americas, Puebla.

Committees of the Board of Directors

Our board of directors has established an audit committee and a corporate practices committee to provide particular focus on the oversight of important parts of our business.

Audit Committee

The Mexican Securities Market Law requires us to have an audit committee, which must be comprised exclusively by independent directors and with a minimum of three independent members appointed by the board of directors.

The current members of our audit committee are Aaron Dychter Poltolarek as Chairman, José Julián Sidaoui Dib and Alberto F. Mulás Alonso. The current members of the audit committee were elected or ratified, as applicable, at our annual shareholders' meeting held on April 30, 2020. All of the members of the audit committee are independent pursuant to Mexican Securities Market Law standards and at least two of the members qualify as financial experts. Standards for independence and financial expertise under the Mexican Securities Market Law, however, differ from New York Stock Exchange, NASDAQ or U.S. securities law standards, which our audit committee members are not required to meet.

The audit committee's principal duties are the following: make recommendations to our board of directors about which external auditor to appoint and provide recommendations about any removal of such external auditor; supervise our external auditors and analyze their reports; analyze and supervise the preparation of our financial

statements; inform the board of directors about our internal controls and their adequacy; request reports from the members of our senior management whenever the committee deems appropriate; assist our board of directors in the preparation of a report about the operations and activities in which the board of directors has intervened pursuant to the Mexican Securities Market Law; inform the board of directors about any irregularities that the committee may encounter; receive and analyze recommendations and observations received from the shareholders, members of the board of directors, the members of our senior management, our external auditors or any third party and take the necessary actions based on such recommendations or observations; call shareholders' meetings; ensure that transactions executed with related parties comply with applicable laws; oversee the execution by our Chief Executive Officer of resolutions by the shareholders or the directors in accordance with the instructions provided by the shareholders or the directors in such resolutions; and provide an annual report of its activities to the board of directors.

Corporate Practices Committee

The current members of our corporate practices committee are Alberto F. Mulás Alonso as Chairman, José Julián Sidaoui, Aaron Dychter Poltolarek and Trevor I. Mihalik. The current members of our corporate practices committee were ratified or appointed, as applicable, at our annual shareholders' meeting held on April 30, 2020, except for Mr. Mihalik who was appointed as an interim director, as well as a member of the corporate practices committee on July 21, 2020. In accordance with the provisions of the Mexican Securities Market Law, the majority of the members of our corporate practices committee are independent from our indirect controlling shareholder, who owns at least 50% of our capital stock and at least three of them are financial experts. The independent members are José Julián Sidaoui, Alberto F. Mulás and Aaron Dychter Poltolarek.

The corporate practices committee's principal duties are the following: provide opinions and recommendations to our board of directors; provide assistance to our board of directors in the preparation of reports about the main accounting and information guidelines used in the preparation of financial information; provide assistance to our board of directors in the election of our Chief Executive Officer compensation and comprehensive remuneration of the other members of our senior management; provide assistance to the board of directors in the preparation of reports for the annual shareholders' meeting; request and obtain opinions and recommendations from independent experts; provide opinions with respect to transactions with related parties; and call shareholders' meetings.

Senior Management

The following table sets forth certain information regarding the current members of our senior management as of September 7, 2020:

Name	Age	Position
Carlos Ruiz Sacristán	71	Chairman of the Board and Executive President
Tania Ortiz Mena López Negrete	50	Chief Executive Officer
Carlos Mauer Díaz Barriga	48	Chief Financial Officer
Juan Rodríguez Castañeda	56	Chief Natural Gas Operating Officer
Abraham Zamora Torres	52	Chief Sustainability, Corporate and Public Affairs Officer
Jesús Córdoba Domínguez	60	Chief Engineering and Construction Officer
Carlos Barajas Sandoval	52	Chief Power and Storage Operating Officer
René Buentello Carbonell	52	Chief Compliance Officer and General Counsel
Jorge Alberto Molina Casellas	51	Chief Development Officer
Roberto Rubio Macías	48	Vice President, Controller
Luis Miguel Osio Buch	35	Director of Investor Relations and Mergers and Acquisitions

The following is a summary of the experience and principal business interests of our current senior management members (biographical information with respect to Mr. Ruiz Sacristán and Ms. Ortiz Mena is set forth above under "—Board of Directors"). On September 2, 2020, we announced certain changes to our executive leadership team. See "Summary—Recent Developments—Senior Management."

Carlos Mauer Díaz Barriga. Mr. Mauer is our Chief Financial Officer since September 2020. Previously, he served as our Chief Development Officer from March 2020 to September 2020. Prior to this position, Mr. Mauer was Vice President - South America for Sempra Energy. In that role, Mr. Mauer was responsible for Sempra Energy´s investments in Chile and Peru as well as leading business development efforts in the region. Mr. Mauer has also served as Vice President of the board of directors of Chilquinta Energia and Luz del Sur. Mr. Mauer joined Sempra Energy in 2002 and has held various roles of increasing responsibility in the areas of business development, financial planning and asset management. He started his career at Sempra Energy as commercial manager for Sempra Mexico. Mr. Mauer has extensive experience in the energy industry, especially in the gas and electric infrastructure segments in the US and Latin America. Earlier in his career, Mr. Mauer was involved in international trading operations of crude oil and refined products for Petróleos Mexicanos Internacional based in Mexico City and London. Mr. Mauer has a degree in Chemical Engineering and Management from Instituto Tecnologico y de Estudios Superiores de Monterrey.

Juan Rodríguez Castañeda. Mr. Castañeda has been our Chief Natural Gas Operating Officer since September 2018. Previously, he served as our Chief Corporate Affairs & Human Resources Officer from May 2016 to 2018 and Vice President of Corporate Affairs and Human Resources from 2014 to 2016. Before joining us, he worked in the aviation sector, where he served in various capacities, including as Chief Corporate & Industry Affairs Officer from 2013 to 2014 and Chief Human Resources Officer from 2010 to 2013 for Aeromexico, Chief Executive Officer for SEAT and Chief Executive Officer in Aeromexpress from 2004 to 2010. Mr. Castañeda also served in the Mexican Public Administration from 1988 to 2004, including posts within the Secretary of Finance and Public Credit, Secretary of Communication and Transportation, Pemex, as well as the Office of the Presidency. Mr. Castañeda also served as Chief of Staff for three Secretaries and General Coordinator of Planning at the Secretary of Communication and Transportation. Mr. Castañeda holds a Bachelor's Degree in Economics from Instituto Tecnológico Autónomo de México.

Abraham Zamora Torres. Mr. Zamora has been our Chief Sustainability, Corporate and Public Affairs Officer since December 2018. Before joining IEnova, he worked as Chief of Staff of the Minister of Foreign Affairs from 2017 to 2018, Chief Executive Officer in the National Bank of Public Works and Services (BANOBRAS) from 2015 to 2017, and Head of the Economic Productivity Unit at the Ministry of Finance and Public Credit from 2013 to 2015. From 2006 to 2013, Mr. Zamora served as Chief Corporate and Industry Affairs Officer at Aeromexico and as President of the National Air Transportation Association from 2011 to 2013. Between 1991 and 2004 he held several positions at Mexican Public Administration, including within the Ministry of Finance and Public Credit and the Ministry of Communications and Transportation. Mr. Zamora holds a Bachelor´s Degree in Economics from Instituto Tecnológico Autónomo de México (ITAM) and has two Master Degrees in Public Policy and Administration from Columbia University and Political Economy from the University of Essex.

Jesús Córdoba Domínguez. Mr. Córdoba has been our Chief Engineering & Construction Officer since May 2016. Previously, he served as our Vice President of Engineering & Construction from 2012 to 2016 and Director of Operations and Transportation from 2010 to 2012. Mr. Córdoba worked for El Paso Corporation in Mexico as Project Manager for Subsidiaries from 2001 to 2010 and as Superintendent of Contracts with TransCanada Pipelines in Mexico from 1998 to 2001. Mr. Córdoba has 41 years of experience in infrastructure project execution, including 23 years of experience in the energy sector. Mr. Córdoba has a Bachelor's Degree in Civil Engineering from the Universidad La Salle.

Carlos Barajas Sandoval. Mr. Barajas has been our Chief Power and Storage Operating Officer since September 2018. Previously, he served as our Chief Operating officer from 2016 to 2018, Vice President of Operations from 2013 to 2016 and Vice President of Gas from 2013 to 2016. Before joining us, Mr. Barajas worked as General Director for LNG´s Terminal in Altamira from 2007 to 2013, as Director of Business Development for Shell Mexico from 2005 to 2007, as Commercial Director for InterGen Mexico from 2000 to 2005 and as Commercial Manager for Energía Mayakan from 1997 to 2000. Mr. Barajas holds a Bachelor´s Degree in Civil Engineering from the Instituto Politécnico Nacional, a Master´s Degree in Engineering from The British Columbia University and a Master´s Degree in Business and Economics from the Universidad Anáhuac.

René Buentello Carbonell. Mr. Buentello has been our Chief Compliance Officer and General Counsel since September 2018. Previously, he served as our Chief Legal Counsel from 2016 to 2018, Vice President and General Counsel from 2014 to 2016 and General Counsel from 2010 to 2014. Mr. Buentello began his career at the

industrial division of Grupo Carso, where he served as Legal Manager at Grupo Nacobre and Grupo Aluminio and Alternate Secretary and Secretary, respectively, of the Board of Directors from 1990 to 2002. Mr. Buentello also served in various positions in the transportation and logistical areas of Pemex-Gas and Pemex-Refining from 2002 to 2008. Subsequently, he served as Business Development Director at El Paso Corporation in Mexico from 2008 to 2010. Mr. Buentello holds a Law Degree from the Universidad Panamericana, and graduate degrees in Economic and Corporate Law, Commercial Law and International Finance Law from the Universidad Panamericana.

Jorge Alberto Molina Casellas. Mr. Molina has been apointed Chief Development Officer in September 2020. Before that, he served as our Vice President of Commercial and Planning since 2018 and has held executive positions in the commercial, development, finance, project, regulatory and operations areas in different business units since joining us in 1997. Before joining us, Mr. Molina worked as a Financial Advisor for Bancomer from 1993 to 1997. Mr. Molina holds a Bachelor's Degree in Business Administration and a Master's Degree in Corporate Finance from the Centro de Enseñanza Técnica y Superior Campus Mexicali.

Roberto Rubio Macías. Mr. Rubio has been our Vice President Controller since May 2016. Before that, Mr. Rubio was our General Controller since 2012. From 2001 to 2012, he was Foreign Investments Accounting Manager at Sempra Energy in San Diego, Internal Auditing Manager at Luz del Sur (a subsidiary of Sempra Energy in Lima, Peru), Financial Reporting Manager at IEnova in Tijuana, Controller of Termoeléctrica de Mexicali and Accounting Manager and Controller at Ecogas in Chihuahua. Prior to joining Sempra Energy in 2001, Mr. Rubio served as Administrative Manager at Denimtex from 1998 to 2001, Regional Administrative Supervisor at British American Tobacco from 1996 to 1998, and Senior Auditor at Galaz, Yamazaki, Ruiz Urquiza (Deloitte) in Chihuahua from 1993 to 1996. He has been registered as a certified public accountant with the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos*) since 2001. Mr. Rubio holds a Bachelor's Degree in Accounting from Universidad Autónoma de Chihuahua, and a Master's Degree in Business Administration from the Universidad Autonoma de Chihuahua. Mr. Rubio also holds a Master's Degree from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Luis Miguel Osio Buch. Mr. Osio has served as our Director of M&A and Investor Relations since May 2019. Before that, he was Director of M&A, participating in our most relevant and recent acquisitions. Mr. Osio joined us in 2013 as a manager in the Development and Investor Relations departments. Mr. Osio holds a Bachelor´s Degree in Financial Administration and a Master's Degree in Administration and Finance from the Instituto Tecnológico y de Estudios Superiores de Monterrey.

CONTROLLING SHAREHOLDER

The table below sets forth certain information regarding the ownership of our shares of common stock as of September 1, 2020.

	Shares owned	
Name of Shareholder	**Number**	**%**
Semco Holdco, S. de R.L. de C.V	1,019,038,312	67%
Investing public.	480,244,629	31%
Shares in Treasury	30,120,871	2%
Total	1,529,403,812	100%

Semco Holdco, S. de R.L. de C.V. is controlled by Sempra Energy. No person or entity "controls" or has "significant influence" on Sempra Energy, as such terms are defined in the Mexican Securities Market Law.

As of June 30, 2020, our directors and members of our senior management owned approximately 0.002% of our common stock.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2017, to which we have been a party, in which the amount involved exceeds US$120,000, and in which one or more of our directors, members of our senior management or our indirect controlling shareholder, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unaffiliated third parties.

In the ordinary course of our business we engage in a number of transactions with our indirect controlling shareholder and with companies that are owned or controlled, directly or indirectly, by our indirect controlling shareholder or an affiliate thereof.

Intercompany Loans

Loans from Related Parties (Outstanding as of June 30, 2020)

We have entered into several credit facilities under which affiliates of our indirect controlling shareholder act as lenders. We may prepay all or part of the outstanding amount under each of these facilities without penalty. See "Description of Other Indebtedness—Intercompany Loan Agreements – Loans from Related Parties" for a description of these credit facilities as of June 30, 2020.

Fully Paid Loans (as of June 30, 2020)

Inversiones Sempra Limitada Loans

On March 2, 2015, we entered into a US$90.0 million one-year credit facility (the "2015 ISLA Credit Facility") with Inversiones Sempra Latin America Limitada ("ISLA") and a US$30.0 million one-year credit facility (the "2015 ISL Credit Facility," and together with the 2015 ISLA Credit Facility, the "2015 ISL/ISLA Facilities") with Inversiones Sempra Limitada ("ISL") for working capital and for general corporate purposes. ISLA and ISL are both affiliates of our indirect controlling shareholder. In each of December 2015, 2016 and 2017, we amended the 2015 ISL/ISLA Facilities to extend the maturity dates and modify the interest rates borne thereunder, among other things. From March 2015 to December 2015, the 2015 ISL/ISLA Facilities bore interest at a fixed rate of 1.98%, payable quarterly. From December 2015 to December 2017, the 2015 ISL/ISLA Facilities bore interest at a fixed rate of 1.75%, payable quarterly. From December 2017 to December 2018, the 2015 ISL/ISLA Facilities bore interest at the rate of LIBOR plus 63 basis points, payable quarterly. On November 30, 2018, we paid the principal amount and accrued interest of the 2015 ISLA Credit Facility in full. On the same day, we paid the principal amount and accrued interest of the 2015 ISL Credit Facility in part, which resulted in an outstanding balance of US$10.8 million under the facility. In December 2018, we amended the 2015 ISL Credit Facility to extend the maturity date to December 15, 2019 and modify the interest borne thereunder to a rate of LIBOR plus 102.4 basis points, payable quarterly, among other things. On October 9, 2019, we paid the outstanding principal amount and accrued interest of the 2015 ISL Credit Facility in full.

On December 27, 2016, we entered into a US$70.0 million one-year credit facility (the "2016 ISLA Credit Facility") with ISLA for working capital and for general corporate purposes. The 2016 ISLA Credit Facility initially bore interest at a fixed rate of 1.75%, payable quarterly. In December 2017, we amended the 2016 ISLA Credit Facility to extend the maturity date and to modify the interest rate borne thereunder to LIBOR plus 63 basis points, payable quarterly. On November 30, 2018, we paid the outstanding principal amount and accrued interest of the 2016 ISLA Credit Facility in full.

On March 21, 2017, we entered into a US$85.0 million one-year credit facility (the "2017 ISL Credit Facility") with ISL for working capital and for general corporate purposes. The 2017 ISL Credit Facility initially bore interest at a rate of LIBOR plus 60 basis points, payable quarterly. In March 2018, we amended the 2017 ISL Credit Facility to extend the maturity date. In March 2019, we further amended the 2017 ISL Credit Facility to extend the maturity date to November 29, 2019 and to modify the interest rate borne thereunder to LIBOR plus 80

basis points, payable quarterly. On October 9, 2019, we paid the outstanding principal amount and accrued interest of the 2017 ISL Credit Facility in full.

Effective June 1, 2017, ISLA was merged with and into ISL, with ISL surviving the merger. The conditions of the agreements between ISL and us remained the same after the merger.

On January 16, 2018, we entered into a US$70.0 million credit facility (the "2018 ISL Credit Facility") with ISL for working capital and for general corporate purposes. The 2018 ISL Credit Facility initially bore interest at a rate of LIBOR plus 63 basis points, payable quarterly. In December 2018, we amended the 2018 ISL Credit Facility to extend the maturity date to December 15, 2019 and to modify the interest rate borne thereunder to LIBOR plus 102.4 basis points, payable quarterly. On September 30, 2019, we paid the principal amount and accrued interest of the 2018 ISL Credit Facility in part, which resulted in an outstanding balance of US$36.5 million under the facility. On October 9, 2019, we paid the remaining outstanding principal amount and accrued interest of the 2018 ISL Credit Facility in full.

Sempra Energy Holding XI B.V. Loans

On August 23, 2017, we entered into a US$132.8 million six-month credit facility (the "Sempra XI Credit Facility") with Sempra Energy Holding XI B.V. for working capital and for general corporate purposes. The Sempra XI Credit Facility bore interest at a rate of three-month LIBOR plus 61 basis points, payable quarterly. In February 2018, we amended the Sempra XI Credit Facility to extend the maturity date to August 22, 2018. We paid the principal amount and accrued interest of the Sempra XI Credit Facility in full at maturity.

DEN Loan

On August 8, 2016, Gasoductos del Sureste entered into a US$3.0 million ten-year credit facility (the "DEN Credit Facility") with Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN"). The DEN Credit Facility bore interest at a fixed rate of 5.65%. In November 2017, we paid the principal amount and accrued interest of the DEN Credit Facility in full.

Peruvian Opportunity Company Loans

On December 27, 2016, we entered into a US$20.0 million one-year revolving credit facility (the "2016 POC Revolver") with the Peruvian Opportunity Company ("POC") for working capital and for general corporate purposes. The 2016 POC Revolver initially bore interest at a fixed rate of 1.75%, payable quarterly. In December 2017, we amended the 2016 POC Revolver to extend the maturity date to December 15, 2018 and to modify the interest rate borne thereunder to LIBOR plus 63 basis points, payable quarterly.

On April 27, 2017, we entered into a US$19.0 million one-year revolving credit facility (the "First 2017 POC Revolver") with POC for working capital and for general corporate purposes. The First 2017 POC Revolver initially bore interest at a rate of LIBOR plus 60 basis points, payable quarterly. In April 2018, we amended the First 2017 POC Revolver to extend the maturity date to December 15, 2018.

On June 26, 2017, we entered into a US$21.0 million one-year revolving credit facility (the "Second 2017 POC Revolver") with POC for working capital and for general corporate purposes. The Second 2017 POC Revolver initially bore interest at a rate of LIBOR plus 70 basis points, payable quarterly. In June 2018, we amended the Second 2017 POC Revolver to extend the maturity date to December 15, 2018 and to modify the interest rate borne thereunder to LIBOR plus 63 basis points, payable quarterly.

On September 29, 2017, we entered into a US$21.0 million one-year revolving credit facility (the "Third 2017 POC Revolver") with POC for working capital and for general corporate purposes. The Third 2017 POC Revolver initially bore interest at a rate of LIBOR plus 70 basis points, payable quarterly. In September 2018, we amended the Third 2017 POC Revolver to extend the maturity date to December 15, 2018.

On December 28, 2017, we entered into a US$21.0 million one-year revolving credit facility (the "Fourth 2017 POC Revolver") with POC for working capital and for general corporate purposes. The Fourth 2017 POC Revolver initially bore interest at a rate of LIBOR plus 63 basis points, payable quarterly.

On December 15, 2018, we consolidated the 2016 POC Revolver, First 2017 POC Revolver, Second 2017 POC Revolver, Third 2017 POC Revolver and Fourth 2017 POC Revolver into a single US$102.0 million credit facility (the "Consolidated POC Revolver"). The Consolidated POC Revolver bore interest at a rate of LIBOR plus 90 basis points, payable quarterly and expired on December 15, 2019. On September 24, 2019, we paid the principal amount and accrued interest of the Consolidated POC Revolver in full.

Guarantees and Letters of Credit

Our indirect controlling shareholder Sempra Energy provides credit support (including direct guarantees and letters of credit issued by third parties which are to be drawn on the account of Sempra Energy) for some of our obligations, including the following:

Obligor	Beneficiary of Guaranty/Letter of Credit	Secured Obligations	Maximum Amount of Guaranty/Letter of Credit
Termoeléctrica de Mexicali.....	Gasoducto de Aguaprieta, S. de R.L. de C.V., for Gasoducto Rosarito pipeline system[1]	Firm transportation services agreement dated February 26, 2002	US$29.4 million guaranty
IEnova Marketing.....	Gasoducto de Aguaprieta, S. de R.L. de C.V., for Gasoducto Rosarito pipeline system[1]	Interruptible transportation services agreement dated December 18, 2009	US$3.9 million guaranty
IEnova Marketing.....	Gasoducto de Aguaprieta, S. de R.L. de C.V., for Gasoducto Rosarito pipeline system[1]	Firm transportation services agreement dated May 01, 2008	US$59.6 million guaranty
IEnova Marketing.....	Gasoducto de Aguaprieta, S. de R.L. de C.V., for Gasoducto Rosarito pipeline system[1]	Firm transportation services agreement dated February 15, 2002	US$62.3 million guaranty
IEnova Marketing.....	Gasoducto de Aguaprieta, S. de R.L. de C.V., for Transportadora de Gas Natural de Baja California[1]	Firm transportation services agreement dated May 01, 2008	US$45.6 million guaranty
IEnova Marketing.....	Energía Costa Azul	Firm storage services agreement dated November 29, 2004	US$282.0 million guaranty
Energía Costa Azul.....	Shell	Firm storage services agreement dated April 17, 2009	Unlimited guaranty
Energía Costa Azul.....	Gazprom	Firm storage services agreement dated April 17, 2009	Unlimited guaranty

[1] Gasoducto Rosarito and Transportadora de Gas Natural de Baja California merged with Gasoductos de Aguaprieta on August 1, 2017.

Power Purchase Agreements

In January 2013, we entered into an electric power management agreement with an affiliate of Sempra Energy. Pursuant to this agreement, Sempra Energy markets and serves as scheduling coordinator for our electric power sales and performs other related administrative, hedging and U.S. regulatory support tasks on our behalf. Under this agreement, we reimburse Sempra Energy's expenses in connection with these services and pay Sempra Energy an annual energy services fee based on the level of service provided to our Termoeléctrica de Mexicali power plant. On April 2018, we amended the agreement to remove the electric power sales placement fee. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid Sempra Energy an aggregate of US$3.0 million, US$5.6 million, US$6.8 million and US$5.1 million, respectively, under this

agreement. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, Sempra Energy paid us approximately US$73.0 million, US$196.0 million, US$182.0 million and US$130.0 million, respectively, for the supply of electric power.

Natural Gas Purchase and Sale Agreement

In August 2015, we entered into an agreement for the provision of scheduling and coordination services relating to the sale of natural gas with an affiliate of Sempra Energy. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid Sempra Energy US$0.9 million, US$2.4 million, US$2.2 million and US$1.9 million, respectively, for scheduling and coordination services under this agreement.

Transportation Services Agreements and Pipeline Improvements

In April, 2018 we entered into a transportation services agreement with Southern California Gas Company ("SoCalGas"), an affiliate of Sempra Energy, whereby SoCalGas transports natural gas for our distribution business from the United States to the Mexico–U.S. border near Mexicali. We pay for these transportation services based on applicable rate provisions filed with the California Public Utilities Commission. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid approximately US$1.4 million, US$22.6 million, US$1.9 million and US$1.3 million, respectively, for transportation services provided by SoCalGas pursuant to this agreement.

SoCalGas has also entered into several contracts with us for natural gas transportation services on an interruptible basis on our Gasoducto Rosarito pipeline system and our TGN pipeline. These interruptible transportation services agreements renew monthly and are terminable by either party on 30 days' notice. During the years ended December 31, 2019, 2018 and 2017, we received US$0.4 million, US$0.7 million and US$0.2 million, respectively, for transportation services provided to SoCalGas pursuant to these agreements. For the six months ended June 30, 2020, we received an immaterial amount for transportation services provided to SoCalGas pursuant to these agreements.

LNG Purchase and Sale Agreement with Sempra Energy

In January 2013, our subsidiary, IEnova Marketing, entered into an agreement with an affiliate of Sempra Energy for the purchase of LNG. The agreement's termination date is August 20, 2029. Pursuant to the terms of this agreement, Sempra Energy agrees to sell, and IEnova Marketing agrees to purchase, up to 8.2 million m^3 (1,880 MMTh) of LNG annually. To the extent that Sempra Energy delivers less than 8.2 million m^3 (1,880 MMTh) of LNG per year to IEnova Marketing, Sempra Energy is required to make payments to IEnova Marketing pursuant to this agreement to cover terminal and pipeline capacity fixed costs associated with undelivered LNG cargoes, unless Sempra Energy's failure to make such deliveries resulted from a *force majeure* event.

In August 2015, the parties entered into a second amendment to the original agreement on substantially similar terms as the original agreement, other than for two aspects. First, this amendment provided that Sempra Energy must make a limited number of LNG cargoes available to us for the express purpose of maintaining a sufficient volume of LNG in our terminal such that the terminal can remain continuously operational. Second, this amendment addressed the unintended economic consequences resulting from disproportionately large payments being made by Sempra Energy to us under the original agreement despite a substantially lower-than-anticipated number of LNG cargoes being delivered annually.

In August 2018, we entered into a third amendment to the original agreement on substantially similar terms as the original agreement, as amended, other than a modification to the mechanics used to determine the adjustment to quarterly consumption.

For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, IEnova Marketing paid Sempra Energy approximately US$62.0 million, US$228.6 million, US$202.6 million and US$190.0 million, respectively, for the purchase of natural gas and LNG under this agreement, and Sempra Energy made payments to IEnova Marketing in the amount of approximately US$50.6 million, US$101.6 million, US$100.3 million and US$100.3 million, respectively, as an indemnity.

Amended and Restated LNG Sale and Purchase Agreement with the Tangguh Partners

Our U.S. affiliate, Sempra Natural Gas, purchases LNG from various suppliers, including pursuant to a sale and purchase agreement with the Tangguh partners (a consortium of companies who produce LNG through the Tangguh LNG Project in Indonesia) (the "Tangguh Partners"). Pursuant to this agreement, the Tangguh Partners have agreed to sell up to 8.2 million m^3 (1,880 MMTh) of LNG to Sempra Energy annually. Under this agreement, the Tangguh Partners may elect to divert all but a limited number of LNG cargoes annually to purchasers other than Sempra Energy. Sempra Natural Gas's agreement with the Tangguh Partners expires in 2029, and our role as a party to the agreement is limited to the scheduling of deliveries of LNG cargoes and coordinating the rights of the parties with respect to their use of our marine terminal.

Services Agreements

We have contracted with various affiliates of our indirect controlling shareholder for certain services provided to us in the ordinary course of our business, including financial, marketing, commercialization, regulatory, engineering, technical and information systems services, as well as operational and management support. These agreements generally provide for reimbursement for expenses incurred plus a 5% to 7.5% markup, and are terminable by either party upon 30 days' notice.

Sempra U.S. Gas & Power provides services to our corporate segment, including certain software and information technology services. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid approximately US$2.7 million, US$5.9 million, US$5.4 million and US$6.9 million, respectively, for these services.

Gas Control and Monitoring Agreements

We have entered into gas dispatch and transportation services agreements with Sempra Gas & Power (formerly Sempra Generation), an affiliate of Sempra Energy. Pursuant to these agreements, Sempra Gas & Power provides monitoring and gas control services, using electronic monitoring and control systems owned by us, in order to optimize pipeline capacity and operations and enable us to timely respond to operational events or emergencies affecting our Gasoducto Rosarito pipeline system, TGN pipeline, Aguaprieta pipeline and Naco compression station. The agreements were terminated in 2017. During the year ended December 31, 2017, we paid Sempra Gas & Power approximately US$0.5 million for these services.

Joint Venture Agreements

In April 2017, we entered into a Ps.9.0 billion five-year revolving credit facility (the "IMG Revolver") with Infraestructura Marina del Golfo, S. de R.L. de C.V to finance working capital, the construction of the South of Texas – Tuxpan natural gas marine pipeline project and for general corporate purposes. The IMG Revolver bears interest at the 91-day Mexican Interbank Equilibrium Rate plus 220 basis points, payable quarterly. On December 6, 2017, we amended the IMG Revolver to increase our aggregate borrowing capacity thereunder to Ps.14.2 billion.

In December 2014, our affiliate, DEN, entered into an agreement with TAG Pipelines Norte for the operation and maintenance of the Los Ramones Norte pipeline. This agreement has a 25-year term. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we had revenue of approximately US$11.8 million, US$23.1 million, US$22.0 million and US$22.2 million, respectively, related to this contract.

In April 2017, our affiliate, Gasoductos y Servicios Corporativos de Administración ("GSCA"), entered into an agreement with TAG Pipelines Norte for certain administrative services, including personnel and staffing required to operate the Los Ramones Norte pipeline. During the years ended December 31, 2018 and 2017, we received approximately US$1.3 million and US$1.6 million in revenue, respectively, under this agreement. On October 31, 2018, this agreement was terminated.

In September 2013, our affiliate CSJ, a subsidiary of ours, entered into a US$50.0 million credit facility (the "CSJ Credit Facility") with Energía Sierra Juárez, for working capital and for general corporate purposes. The

CSJ Credit Facility bore interest at a rate of one-month LIBOR plus 637.5 basis points, payable quarterly. In March 2014, the CSJ Credit Facility was amended to increase the borrowing capacity thereunder to an aggregate of US$200.0 million. On February 14, 2019, Energía Sierra Juárez paid the principal amount and accrued interest of the CSJ Credit Facility in full.

On January 13, 2019, GSCA entered into an agreement with TAG Pipelines Norte and TAG Norte Holding for the provision of administrative services to the Los Ramones Norte pipeline. For the six months ended June 30, 2020 and the year ended December 31, 2019, we had revenues of approximately US$1.7 million and US$3.2 million, respectively, related to this contract.

We expect that we will continue to enter into contracts with related parties, including Sempra LNG, for the development and operation of ECA Liquefaction Project. All the contracts between us and related parties are subject to a review process dictated by our bylaws, policies and applicable laws.

Other Related Party Transactions

Our indirect controlling shareholder and its affiliates pay us fees for certain administrative services and for the use of our facilities. For the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we had revenues of approximately US$0.9 million, US$1.8 million, US$1.7 million and US$1.7 million, respectively, relating to these transactions.

Sempra International provides services to our corporate segment, including certain support services. During the six months ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid approximately US$0.1 million, US$4.7 million, US$7.5 million and US$6.2 million, respectively, for these services.

DESCRIPTION OF OTHER INDEBTEDNESS

CEBURES

In February 2013, we issued two series of CEBURES in an aggregate principal amount of Ps.5.2 billion in a public offering in Mexico (approximately US$408 million at an exchange rate of Ps.12.7364 to US$1.00, as reported by Banco de México on February 12, 2013, the date on which we entered into related interest rate swap agreements). The CEBURES consist of Ps.3.9 billion of 10-year notes at a fixed interest rate of 6.30%, with interest payable semi-annually and Ps.1.3 billion of 5-year notes at a variable interest rate equal to the 28-day Mexican Interbank Equilibrium Rate plus 30 basis points, with interest payable monthly.

We applied a portion of the net proceeds of the offering, which were approximately US$405 million, to repay approximately US$356.0 million in debt owed to affiliates, and the remainder to finance part of the purchase price of property, plant and equipment.

On February 8, 2018, we paid the Ps.1.3 billion principal amount of the 5-year notes in full. As of June 30, 2020, the full principal amount of the 10-year notes, or approximately US$306.2 million, remained outstanding.

Revolving Credit Facilities

As of June 30, 2020, our revolving credit facilities consisted of our Syndicated Revolver and our Bilateral Revolver (each as defined below).

Syndicated Revolver. In August 2015, we entered into a five-year revolving credit facility (the "Syndicated Revolver"), with a syndicate of four lenders for which Sumitomo Mitsui Banking Corporation serves as administrative agent. In December 2015, November 2016 and February 2019, we amended the Syndicated Revolver to increase the commitments under the facility, among other things. The aggregate borrowing capacity of the Syndicated Revolver is US$1.5 billion. Borrowings under the Syndicated Revolver generally bear interest at LIBOR plus 80 basis points per annum. The Syndicated Revolver contains customary affirmative and negative covenants, events of default and other terms and conditions. We have the right to prepay the loans at any time without premium or penalty, subject to certain breakage costs. As of June 30, 2020, there were borrowings of approximately US$1.3 billion outstanding under the Syndicated Revolver.

Bilateral Revolver. On September 23, 2019, we entered into a US$280 million revolving credit facility (the "Bilateral Revolver") with The Bank of Nova Scotia to finance working capital, investments and for general corporate purposes. The Bank of Nova Scotia Revolver bears interest at a rate of three-month LIBOR plus 54 basis points. As of June 30, 2020, the full amount of the Bank of Nova Scotia Revolver was outstanding.

Working Capital Credit Line

On April 11, 2019, we entered into a US$100 million revolving credit facility (the "Working Capital Facility") with Scotiabank Inverlat. The Working Capital Facility accrues interest at a variable interest rate of one-month LIBOR plus 30 basis points. In March 2020, we drew down on the Working Capital Facility in full. On June 26, 2020, we paid the aggregate principal and accrued interest of the Working Capital Facility in full. As of June 30, 2020, the full borrowing capacity was available to us.

Intercompany Loan Agreements – Loans from Related Parties

Lender	Loan Limit	Principal Outstanding	Interest Rate	Maturities
Sempra Energy International Holdings N.V.	US$50.0 million	US$38 million	LIBOR + 137 bps	March 2024
TAG Norte Holding, S. de R.L. de C.V.	US$155.4 million	US$155.4 million	5.74%	December 2029
TAG Pipelines Norte, S. de R.L. de C.V.	US$35.0 million	US$35.0 million	LIBOR + 290 bps	December 2021

Lender	Loan Limit	Principal Outstanding	Interest Rate	Maturities
TAG Pipelines Norte, S. de R.L. de C.V.	US$64.0 million	US$64.0 million	5.50%	January 2024
Sempra Global, LLC[(1)]	US$320.0 million	US$0 million	LIBOR + 90 bps	August 2022

(1) Revolving credit facility

IEnova Pipelines Credit Facility

In December 2013, IEnova Pipelines S. de R. L de C. V. ("IEnova Pipelines") (formerly Gasoductos de Chihuahua) entered into a credit facility ("IEnova Pipelines Credit Facility") with a syndicate of four lenders, with BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as agent, and Deutsche Bank Mexico, S.A., Fiduciary Division, as trustee. The IEnova Pipelines Credit Facility has aggregate capacity of US$490 million and a 13-year term, and was borrowed to finance IEnova Pipelines' expansion plan, including the Los Ramones I pipeline. The term loans bear interest at LIBOR plus a variable applicable margin of up to 2.75%. We entered into floating-to-fixed interest rate swaps for the total loan amount to mitigate the interest rate exposure.

The borrower's obligations under the IEnova Pipelines Credit Facility are guaranteed by its subsidiaries Gasoductos de Tamaulipas, S. de R.L. de C.V. and TDF, S. de R.L. de C.V. The IEnova Pipelines Credit Facility also requires maintenance of a total capitalization of (1) US$450 million in the case of IEnova Pipelines; (2) US$130 million in the case of Gasoductos de Tamaulipas, S. de R.L. de C.V.; and (3) US$90 million in the case of TDF, S. de R.L. de C.V. The IEnova Pipelines Credit Facility contains customary affirmative and negative covenants for IEnova Pipelines, including maintaining a consolidated interest coverage ratio (consolidated EBITDA to consolidated interest expense) of at least 2.50 to 1.00; events of default; and other terms and conditions. IEnova Pipelines has the right to prepay the loans at any time without premium or penalty. The IEnova Pipelines Credit Facility is secured by 100% of the equity held, directly or indirectly, by IEnova Pipelines in Gasoductos de Tamaulipas, S. de R.L. de C.V. and TDF, S. de R.L. de C.V. In addition, Gasoductos de Tamaulipas, S. de R.L. de C.V. and TDF, S. de R.L. de C.V. assigned substantially all of their respective collection rights under their principal services agreements with customers to secure the facility. The cash flows from these agreements are transferred to the security trustee and are used to pay the principal and interest due under the IEnova Pipelines Credit Facility.

As of June 30, 2020, approximately US$228.9 million was outstanding under the IEnova Pipelines Credit Facility.

Ventika Credit Facilities

On April 8, 2014, Ventika I, S. A. P. I. de C. V. and Ventika II, S. A. P. I. de C. V. (together "Ventika"), our wind power generation facilities, entered into a project finance loan for each facility for an aggregate principal amount of US$485.3 million (together, the "Ventika Credit Facilities"). The lenders under the Ventika Credit Facilities include the North American Development Bank ("NADB"), Nacional Financiera, S.N.C., Banco Nacional de Obras y Servicios Públicos, S.N.C., Banco Nacional de Comercio Exterior S.N.C., and Banco Santander (México), S.A. acting as lender and agent. Borrowings under the Ventika Credit Facilities are non-recourse to us and our subsidiaries (other than Ventika).

As of June 30, 2020, approximately US$408.2 million was outstanding under the Ventika Credit Facilities.

Multilateral Credit Facility

As of June 30, 2020, our Multilateral Credit Facility consisted of the IFC and NADB Facility, the JICA Credit Facility and the DFC Credit Facility (each as defined below).

International Finance Corporation and North American Development Bank Credit Facility

On November 19, 2019, we entered into a US$100.0 million 15-year credit facility with the IFC, a member of the World Bank Group, and a US$100.0 million 15-year credit facility with NADB (together the "IFC and NADB Credit Facility"). The IFC and NADB Credit Facility was the first loan certified under the Green Loan Principles granted by IFC to a Mexican borrower. The proceeds of the IFC and NADB Credit Facility will be used to finance

or refinance the construction of our portfolio of solar power projects. The IFC and NADB Credit Facility bears interest at a fixed rate of 4.03%.

As of June 30, 2020, approximately US$200.0 million was outstanding under the IFC and NADB Credit Facility.

JICA Credit Facility

On March 26, 2020, we entered into a US$100.0 million 15-year credit facility (the "JICA Credit Facility") with the Japan International Cooperation Agency ("JICA"). The JICA Credit Facility is part of the IFC Credit Facility and its related financing structure. The facility was drawn on April 13, 2020 and applied together with borrowings under the Multilateral Credit Facility to finance or refinance the construction of our solar power generation project portfolio. The JICA Credit Facility bears interest at a fixed rate of 2.38%.

As of June 30, 2020, approximately US$100.0 was outstanding under the JICA Credit Facility.

DFC Credit Facility

On June 10, 2020, we entered into a US$241.0 million 15-year credit facility ("DFC Credit Facility") with the United States International Development Finance Corporation. The facility was drawn on June 24, 2020 and applied together with borrowings under the Multilateral Credit Facility to finance the construction of our solar power generation project portfolio. The DFC Credit Facility bears interest at a fixed rate of 2.90%.

As of June 30, 2020, approximately US$241.0 million was outstanding under the DFC Credit Facility.

Senior Notes

On December 14, 2017, we issued and sold US$840.0 million aggregate principal amount of senior notes (the "Senior Notes"), including US$300.0 million aggregate principal amount of 3.750% senior notes due 2028 and US$540.0 million aggregate principal amount of 4.875% senior notes due 2048. Interest on the Senior Notes is payable semi-annually.

As of June 30, 2020, an aggregate of US$840.0 million of Senior Notes was outstanding.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to an indenture dated as of September 15, 2020 among Infraestructura Energética Nova, S.A.B. de C.V. (the "Issuer") and U.S. Bank National Association, as trustee, which may be amended or supplemented from time to time.

The indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the indenture, and provides that, subject to certain conditions, additional notes may be issued under the indenture from time to time. The indenture does not limit the amount of senior, secured or other additional Indebtedness or other obligations that we may incur.

This summary describes certain terms and provisions of the Notes and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the Notes, including the definitions therein of certain terms. We urge you to read each of the indenture and the form of the Notes because they, and not this description, define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the indenture, the Notes and this offering circular, the terms of the indenture will prevail. Capitalized terms not otherwise defined in this "Description of the Notes" have the meanings ascribed to them in the indenture. Definitions of capitalized terms used, but not otherwise defined, in this section are set forth under "—Definitions."

For purposes of this section of this offering circular, when we refer to:

- "we," "us," "our" or "the Issuer," except when specifically stated otherwise, we refer to Infraestructura Energética Nova, S.A.B. de C.V. only, and not our Subsidiaries or Affiliates; and
- the "Notes," we mean the Notes offered pursuant to this offering circular and, unless the context otherwise requires, any additional Notes, as described below in "—General."

You may obtain a conformed copy of the indenture and the form of the Notes by contacting the Issuer at the address indicated in this offering circular.

General

The Notes:

- will be our senior unsecured obligations (junior to certain obligations that are preferred by statute and/or Mexican laws, such as tax and labor claims);
- will not be guaranteed by any direct or indirect Subsidiary of the Issuer and, as a result, will be structurally subordinated to all existing and future indebtedness and other obligations of our Subsidiaries;
- will initially be issued in the aggregate principal amount of US$800,000,000; and
- will be issued in registered form, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

We will initially issue an aggregate of US$800,000,000 of Notes, but may issue an unlimited principal amount of Notes under the indenture. We may, without your consent, issue additional Notes in one or more transactions (together, the "Additional Notes"), which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as the Notes issued on the issue date. Such Additional Notes may be issued with the same or different CUSIP numbers or other identifying numbers; *provided*, *however*, that unless such Additional Notes are issued under a separate CUSIP number or other identifying number, such Additional Notes must be fungible with the original Notes for U.S. federal income tax purposes. Any Additional Notes will be consolidated and form a single class with the other Notes issued on the issue date, so that, among other things, holders of any Additional Notes will have the right to vote together with holders of Notes issued on the issue date as one class.

Interest on the Notes:

- will accrue at the rate of 4.750% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash, semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2021;
- will be payable to the persons in whose name the Notes are registered at the close of business on the January 1 and July 1 immediately preceding each interest payment date; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest, including any Additional Amounts, on, the Notes will be payable, and the transfer of Notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively.

The Notes will mature and be payable in full on January 15, 2051 (the "Maturity Date") unless earlier redeemed or permitted under the indenture. We may redeem the Notes in whole, but not in part, under the circumstances described below under "—Optional Redemption—Optional redemption upon tax event." We may also redeem the Notes, in whole or in part, at our option at any time, as described below under "—Optional Redemption." Other than in accordance with such provisions, the Notes will not be redeemable prior to the Maturity Date.

If any interest payment date, redemption date, or the Maturity Date of the Notes is not a business day at any place of payment, then payment of the principal, premium, if any, and interest may be made on the next business day at that place of payment. In that case, no interest will accrue on the amount payable for the period from and after the applicable interest payment date, redemption date, or Maturity Date, as the case may be, to the date of that payment on the next succeeding business day. If the amount payable in respect of any Note is improperly withheld and is not paid by the Issuer, interest on the Note will continue to be payable until the amount due is paid in full. For purposes hereof, the term "business day" is defined in the indenture for the Notes as any day other than a Saturday or a Sunday, or a day on which banking institutions in New York City or Mexico City or the place of payment of the Notes are authorized or required by law, regulation or executive order to remain closed.

Ranking

The Notes will constitute our direct senior unsecured obligations. If we were to issue any debt other than the Notes, the Notes would rank at least *pari passu* in priority of payment with all our other existing and future senior unsecured indebtedness.

In the event of a bankruptcy, *concurso mercantil*, *quiebra* or liquidation proceeding by or against us, our obligations under the Notes will rank equal in right of payment to all other of our existing and future senior unsecured indebtedness and junior to certain obligations given preference under applicable law, including labor and tax claims.

None of our Subsidiaries will have any obligations with respect to the Notes. As a result, the Notes will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of our Subsidiaries.

As of June 30, 2020, we and our Subsidiaries had total consolidated indebtedness of US$4.2 billion, US$637.1 million of which was indebtedness of our Subsidiaries to which the Notes will be structurally subordinated and US$3.5 billion of which was unsecured indebtedness of the Issuer.

Payments

We will make all payments on the Notes exclusively in such currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

We will make payments of principal and interest on the Notes to the trustee, which will pass such funds to the paying agents (if the Trustee is not then serving as paying agent) or to the holders. Initially, the trustee will act as registrar, transfer agent and paying agent (but not as paying agent in Singapore) for the Notes.

We will make payments of principal upon surrender of the relevant Notes at the specified office of the trustee or any of the paying agents. We will pay interest on the Notes to the persons in whose name the Notes are registered at the close of business on the record date immediately preceding the due date for payment. Payments of principal and interest in respect of each global note will be paid by wire transfer of immediately available funds to DTC. Payments of principal and interest in respect of any certificated Notes will be made by U.S. dollar check drawn on a bank in the United States and mailed to the holder of such Note at its registered address. Upon written election by the holder of at least US$1.0 million in aggregate principal amount of Notes to the specified office of the trustee or any paying agent (with a copy to the trustee) not less than 15 days before the due date for any payment in respect of a Note and with the requisite information necessary to make such payment by wire transfer, such payment may be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Payment of Additional Amounts." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to any applicable abandoned property law, the trustee and the paying agents will pay to us upon our request any monies held by them for the payment of principal or interest that remains unclaimed for one year, and, thereafter, holders entitled to such monies must look to us for payment as our general creditors. After the return of such monies by the trustee or the paying agents to us, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Form, Denomination and Title

The Notes will be in registered form without coupons attached in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes.

Title to the Notes will pass by registration in the register. The registered holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no person will be liable for so treating the holder.

Optional Redemption

We will give not less than five days' nor more than 60 days' notice of any optional redemption to holders of the applicable Notes, which notice will be given to the registered holder of such Notes and, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will cause such notices of redemption to be announced through the SGX-ST as described in "—Notices" below.

On and after the redemption date, interest on of the Notes or any portion of the Notes called for redemption will cease to accrue (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee funds sufficient to pay the redemption price and accrued interest to, but excluding, the redemption date, on the Notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, we will pay accrued interest to the holder of record on the corresponding record date, which may or may not be the person who will receive payment of the

redemption price (which will exclude such accrued interest). If less than all the Notes are redeemed, the Notes to be redeemed will be selected by lot or by such method in accordance with DTC procedures.

In connection with any redemption of Notes, any such redemption may, at our discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in our discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Optional make-whole redemption

Prior to July 15, 2050 (the date that is six months before the Maturity Date) (the "Par Call Date"), the Notes will be redeemable as a whole or in part, at our option at any time, at a redemption price, as calculated by the Issuer, equal to the greater of (i) 100% of the then-outstanding principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to, but excluding, the date of redemption) as if redeemed on the Par Call Date discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus accrued interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto.

"*Comparable Treasury Issue*" means, with respect to any redemption date, the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed calculated as if the maturity date of the Notes were on the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes to be redeemed.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"*Reference Treasury Dealers*" means each of BofA Securities, Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Scotia Capital (USA) Inc. or their respective affiliates or successors which are primary U.S. Government securities dealers, and their respective successors; *provided*, *however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum, as determined by an Independent Investment Banker, to be equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Optional redemption without a make-whole premium

We may redeem the Notes in whole or in part, any time and from time to time, beginning on the Par Call Date, at our option, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the Notes being redeemed to the date of redemption.

Optional redemption upon tax event

We may redeem the Notes, in whole but not in part, at our discretion at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to, but excluding, the redemption date if on the next date on which any amount would be payable in respect of such Notes, we are or would be required to pay (after taking reasonable measures to avoid this requirement, provided that changing the jurisdiction of the Issuer is not a reasonable measure for purposes of this section). Additional Amounts on such Notes with respect to Applicable Taxes at a rate in excess of those attributable to a Mexican withholding tax rate of 4.9% as a result of (1) any change in or amendment to the laws or treaties or any rules, protocols or regulations promulgated thereunder of Mexico or any political subdivision or taxing authority thereof or therein affecting taxation, (2) any change in or amendment to the official interpretation or official application of such laws, treaties, rules, protocols or regulations, or (3) any execution of or amendment to any treaty or treaties affecting taxation to which the relevant Tax Jurisdiction is a party, in each case, which change, expiration, amendment or treaty becomes effective on or after the issue date (any such redemption, a "Tax Redemption").

Before giving any notice of redemption as described in the preceding clauses, which notice may not be made available earlier than 60 days prior to the earliest date on which we would be obliged to pay the excess of Additional Amounts, we will deliver an officer's certificate to the trustee stating that we are entitled to effect such redemption in accordance with the terms of the indenture and setting forth in reasonable detail a statement of facts relating thereto. The officer's certificate will be accompanied by a written opinion of recognized independent counsel experienced in tax in the relevant Tax Jurisdiction to the effect that we have or will become obligated to pay Additional Amounts with respect to Applicable Taxes at a rate in excess of 4.9% as a result of such change or amendment.

Change of Control

Upon the occurrence of a Change of Control Triggering Event, the holders of the Notes will have the right to require us to purchase all or a portion of their Notes (in integral multiples of US$1,000) pursuant to a Change of Control Offer (as defined below) at a purchase price equal to 101% of the then-outstanding principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, including any Additional Amounts payable with respect thereto (the "Change of Control Payment" and the date of such purchase, the "Change of Control Payment Date"), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding interest payment date, we will pay such interest to the holder of record on the corresponding record date, which may or may not be the same person to whom we will pay the purchase price.

Within 30 days following the consummation of any transaction constituting a Change of Control Triggering Event, we will send a notice to each holder with a copy to the trustee as described in "—Notices" below (the "Change of Control Offer") and, for so long as the Notes are listed on the SGX-ST and the rules of the exchange so require, publish such notice as described in "—Notices" below. Our failure to notify the holders will not affect the rights of the holders to require us to purchase the Notes. The notice of the Change of Control Offer will state, among other things:

- that a Change of Control Triggering Event has occurred and that such holder has the right to require us to purchase such holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date);

- the circumstances and relevant facts regarding such Change of Control Triggering Event;

- the Change of Control Payment Date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law;

- the jurisdiction of incorporation of the successor controlling entity; and

- the instructions, as determined by us, consistent with the covenant described hereunder, that a holder of Notes must follow in order to have its Notes purchased.

A Change of Control offer may be made in advance of a Change of Control and conditioned upon such Change of Control. The notice will, if sent prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring prior to or on the applicable Change of Control Payment Date specified in the notice.

On or before the Change of Control Payment Date, we will deposit with the trustee or a paying agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portion thereof so tendered.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer; and

- deliver or cause to be delivered to the trustee the Notes so accepted together with an officer's certificate stating the aggregate principal amount of Notes or portions thereof we are purchasing.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion not purchased will be issued in the name of the holder of such Note upon cancellation of the original Note, or appropriate adjustments to the amount of a global note will be made, as appropriate. The minimum amount of such new Note will be US$200,000.

We will comply, to the extent applicable, with the requirements of Rule 14(e)-1 of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

We will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes a Change of Control Offer in the manner of, at the times of and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Open Market Purchases

We may, at any time, purchase Notes in the open market or otherwise at any price.

Transfer of Notes

The certificated, non-global notes may be transferred in whole or in part in an authorized denomination upon the surrender of the Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new Note to be issued upon exchange of Notes or transfer of Notes will be mailed or otherwise provided to, at the risk of, the holder entitled to the Note to such address as may be specified in such request or form of transfer. All non-global notes will be in registered form.

The Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions." Global notes will be in registered form and transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants, including Euroclear and Clearstream.

Transfers will be effected without charge by, or on our behalf of, the registrar or the transfer agents, but upon payment, or the giving of such indemnity or security as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. We are not required to transfer or exchange any Note selected for redemption.

No holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

Payment of Additional Amounts

All payments made by us under the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges and interest, penalties and fines in respect thereof, imposed or levied by or on behalf of Mexico or the jurisdiction in which any successor of us is organized (wherein any successor assumes the obligations of the Notes and the indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties) or any jurisdiction by or through which payment is made by or on behalf of us or, in each case, any political subdivision thereof or any authority therein having power to tax (each a "Tax Jurisdiction" and such taxes, penalties, fines, duties, assessments or other governmental charges, as well as interest, penalties and fines in respect thereof, imposed or levied by or on behalf of a Tax Jurisdiction, "Applicable Taxes"), unless such deduction or withholding is required by law.

In the event that any Applicable Taxes are required to be so deducted or withheld, the Issuer will pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by holders of such Notes after such withholding or deduction will equal the respective amounts that would have been receivable by each holder in respect of such Notes in the absence of such withholding or deduction, except that no such Additional Amounts will be payable with respect to:

(1) any Applicable Taxes that would not have been imposed but for the holder (or a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or beneficial owner of the Notes being a citizen, resident or national of, incorporated in or carrying on a business in or having any other present or former connection with the relevant Tax Jurisdiction imposing or levying the Applicable Taxes other than the mere holding or owning of such Note or the enforcement of rights with respect to such Note or the receipt of income or any payments in respect thereof;

(2) any Applicable Taxes that would not have been imposed but for the failure of the holder or beneficial owner of a Note to comply with any certification, identification, information, documentation or other reporting requirement if such compliance is required by applicable law, rule, protocol, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Applicable Taxes;

(3) any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge;

(4) any Applicable Taxes to the extent imposed other than by withholding from payments made under or with respect to the Notes;

(5) any Applicable Taxes to the extent that they would not have been imposed but for the fact that the holder or beneficial owner presented such Note for payment (where presentation is required) more than 30 days after the later of (x) the date on which such payment became due and (y) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect will have been made available to the holders by the trustee; and no Additional Amounts shall be paid for or in account of any additional withholdings or deductions that arise as a result of such presentment after such 30-day period;

(6) any taxes imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), as of the issue date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(7) any combination of items (1) to (6) above;

nor will Additional Amounts be paid with respect to any payment of the principal, premium (if any) or interest on, any Notes to any holder or beneficial owner of a Note who is a fiduciary, or partnership, or limited

liability company or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the relevant Tax Jurisdiction to be included in the income for tax purposes of a beneficiary, or settlor with respect to such fiduciary, or a member of such partnership or limited liability company or a beneficial owner who would not have been entitled to such Additional Amounts had it been the holder of such Notes.

The limitations on the obligations of the Issuer to pay Additional Amounts stated in paragraph (2) above will not apply if article 166, section II, paragraph (a) or a substitute or equivalent provision, of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) or a substantially similar successor of such article, whether included in any other law or regulation, is in effect, unless (a) the provision of the information, documentation or other evidence described in (2) above is expressly required by the applicable Mexican laws and regulations in order to apply such article 166, section II, paragraph (a) of the Mexican Income Tax Law, or a substantially similar successor of such article, whether included in any other law or regulation, (b) the Issuer cannot on its own obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations through reasonable diligence, and (c) the Issuer otherwise would meet the requirements for application of the applicable Mexican laws and regulations. Further, the limitations on the obligations of the Issuer to pay Additional Amounts stated in paragraph (2) above shall not apply with respect to any certification, identification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of the information disclosed, to the holder or beneficial owner, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulation (including proposed regulations), and administrative practice (such as IRS Forms W-8BEN, W-8BEN-E and W-9 or any successor thereof).

The Issuer will provide the trustee with documentation evidencing the payment of Mexican taxes in respect of which the Issuer has paid any Additional Amounts. Copies of such documentation will be made available by the trustee to the holders or the paying agent, as applicable, upon reasonable request therefor.

The Issuer will also pay any present or future stamp, administrative, court, or any similar documentary taxes or any other excise or property taxes, charges or similar taxes or levies arising in Mexico in connection with the execution, delivery or registration of the Notes or any other document or instrument referred to herein or therein.

All references to principal or interest payable on the Notes shall be deemed to include any Additional Amounts payable by the Issuer under the Notes or the indenture. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the indenture. The trustee shall have no obligation to calculate any Additional Amounts payable by the Issuer under the Notes or the indenture.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder or beneficial owner of the Notes, and as a result thereof such holder or beneficial owner is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, such holder or beneficial owner shall, by accepting the Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Issuer. However, by making such assignment, the holder makes no representation or warranty that the Issuer will be entitled to receive such a refund or credit and incurs no other obligation with respect thereto, except for such assignment and transfer and for reasonably assisting the Issuer in obtaining such refund.

None of the provisions relating to the delivery of information set forth herein shall be deemed to require any holder that is a pension fund or a financial institution to register, for tax purposes, with the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) or the Mexican Tax Administration Service.

Covenants

The indenture contains the following covenants in addition to customary covenants regarding maintenance of office or agency, maintenance of corporate existence and payments of taxes and claims:

Limitation on Liens

We will not, and will not permit any Restricted Subsidiary to, create, assume or permit to exist any Lien to secure Indebtedness, except Permitted Liens, on any Principal Property, or upon Capital Stock or Indebtedness issued by any Restricted Subsidiary and owned by us or any Restricted Subsidiary, now or hereafter acquired, unless concurrently therewith effective provision is made to secure the Notes equally and ratably with such Indebtedness for so long as such Indebtedness is so secured.

Limitation on Consolidation, Merger or Transfer of Assets

We will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets to, any person, unless:

(1) the resulting, surviving or transferee person (if not the Issuer) will be a person organized and existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia, or any other state which was a member country of the European Union on December 31, 2003 (other than Greece) or of the Organization for Economic Cooperation and Development and such person expressly assumes, by supplemental indenture executed and delivered to the trustee, all of our obligations under the Notes and the indenture;

(2) the resulting, surviving or transferee person (if not the Issuer), if not organized and existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia, or any other state which was a member country of the European Union on December 31, 2003 (other than Greece) or of the Organization for Economic Cooperation and Development undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal and interest as may be necessary in order that every payment made in respect of the Notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the Notes, subject to the same exceptions set forth under "—Payment of Additional Amounts" but replacing existing references in such clause to Mexico with references to such other country;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) we will have delivered to the trustee an officers' certificate and an opinion of legal counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

These restrictions will not apply to transactions between us and any of our Subsidiaries or between any of our Subsidiaries.

Following any merger or other transaction described and permitted under this "—Limitation on Consolidation, Merger or Transfer of Assets" section, in which the Issuer or the resulting, surviving or transferee person is organized under the laws of a Tax Jurisdiction other than Mexico, all references to Mexico, Mexican law or regulations, and Mexican political subdivisions or taxing authorities under the "—Optional Redemption upon tax event" and "—Payment of Additional Amounts" sections above will be deemed also to include such other Tax Jurisdiction, such other Tax Jurisdiction's law or regulations, and any taxing authority of such other Tax Jurisdiction or any political subdivision therein or thereof, respectively; provided, that for this purpose, the reference in the "—Optional Redemption upon tax event" section above to an amendment to or change of laws, rules or regulations occurring "on or after the issue date" shall instead be deemed to refer only to such amendments or changes occurring after the effective date of such merger or other transaction, and the reference in the same section to "a Mexican withholding tax rate of 4.9%" shall instead refer to the applicable withholding rate of such other Tax Jurisdiction as of the effective date of such merger or other transaction; provided further, in the event that following any such merger or other transaction, the Issuer is not the resulting, surviving, or transferee person, all references to "Issuer" under the "—Payment of Additional Amounts" section above will be deemed also to include such resulting, surviving or transferee person.

Reporting Requirements

We will provide the trustee and, upon request, the holders of the Notes, with the following reports:

(1) an English language version in electronic format of our annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 135 days after the close of each fiscal year;

(2) an English language version in electronic format of our unaudited quarterly financial statements prepared in accordance with IAS 34, promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of each fiscal year);

(3) without duplication, English language versions or summaries in electronic format of such other reports or notices as may be filed or submitted by (and within 10 days after filing or submission by) us with (i) the CNBV, (ii) the BMV and (iii) the SGX-ST, or any other stock exchange on which the Notes may be listed, in each case, to the extent that any such report or notice is generally available to our security holders or the public in Mexico or elsewhere, *provided*, *however*, that we shall not be required to furnish such information to the extent that the information contained therein is not materially different than the information provided pursuant to clause (1) and (2) above; and

(4) so long as we are not subject to Section 13 or Section 15(d) of the Exchange Act and exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon request, to any holder of the Notes and any bona fide prospective investors that certify that they are a Qualified Institutional Buyer (as defined in Rule 144A under the Securities Act) or a non-U.S. Person, as applicable, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

We will maintain a public website or, at our option, a non-public website or other electronic distribution system to which the beneficial owners of the Notes, prospective investors and security analysts will be given access and on which the reports and information referred to in clauses (1), (2), (3) and (4) above are posted; *provided*, *however*, that we may, in our sole discretion, exclude direct competitors, customers and suppliers from access to such website or electronic distribution; and *provided*, *further*, that we will not be required to furnish the reports and information referred to in clauses (1), (2), (3) or (4) above so long as such reports or information are available on such website or electronic distribution system. The trustee shall have no obligation to monitor whether reports have been made available on such websites or other electronic distribution systems.

We have agreed to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, we are required to deliver to the trustee a statement specifying such Default or Event of Default and what action we are taking or propose to take in respect thereof.

In addition, if and so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, copies of such reports and information furnished to the trustee will also be made available by way of announcement on the website of the SGX-ST.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any covenant in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates) and the trustee shall have no obligation to review the contents of such reports.

Events of Default

An "Event of Default" occurs with respect to the Notes if:

(1) the Issuer does not pay any interest on the Notes (including any related Additional Amounts) within 30 days of the due date;

(2) the Issuer does not pay any principal of or premium on the Notes (including any related Additional Amounts) on the due date, whether at maturity or otherwise;

(3) the Issuer remains in breach of a covenant or warranty in the indenture or the Notes for 60 days after it receives a written notice of default specifying such default or breach and requiring remedy of the default or breach; the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding Notes;

(4) a default or defaults under any bond, debenture, note or other evidence of our Indebtedness or of any Significant Subsidiary, whether such Indebtedness now exists or shall hereafter be created; provided that such default or defaults, individually or in the aggregate, (A) shall constitute a failure to pay the principal at maturity of Indebtedness in an amount in excess of US$100.0 million (or the equivalent thereof in other currencies) or (B) shall have resulted in Indebtedness with an aggregate principal amount in excess of US$100.0 million (or the equivalent thereof in other currencies) (or any portion thereof having an aggregate principal amount in excess of US$100.0 million or such equivalent thereof) becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable;

(5) one or more final judgments or decrees for the payment of money of US$100.0 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, there is a period of 60 consecutive days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed; or

(6) the Issuer or any Significant Subsidiary files for bankruptcy, or other specified events in bankruptcy, insolvency, *concurso mercantil*, *quiebra*, receivership or reorganization occur with respect to the Issuer or any Significant Subsidiary.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default with respect to the Notes unless either (i) an authorized officer of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or any cure of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by us or any holder in the manner specified in the indenture.

If an Event of Default (other than an Event of Default described in paragraph (6) above) occurs and is continuing with respect to the Notes, then either the trustee or the holders of at least 25% in principal amount of the outstanding Notes (with a copy to the trustee) may declare the principal amount of all of the Notes, together with accrued and unpaid interest thereon, to be due and payable immediately. If an Event of Default described in paragraph (6) above shall have occurred, the principal of all outstanding Notes and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of the Notes. The indenture provides that the Notes owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the Notes.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity and/or security reasonably satisfactory to the trustee. Subject to such provision for the indemnification of and security to the trustee, the holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee in respect of the Notes or exercising any trust or power conferred on the trustee in respect of the Notes. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder.

Defeasance

We may at any time terminate all of our obligations with respect to the Notes ("defeasance"), except for certain obligations, including those to the trustee and the agents appointed under the applicable indenture, those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to

replace mutilated, destroyed, lost or stolen Notes and to maintain agencies in respect of Notes. We may at any time terminate our obligations under certain covenants set forth in the indenture with respect to the Notes, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the Notes, with the trustee U.S. dollars or certain U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants delivered to the trustee, without consideration of any reinvestment, to pay the principal of and interest on the Notes, as the case may be, to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel to the effect that the holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Satisfaction and Discharge

The indenture with respect to the Notes will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes and the rights of the trustee, as expressly provided for in such indenture) as to all outstanding Notes when:

(1) either:

(a) all of the Notes theretofor authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by us and thereafter repaid to us or discharged from such trust) have been delivered to the trustee for cancellation; or

(b) all Notes not theretofor delivered to the trustee for cancellation (i) have become due and payable or will become due and payable within one year or (ii) are to be called for redemption within one year under irrevocable arrangements satisfactory to the trustee for making notice of redemption available by the trustee in our name, and at our expense, and, in each case, we have irrevocably deposited or caused to be deposited with the trustee U.S. dollars or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire indebtedness on such Notes not theretofor delivered to the trustee for cancellation, for principal of, premium, if any, and interest on such Notes to, but excluding, the date of deposit (in the case of Notes that have become due and payable) or to, but excluding, the maturity or redemption date, as the case may be, together with irrevocable instructions from us directing the trustee to apply such funds to the payment;

(2) we have paid all other sums payable by us under the indenture and the Notes; and

(3) we have delivered to the trustee an officers' certificate stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of Notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of Notes then outstanding. However, without the consent of each holder of the Notes affected thereby, no amendment may:

(1) reduce the rate of or extend the time for payment of interest on any Note;

(2) reduce the principal, or change the Stated Maturity, of any Note;

(3) reduce the amount payable upon redemption of any Note or change the time at which any Note may be redeemed;

(4) change the currency for, or place of payment of, principal or interest on any Note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(6) waive certain payment defaults with respect to the Notes;

(7) reduce the principal amount of Notes whose holders must consent to any amendment or waiver; or

(8) make any change in the amendment or waiver provisions which require each holder's consent.

Prior notice will be given to the holders of the Notes as described under "—Notices" of any proposed amendment to such Notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, we are required to give to the holders (with a copy to the trustee) a notice briefly describing such amendment. However, the failure to give such notice to all holders of Notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the Notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

We and the trustee may, without the consent or vote of any holder of the Notes, amend or supplement the indenture or the Notes for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency; *provided* that such amendment or supplement does not materially adversely affect the rights of any holder;

(2) to comply with the covenant described under "—Covenants—Limitation on consolidation, merger or transfer of assets";

(3) to add guarantees or collateral with respect to the Notes;

(4) to add to the covenants of the Issuer for the benefit of holders of the Notes;

(5) to surrender any right conferred upon us;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional Notes (as described under "—General" above);

(8) to make any other change that does not adversely affect the rights of any holder of the Notes;

(9) to conform the text of the indenture or the Notes to any provision of this "Description of the Notes" relating to the initial offering of the Notes to the extent such provision of this "Description of the Notes" was intended to be a recitation thereof; or

(10) to comply (x) with the rules of any applicable securities depository or (y) with the rules or regulations of the SGX-ST or any securities exchange or automated quotation system on which any of the debt securities may be listed or traded; provided, in each case, that such amendment or supplement does not materially adversely affect the rights of any holder.

In executing any amendment, waiver or supplemental indenture to the indenture or the Notes, the trustee will be entitled to receive an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such amendment, waiver or supplemental indenture is authorized or permitted by the respective indenture and that it shall be valid and binding upon the Issuer in accordance with its terms.

Notices

For so long as Notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If Notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the Notes at their registered addresses as they appear in the registrar's records.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

From and after the date the Notes are listed on the SGX-ST and so long as (i) a listing on the SGX-ST is maintained and (ii) publication of notices is required by the rules of the SGX-ST, all notices to holders of the Notes will be published by the Issuer as required by the rules of the SGX-ST. Notices shall be deemed to have been made available on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Listing

We intend to apply to have the Notes listed and quoted on the Official List of the SGX-ST. We may delist the Notes from the SGX-ST in accordance with the rules of the SGX-ST and seek an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, stock exchange and/or quotation system. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST. There can be no guarantee that the Notes will become listed, and if listed, that they will remain listed.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption in the event that the global notes representing such Notes are exchanged for certified notes. In addition, announcement of such exchange will be made by or on behalf of us through the SGX-ST, and such announcement will include all material information with respect to the delivery of the certificates in definitive form, including details of the paying agent in Singapore.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering circular. The SGX-ST is not a regulated market for purposes of Directive 2004/39/EC.

Trustee

U.S. Bank National Association will act as trustee under the indenture. Notices to the trustee should be directed to the trustee at 633 W. 5th Street, 24th Floor, Los Angeles, CA 90071, Attn: Global Corporate Trust. The trustee also will initially act as registrar, paying agent (but not paying agent in Singapore) and transfer agent in connection with the Notes and the indenture. The trustee may resign or be removed under circumstances described in the indenture and we may appoint a successor trustee to act in connection with the Notes. Any action described in this offering circular to be taken by the trustee may then be taken by the successor trustee.

The trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our Affiliates with the same rights it would have if it were not trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

The indenture contains some limitations on the right of the trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The trustee will be permitted to engage in transactions with us. The occurrence of a default under the indenture could create a conflicting interest (as defined in the indenture) for the trustee. In this case, if the default has not been cured or waived within 90 days after the trustee has or acquires a conflicting interest, the trustee

generally is required to eliminate the conflicting interest or resign as trustee for the Notes. In the event of the trustee's resignation, we will promptly appoint a successor trustee for the Notes.

Resignation and Removal of the Trustee; Deemed Resignation

The trustee may resign at any time by giving written notice to the Issuer. The trustee may also be removed with respect to the Notes by act of the holders of a majority in principal amount of the then outstanding Notes. No resignation or removal of the trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the indenture. Under certain circumstances, the Issuer may appoint a successor trustee with respect to the Notes, and if the successor trustee accepts, the trustee will be deemed to have resigned.

The trustee may be removed by the holders of a majority of the outstanding Notes if an Event of Default under the indenture has occurred and is continuing. No resignation or removal of the trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the indenture.

Governing Law; Consent to Jurisdiction

The indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

We will consent and submit to the exclusive jurisdiction of the Supreme Court of the State of New York, County of New York or the United States District Court for the Southern District of New York, each in the Borough of Manhattan, New York City, will agree that all disputes under the indenture may be submitted to the jurisdiction of such courts, and will waive our rights to any other jurisdiction to which we may be entitled by virtue of our present or any other future domicile or for any other reason. We will irrevocably consent to and waive to the fullest extent permitted by law any objection that we may have to the laying of venue of any suit, action or proceeding against us or our properties, assets and revenues with respect to the indenture or any such suit, action or proceeding in any such court and any right to which we may be entitled on account of place of residence or domicile.

To the extent that we or any of our revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy, we will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

We will agree that service of all writs, claims, process and summons in any suit, action or proceeding against us or our properties, assets or revenues with respect to the indenture or any suit, action or proceeding to enforce or execute any judgment brought against us in the State of New York may be made upon Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, New York 10036, and we will irrevocably appoint Corporation Service Company as our agent to accept such service of any and all such writs, claims, process and summonses. We will also grant such agent a special irrevocable power of attorney (*poder especial irrevocable*) for lawsuits and collections (*pleitos y cobranzas*) governed by the laws of Mexico, in the presence of a Mexican notary public so that it may, on our behalf and for purposes of Mexican law, accept such service of any and all such writs, claims, process and summons.

Currency Rate Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by us under or in connection with the Notes and the indenture, including damages. To the greatest extent permitted under applicable law, any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any holder of a Note in respect of any sum expressed to be due to it from us will only constitute a discharge to us to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to

be due to the recipient under any Note, we will indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a Note, be deemed to have agreed to repay such excess to us. In any event, we will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a Note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the trustee or us. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms.

"*Affiliate*" means, with respect to any specified Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*BMV*" means the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.).

"*Capital Stock*" means, with respect to any Person, any and all shares of capital stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"*Change of Control*" means the occurrence of one or more of the following events:

(a) the consummation of any transaction (including, without limitation, any consolidation, merger, conveyance or transfer, in one or a series of related transactions, of all or substantially all the assets of the Issuer), the result of which is that (i) any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act or any successor provision thereto), other than any Permitted Holder, becomes the beneficial owner, directly or indirectly, of more than 50% of the then-outstanding number of shares of the Issuer's Voting Stock, measured by voting power rather than number of shares, or appoints or acquires the ability to appoint a majority of the members of the Issuer's board of directors or (ii) the Permitted Holders cease to beneficially own, directly or indirectly, in the aggregate, at least 30% of the then-outstanding number of shares of the Issuer's Voting Stock, measured by voting power rather than number of shares;

(b) the direct or indirect sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Issuer and its Subsidiaries, determined on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act)

other than any Permitted Holder, the Issuer or any subsidiary of the Issuer, whether or not otherwise in compliance with the indenture; or

(c) the adoption by the shareholders of the Issuer of a plan or proposal for the liquidation or dissolution of the Issuer.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (i)(A) the Issuer becomes a wholly owned Subsidiary of a holding company and (B) immediately following that transaction no Person (other than a Permitted Holder) is the beneficial owner, directly or indirectly, of Voting Stock of such holding company (or other securities convertible into such Voting Stock) representing more than 50% of the combined voting power of all Voting Stock of such holding company, (ii) pursuant to a transaction in which the shares of the Issuer's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction or (iii) the "person" or "group" referenced in clause (a) or (b) of the preceding sentence previously became the beneficial owner of the Issuer's Voting Stock so as to have constituted a Change of Control in respect of which a Change of Control Offer was made or otherwise would have required a Change of Control Offer in the absence of the waiver of such requirement by the holders of the Notes).

"*Change of Control Triggering Event*" means the occurrence of a Change of Control that results in a Ratings Downgrade.

"*Clearstream*" means Clearstream Banking, *société anonyme*.

"*CNBV*" means the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores).*

"*Consolidated Net Tangible Assets*" means, as of any date of determination, (a) the Total Assets of the Issuer and its consolidated Subsidiaries, less (b) the amount thereof constituting goodwill and other intangibles, as calculated in accordance with IFRS, less (c) all current liabilities of the Issuer and its consolidated Subsidiaries.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Euroclear*" means Euroclear Banking, S.A./N.V., as operator of the Euroclear System.

"*holder*" means the person in whose name a Note is registered in the register.

"*IFRS*" means International Financial Reporting Standards adopted by the International Accounting Standards Board.

"*Indebtedness"* means money borrowed and premiums and accrued interest in respect thereof evidenced by any bonds, notes, debentures, or similar instruments.

"*Investment Grade*" means a rating equal to or higher than Baa2 by Moody's (or its equivalent under any successor rating category of Moody's); a rating equal to or higher than BBB- by S&P (or its equivalent under any successor rating category of S&P); and an equivalent rating of any replacement agency, respectively.

"*Lien*" means any mortgage, pledge, security interest, movable guaranty (*garantía mobiliaria*), security trust, conditional sale or other title retention agreement or other similar lien.

"*Moody's*" means Moody's Investors Service, Inc., or any successor thereto.

"*Permitted Holders*" means Sempra Energy (or a successor thereto resulting from a merger, consolidation, amalgamation, change in corporate form or similar transaction) or any of its Subsidiaries, collectively.

"*Permitted Lien*" means:

(a) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien referred to in clause (b) or (c) below; *provided* that the total amount of Indebtedness so secured is not increased;

(b) any Lien on any property or assets securing Indebtedness incurred solely for purposes of financing the acquisition, development, construction or improvement of such property or assets after the date of the indentures; *provided* that (i) the aggregate principal amount of Indebtedness secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (ii) the Lien is incurred before (or within 180 days after the completion of) such acquisition, development construction or improvement and does not encumber any other property or assets (other than any of the property or assets acquired in connection with any such acquisition, development construction or improvement) owned by us or any Subsidiary; *provided*, *further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(c) any Lien existing on any property or assets of any Person before the acquisition of such property or assets or that Person's acquisition by, merger into or consolidation with the Issuer or any of its Subsidiaries after the date of the indenture; *provided* that (i) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (ii) the Indebtedness secured by the Liens may not exceed the Indebtedness secured on the date of such acquisition, merger or consolidation, in each case, taking into account any accrued interest or monetary variation, (iii) the Lien will not apply to any other property or assets of the Issuer or any of its Subsidiaries and (iv) the Lien will secure only the Indebtedness that it secures on the date of such acquisition, merger or consolidation;

(d) any rights of set-off of any Person with respect to any deposit account of the Issuer or any of its Subsidiaries arising in the ordinary course of business and not constituting a financing transaction;

(e) any Lien securing Indebtedness for the purpose of financing, refinancing, extending, renewing or replacing all or part of the cost of the acquisition, development, construction or improvement of a project; provided that (i) the lenders of such Indebtedness expressly agree to limit their collateral in respect of such Indebtedness to assets including Capital Stock of the project entity) and/or revenues of such project and (ii) such Indebtedness is limited to non-recourse debt with no obligation from the Issuer or its Subsidiaries other than the project entity; provided, further, that the Lien is incurred before (or within 180 days after the completion of) that acquisition, development, construction or improvement and does not apply to any other property or assets owned by the Issuer or any of its Subsidiaries;

(f) any Lien in favor of the Issuer or any Subsidiary of the Issuer securing Indebtedness owed to the Issuer or any Subsidiary of the Issuer; provided that such Indebtedness is part of a bona fide financing solely between the Issuer and its Subsidiaries in the ordinary course of business and no rights under any such Lien are granted to parties other than the Issuer and its Subsidiaries; and

(g) in addition to the foregoing Liens set forth in clauses (a) through (f) above, Liens securing Indebtedness of the Issuer or any of its Subsidiaries in an aggregate principal amount, at any time of determination, not to exceed the greater of (x) US$880.0 million and (y) 20% of the Issuer's Consolidated Net Tangible Assets.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Principal Property*" means, whether owned or leased on the date of the issuance of the Notes or thereafter acquired: (a) any pipeline assets of ours or of any Subsidiary, including any related facilities employed in the transportation, distribution, storage or marketing of refined petroleum products, natural gas liquids and carbon dioxide, that are located in Mexico or any territory or political subdivision thereof; (b) any processing or manufacturing plant or terminal owned or leased by us or any Subsidiary that is located in Mexico or any territory or political subdivision thereof; (c) wind or power generation assets of ours or of any Subsidiary, including any related interconnection facilities; and (d) any Capital Stock of any Subsidiary that holds assets or properties described in the foregoing clauses (a), (b) or (c) and that would not be excluded from the definition of Principal Property pursuant to the immediately following exception, *except*, in the case of any of the foregoing clauses (a), (b) or (c), any such

assets consisting of inventories, furniture, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles.

"*Rating Agency*" means S&P and Moody's or if S&P or Moody's or both shall not make publicly available a rating of the Notes or a rating of the Issuer's corporate credit for dollar-denominated senior unsecured long-term debt generally, an internationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer which shall be substituted for S&P or Moody's or both, as the case may be.

"*Ratings Downgrade*" means the Notes cease to be rated Investment Grade by both Rating Agencies on any date during the period (the "Trigger Period") commencing 60 days prior to the first public announcement by the Issuer of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change).

"Restricted Subsidiary" means any Subsidiary of the Issuer which owns or leases Principal Property.

"*S&P"* means Standard and Poor's Rating Services, or any successor thereto.

"*Significant Subsidiary*" means any Subsidiary of the Issuer that at the time of determination (a) had assets which, as of the date of the Issuer's most recent quarterly consolidated balance sheet, constituted at least 10% of the Issuer's total assets on a consolidated basis as of such date or (b) had revenues for the 12-month period ending on the date of the Issuer's most recent quarterly consolidated statement of income which constituted at least 10% of the Issuer's total revenues, on a consolidated basis for such period.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Subsidiary*" means any Person in which more than 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by the Issuer and/or a Subsidiary and is consolidated in the financial statements of the Issuer in accordance with IFRS.

"*Total Assets*" means, as of any date of determination, the total assets shown on the consolidated balance sheet of the Issuer as of the most recent date for which financial statements have been provided to the trustee, determined in accordance with IFRS.

"*Voting Stock*" means, with respect to any Person as of any date, the Capital Stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person and in respect of other matters presented at the shareholders' meeting of such Person.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S notes"). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of Notes in certificated form.

In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the

participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes may hold their interests therein directly through DTC or through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which, in turn, act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global Notes will not have notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional amounts, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the Trustee will treat the persons in whose names the notes, including the global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of Notes will be governed by standing instructions and customary practices, and will be the responsibility of the participants or the indirect participants, and will not be our responsibility or that of DTC or the Trustee. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the Notes, and the Issuer and the Trustee may conclusively rely on, and will be protected in relying on, instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with

the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC reserves the right to exchange the global notes for legended Notes in certificated form, and to distribute such Notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form ("certificated notes") if:

(1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary, or (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) The Issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of, the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

(1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that the Notes are being transferred to a person:

(A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(B) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture), to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery-free-of-payment basis, and separate arrangements will need to be made outside of DTC for payment.

TAXATION

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations relevant for the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder (the "Treasury Regulations"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below). This discussion does not address the impact of the unearned income Medicare contribution tax, the effects of alternative minimum tax or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the "IRS") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes, or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or that may be relevant to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities or arrangements (or investors in such entities or arrangements), persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity classified as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Additional Payments

We are required to pay Additional Amounts as described under "Description of the Notes—Payment of Additional Amounts." In addition, in certain circumstances, we may be obligated to make certain other payments on the Notes in excess of stated principal and interest. We believe (and the rest of this discussion assumes) that the amount of Additional Amounts we will be required to pay on the Notes will generally be constant throughout the term of the Notes, and that there is only a remote possibility that we will be obligated to make any other additional payments. Accordingly, we believe that the Notes should not be treated as contingent payment debt instruments.

Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged our position, and the Notes were treated as contingent payment debt instruments, U.S. holders would be required to accrue interest income at a rate higher than their yield to maturity, regardless of the holder's method of accounting, and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note. This remainder of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's regular method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount ("OID") for U.S. federal income tax purposes. In general, however, if the Notes are issued with OID at or above a statutorily defined de minimis threshold, a U.S. holder will be required to include OID in gross income, as ordinary income, under a "constant-yield method" before the receipt of cash attributable to such income, regardless of the U.S. holder's regular method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

Any non-U.S. withholding tax paid (or deemed paid) by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (generally amount received for the note in cash or other property valued at fair market value, other than amounts attributable to accrued and unpaid interest, which will be includible in income as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder. Any gain or loss recognized by a U.S. holder on the sale, exchange, retirement or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of a non-corporate U.S. holders (including an individual), any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

Such gain or loss generally will be treated as U.S. source income or loss for foreign tax credit purposes. Accordingly, if Mexican tax is imposed on the sale or other disposition of the Notes (including with respect to payments of principal in excess of the issue price of the Notes, as described below under "—Certain Mexican Federal Tax Considerations—Principal"), such tax generally will not be available as a credit for a U.S. holder against U.S. federal income tax unless such U.S. holder has other income treated as derived from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules or such U.S. holder is entitled to treat such gain as Mexican source under the U.S.-Mexico comprehensive income tax treaty because the U.S. holder is considered a resident of the United States for purposes of, or otherwise meets the requirements of, that treaty. Alternatively, a U.S. holder may take a deduction for such Mexican income tax if such U.S. holder does not take a credit for any foreign taxes paid or accrued during the taxable year. There are significant complex limitations on a U.S. holder's

ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Information Reporting and Backup Withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements. U.S. holders may be required to provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals (and certain entities) that hold an interest in "specified foreign financial assets" (which may include the Notes) exceeding certain thresholds are required to report information (on IRS form 8938) relating to such assets, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Certain Mexican Federal Tax Considerations

The below discussion does not address all Mexican tax considerations that may be relevant to particular investors, nor does it address the special tax rules applicable to certain categories of investors or any tax consequences under the tax laws of any state or municipality of Mexico, or the laws of any taxing jurisdiction other than the federal laws of Mexico.

The following is a general summary of the principal consequences, under the Mexican Income Tax Law, Mexican Federal Tax Code (*Código Fiscal de la Federación*) and rules as currently in effect, to which we refer collectively as the Mexican Income Tax Law, as well as the provisions of the income tax treaty between Mexico and the United States, to which we refer as the Tax Treaty, all of which are subject to change or interpretation, of the purchase, ownership and disposition of the Notes by a foreign holder that acquires the Notes in this offering at the price at which the Notes are sold in this offering. The current tax regime could be modified in Mexico during the term of the Notes. We assume no obligation to inform about modifications in the Mexican Income Tax Law applicable throughout the term of the Notes.

As used in this offering circular, a "foreign holder" means a beneficial owner of the Notes that:

- is not a resident of Mexico for tax purposes;
- does not hold the Notes or a beneficial interest in the Notes through a permanent establishment in Mexico; and
- is not (a) a holder of more than 10% of our voting stock, directly or indirectly, jointly with persons related to us or individually, or (b) a corporation or other entity, having more than 20% of their stock owned, directly or indirectly, jointly or individually by persons related to us (each a "Related Party"), that in the case of either (a) or (b), is the beneficial owner, directly or indirectly, jointly or individually with persons related to us, of more than 5% of the aggregate amount of any interest payment on the Notes.

For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;
- both persons have common interests; or
- a third party has an interest in the business or assets of both persons.

According to the Mexican Income Tax Law:

- an individual is a Mexican tax resident if the individual has established his dwelling in Mexico. When an individual, in addition to her/his dwelling in Mexico, has a dwelling in another country, the individual will be a Mexican tax resident if her/his center of vital interests is located in Mexico. This will be deemed to occur if, among other circumstances, either (i) more than 50% of the total income obtained by the individual in the calendar year is from a Mexican source or (ii) when the individual's principal center of professional activities is located in Mexico. State officials or state workers will be considered residents in Mexico even if their center of vital interest is located abroad. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of tax information agreement with Mexico and where her/his income is subject to a preferential tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the fiscal year of the filing of the notice of such change of residence and during the following three fiscal years. Unless otherwise proven, a Mexican national is considered a Mexican tax resident;
- a legal entity is considered a Mexican tax resident if it maintains the main administration of its business in Mexico or if the effective location of its management is situated in Mexico. Under the Mexican tax laws, the main administration of a business or the effective location of management is deemed to exist in Mexico if the person or people having the authority to decide or execute the decisions of control, management, operation or administration are in Mexico;
- a non-resident with a permanent establishment in Mexico will be required to pay taxes in Mexico in accordance with the Mexican Income Tax Law for all income attributable to such permanent establishment; and
- a non-resident without a permanent establishment in Mexico will be required to pay taxes in Mexico in respect of revenues proceeding from sources of wealth located in national territory.

Each foreign holder should consult a tax advisor as to the particular Mexican or other tax consequences to that foreign holder of purchasing, owning and disposing of the Notes, including the applicability and effect of any state, local or foreign tax laws.

Interest

Payments of interest on the Notes (including payments of principal in excess of the issue price of the Notes, which under the Mexican Income Tax Law are deemed to be interest) made by us to a foreign holder will be subject to a Mexican withholding tax assessed at a rate of 4.9% if all of the following requirements are met:

- the Notes, as expected, are placed outside of Mexico through banks or brokerage houses, in a country with which Mexico has entered into a treaty for the avoidance of double taxation and such treaty is in force;
- regarding the Notes, as expected, the notice referred to in the second paragraph of Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Regulations Applicable to Issuers and Other Market Participants is filed with the National Banking and Securities Commission, and a copy of that notice is provided to the Mexican Tax Administration Service; we timely file with the Mexican Tax Administration Service 15 days after placement of the Notes

according to this offering circular, certain information relating to the issuance of the Notes and this offering circular; and

- we timely file with the Tax Administration Service (*Servicio de Administración Tributaria*), on a quarterly basis, information representing (a) the amount and the payment date of interest, (b) the amount of income tax withheld, and (c) that no Related Party jointly or individually, directly or indirectly, is the beneficial owner of more than 5% of the aggregate amount of each interest payment, and we maintain records that evidence compliance with this requirement.

We expect that all of the foregoing requirements will be met and, accordingly, we expect to withhold Mexican income tax from interest payments on the Notes made to foreign holders at the 4.9% rate in accordance with the Mexican Income Tax Law. In the event that any of the foregoing requirements are not met, under the Mexican Income Tax Law, payments of interest on the Notes made by us to a foreign holder will be subject to Mexican withholding tax assessed at a rate of 10% or higher, if certain other requirements are not complied with.

As of the date of this offering circular, neither the Tax Treaty nor any other tax treaty entered into by Mexico is expected generally to have any material effect on the Mexican income tax consequences described in this offering circular, because, as discussed above, it is expected that the 4.9% rate will apply in the future and, therefore, that we will be entitled to withhold taxes in connection with interest payments under the Notes at the 4.9% rate.

Foreign holders should consult their tax advisors regarding whether they reside in a country that has entered into a treaty for the avoidance of double taxation with Mexico and, if so, the conditions and requirements for obtaining benefits under that treaty. The Mexican Income Tax Law provides that in order for a foreign holder to be entitled to the benefits under a treaty entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in the Mexican Income Tax Law.

We have agreed, subject to specified exceptions and limitations, to pay Additional Amounts relating to the above-mentioned Mexican withholding taxes to foreign holders of the Notes. See "Description of the Notes—Payment of Additional Amounts."

In addition, if the effective beneficiaries, whether acting directly or indirectly, severally or jointly, with related parties receiving more than 5% of the aggregate amount of each interest payment under the Notes are (i) shareholders holding 10% or more of our voting stock, directly or indirectly, severally or jointly, with related parties, or (ii) corporations or other entities having more that 20% of their stock owned directly or indirectly, jointly or severally, by persons related to us, the Mexican withholding tax will be applied at a rate of 35%.

Principal

Under the Mexican Income Tax Law, a foreign holder will not be subject to any Mexican withholding or similar taxes on payments of principal on the Notes made by us (except for payments of principal in excess of the issue price of the Notes, which, under the Mexican Income Tax Law, are deemed to be interest subject to the Mexican withholding taxes described above).

Make-Whole Amount

Under the Mexican Income Tax Law and regulations thereunder, the payment of the Make-Whole Amount as a result of the optional redemption of the Notes, as provided in "Description of the Notes—Redemption—Optional Make-Whole Redemption," will be subject to the Mexican federal income taxes pursuant to the rules described above with respect to interest payments.

Dispositions

Under the Mexican Income Tax Law, gains resulting from the sale or disposition of the Notes by a foreign holder to a Mexican resident or to a non-resident with a permanent establishment in Mexico, will be treated as interest and, therefore, will be subject to the Mexican withholding tax rules described above. Gains resulting from the sale or other disposition of the Notes by a foreign holder to another foreign holder are not taxable in Mexico.

Acquisitions

Under the Mexican Income Tax Law, any discount received by a non-Mexican resident upon purchase of the Notes, if acquired from a Mexican resident or a non-Mexican resident with a permanent establishment in Mexico, will be treated as deemed interest income arising from a Mexican source of income and, therefore, subject to taxes in Mexico. Such interest income is calculated as the difference between the face value (plus accrued interest not yet subject to withholding) and the purchase price of such Notes. The Mexican seller must assess, collect and pay the tax on behalf of the non-resident purchaser. In such case, the applicable income tax rate would be 10%.

Other Taxes

A foreign holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to its holding of the Notes, nor will it be liable for Mexican stamp, registration or similar taxes. Gratuitous transfers of the Notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient.

PLAN OF DISTRIBUTION

BBVA Securities Inc., BofA Securities, Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc. are acting as joint book-running managers of the offering and as representatives of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering circular, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the Notes set forth opposite the initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
BBVA Securities Inc.	US$ 160,000,000
BofA Securities, Inc.	160,000,000
Citigroup Global Markets Inc.	160,000,000
J.P. Morgan Securities LLC	160,000,000
Scotia Capital (USA) Inc.	160,000,000
Total	**US$ 800,000,000**

The purchase agreement provides that the obligations of the initial purchasers to purchase the Notes are subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers must purchase all the Notes, severally and not jointly, if they purchase any of the Notes. The initial purchasers may offer and sell the notes through certain of their affiliates.

The initial purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

The Notes have not been and will not be listed on the Mexican Stock Exchange or registered with the Mexican National Securities Registry maintained by the Mexican National Banking and Securities Exchange Commission, and therefore, may not be offered or publicly or otherwise be the subject of any intermediation activity in Mexico, except that the Notes may be sold to Mexican institutional and qualified investors solely pursuant to the private placement exemption set forth in article 8 of the Mexican Securities Market Law.

In addition, until forty (40) days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions."

We have agreed that, for a period of ninety (90) days from the date of this offering circular, we will not, without the prior written consent of BBVA Securities Inc., BofA Securities, Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc., offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any U.S. dollar-denominated debt securities issued or guaranteed by us (other than the Notes).

The Notes will constitute a new class of securities with no established trading market. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price, or that an active trading market for the Notes will develop and continue after this offering. Application will be made to have the Notes listed on the Singapore Stock Exchange. The initial purchasers have advised us that currently they intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering, the initial purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of Notes than they are required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

Delivery of the Notes is expected on or about September 15, 2020, which will be the third business day following the date of pricing of the Notes, against payment for the Notes. Under Rule 15c6-1 of the Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the pricing date should consult their own advisor.

Certain of the initial purchasers or their affiliates serve as counterparties on certain of our hedging instruments, and have, from time to time, acted as underwriters in connection with issuances of our securities. In addition, some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the initial purchasers or their affiliates act as lead arrangers, joint book-runners and lenders under certain of our revolving credit facilities. As a result, certain of the initial purchasers or their affiliates may receive a portion of the proceeds from this offering.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge, and certain other of the initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such

exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in Mexico

The Notes have not been, and will not be, registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "CNBV") and, therefore, the Notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the Notes may be offered or sold in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Notice to Prospective Investors in Canada

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights, or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

Notice to Prospective Investors in Chile

The offer of the Notes is subject to General Rule No. 336 issued by the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Superintendency or "SVS"). The commencement date of this offering is the one contained in the cover pages of this offering circular. The Notes will not be registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS and will not be subject to the supervision of the SVS. As unregistered securities, we have no obligation to deliver/disclose public information about the Notes in Chile. The Notes cannot and will not be publicly offered in Chile unless registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS. If the Notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities under Chilean law.

La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros o "SVS." La fecha de inicio de la presente oferta es la indicada en la portada de este offering circular. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, y tales valores no estarán sujetos a la fiscalización de la SVS. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el

Registro de Valores Extranjeros que lleva la SVS. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la SVS, una excepción a la obligación de inscripción, o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.

Notice to Prospective Investors in the Dubai International Financial Centre

In the Dubai International Financial Centre (the "DIFC"), the Notes have not been and are not being, publicly offered, sold, promoted or advertised other than in compliance with the laws of the DIFC and applicable rules of the Dubai Financial Services Authority (the "DFSA"). No offer of the Notes shall be made to any person in or from the DIFC unless such offer is:

1) an "Exempt Offer" for the purposes of the Markets Rules ("MKT") module of the DFSA Rulebook; and

2) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Conduct of Business module of the DFSA Rulebook.

This document has not been, and will not be, filed with the DFSA or with any other authority in the DIFC and no such authority assumes any liability for its contents.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The Notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; and/or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Notice to Prospective Investors in the United Kingdom

In addition, this offering circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Order or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order (all such persons, together being "relevant persons"). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is permitted only by relevant persons and will be engaged in only with relevant persons, and each initial purchaser has complied with and will comply with all applicable provisions of the Financial Services and Markets Act (2000) ("FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This offering circular has not been approved for the purposes of Section 21 of FSMA by a person authorized under FSMA. This offering circular is being distributed and communicated to persons in the United Kingdom only in circumstances in which Section 21(1) of FSMA does not apply to us.

Notice to Prospective Investors in Hong Kong

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Notes other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue,

whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined in the Securities and Futures Ordinance, and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the FIEA) and each initial purchaser has represented and agreed that it will not offer or sell any Note, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Peru

Neither this offering circular nor the Notes have been registered with the Peruvian Securities Market Regulator (*Superintendencia del Mercado de Valores*). Accordingly, each initial purchaser has further represented and agreed, and each further initial purchaser appointed under the offering will be required to represent and agree, that it and each of its affiliates has not offered or sold, and will not offer or sell, any Notes in Peru except that they may offer Notes in circumstances which do not constitute a public offering under Peruvian laws and regulations.

The Notes will not be registered in the *Registro Público del Mercado de Valores*. As a result, the offering of the Notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Holders of the Notes are not permitted to transfer the Notes in Peru unless said transfer involves an institutional investor or the Notes are previously registered in the *Registro Público del Mercado de Valores*.

Notice to Prospective Investors in Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be, or caused to be, offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"), pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be

transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act, except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the Securities and Futures Act; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B of the Securities and Futures Act: The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

The Notes are not being offered to the public in Switzerland. Therefore, this document constitutes neither a public offer in Switzerland nor a prospectus in accordance with applicable legislation in Switzerland and may not be issued, distributed or published in Switzerland in a manner which would be deemed to constitute a public offer of the Notes in Switzerland.

TRANSFER RESTRICTIONS

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

(1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

(2) outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The Notes have not been, and will not be, registered in Mexico with the National Registry of Securities maintained by the CNBV. Accordingly, the Notes may not be offered or sold publicly or otherwise be the subject of brokerage activities in Mexico, absent an available exemption under Article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7, Second Paragraph, of the Mexican Securities Market Law and Articles 24 bis and 24 bis 1 of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*), as amended, issued by the CNBV, and for statistical and informational purposes only. Delivery to, or receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering circular. The information contained in this offering circular is solely our responsibility and has not been reviewed or authorized by the CNBV. In making an investment decision, all investors, including any Mexican investors who may acquire Notes from time to time, must rely on their own review and examination of our company and the terms of the Notes, including the merits and risks involved.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the initial purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act, or (b) a non-U.S. person that is outside the United States in reliance of Regulation S under the Securities Act.

(2) It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes, and that Notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes.

(4) It will not resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act.

(5) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(6) It acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) or exchange for interest between global notes, the holder of such Notes may be required to provide certifications relating to the manner of such transfer or qualification for exchange as provided in the Indenture.

(7) It acknowledges that the trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

(8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account, and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF INFRAESTRUCTURA ENERGÉTICA NOVA, S.A.B. DE C.V. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
>
> THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE ISSUER."
>
> THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED IN MEXICO WITH THE NATIONAL REGISTRY OF SECURITIES MAINTAINED BY THE CNBV. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD PUBLICLY OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, ABSENT AN AVAILABLE EXEMPTION UNDER ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW.

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT, PRIOR TO THE EXPIRATION

OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES."

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED IN MEXICO WITH THE NATIONAL REGISTRY OF SECURITIES MAINTAINED BY THE CNBV. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD PUBLICLY OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, ABSENT AN AVAILABLE EXEMPTION UNDER ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Book-Entry Settlement and Clearance."

ENFORCEMENT OF CIVIL LIABILITIES

As of the date of this offering circular, we are a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Most of our directors, the members of our senior management and our advisors named herein are non-residents of the United States, and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us, or to enforce against them or us in courts of any jurisdiction outside Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have appointed Corporation Service Company, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon United States federal or state securities laws. We have been advised by our special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case. See "Risk Factors—Risks Relating to the Notes—You may not be able to effect service of process on us or to enforce judgments against us in Mexican courts."

LISTING AND GENERAL INFORMATION

Clearing Systems

Application will be made to have the Notes accepted for clearance through Euroclear and Clearstream. In addition, application has been made to have the Notes accepted for trading in book-entry form by DTC. For the Rule 144A Notes, the ISIN number is US456829AC41 and the CUSIP number is 456829 AC4. For the Regulation S Notes, the ISIN number is USP56145AC23 and the CUSIP number is P56145 AC2.

Listing

We intend to apply to have the Notes listed and quoted on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained in this offering circular. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the Official List of the SGX-ST and are admitted to trading on the SGX-ST and the rules and regulations of the SGX-ST so require, copies of the following documents may be inspected and obtained free of charge at the specified office of each of us and the Listing Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- copies of our by-laws;
- each indenture, as may be amended or supplemented from time to time; and
- our published annual audited consolidated financial statements and any published interim unaudited consolidated financial statements.

We do not publish non-consolidated financial statements. To the best of our knowledge, the auditor's reports included herein have been accurately reproduced. We have appointed U.S. Bank National Association as initial Paying Agent, initial Registrar and initial Transfer Agent. We will announce through the SGX-ST any issue or certificates in definitive form in exchange for the global certificates of the Notes, including in the announcement all material information with respect to the delivery of the certificates in definitive form.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained in this offering circular. The SGX-ST is not a regulated market for purposes of Directive 2004/39/EC.

The Notes have not been, and will not be, listed in the BMV or registered with the National Securities Registry and, therefore, the Notes may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

No Material Adverse Change

Except as disclosed in this offering circular, there has been no material adverse change in our and our subsidiaries' financial position or prospects taken as a whole since December 31, 2019, which is the date of the latest audited consolidated financial statements included in this offering circular.

Litigation

Except as disclosed in this offering circular, we have not been involved in any litigation, administrative proceedings or arbitration proceedings relating to claims or amounts that are material in the context of this offering and we are not aware that any such litigation, administrative proceeding or arbitration is pending or threatened.

LEGAL MATTERS

Mijares, Angoitia, Cortés y Fuentes, S.C. will pass on certain Mexican legal matters for us in connection with this offering. Latham & Watkins LLP will pass on certain U.S. legal matters for us in connection with this offering. Creel, García-Cuéllar, Aiza y Enríquez, S.C. will pass on certain Mexican legal matters for the initial purchasers in connection with this offering. Cleary Gottlieb Steen & Hamilton LLP will pass on certain U.S. legal matters for the initial purchasers in connection with this offering.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for each of the three years ended December 31, 2019, 2018 and 2017 have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their report appearing herein.

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

Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017 and Independent Auditor's Report Dated September 4, 2020

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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.

Emphasis of Matter –Change in reportable segments

We draw attention to Note 28 to the financial statements, which describes the recasting of operating segment information reported as of and for the years ended December 31, 2019, 2018 and 2017. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.

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.

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.



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- 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.

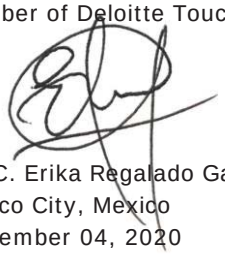
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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
September 04, 2020

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

Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	December 31, 2019	December 31, 2018	December 31, 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, 2019	December 31, 2018	December 31, 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	72,638
Due to unconsolidated affiliates	6, 24	24,471	310,696	544,217
Income tax liabilities	25	62,699	63,044	3,384
Lease current liabilities	38	2,654	—	—
Derivative financial instruments	24	15,071	10,943	41,726
Other financial liabilities	18, 24	26,218	24,720	10,372
Provisions	20	—	251	394
Other taxes payable		31,878	31,619	36,273
Carbon allowances	21	6,444	6,354	—
Other liabilities	19	33,782	28,073	19,631
Liabilities related to assets held for sale	12	—	—	62,522
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.

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

Consolidated Statements of Profit

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

	Notes	Year ended December 31, 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.

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

Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 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.

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

Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common shares	Additional paid-in capital	Treasury shares	Other comprehensive loss	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance as of December 31, 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.

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

Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Year ended December 31, 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

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 ("JV") 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 Gudalajara 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 JV 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 JV 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. ("ESJRIII") paid to the Veracruz API the remaining 50 percent of a counter-payment fee equivalent to the amount of $500.0 million Mexican Pesos ($25.9 million U. S. Dollars) for the right to build, use, leverage and benefit from the operation of the marine terminal in Veracruz, Mexico.

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

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. (Please refer to Note 39.9.).

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

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 reorganized its prior reporting segments effective first quarter 2020. The change affected neither the accounting policies nor the basis of preparation of the financial information. This change reflects how management will evaluate and review the performance of the business. Disclosures are uniformly conducted in accordance with the new segments established for 2020.The new reportable segments are Gas, Storage and Power. The aggregation criteria disclosure is described in Note 28.

The Gas segment develops, owns and operates, or holds interests in, natural gas and ethane pipelines, transportation, distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Chiapas, San Luis Potosi, Tabasco, Veracruz and Nuevo Leon, Mexico.

The Storage segment owns and operates a liquefied natural gas ("LNG") terminal in Baja California, Mexico, for importing, storing and regasifying LNG. Additionally, storage spheres of liquid petroleum gas ("LPG") in Jalisco, Mexico and a LPG pipeline in Tamaulipas, Mexico. 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, a natural gas fire power plant that includes two gas turbines and one steam turbine in Baja California, Mexico to serve customers in U.S.; and a wind farm located in Nuevo Leon, Mexico, and holds interests in a renewable energy project in a JV in Baja California, Mexico. The renewable energy projects use the solar and wind resources to serve customers in Mexico and in the U.S.

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. Storage segment does not experience seasonal fluctuation.

1.3.1. Gas segment

The Company's mainly 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. 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.

c. 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 ans 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.

d. 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.

e. 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.

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

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

GdT - San Fernando pipeline: a fully bi-directional system that is comprised of a 36 inch diameter pipeline with an approximate length of 114 Km and a capacity of 1,460 MMCFPD and two compression stations with a total of 95,670 HP. The pipeline extends from the El Caracol compression station in Reynosa, Tamaulipas to Los Indios compression station in San Fernando, Tamaulipas. 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.

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

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

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

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.

g. DEN provides operation and maintenance services to the Los Ramones II Norte pipeline system under a 25-year term agreement, starting in February 2016, the commercial operations date DEN owned 50 percent of TAG, which owned 99.99 percent of TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte"), under which the Los Ramones II Norte pipeline was built. On November 15, 2017, IEnova completed the acquisition of Pemex TRI 50 percent interest in DEN, through this acquisition IEnova increased its ownership interest in TAG from 25 percent to 50 percent. DEN became a wholly owned, consolidated subsidiary of IEnova. (Please refer to Note 11.1.).

h. *Marine pipeline.* In June 2016, IMG, the JV formed between IEnova and TC Energy, whereby TC Energy has a 60 percent interest in the partnership and IEnova 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. Storage segment

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

a. 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.

b. 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.

c. 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.

1.3.3. Power segment

The Company's mainly 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.

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.

Additional information on the Segment disclosure for the years ended on December 31, 2019, 2018 and 2017, are presented in these Consolidated Financial Statements due to the change in reportable segments. (Please refer to Note 28.).

The following inmaterial 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 and Storage 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 Insfraestructura Marina, S. de R. L. de C. V.	100.00
IEnova Gas, S. de R. L. de C. V.	100.00
IEnova Pipelines, S. de R. L. de C. V.	100.00
Gasoductos de Tamaulipas, S. de R. L. de C. V.	100.00
Gasoductos del Noreste, S. de R. L. de C. V.	100.00
Transportadora del Norte SH, S. de R. L. de C. V.	100.00
TDF, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos del Sureste, S. de R. L. de C. V.	100.00
Gasoductos Servicios Subholding, S. de R. L. de C. V.	100.00
Gasoductos Ingenieria, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos, S. de R. L. de C. V.	100.00
Gasoductos Servicios Corporativos y de Administracion, S. de R. L. de C. V.	100.00
Ductos y Energeticos del Norte, S. de R. L. de C. V.	100.00
IEnova Infraestructura Marina Holding, B. V.	100.00
IEnova Petroleum Liquids Holding, B. V.	100.00
IEnova Gasoductos Holding, LLC	100.00
Sempra Ecogas Holdings, LLC	100.00
IEnova Petroliferos Holding, S. de R. L. de C. V.	100.00
IEnova Petroliferos III, S. de R. L. de C. V.	100.00
IEnova Petroliferos IV, S. de R. L. de C. V.	100.00
IEnova Petroliferos V, S. de R.L. de C. V.	100.00
IEnova Petroliferos VI, S. de R.L. de C. V.	100.00
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 Juarez, S. de R. L. de C. V.	100.00
IEnova Ventika Holding, S. a. r. l.	100.00
IEnova Ventika Holding II, S. a. r. l.	100.00

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Company	Ownership percentage 2019
IEnova Ventika Mexico, S. de R. L. de C. V.	100.00
IEnova Ventika Mexico II, S. de R. L. de C. V.	100.00
Ventika, S. A. P. I. de C. V.	100.00
Ventika II, S. A. P. I. de C. V.	100.00
ESJ Renovable I, S. de R. L. de C. V.	90.00
ESJ Renovable II, S. de R. L. de C. V.	100.00
Ventika Energy B. V. (formerly known as IEnova Renewable Holding I, B. V.)	100.00
IEnova Midstream Holding B. V (formerly known as IEnova Renewable Holding II, B. V.)	100.00
IEnova IGP, S. A. P. I. de C. V.	100.00
IEnova 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 Fotovoltáica Border Solar Norte, S. A. de C.V.	100.00
Don Diego Solar Netherlands, B. V.	100.00
Don Diego Solar Holding, S. de R. L. de C. V.	100.00
Don Diego Solar, S. A. P. I. de C. V.	100.00
IEnova Suministro Calificado, S. de R. L. de C. V.(formerly known as BC Transmision, S. de R. L. de C. V.)	100.00
Corporate segment:	
IEnova Holdco, S. de R. L. de C. V. (formerly known as Sempra Servicios Energeticos, S. de R. L. de C. V.)	100.00
Fundacion IEnova, A. C.	100.00
Inmobiliaria IEnova, S. de R. L. de C. V.	100.00

2.4. Classification of costs and expenses

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

2.5. Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that are highly liquid and easily convertible into cash, mature within three months as of their acquisition date, and are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at 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 JV´s

A JV 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 JV 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 JV 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 JV.

When the Company's share of losses of a JV exceeds the Company's interest in that JV (which includes any long-term interests that, in substance, form part of the Company's net investment in the JV), 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 JV.

An investment in a JV is accounted for using the equity method from the date on which the investee becomes a JV. On acquisition of the investment in a JV, 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 JV. 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 JV, or when the investment is classified as held for sale. When the Company retains an interest in the former JV 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 JV 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 JV is included in the determination of the gain or loss on disposal of the JV. In addition, the Company accounts for all amounts previously recognized in OCI in relation to that JV on the same basis as would be required if that JV had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in OCI by that JV 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 JV or an investment in a JV 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 JV, 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 JV, non-realized profit and losses are eliminated at the Company's ownership percentage in the JV.

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 JV's, 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 costumer at a point in time or over time.

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

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

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

i. Storage and regasification capacity are recognized based on reservation and usage fees under terminal capacity agreements and nitrogen injection service agreements;
ii. Revenues and related costs and expenses from gas distribution and transportation are recognized when the distribution or transportation services are rendered;
iii. Revenues also include net realized gains and losses and the net change in the 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 JV's 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 Infraestructure	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			Present value of minimum lease payments		
	As of			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

	Minimum lease payments			Present value of minimum lease payments		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
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			Present of minimum lease payments		
	As of			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-IDESA to Cangrejera (Veracruz), through a 20-inch and 4 Km length pipeline. The term of the finance lease is 20.5 years.

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

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

The breakdown as of December 31, 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			Present of minimum lease payments		
	As of			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 Topolobambo marine terminals as part of lease accounting as lessee.

10. Investment in joint ventures

10.1. ESJ

The JV 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

	As of		
	12/31/19	12/31/18	12/31/17
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 JV 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

	As of		
	12/31/19	12/31/18	12/31/17
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 JV 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 JV 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 12/31/19	12/31/18	For the period 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; maturating 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 JV 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 on equity method investment.

This transaction was accounted as an asset acquisition because DEN does not meet the definition of a business, since it does not have substantive inputs or processes. DEN's most significant asset is its equity method investment in TAG, the entity that owns the Los Ramones Norte 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 Fisterra Energy Netherlands II,B.V. ("Fisterra") at a value of $5.1 million, which was renamed to Don Diego after the acquisition. Don Diego, a 125 MW solar project facility in Benjamin Hill municipality in the state of Sonora, Mexico, is comprised of a Self-Supply Permit granted by the CRE in 2016. The Self-Supply Permit allows generators to compete directly with the CFE retail tariffs and thus have access to 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
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 ("EPC") 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)

	As of 08/14/18
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

	As of 12/31/17
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

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

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
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 May19, 2017)
- Pipelines - El Empalme pipeline branch (COD on June 24, 2017)
- Pipelines - Ojinaga - El Encino (COD on June 30, 2017)

As of December 31, 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 constructions 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	—

	As of		
	12/31/19	12/31/18	12/31/17
	$ 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

	Asset retirement obligations	Others	Total
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	
Assets:	**12/31/19**	**12/31/18**
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	3/15/2024
BANOBRAS	3/15/2032
NADB	3/15/2032
BANCOMEXT	3/15/2032
NAFINSA	3/15/2032

The breakdown of the debt (including short and long-term) is as follows:

Bank	As of 12/31/19
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 eight anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of December 31, 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			

	As of		
	12/31/19	12/31/18	12/31/17
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 forecast 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 it 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.

VaR History (95%, one day) by risk type	As of 12/31/19	12/31/18	12/31/17
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 JV's

As described in Note 10.1.b. the JV 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 JV 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 JV 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:

		As of		
	Segment	**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
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
December 31, 2017						

	Weighted average effective interest rate	Less than 1 year	1-3 years	3-5 years	5+ years	Total
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:

i. 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).

ii. 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 ineffectiveness**
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 ineffectiveness**
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		
	Notional value	**Carrying amount**	**Change in fair value used for measuring ineffectiveness**
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 sale 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 Carryforwards**	**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:

	Shares		
Shareholders name	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		
	12/31/19	12/31/18	12/31/17
IEnova	$ 0.14	$ 0.14	$ 0.13

28. Segment information

28.1. Change in reportable segments

In February 2020, IEnova approved a change to its reporting segments, effective January 1, 2020, to improve visibility of each business performance, and enable the business to respond to management´s needs more effectively. Therefore, the information presented in the reportable segments as of December 31, 2019, 2018 and 2017 were recast.

Aggregation criteria:

IEnova groups its reportable segments according to the nature of the business activities, having as main starting point the interrelation of its activities in the business operations as the main relevant economic characteristic. In order to determine the aggregation of the operating segments to reportable, the nature of the products or services, the operation processes, the category of product customers and the existing regulatory framework were considered within its evaluation, and concluded from the above that the reportable segments identified by IEnova are as follows:

Gas:

The Gas segment includes IEnova assets that develop, own and operate or have an equity investment in natural gas pipelines, ethane and LPG pipelines and natural gas transportation, distribution and sales operations, in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. The aggregation criteria in this segment included the specific analysis of the distribution and transportation activities, sale of natural gas, which cannot be carried out without in the pipeline system for transportation, for which the management considers the evaluation of the performance of these activities as a whole. In addition, the operation of transportation and distribution of natural gas, ethane and LPG is regulated by CRE, which establishes the guidelines for the operation, as well as maximum rates for each service to be charged to customers, as well the authorization for the commercialization of natural gas in Mexico.

Power:

The Power segment includes three types of technology: solar, wind and combined cycle based on natural gas. Likewise, they participate in two markets; Mexico and California in the United States. In all projects, the nature of the product is electrical power energy, which is unique, regardless of the technology with which it has been generated, and the markets have similar characteristics in their operation, with certain regulatory or contractual differences, for example, for being of an export nature. As an important feature, customers in the energy sector are entities that require minimum consumption to carry out their operations regardless of the technology that produces them.

Management considers that reporting Power segment regardless of its technology, has the benefit of a natural portfolio compensation due to its diversification of technology and customers, synergies of administration and operation and similar regulations for electrical systems, among others.

Storage:

This segment includes the LNG terminal in Baja California, Mexico for the import, storage and regasification of LNG. Additionally, it includes the operations of four liquid gas storage spheres (“LPG”) in Jalisco, Mexico. The Company is developing projects for the construction of onshore and in land terminals for the receipt, storage and delivery of hydrocarbons, these terminals will be located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico. The aggregation in

this segment is based on the nature and operation of the assets, the activities are also included in the hydrocarbons law and the clients are companies authorized to commercialize those products.

The operation of the terminals will have important synergies in the forms of operation, allocation of capacity, procedures and security protocols, as well as similarities in contracts with different clients (fixed rates for capacity and variables), ensuring the expected returns of the investment in its assets. The following information is provided to assist the users of the financial statements during transition to the new segment reporting structure. The change affected neither the accounting policies nor the basis of preparation of the financial information.

The following summarizes the changes made to the reporting business segments:

1. Energia Costa Azul, S. de R.L. de C. V. ("ECA"), Transportadora del Norte SH, S. de R.L. de C.V. ("TDN") ,TDF and marine and land terminals projects have been moved from Gas segment to a new segment "Storage".

2. Servicios DGN de Chihuahua, S. de R.L. de C.V. ("SDGN"), Gasoductos Ingenieria, S. de R.L. de C.V. ("GI") Servicios de Energia Costa Azul, S. de R.L. de C.V. ("SECA"), have been moved from Gas segment to a non-reportable segment Corporate.

3. Intrasegment/intersegment eliminations are presented in a separate column together with Corporate.

The operating segment information as of December 31, 2019, 2018 and 2017 are as follows:

	2019				
	Gas	**Storage**	**Power**	**Corporate and eliminations**	**Consolidated**
External revenue	$ 894,790	$ 156,477	$ 323,131	$ 4,858	$ 1,379,256
Intercompany revenue	89,618	83,703	—	(173,321)	—
Revenue	984,408	240,180	323,131	(168,463)	1,379,256
Cost of revenue	(434,529)	(198)	(128,327)	171,961	(391,093)
Operating costs, administration and others	(124,494)	(51,408)	(37,847)	3,424	(210,325)
EBITDA	425,385	188,574	156,957	6,922	777,838
Depreciation and amortization	(66,084)	(48,298)	(42,912)	1,495	(155,799)
Operating income	359,301	140,276	114,045	8,417	622,039
Interest income					45,665
Financial costs					(132,849)
Other (loss), net					25,619
Profit before income tax and share of profits of joint ventures					560,474
Income tax expense					(132,558)
Share of profits of joint ventures					39,769
Profit of the period					$ 467,685

	2018				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 903,741	$ 153,716	$ 308,244	$ 2,854	$ 1,368,555
Intercompany revenue	114,635	83,297	—	(197,932)	—
Revenue	1,018,376	237,013	308,244	(195,078)	1,368,555
Cost of revenue	(444,942)	(175)	(137,468)	196,794	(385,791)
Operating costs, administration and others	(119,143)	(57,148)	(41,282)	3,054	(214,519)
EBITDA	454,291	179,690	129,494	4,770	768,245
Depreciation and amortization	(64,509)	(39,949)	(34,288)	1,589	(137,157)
Operating income	389,782	139,741	95,206	6,359	631,088
Interest income					27,449
Financial costs					(122,879)
Other (loss), net					8
Profit before income tax and share of profits of joint ventures					535,666
Income tax expense					(143,064)
Share of profits of joint ventures					37,984
Profit of the period					$ 430,586

	2017				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 842,304	$ 148,314	$ 229,356	$ 2,931	$ 1,222,905
Intercompany revenue	115,081	83,189	—	(198,270)	—
Revenue	957,385	231,503	229,356	(195,339)	1,222,905
Cost of revenue	(420,965)	(163)	(108,170)	197,452	(331,846)
Operating costs, administration and others	(111,968)	(46,308)	(47,036)	2,330	(202,982)
EBITDA	424,452	185,032	74,150	4,443	688,077
Depreciation and amortization	(49,900)	(39,859)	(31,125)	1,864	(119,020)
Impairment	—	—	(63,804)	—	(63,804)
Operating income	374,552	145,173	43,025	6,307	505,253
Interest income					22,808
Financial costs					(73,501)
Other (loss), net					(40,900)
Profit before income tax and share of profits of joint ventures					413,660
Income tax expense					(104,163)
Share of profits of joint ventures					44,677
Profit of the period					$ 354,174

	As of		
	12/31/19	12/31/18	12/31/17
Assets by segment:			
Gas	$ 5,795,587	$ 5,735,059	$ 5,569,420
Storage	2,126,634	1,719,083	1,438,728
Power	1,720,286	1,408,760	1,176,115
Corporate and eliminations	(90,001)	(94,305)	(20,404)
Consolidated total assets	$ 9,552,506	$ 8,768,597	$ 8,163,859
Liabilities by segment:			
Gas	$ 2,087,468	$ 2,125,645	$ 2,243,112
Storage	776,212	408,176	279,127
Power	1,193,539	929,937	758,345
Corporate and eliminations	538,050	551,089	366,688
Consolidated total liabilities	$ 4,595,269	$ 4,014,847	$ 3,647,272

28.2. Other information by segment

	Property, plant and equipment			Accumulated depreciation		
	As of			As of		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	$2,369,759	$2,251,708	$2,166,234	$ (293,055)	$ (229,834)	$ (161,694)
Storage	1,892,969	1,592,817	1,472,680	(428,554)	(389,875)	(350,964)
Power	1,402,750	1,150,247	686,195	(265,568)	(232,776)	(24,885)
Corporate and eliminations	(31,160)	(46,917)	(50,505)	(9,179)	(8,456)	(7,605)
	$5,634,318	$4,947,855	$4,274,604	$ (996,356)	$ (860,941)	$ (545,148)

	Depreciation and amortization			Additions to property, plant and equipment		
	Year ended			Year ended		
	12/31/19	12/31/18	12/31/17	12/31/19	12/31/18	12/31/17
Gas	$ 63,238	$ 62,702	$ 48,952	$ 109,494	$ 93,221	$ 204,303
Storage	46,544	39,571	39,290	287,340	125,590	1,149
Power	42,137	34,228	31,049	247,123	222,384	8,373
Corporate and eliminations	3,880	656	(271)	20,127	1,550	3,237
	$ 155,799	$ 137,157	$ 119,020	$ 664,084	$ 442,745	$ 217,062

28.3. Segment revenues

The following tables show the restated numbers from the previous operating segments disclosure:

	Revenues			
	2019			
	Previous	Storage	Other	Current
Gas	$ 1,054,218	$ (240,180)	$ 170,370	$ 984,408
Storage	—	240,180	—	240,180
Power	323,131	—	—	323,131
Corporate and eliminations	1,907	—	(170,370)	(168,463)
	$ 1,379,256			$ 1,379,256

	Revenues			
	2018			
	Previous	Storage	Other	Current
Gas	$ 1,058,535	$ (237,013)	$ 196,854	$ 1,018,376
Storage	—	237,013	—	237,013
Power	308,244	—	—	308,244
Corporate and eliminations	1,776	—	(196,854)	(195,078)
	$ 1,368,555			$ 1,368,555

	Revenues			
	2017			
	Previous	Storage	Other	Current
Gas	$ 991,690	$ (231,503)	$ 197,198	$ 957,385
Storage	—	231,503	—	231,503
Power	229,356	—	—	229,356
Corporate and eliminations	1,859	—	(197,198)	(195,339)
	$ 1,222,905			$ 1,222,905

28.4. Assets and liabilities by segment

The following tables show the restated numbers from the previous operating segments disclosure:

	Assets			
	2019			
	Previous	Storage	Other	Current
Gas	$ 7,030,018	$ (2,126,634)	$ 892,203	$ 5,795,587
Storage	—	2,126,634	—	2,126,634
Power	1,654,192	—	66,094	1,720,286
Corporate and eliminations	868,296	—	(958,297)	(90,001)
	$ 9,552,506			$ 9,552,506

	Assets			
	2018			
	Previous	Storage	Other	Current
Gas	$ 6,705,011	$ (1,719,083)	$ 749,131	$ 5,735,059
Storage	—	1,719,083	—	1,719,083
Power	1,356,815	—	51,945	1,408,760
Corporate and eliminations	706,771	—	(801,076)	(94,305)
	$ 8,768,597			$ 8,768,597

	Assets			
	2017			
	Previous	Storage	Other	Current
Gas	$ 6,425,446	$ (1,438,728)	$ 582,702	$ 5,569,420
Storage	—	1,438,728	—	1,438,728
Power	1,170,970	—	5,145	1,176,115
Corporate and eliminations	567,443	—	(587,847)	(20,404)
	$ 8,163,859			$ 8,163,859

	Liabilities			
	2019			
	Previous	Storage	Other	Current
Gas	$ 1,306,150	$ (776,212)	$ 1,557,530	$ 2,087,468
Storage	—	776,212	—	776,212
Power	690,230	—	503,309	1,193,539
Corporate and eliminations	2,598,889	—	(2,060,839)	538,050
	$ 4,595,269			$ 4,595,269

	Liabilities			
	2018			
	Previous	Storage	Other	Current
Gas	$ 1,066,774	$ (408,176)	$ 1,467,047	$ 2,125,645
Storage	—	408,176	—	408,176
Power	655,386	—	274,551	929,937
Corporate and eliminations	2,292,687	—	(1,741,598)	551,089
	$ 4,014,847			$ 4,014,847

	Liabilities			
	2018			
	Previous	Storage	Other	Current
Gas	$ 1,031,448	$ (279,127)	$ 1,490,791	$ 2,243,112
Storage	—	279,127	—	279,127
Power	652,502	—	105,843	758,345
Corporate and eliminations	1,963,322	—	(1,596,634)	366,688
	$ 3,647,272			$ 3,647,272

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, except mainly for Corporate financing.

28.5. External revenue by segment and subsegment

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)
Distribution	$ 72,880	$ 74,671	$ 114,327
Transportation	440,339	468,582	448,054
Sale of natural gas	381,571	360,488	279,923
Storage	156,477	153,716	148,314
Power	323,131	308,244	229,356
Corporate and others	4,858	2,854	2,931
Total revenues	$ 1,379,256	$ 1,368,555	$ 1,222,905

Sale of natural gas includes other operating revenues mainly comprised 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 (Recast)	
	12/31/19	12/31/18
Revenue from operations:		
Contracts with customers*	$ 818,695	$ 847,729
Leases*	190,281	180,281
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

*TDN operating lease amount was reclassified to lease line in amount of $18.6 million as of December 31, 2018.

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 (Recast)	
	12/31/2019	12/31/2018
Power generation	$ 311,193	$ 307,039
Transportation of gas*	266,337	300,730
Storage and regasification capacity*	135,686	134,970
Natural gas distribution	74,277	78,647
Administrative services	31,202	26,343
Total revenue from contracts with clients	$ 818,695	$ 847,729
Obligations met:		
Over time	$ 818,695	$ 847,729

*TDN, TDF and marine and land terminals projects have been moved from Transportation of gas segment to Storage with an impact of $42.0 and $40.7million as of December 31, 2019 and 2018, respectively as consequence of change in reportable segments.

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.

	Year ended		
	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

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)

	Year ended		
	12/31/19 (Note 12)	12/31/18 (Note 12)	12/31/17 (Note 12)
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**	**San Isidro**	**Guaymas**	**Ojianga**
	Puerto Libertad	**Guaymas**	**Samalayuca**	**El Oro**	**El Encino**
Capacity	793.1 Dth/d		1,169.02 Dth/d	525.3 Dth/d	1,396.7 Dth/d
Started Operation	10/01/2015	08/01/2015	03/31/2017	05/19/2017	06/30/2017
Zone	Sonora		Chihuahua	Sonora and Sinaloa	Chihuahua

The Company entered into a 21 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 a interruptible capacity of 80 MMCFPD with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year periods. The agreement is currently in effect with Pemex TRI.

On December 16, 2014, entered into a second natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Energia Chihuahua signed on December 21, 2012, for an interruptible capacity of 80 MMCFPD. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

On February 17, 2012, signed a service contract to LPG storage with Pemex TRI. This contract provides base storage capacity reserved of 4,470 MMCFPD to 30,000 Bbld. The contract term is 15 years with a conventional rate, which represents the rate regulated by the CRE minus 1.2 percent. This contract was given in all rights and obligations, together with all attachments to TdN, by signing an amendment agreement dated on June 18, 2012, between IEnova Pipelines, TdN and Pemex TRI.

f. ***GAP.*** In October 2012, was awarded by the CFE with two contracts to build and operate an approximately 835 Km (500 miles) natural gas pipeline network connecting the northwestern Mexican states of Sonora and Sinaloa ("Northwest gas pipeline", also known as the "Sonora Pipeline") to the U.S. interstate pipeline. The Northwest gas pipeline will comprised of two segments; the first one is for an approximate length of 505 Km, 36-inch diameter pipeline with 770 MMCFPD of transportation capacity; and the second one, is for an approximate length of 330 Km, 30-inch pipeline with 510 MMCFPD of transportation capacity. The estimated price per MMCFPD is approximately $250.0. The Company estimates the total cost of the Northwest gas pipeline will be $1.0 billion. The capacity of the Northwest gas pipeline is fully contracted by CFE under two 25-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 & Midstream, the signature of three agreements with affiliated companies of Total S. A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for the full capacity of phase 1 of the ECA 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.*** 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.

i. ***IEnova 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.

j. ***GAP Compression stations.*** During 2018, the Company entered into several contracts for the construction of the project. For the year ended December 31, 2019, the payments made from these contracts were $ 22.6 million.

Year	Amounts
2020	$ 4,367

k. ***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
Thereafter	880
	$ 3,740

l. ***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

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

m. ***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.

n. ***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

o. ***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:

Year	Amounts
2020	$ 61,014

p. ***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

q. ***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	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

r. ***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. ***VAT***

- 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, simulated 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 Gazzette 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 injuction 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 mandatories effective for an accounting period that begins on or after January 1, 2019:

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRS 3 and IFRS 11	*Business Combination and Joint Arrangements*
IAS 12	*Income Taxes*
IAS 23	*Borrowing Costs*

The adoption of the IFRS and amendments to IFRS Standards listed above did not have a material impact on the 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 being enforced:

-Amendments to IFRS 3 - *Definition of a Business*
-Amendments to IAS 1 and IAS 8 - *Definition of Material*
-IFRS 17 - *Insurance Contracts*
-Amendments to IFRS 9, IAS 39 and IFRS 7, *Financial Instruments - Interest Rate Benchmark Reform*
The Company is in processes to evaluate the possible impact of this amendments.

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 Coorporation 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 founds will be used to finance and/or refinance the construction of IEnova´s solar generation projects.

39.5. Assessment of the impact COVID-19

The outbreak of the novel coronavirus ("COVID-19") starting late January 2020 has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The pandemic has resulted in quarantines, travel restrictions and operational slowdown in locations where IEnova does business, mainly in Mexico.

With respect to the 1st quarter of 2020, the 2nd quarter has had more impact in Mexico in terms of the number of total infections and deaths related to COVID-19 of 260,000 and 31,000, respectively, according to official sources.

As soon as the pandemic was declared and the first cases became noticeable in Mexican territory, Sempra Energy, our controlling entity and IEnova took strategic guidelines to protect its employees and other stakeholders in Mexico, among which are the conformation of an "Activated Executive Crisis Management Task Force" to mitigate impacts of COVID-19 (supported by a leading infectious disease expert), the implementation of travel bans, office access restrictions and increased sanitization in working areas.

In addition, as an update on the COVID-19 outbreak in alignment with Sempra, we continuously monitor four main items:

- Workforce Protocol - We revised protocols for onsite employees; those that can work remotely continue to do so for the 2nd Quarter of 2020.

- Customer Exposure - During the 2nd Quarter of 2020, non-governmental customers continue to account for more than 50 percent of total revenues.

- Volumetric Exposure - During the 2nd Quarter of 2020, the majority of contracts with customers remain take-or-pay and U.S. dollar denominated contracts, with an average remaining life of 21 years. However, IEnova will continue evaluating 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. This could imply that our customers require additional time to pay us, which may require us to record additional allowances for doubtful accounts. As of June 30, 2020, our collection did not present recoverability issues and remains in line with the original due terms. We are continuously evaluating and working with customers to resolve any potential credit issues. As of June 30, 2020 we have not increased the allowance for doubtful accounts.

- Capital Deployment - Although we do not expect major effects such as infrastructure project cancellations, as a result of the current pandemic it's reasonable to expect some of construction cost will be deferred from the original plan these changes are not significant.

IEnova is one of the first companies without governmental investment to enter the energy infrastructure business in Mexico as described in Note 1.a. 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 has been considered "essential" by Mexican Authorities, which has allowed us to operate practically uninterrupted during this 2nd Quarter of 2020. Although the demand for electricity, natural gas, gasoline and other fuels has declined in the last quarter, mainly due to social confinement and other restrictions on mobility (similar to what was observed in the rest of the world), IEnova is expected to continue to provide energy services on a normal basis.

IEnova has enough liquidity to meet its operating costs, expenses and financial obligations. As of June 30, 2020, the Company had approximately US $1.1 billion of cash and available committed credit lines that contribute to a healthy working capital. The company has not had to lay off some employees and, also has not made salary reductions.

As of today, the COVID-19 pandemic has not had a material impact on our results of operations, however, we have observed other companies, including our current and prospective counterparties, customers and partners, as well as government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address COVID-19, and they may take further actions that alter their normal operations. These actions could result in a material reduction in cash received from our customers, which could have a material adverse effect on the cash flows, financial condition and results of operations.

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the coronavirus effects on people, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local (federal and governmental) authorities, which are beyond our control.

The Board of Directors and the management work continuously to minimize the negative impact of the COVID-19 pandemic, through crisis planning, effective communication, and cooperation.

39.6. Credit rating

On April 17, 2020, the Company, announced that Fitch downgraded IEnova´s rating to BBB / Stable from BBB+/ Stable, following the downgrade of Mexico´s sovereign to BBB-/ Stable from BBB/ Stable.

On April 21, 2020, the Company, announced that Moody's downgraded IEnova's rating to Baa2 (global scale) from Baa1 and to Aa2.mx (Mexico National Scale) from Aa1.mx. The outlook remains negative.

The rating downgrade follows the recent rating actions on the ratings and outlooks of the Government of Mexico (Baa1 negative), CFE (Baa1/Aa1.mx negative) and Petroleos Mexicanos ("PEMEX"; Ba2/A2.mx negative).

Moody's affirms that this action is balanced by IEnova's otherwise stable cash - flow profile coming from Dollar-denominated and long term take-or-pay contracts from a diverse portfolio.

39.7. Acquisition of Non-Controlling interest

On April 28, 2020, IEnova acquired additional 10 percent of participation in Tepezala solar project for an amount of $1.1 million dollars increasing its participation to 100 percent.

39.8. Changes in Energy Renewable regulation

On April 29, 2020, Mexico's CENACE issued an order that it claims would safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. IEnova's projects affected by the order filed for legal protection via amparo claims (constitutional protection lawsuit), and in June 2020, received permanent injunctive relief until the claims are resolved by the courts.

On May 15, 2020, Mexico's SENER published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. The resolution significantly changes Mexico's policy on renewable energy and includes the following key elements:

- provides non-renewable electricity generation facilities, primarily non-renewable power plants, preferential access or easier access to Mexico's national power grid, while increasing restrictions on access to the grid by renewable energy facilities;
- grants the CRE and CENACE broad authority to approve or deny permits and interconnection requests by producers of renewable energy; and

- imposes restrictive measures on the renewable energy sector, including requiring all permits and interconnection agreements to include an early termination clause in the event the renewable energy project fails to make certain additional improvements, at the request of the CRE or CENACE, in accordance with a specific schedule.

IEnova's renewable energy projects, including those in construction and in service, filed amparo claims on June 26, 2020 and received permanent injunctive relief on July 17, 2020. In addition, on June 22, 2020, COFECE, Mexico's antitrust regulator, filed a complaint with Mexico's Supreme Court against the SENER resolution. COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends indefinitely the resolution published in May 2020.

On May 28, 2020, the CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. For IEnova's renewables' facilities that are currently holders of contracts with such legacy rates, any increases in the transmission rates would be passed through directly to their customers. IEnova expects to file amparo claims for its affected facilities in the third quarter of 2020.

IEnova and other companies affected by these new orders and regulations have challenged the orders and regulations by filing amparo claims, some of which have been granted temporary or permanent injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims, the timing of which is uncertain. An unfavorable final decision on these amparo challenges may impact our ability to operate our wind and solar facilities which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

39.9. ECA LNG JV Liquefaction Export

Through a JV agreement, Sempra LNG and IEnova are developing a proposed natural gas liquefaction project at IEnova's existing ECA LNG Regasification facility. The proposed liquefaction facility project, which is planned for development in two phases (a mid-scale project referred to as ECA LNG JV Phase 1 and a large-scale project referred to as ECA LNG JV Phase 2), is being developed to provide buyers with direct access to west coast LNG supplies. The ECA LNG regasification facility currently has profitable

long-term regasification contracts for 100 percent of the regasification facility's capacity through 2028, making the decisions on whether and how to pursue the ECA LNG JV Phase 2 liquefaction project dependent, in part on, whether the investment in a large-scale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts. We do not believe that the development of ECA LNG JV Phase 1 will disrupt operations at the ECA LNG Regasification facility.

In March 2019, ECA LNG JV received two authorizations from the Department of Energy ("DOE") to export U.S.-produced natural gas to Mexico and to re-export LNG to non-USMCA countries from its ECA LNG JV Phase 1 project, a one-train natural gas liquefaction export facility with a nameplate capacity of 3.25 million tons per annum ("Mtpa") and initial offtake capacity of approximately 2.5 Mtpa, and its ECA LNG JV Phase 2 project, each of which is in development.

On February 27, 2020, we entered into an EPC contract with TechnipFMC for the engineering, procurement and construction of ECA LNG JV Phase 1. We have no obligation to move forward on the EPC contract, and we may release TechnipFMC to perform portions of the work pursuant to limited notices to proceed. We plan to fully release TechnipFMC to perform all of the work to construct ECA LNG JV Phase 1 only after we reach a final investment decision with respect to the project and after certain other conditions are met. The total price of the EPC contract for ECA LNG JV Phase 1 is estimated at approximately $1.5 billion. We estimate that capital expenditures for ECA LNG JV Phase 1 will approximate $1.9 billion, including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ, perhaps substantially, from our estimates.

In November 2018, Sempra LNG and IEnova signed Heads of Agreements with affiliates of TOTAL S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for ECA LNG JV Phase 1 in respect of LNG sales of approximately 2.5 Mtpa in the aggregate. In April 2020, ECA LNG JV executed definitive 20- year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness, including our final investment decision for the project.

We continue to work towards reaching a final investment decision for ECA LNG JV Phase 1. However, this project is contingent on the receipt of an export permit from the Mexican government.

39.10. Repurchase of shares

From the date of these financial statements to September 4, 2020, the management has approved to repurchase 30,120,871 shares for a total of $87.7 million.

39.11. ECA's force majeure notifications

In May 2020, two of the customers at the ECA regasification facility filed notices alleging that a 2019 update of the general terms and conditions for service at this facility resulted in both a force majeure and a breach of the existing contracts. IEnova has rejected the customers' allegations as meritless and the parties are engaged in discussions under the applicable upper management discussion period as part of the contractual dispute resolution procedures. During this period the customers have not made payments of the amounts payable under their respective LNG storage and regasification agreements and the Company has drawn on (and receive payments under) the letters of credit provided by the customers as payment security. If a mutual resolution is not achieved, the dispute could proceed to arbitration.

On July 23, 2020, ECA received a request for arbitration from Shell México Gas Natural, S. de R.L. de C.V. ("Shell"). As discussed before, we consider that Shell's claims are unfounded and inadmissible and we will assert its rights in the corresponding arbitration process, seeking to dismiss the counterparty's claims.

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. Juarez, C.P. 06600
  Ciudad de Mexico, Mexico.

* * * * * *

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

Condensed Interim Consolidated Financial Statements as of June 30, 2020 and for the six and three-month periods ended June 30, 2020 and 2019 (unaudited) and Independent Auditor's Review Report Dated July 22, 2020

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Ruiz Urquiza, S.C.
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Independent Auditor's Review Report to the Board of Directors and Stockholders of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries (the "Company") as of June 30, 2020, and the condensed interim consolidated statements of profit, profit and other comprehensive income, changes in stockholders' equity and cash flows for the six and three-month periods ended June 30, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Information* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our reviews.

Scope of Review

We conducted our reviews in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* issued by the International Auditing and Assurance Standards Board (*IAASB*). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter

We draw attention to Note 11 "Segment information" of the Condensed Interim Consolidated Financial Statements, which describes the change in the composition of its reportable segments, effective January 1, 2020. Our opinion is not modified in respect of this matter.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the financial position of Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries as of June 30, 2020, and its financial performance and its cash flows for the six and three-month periods ended June 30, 2020 and 2019 in accordance with IAS 34.

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

C. P. C. Erika Regalado García
July 23, 2020

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

		June 30, 2020 (unaudited)	December 31, 2019
Assets	**Notes**		
Current assets:			
Cash and cash equivalents		$ 564,891	$ 57,966
Restricted cash		33,261	30,844
Finance lease receivables	8	14,870	11,354
Trade and other receivables, net		140,462	139,407
Due from unconsolidated affiliates	3, 8	48,251	36,394
Income taxes receivable		62,173	22,061
Natural gas inventories		5,547	8,270
Derivative financial instruments	8	13,754	10,267
Value added tax receivable		150,828	132,886
Carbon allowances		6,648	6,444
Other assets		16,696	9,688
Total current assets		1,057,381	465,581
Non-current assets:			
Due from unconsolidated affiliates	3, 8	609,088	744,609
Derivative financial instruments	8	347	6,974
Finance lease receivables	8	934,118	921,270
Deferred income tax		151,113	89,898
Investments in joint ventures	4	734,134	625,802
Other assets		29,253	32,836
Property, plant and equipment, net	5	4,832,417	4,637,962
Right-of-use-assets, net		161,399	175,841
Carbon allowances		38,595	30,083
Intangible assets, net		175,964	180,867
Goodwill		1,638,091	1,638,091
Restricted cash		2,663	2,692
Total non-current assets		9,307,182	9,086,925
Total assets	11	$ 10,364,563	$ 9,552,506

(Continued)

Liabilities and Stockholder's Equity	Notes	June 30, 2020 (unaudited)	December 31, 2019
Current liabilities:			
Short-term debt	6	$ 1,607,701	$ 1,235,379
Trade and other payables		124,814	154,936
Due to unconsolidated affiliates	3	7,872	24,471
Income tax liabilities		24,929	62,699
Lease current liabilities		2,690	2,654
Derivative financial instruments	8	14,642	15,071
Other financial liabilities		24,664	26,218
Other taxes payable		33,379	31,878
Carbon allowances		6,648	6,444
Other liabilities		35,174	33,782
Total current liabilities		1,882,513	1,593,532
Non-current liabilities:			
Long-term debt	7, 8	2,078,205	1,818,331
Due to unconsolidated affiliates	3, 8	305,844	233,597
Lease non-current liabilities		79,451	101,788
Deferred income tax liabilities		648,873	565,957
Carbon allowances		37,150	29,843
Provisions		86,179	84,842
Derivative financial instruments	8	200,897	140,860
Employee benefits		10,720	9,901
Other non-current liabilities		16,768	16,618
Total non-current liabilities		3,464,087	3,001,737
Total liabilities	11	5,346,600	4,595,269
Stockholder's equity:			
Common stock	10	955,239	955,239
Additional paid-in capital		2,339,386	2,342,883
Treasury shares	10	(10,344)	—
Accumulated other comprehensive loss	8.3	(221,972)	(130,919)
Retained earnings		1,950,976	1,777,280
Total equity attributable to owners of the Company		5,013,285	4,944,483
Non-controlling interests		4,678	12,754
Total stockholders' equity		5,017,963	4,957,237
Commitments and contingencies	14, 15	—	—
Events after the reporting period	17	—	—
Total stockholders' liabilities and equity		$ 10,364,563	$ 9,552,506

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit

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

	Notes	Six-month period ended June 30, (unaudited)		Three-month period ended June 30, (unaudited)	
		2020	2019	2020	2019
		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Revenues	11, 12	$ 589,618	$ 697,293	$ 276,404	$ 316,663
Cost of revenues		(120,318)	(196,282)	(47,598)	(68,732)
Operating, administrative and other expenses		(108,589)	(103,543)	(50,126)	(51,313)
Depreciation and amortization		(80,442)	(76,411)	(39,708)	(38,848)
Interest income		32,695	15,802	14,699	7,766
Finance costs		(71,358)	(65,836)	(36,322)	(33,040)
Other (losses) gains, net	3b	(133,062)	13,668	15,205	7,014
Profit before income tax and share of profits of joint ventures	9, 11	108,544	284,691	132,554	139,510
Income tax expense	9, 11	(68,351)	(80,191)	(29,542)	(32,177)
Share of profits of joint ventures	4, 11	132,371	8,651	23,207	5,228
Profit for the period	11	$ 172,564	$ 213,151	$ 126,219	$ 112,561
Attributable to:					
Owners of the Company	13	173,696	213,177	126,917	112,572
Non-controlling interests		(1,132)	(26)	(698)	(11)
		$ 172,564	$ 213,151	$ 126,219	$ 112,561
Earnings per share:					
Basic and diluted earnings per share	13	$ 0.11	$ 0.14	$ 0.08	$ 0.07

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Six-month period ended June 30, (unaudited) 2020	Six-month period ended June 30, (unaudited) 2019	Three-month period ended June 30, (unaudited) 2020	Three-month period ended June 30, (unaudited) 2019
Profit for the period	11	$ 172,564	$ 213,151	$ 126,219	$ 112,561
Items that may be subsequently reclassified to profit or (loss):					
Loss on valuation of derivative financial instruments held for hedging purposes	8.3	(29,143)	(13,893)	(4,202)	(11,732)
Deferred income tax on the loss on valuation of derivative financial instruments held for hedging purposes		8,743	4,168	1,260	3,520
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		(40,338)	(38,163)	(9,012)	(20,851)
Deferred income tax on the loss on valuation of derivative financial instruments held for hedging purposes of joint ventures		12,102	11,449	2,704	6,255
Exchange differences on translation of foreign operations, net		(42,417)	5,723	4,513	2,864
Total items that may be subsequently reclassified to loss		(91,053)	(30,716)	(4,737)	(19,944)
Other comprehensive loss for the period		(91,053)	(30,716)	(4,737)	(19,944)
Total comprehensive income for the period		$ 81,511	$ 182,435	$ 121,482	$ 92,617
Attributable to:					
Owners of the Company		82,643	182,461	122,180	92,628
Non-controlling interests		(1,132)	(26)	(698)	(11)
		$ 81,511	$ 182,435	$ 121,482	$ 92,617

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common shares	Additional paid-in capital	Treasury shares	Other comprehensive loss	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance as of January 1, 2019		$ 963,272	$ 2,351,801	$ (7,190)	$ (104,105)	$ 1,536,662	$ 4,740,440	$ 13,310	$ 4,753,750
Profit for the period	11	—	—	—	—	213,177	213,177	(26)	213,151
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax		—	—	—	(9,725)	—	(9,725)	—	(9,725)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax		—	—	—	(26,714)	—	(26,714)	—	(26,714)
Exchange differences on translation of foreign operations, net		—	—	—	5,723	—	5,723	—	5,723
Total comprehensive income for the period		—	—	—	(30,716)	213,177	182,461	(26)	182,435
Repurchase of ordinary shares, net		—	—	(8,213)	—	—	(8,213)	—	(8,213)
Balance as of June 30, 2019 (unaudited)		$ 963,272	$ 2,351,801	$ (15,403)	$ (134,821)	$ 1,749,839	$ 4,914,688	$ 13,284	$ 4,927,972
Balance as of January 1, 2020		$ 955,239	$ 2,342,883	$ —	$ (130,919)	$ 1,777,280	$ 4,944,483	$ 12,754	$ 4,957,237
Profit for the period	11	—	—	—	—	173,696	173,696	(1,132)	172,564
Loss on valuation of derivative financial instruments held for hedging purposes, net of income tax	8.3	—	—	—	(20,400)	—	(20,400)	—	(20,400)
Loss on valuation of derivative financial instruments held for hedging purposes of joint ventures, net of income tax	4	—	—	—	(28,236)	—	(28,236)	—	(28,236)
Exchange differences on translation of foreign operations, net		—	—	—	(42,417)	—	(42,417)	—	(42,417)
Total comprehensive income for the period		—	—	—	(91,053)	173,696	82,643	(1,132)	81,511
Repurchase of ordinary shares, net	10	—	—	(10,344)	—	—	(10,344)	—	(10,344)
Acquisition of non-controlling interest	1.4, 1.7	—	(3,497)	—	—	—	(3,497)	(6,944)	(10,441)
Balance as of June 30, 2020 (unaudited)	10	$ 955,239	$ 2,339,386	$ (10,344)	$ (221,972)	$ 1,950,976	$ 5,013,285	$ 4,678	$ 5,017,963

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Six-month period ended June 30, (unaudited) 2020	Six-month period ended June 30, (unaudited) 2019	Three-month period ended June 30, (unaudited) 2020	Three-month period ended June 30, (unaudited) 2019
Cash flows from operating activities:					
Profit for the period	11	$ 172,564	$ 213,151	$ 126,219	$ 112,561
Adjustments for:					
Income tax expense	9, 11	68,351	80,191	29,542	32,177
Share of profit of joint ventures, net of income tax	4, 11	(132,371)	(8,651)	(23,207)	(5,228)
Finance costs		71,358	65,836	36,322	33,040
Interest income		(32,695)	(15,802)	(14,699)	(7,766)
Loss on disposal of property, plant and equipment		14	4,260	—	3,443
Impairment (gain) loss recognized on trade receivables		(26)	28	4	13
Depreciation and amortization		80,442	76,411	39,708	38,848
Net foreign exchange loss (gain)	3b	135,052	(14,922)	(15,609)	(5,996)
Gain on valuation of derivative financial instruments		(5,812)	(3,718)	(5,312)	(4,642)
Others		—	(95)	—	—
		356,877	396,689	172,968	196,450
Movements in working capital:					
(Increase) decrease in trade and other receivables, net		(2,456)	52,383	7,547	38,023
Decrease (increase) in natural gas inventories, net		2,723	(5,809)	(3,562)	(2,514)
(Increase) decrease in other assets, net		(29,347)	(2,666)	(21,847)	18,049
(Decrease) increase in trade and other payables, net		(19,803)	(8,024)	(13,059)	4,789
(Decrease) increase in provisions, net		(3,978)	(6,478)	(2,733)	3,058
Increase in other liabilities		10,557	11,110	13,593	9,262
Cash generated from operations		314,573	437,205	152,907	267,117
Income taxes paid		(115,417)	(74,460)	(68,948)	(48,799)
Net cash provided by operating activities		199,156	362,745	83,959	218,318

(Continued)

	Notes	Six-month period ended June 30, (unaudited) 2020	2019	Three-month period ended June 30, (unaudited) 2020	2019
Cash flows from investing activities:					
Investment in joint ventures	4	(8,525)	(2,295)	(3,525)	(2,295)
Equity reimbursement from joint ventures	4	4,328	—	—	—
Interest received		30,229	152	14,538	(8)
Acquisitions of property, plant and equipment and others		(303,025)	(253,211)	(143,262)	(172,689)
Loans granted to unconsolidated affiliates	3	(26,920)	(20,085)	(2,262)	(17,348)
Receipts of loans granted to unconsolidated affiliates	3	2,026	6,402	54	811
Net cash used in investing activities		(301,887)	(269,037)	(134,457)	(191,529)
Cash flows from financing activities:					
Acquisition of non-controlling interest		(10,441)	—	(1,102)	—
Interest paid		(66,617)	(67,189)	(22,783)	(21,082)
Loans received from unconsolidated affiliates	3	64,000	—	—	—
Proceeds from bank financing	6	1,011,000	430,883	441,000	129,642
Payments on bank lines of credit	6, 7	(343,164)	(330,760)	(328,726)	(16,894)
Lease payments	16	(5,349)	(21,168)	(2,471)	(1,517)
Payments for repurchase of shares		(10,344)	(8,213)	(10,344)	(2,311)
Net cash provided by (used in) financing activities		639,085	3,553	75,574	87,838
Increase in cash, cash equivalents and restricted cash		536,354	97,261	25,076	114,627
Cash, cash equivalents and restricted cash at the beginning of the period		91,502	78,047	564,678	79,305
Effects of exchange rate changes on cash and cash equivalents		(27,041)	(35,066)	11,061	(53,690)
Cash, cash equivalents and restricted cash at the end of the period		$ 600,815	$ 140,242	$ 600,815	$ 140,242

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

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

Notes to the Condensed Interim Consolidated Financial Statements

As of June 30, 2020 and for the six and three-month periods ended June 30, 2020 and 2019 (unaudited)
(In thousands of U.S. Dollars, except where otherwise stated)

1. Business and relevant events

a. *Business*

Infraestructura Energetica Nova, S. A. B. de C. V. and Subsidiaries (collectively, "IEnova or the Company") are located and incorporated mainly in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent") located and incorporated in the United States of America ("U. S."). The address of the Company's registered office and principal place of business is disclosed in Note 19.

The Company reorganized its prior reporting segments effective first quarter 2020. The change did not affect neither the accounting policies nor the basis of preparation of the financial information. This change reflects how the management will evaluate and review the performance of the business. Disclosures are uniformly conducted in accordance with the new segments established for 2020.The new reportable segments are Gas, Storage and Power. The aggregation criteria disclosure is described in Note 11.

The Gas segment develops, owns and operates, or holds interests in, natural gas and ethane pipelines, transportation, distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Chiapas, San Luis Potosi, Tabasco, Veracruz and Nuevo Leon, Mexico.

The Storage segment owns and operates a liquefied natural gas ("LNG") terminal in Baja California, Mexico, for importing, storing and regasifying LNG. Additionally, storage spheres of liquid petroleum gas ("LPG") in Jalisco, Mexico and a LPG pipeline in Tamaulipas, Mexico. 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, a natural gas fire power plant that includes two gas turbines and one steam turbine in Baja California, Mexico to serve customers in U.S.; and 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 solar and wind resources to serve customers in Mexico and in the U.S.

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. Storage segment does not experience seasonal fluctuation.

b. *Relevant events*

1.1. Guaymas - El Oro Pipeline

On May 15, 2020, the Guaymas - El Oro contract's suspension term was extended until September 15, 2020.

1.2. ICM Ventures Holdings B.V. ("ICM") Equity Increase

On January 23, 2020, IEnova made an equity contribution to ICM for an amount of $3.3 million dollars.

1.3. 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 $241.0 million dollars. This long-term financing was agreed and the funds were received in June 2020.

On March 26, 2020, the Company entered into a 15-year credit facility for $100.0 million dollars with Japan International Cooperation Agency ("JICA").

These facilities are part of the financing structure that the Company closed in November 2019, with the International Finance Corporation ("IFC") and North American Development Bank ("NADB").

The funds are used to finance and/or refinance the construction of IEnova´s solar generation projects.

1.4. Acquisition of Non-Controlling interest

On March 27, 2020, IEnova acquired 8,239,437 additional shares (with a nominal value $1 U.S. Dollar per share) of ICM for an amount of $9.3 million dollars increasing its participation to 82.5 percent.

1.5. Assessment of the impact COVID 19

The outbreak of the novel coronavirus ("COVID-19") starting from late January 2020 has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The pandemic has resulted in quarantines, travel restrictions and operational slowdown in locations where IEnova does business, mainly in Mexico.

With respect to the 1st quarter of 2020, the 2nd quarter has had more impact in Mexico in terms of the number of infections and deaths from COVID-19, 260,000 and 31,000 (total), respectively, according to official sources.

As soon as the pandemic was declared and the first cases became noticeable in Mexican territory, Sempra Energy, our controlling entity and IEnova took strategic guidelines to protect its employees and other stakeholders in Mexico, among which are the conformation of an "Activated Executive Crisis Management Task Force" to mitigate impacts of COVID-19 (supported by a leading infectious disease expert), the implementation of travel bans, office access restrictions and increased sanitization in working areas.

In addition, as an update on the COVID-19 outbreak in alignment with Sempra, we continuously monitor four main items:

- Workforce Protocol - We revised protocols for onsite employees; those that can work remotely continue to do so for the 2nd Quarter of 2020.

- Customer Exposure - During the 2nd Quarter of 2020, non-governmental customers continue to account for more than 50 percent of total revenues.

- Volumetric Exposure - During the 2nd Quarter of 2020, the majority of contracts with customers remain take-or-pay and U.S. dollar denominated contracts, with an average remaining life of 21 years. However, IEnova will continue evaluating 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. This could imply that our customers require additional time to pay us, which may require us to record additional allowances for doubtful accounts. As of June 30, 2020, our collection did not present recoverability issues and remains in line with the original

due terms. We are continuously evaluating and working with customers to resolve any potential credit issues. As of June 30, 2020 we have not increased the allowance for doubtful accounts.

- Capital Deployment - Although we do not expect major effects such as infrastructure project cancellations, as a result of the current pandemic it's reasonable to expect some of construction cost will be deferred from the original plan these changes are not significant.

IEnova is one of the first companies without governmental investment to enter the energy infrastructure business in Mexico as described in Note 1.a. 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 has been considered "essential" by Mexican Authorities, which has allowed us to operate practically uninterrupted during this 2nd Quarter of 2020. Although the demand for electricity, natural gas, gasoline and other fuels has declined in the last quarter, mainly due to social confinement and other restrictions on mobility (similar to what was observed in the rest of the world), IEnova is expected to continue to provide energy services on a normal basis.

IEnova has enough liquidity to meet its operating costs, expenses and financial obligations. As of June 30, 2020, the Company had approximately US $1.1 billion of cash and available committed credit lines that contribute to a healthy working capital. The company has not had to lay off some employees and, also has not made salary reductions.

As of today, the COVID-19 pandemic has not had a material impact on our results of operations, however, we have observed other companies, including our current and prospective counterparties, customers and partners, as well as government, including our regulators and other governing bodies that affect our business, taking precautionary and preemptive actions to address COVID-19, and they may take further actions that alter their normal operations. These actions could result in a material reduction in cash received from our customers, which could have a material adverse effect on the cash flows, financial condition and results of operations.

The full extent to which COVID-19 may impact the Company's results of operations or liquidity is uncertain, and could depend on upcoming developments about a vaccine or approved medications that help treat the coronavirus effects on people, on new information that may emerge regarding the duration and severity of the COVID-19 pandemic, and on the actions taken by local (federal and governmental) authorities, which are beyond our control.

The Board of Directors and the management work continuously to minimize the negative impact of the COVID-19 pandemic, through crisis planning, effective communication, and cooperation.

1.6 Credit rating

On April 17, 2020, the Company, announced that Fitch downgraded IEnova´s rating to BBB / Stable from BBB+/ Stable, following the downgrade of Mexico´s sovereign to BBB-/ Stable from BBB/ Stable.

On April 21, 2020, the Company, announced that Moody's downgraded IEnova's rating to Baa2 (global scale) from Baa1 and to Aa2.mx (Mexico National Scale) from Aa1.mx. The outlook remains negative.

The rating downgrade follows the recent rating actions on the ratings and outlooks of the Government of Mexico (Baa1 negative), Comision Federal de Electricidad ("CFE"; Baa1/Aa1.mx negative) and Petroleos Mexicanos ("PEMEX"; Ba2/A2.mx negative).

Moody's affirms that this action is balanced by IEnova's otherwise stable cash - flow profile coming from Dollar-denominated and long term take-or-pay contracts from a diverse portfolio.

1.7 Acquisition of Non-Controlling interest

On April 28, 2020, IEnova acquired additional 10 percent of participation in Tepezala solar project for an amount of $1.1 million dollars increasing its participation to 100 percent.

1.8 Changes in Energy Renewable regulation

On April 29, 2020, Mexico's CENACE issued an order that it claims would safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. IEnova's projects affected by the order filed for legal protection via amparo claims (constitutional protection lawsuit), and in June 2020, received permanent injunctive relief until the claims are resolved by the courts.

On May 15, 2020, Mexico's SENER published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. The resolution significantly changes Mexico's policy on renewable energy and includes the following key elements:

- provides non-renewable electricity generation facilities, primarily non-renewable power plants, preferential access or easier access to Mexico's national power grid, while increasing restrictions on access to the grid by renewable energy facilities;
- grants the CRE and CENACE broad authority to approve or deny permits and interconnection requests by producers of renewable energy; and
- imposes restrictive measures on the renewable energy sector, including requiring all permits and interconnection agreements to include an early termination clause in the event the renewable energy project fails to make certain additional improvements, at the request of the CRE or CENACE, in accordance with a specific schedule.

IEnova's renewable energy projects, including those in construction and in service, filed amparo claims on June 26, 2020 and received permanent injunctive relief on July 17, 2020. In addition, on June 22, 2020, COFECE, Mexico's antitrust regulator, filed a complaint with Mexico's Supreme Court against the SENER resolution. COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends indefinitely the resolution published in May 2020.

On May 28, 2020, the CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. For IEnova's renewables' facilities that are currently holders of contracts with such legacy rates, any increases in the transmission rates would be passed through directly to their customers. IEnova expects to file amparo claims for its affected facilities in the third quarter of 2020.

IEnova and other companies affected by these new orders and regulations have challenged the orders and regulations by filing amparo claims, some of which have been granted temporary or permanent injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims, the timing of which is uncertain. An unfavorable final decision on these amparo challenges may impact our ability to operate our wind and solar facilities which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

1.9 ECA LNG Joint Venture ("JV") Liquefaction Export

Through a JV agreement, Sempra LNG and IEnova are developing a proposed natural gas liquefaction project at IEnova's existing ECA LNG Regasification facility. The proposed liquefaction facility project, which is planned for development in two phases (a mid-scale project referred to as ECA LNG JV Phase 1 and a large-scale project referred to as ECA LNG JV Phase 2), is being developed to provide buyers with direct access to west coast LNG supplies. The ECA LNG regasification facility

currently has profitable long-term regasification contracts for 100 percent of the regasification facility's capacity through 2028, making the decisions on whether and how to pursue the ECA LNG JV Phase 2 liquefaction project dependent, in part on, whether the investment in a large-scale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts. We do not believe that the development of ECA LNG JV Phase 1 will disrupt operations at the ECA LNG Regasification facility.

In March 2019, ECA LNG JV received two authorizations from the Department of Energy ("DOE") to export U.S.-produced natural gas to Mexico and to re-export LNG to non-USMCA countries from its ECA LNG JV Phase 1 project, a one-train natural gas liquefaction export facility with a nameplate capacity of 3.25 million tons per annum ("Mtpa") and initial offtake capacity of approximately 2.5 Mtpa, and its ECA LNG JV Phase 2 project, each of which is in development.

On February 27, 2020, we entered into an Engineering Procurement Construction ("EPC") contract with TechnipFMC for the engineering, procurement and construction of ECA LNG JV Phase 1. We have no obligation to move forward on the EPC contract, and we may release TechnipFMC to perform portions of the work pursuant to limited notices to proceed. We plan to fully release TechnipFMC to perform all of the work to construct ECA LNG JV Phase 1 only after we reach a final investment decision with respect to the project and after certain other conditions are met. The total price of the EPC contract for ECA LNG JV Phase 1 is estimated at approximately $1.5 billion. We estimate that capital expenditures for ECA LNG JV Phase 1 will approximate $1.9 billion, including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ, perhaps substantially, from our estimates.

In November 2018, Sempra LNG and IEnova signed Heads of Agreements with affiliates of TOTAL S.A., Mitsui & Co., Ltd. and Tokyo Gas Co., Ltd. for ECA LNG JV Phase 1 in respect of LNG sales of approximately 2.5 Mtpa in the aggregate. In April 2020, ECA LNG JV executed definitive 20-year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness, including our final investment decision for the project.

We continue to work towards reaching a final investment decision for ECA LNG JV Phase 1. However, this project is contingent on the receipt of an export permit from the Mexican government.

2. Significant accounting policies

a. *Statement of compliance*

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

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

Therefore, the Condensed Interim Consolidated Financial Statements information should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2019, which were prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

b. *Basis of preparation*

The same accounting policies, presentation and methods of computation followed in the preparation of the Company's annual Consolidated Financial Statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020, were followed for these Condensed Interim Consolidated Financial Statements. (Please refer to Note 16).

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Condensed Interim Consolidated Financial Statements of the Company.

Comparative information

The Condensed Interim Consolidated Financial Statements provide comparative information with respect to the previous period. The Company presents additional information at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the Consolidated Financial Statements. (Please refer to Note 11).

The Condensed Interim 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.

3. Transactions and balances with unconsolidated affiliates

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

a. *Transactions and balances with unconsolidated affiliates*

During the six and three-month periods ended June 30, 2020 and 2019, respectively, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Sempra Gas & Power Marketing, LLC ("SG&PM")	$ 66,993	$ 104,114	$ 35,159	$ 30,538
Sempra LNG International, LLC ("SLNGI")	53,894	49,792	27,187	27,141
Tag Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte")	13,083	12,681	6,543	6,410
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	1,717	854	948	476
Sempra North American Infraestructure, LLC ("Sempra Infraestructure")	1,098	—	549	—
ECA Liquefaction, S. de R. L. de C.V. ("ECAL")	1,027	699	441	453
Sempra International, LLC ("Sempra International")	904	831	417	424
Tag Norte Holding, S. de R. L. de C. V. ("TAG")	370	340	185	340
Southern California Gas Company ("SoCalGas")	39	405	39	62
ECA LNG Services, S. A. P. I. de C. V. ("ECAL Services")	1	—	—	—
ECA Minority, S. de R. L. de C.V. ("ECAM")	1	—	—	—
ECA Operator, S. A. P. I. de C. V. ("ECAOp")	1	—	—	—

	Cost of revenues and operating, administrative and other expenses			
	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
SLNGI	$ 60,159	$ 115,247	$ 28,111	$ 37,425
SG&PM	49,615	65,787	21,221	20,654
Sempra Infrastructure	2,684	2,754	1,356	1,386
SoCalGas	1,414	1,230	757	625
Pxise Energy Solutions, LLC ("Pxise")	251	1,111	98	745
Sempra Energy Holding, XI. B. V. ("SEH")	62	72	31	43
San Diego Gas & Electric Company ("SDGE")	12	—	—	—
Sempra International	(78)	2,333	957	1,468

The transactions include an administrative services benefit from affiliates of $(0.1) million and administrative services from affiliates $2.4 million for the six-month period ended June 30, 2020 and 2019, respectively and $1.0 million and $1.5 million for the three-month period ended June 30, 2020 and 2019, respectively, which were paid and have been properly distributed to the segments incurring those costs.

	Interest income			
	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Infraestructura Marina del Golfo, S. de R. L. de C. V. ("IMG")	$ 30,845	$ 14,066	$ 13,873	$ 7,139
Energia Sierra Juarez, S. de R. L. de C. V. ("ESJ")	276	36	144	—
Sempra Global, LLC ("SEG")	52	42	26	22
ECAL	—	13	—	11

	Finance cost			
	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
TAG	$ 4,509	$ —	$ 2,254	$ —
TAG Pipelines Norte	2,527	1,160	1,300	505
Sempra Energy International Holding NV ("SEI NV")	591	786	272	385
Inversiones Sempra Limitada ("ISL")	—	2,971	—	1,467
Peruvian Opportunity Company, S. A. C. ("POC")	—	1,843	—	900

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

	Amounts due from unconsolidated affiliates (current)	
	As of	
	06/30/20	12/31/19
ESJ (i)	$ 24,960	$ —
SG&PM	13,709	30,581
Sempra Infraestructure	3,407	2,349
TAG Pipelines Norte	2,666	2,524
IMG	2,122	—
SESJ	634	575
SLNGI	483	—
ECAL	141	295
TAG	73	70
Sempra International	44	—
SoCalGas	9	—
ECAM	1	—
ECAOp	1	—
ECAL Services	1	—
	$ 48,251	$ 36,394

New loans or amendments as of 2020:

i. On January 31, 2020, IEnova entered into a $35.0 million U.S. Dollar-denominated affiliate credit facility with ESJ, to finance working capital and for general corporate purposes. All principal, interest and other amounts under this Note shall be due and payable on June 30, 2020, at one-month London Interbank Offered Rate ("LIBOR") plus 1.96 percent per annum.

   On June 30, 2020, the Company signed an addendum modifying the contract's terms extending the maturity to December 31, 2020.

	Amounts due to unconsolidated affiliates (current)	
	As of	
	06/30/20	12/31/19
SG&PM	$ 7,503	$ 13,343
SoCalGas	305	227
ECAL	52	—
SDGE	12	—
SLNGI	—	10,525
Pxise	—	235
Sempra International	—	136
SEH	—	5
	$ 7,872	$ 24,471

b. ***Due from unconsolidated affiliates***

	As of	
	06/30/20	**12/31/19**
IMG (i)	$ 605,930	$ 741,816
SEG	3,158	2,793
	$ 609,088	$ 744,609

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 of which is March 15, 2022. The applicable interest rate is the Mexican Interbank Interest Rate ("TIIE") at 91 days plus 220 basis points ("BPS") accruing to outstanding principal quarterly.

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

As of June 30, 2020, the outstanding balance amounts to $13,967.9 million Mexican Pesos, including $2,521.5 million Mexican Pesos of accrued interest. During the period of Six months this loan decreased approximately in $133.0 million as a result of the increase in the exchange rate as it is denominated in Mexican Pesos. However, this impact is compensated with the gain recognized through its equity method investment in joint venture IMG. (See Note 4.2).

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

c. ***Due to unconsolidated affiliates (non-current)***

	As of	
	06/30/20	**12/31/19**
TAG	$ 161,059	$ 155,769
TAG Pipelines Norte (i)	106,325	39,368
SEI NV	38,460	38,460
	$ 305,844	$ 233,597

i. On January 9, 2020, Ductos y Energeticos del Norte, S. de R. L. de C. V. ("DEN") entered into a $64.0 million U.S. Dollar-denominated affiliate credit facility with TAG Pipelines Norte, to finance working capital and general business purposes. The credit facility has a four year term. Interest on the outstanding balance is payable annually at 5.50 percent per annum.

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

Total compensation expense of key management personnel was $13.5 and $9.2 million for the six-month periods ended June 30, 2020 and 2019, respectively, and $1.3 and $1.2 million for the three-month periods ended June 30, 2020 and 2019, respectively.

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

4. Investment in joint ventures

4.1. ESJ

The JV formed between IEnova and IG Sierra Juarez, S. de R.L. de C.V. ("Saavi Energia"), started operations in June 2015. As of June 30, 2020 and 2019, the Company's 50 percent interest in ESJ is accounted for under the equity method.

	As of	
	06/30/20	12/31/19
Total members' equity	$ 29,534	$ 42,496
Share of members' equity	$ 14,767	$ 21,248
Goodwill	12,121	12,121
Carrying amount of investment in ESJ	$ 26,888	$ 33,369

On February 28, 2020, pursuant to a resolution in the General Ordinary Shareholders' Meeting it was resolved to reduce the equity in the amount of $8,656.0 of which 50 percent corresponds to IEnova.

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

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Revenues	$ 25,573	$ 28,126	$ 13,906	$ 14,449
Operating, administrative and other expenses	(10,048)	(13,135)	(5,027)	(6,562)
Finance costs	(7,033)	(7,037)	(3,601)	(3,513)
Other (losses) gains, net	(842)	45	73	21
Income tax expense	(1,646)	(3,069)	(1,328)	(1,596)
Profit for the period	$ 6,004	$ 4,930	$ 4,023	$ 2,799
Share of profit of ESJ	$ 3,002	$ 2,465	$ 2,012	$ 1,399

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

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

The credit facilities bear interest at LIBOR plus the applicable margin, as follows:

Years	LIBOR applicable margin
June 2019 - June 2023	2.625%
June 2023 - June 2027	2.875%
June 2027 - June 2031	3.125%
June 2031 - June 2033	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion dated June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding as of June 30, 2020, is as follows:

	Debt balance
Mizuho	$ 41,914
SMBC	41,914
NORD/LB	41,914
NAFINSA	30,484
NADB	30,484
	$ 186,710

b. ***Interest rate swaps.*** To partially mitigate its exposure to interest rate changes associated with the loan, ESJ entered into floating-to-fixed interest rate swaps for 90 percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014, and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were entered into to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

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

4.2. IMG

IMG is a JV formed between IEnova and TC Energy Corporate ("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 had reached commercial operations

As of June 30, 2020 and 2019, the Company's 40 percent interest in IMG is accounted for under the equity method.

	As of	
	06/30/20	12/31/19
Total members' equity	$ 964,224	$ 673,012
Share of members' equity	$ 385,690	$ 269,205
Guarantees (b)	5,018	5,018
Remeasurement of interest rate and others (c)	(71,221)	(70,390)
Share of member's equity and carrying amount of investment in IMG	$ 319,487	$ 203,833

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

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Revenue	$ 244,169	$ —	$ 122,328	$ —
Operating, administrative and other expenses	(58,047)	—	(26,786)	—
Finance costs	(79,287)	(90)	(36,232)	(64)
Other gains (losses), net *	327,724	(40,196)	(36,089)	(16,922)

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Income tax (expense) benefit	(147,929)	6,602	(1,098)	4,103
Profit (loss) for the period	$ 286,630	$ (33,684)	$ 22,123	$ (12,883)
Share of profit (loss) of IMG	114,652	(13,474)	8,849	(5,153)
Other adjustments	1,002	—	502	—
Share of profit (loss) of IMG adjusted	$ 115,654	$ (13,474)	$ 9,351	$ (5,153)

* Includes a foreign exchange impact mainly related to the Mexican Peso-denominated inter-affiliate loan granted by the Company and TC Energy to IMG for the proportionate share of the project financing. In the Condensed Interim Consolidated Statements of Profit, in the "Other gains (losses), net" line item, a corresponding foreign exchange gain (loss) which fully offsets the aforementioned effect, is included. (Gain related to the loan with IEnova was $133.0 million)

a. ***Project financing for the IMG project.*** As of June 30, 2020, and 2019, the project resources for the design and construction of the marine pipeline have been funded with capital contributions and loans of its members.

On April 21, 2017, IMG entered into two revolving credit agreements with IEnova and TC Energy, parent entities, for $9,041.9 million Mexican Pesos and $13,513.1 million Mexican Pesos, respectively.

On December 6, 2017, IEnova and TC Energy renegotiated the credit line of such credit facility agreements for an amount up to $14,167.9 and $21,252.1 million Mexican Pesos, respectively. The loans accrue an annual interest rate of TIIE plus 220 BPS. Outstanding balance as of June 30, 2020, with IEnova is $13,919.1 million Mexican Pesos.

On March 23, 2018, IMG entered into a $300.0 million revolving credit facility with Scotiabank Inverlat, S.A. ("Scotiabank"), which can be disbursed in U. S. Dollar or Mexican Pesos, to fund Value Added Tax ("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 180 BPS for U. S. Dollar or TIIE plus 135 BPS for Mexican Pesos per annum.

b. ***Guarantees.*** IEnova and TC Energy have each provided guarantees to third parties associated with the construction of IMG's Sur de Texas-Tuxpan natural gas marine pipeline. IEnova's share of potential exposure of the guarantees was estimated to be $5.0 million and terminated upon completion of all guaranteed obligations. The guarantees had terms that expired in July 2019.

c. ***Remeasurement of interest rate.*** As of June 30, 2019, the adjusted amount in the interest income for the loan between IEnova and IMG was $7.3 million, derived from the difference in the capitalized interest rates of projects under construction per contract, the loan accrued interest at TIIE rate plus 220 BPS, 10.6 percent as of June 30, 2019; while the financing of the resources used by IEnova accrued interest at an average rate of 4.1 percent as of June 30, 2019. The COD was in September 17, 2019 and interest capitalization stopped at this date.

4.3. TAG (a Subsidiary of DEN)

TAG, together with TAG Pipelines Norte, a JV between IEnova and Brookfield, owns Los Ramones Norte II pipeline, which began operations in February 2016.

As of June 30, 2020, and 2019, the interest in TAG is accounted for under the equity method.

	As of	
	06/30/20	12/31/19
Total members' equity	$ 486,550	$ 500,160
Share of members' equity and carrying amount of investment in TAG	$ 243,275	$ 250,080
Goodwill	99,020	99,020
Total amount of the investment in TAG	$ 342,295	$ 349,100

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

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Revenues	$ 106,145	$ 106,088	$ 52,277	$ 52,887
Operating, administrative and other expenses	(15,590)	(17,610)	(7,952)	(8,950)
Finance costs	(22,045)	(28,129)	(12,192)	(14,054)
Other (losses) gains, net	(3,215)	1,671	2,178	(306)
Income tax expense	(32,743)	(22,120)	(8,346)	(11,305)
Profit for the period	$ 32,552	$ 39,900	$ 25,965	$ 18,272
Share of profit of TAG	$ 16,276	$ 19,950	$ 12,983	$ 9,136

a. ***TAG Project financing***. On December 19, 2014, TAG entered into a credit agreement with Banco Santander (Mexico), S. A. ("Santander") as lender, administrative agent and collateral agent, with the purpose of financing the engineering, procurement, construction and commissioning of a gas pipeline.

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

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

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 June 30, 2020, the total outstanding loan is $999.1 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 a 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 limit dividend payments, loans and obtaining additional financing. TAG met such covenants as of June 30, 2020.

Long-term debt due dates are as follows:

Year	Amount
2020	$ 20
2021	39
2022	45
2023	48
Thereafter	847
Total	$ 999

The payment of the bonds is semiannually and will be made as follows:

Year	Amount
2020	$ 6
2021	8
2022	9
2023	9
Thereafter	296
Total	$ 328

b. ***Interest rate swaps***. In November 2015, TAG contracted derivative financial 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 US Dollars for a portion of the project´s revenues for 2020; maturating from March 2020 through February 2021.

4.4. ECA LNG Holdings B.V.

In February 2019, ECAL and ECAM, (formerly IEnova´s subsidiaries) were deconsolidated. The new parent ECA LNG Holdings B. V. is an investment between IEnova and SLNGEL (50 percent each) (Please refer to Note 1.9).

As of June 30, 2020, the Company's 50 percent interest in ECAL is accounted for under the equity method. ECAL's Condensed Interim Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

	As of	
	06/30/20	12/31/19
Total members' equity	$ 90,928	$ 78,999
Carrying amount of investment in ECAL	$ 45,464	$ 39,500

On June 3 and February 18, 2020, the Company made capital contributions for $3.5 and $5.0 million, respectively.

ECAL´s Condensed Interim Consolidated Statements of Loss are as follows:

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Operating, administrative and other expenses	$ (6,067)	$ (624)	$ (3,245)	$ (260)
Other (losses) gain	60	(146)	390	(147)
Interest gain (losses), net	56	1	9	3
Income tax benefit	829	189	571	96
Loss for the period	$ (5,122)	$ (580)	$ (2,275)	$ (308)
Share of loss of ECAL	$ (2,561)	$ (290)	$ (1,139)	$ (154)

5. Property, plant and equipment, net

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

	As of 06/30/20	12/31/19
Liquid terminals (i)	$ 532,828	$ 365,045
Solar projects (ii)	240,470	169,972
Pipelines and Compression station projects (iii)	157,895	139,923
Other projects	28,475	26,451
	$ 959,668	$ 701,391

The additions to property, plant and equipment during 2020 and 2019, are mainly comprised of construction in process, related to:

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

On April 1, 2019, management declared the completion of the construction and COD of the Pima Solar project.

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.

Borrowing costs. During the six-month periods ended June 30, 2020, and 2019, the Company capitalized interest attributable to the construction in progress in the amount of $14.0 and $10.8 million, respectively.

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization were 3.2 and 4.1 percent, for the six-month periods ended June 30, 2020 and 2019, respectively.

6. Short-term debt

Short-term debt includes:

	As of 06/30/20	12/31/19
Credit agreements (a)	$ 1,544,001	$ 1,174,068
Current portion of IEnova Pipelines S. de R. L de C. V. ("IEnova Pipelines") Bank Loan (Please refer Note 7.d.)	42,412	41,186
Current portion of Ventika´s I, S. A. P. I. de C. V. and Ventika´s II, S. A. P. I. de C. V. ("Ventika") Bank Loan (Please refer Note 7.b.)	26,265	25,665
Multilateral Facility (Please refer Note 7.h. j.)	419	588
Trina Solar Holdings, B. V. ("Trina Solar") (Please refer Note 7.f.)	—	231
	$ 1,613,097	$ 1,241,738
Borrowing costs of credit agreement	(5,396)	(6,359)
	$ 1,607,701	$ 1,235,379

a. *Credit agreements*

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

As of June 30, 2020, the Company has made withdrawals of $1,264.0 million.

As of December 31, 2019, the Company made withdrawals of $990.0 million and payments of $904.0 million.

As of June 30, 2020 and December 31, 2019, the available unused credit portion was $236.0 million and $606.0 million, respectively.

The weighted average interest rate on short-term debt with SMBC was 2.25 percent during the six-month periods ended June 30, 2020.

Bank of Nova Scotia ("BNS"). On September 23, 2019, the Company entered into a two-year, $280.0 million revolving credit agreement with BNS. As of June 30, 2020, 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 or 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.

Scotiabank. On March 9, 2020, the Company withdrew $100.0 million from its uncommitted Working Capital Facility with Scotiabank, the maturity was on June 8, 2020, with a variable interest rate at month LIBOR plus 30 BPS, on this date, the maturity date was extended to July 8, 2020. The loan was prepaid on June 26, 2020.

7. Long-term debt

Long-term debt includes:

	As of	
	06/30/20	12/31/19
Senior Notes (a)	$ 840,000	$ 840,000
Santander – Ventika Mexico (b)	389,484	401,764
Debt securities ("CEBURES") at fixed rate (e, g)	169,776	206,949
Multilateral Facility (h, j)	541,000	200,000
BBVA Bancomer S. A. ("BBVA") – IEnova Pipelines (d)	177,353	198,759
Trina Solar (f)	—	11,190
	$ 2,117,613	$ 1,858,662
Debt issuance costs	(39,408)	(40,331)
	$ 2,078,205	$ 1,818,331

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	3/15/2024
BANOBRAS	3/15/2032
NADB	3/15/2032
BANCOMEXT	3/15/2032
NAFINSA	3/15/2032

The breakdown of the debt (including short and long-term) is as follows:

Bank	As of 06/30/20
NADB	$ 131,499
BANOBRAS	84,430
Santander	68,320
NAFINSA	65,750
BANCOMEXT	65,750
	$ 415,749

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 92.0 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. ***BBVA - IEnova Pipelines.*** On December 5, 2013, IEnova Pipelines signed a credit contract with Bancomer as agent and Deutsche Bank Mexico, Fiduciary Division, as fiduciary. The amount of the loan was for $475.4 million, the proceeds will be used to develop IEnova Pipelines projects.

The four participating credit institutions are Bancomer with a 50.0 percent contribution, The Bank of Tokyo Mitsubishi ("Bank of Tokyo") with 20.0 percent, Mizuho with 15.0 percent and NORD/LB with 15.0 percent.

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

The loan bears an interest at LIBOR plus 2.0 percent per year until the fifth anniversary, LIBOR plus 2.25 percent from the fifth to the eight anniversary, LIBOR plus 2.50 percent from the eighth to twelfth anniversary and LIBOR plus 2.75 percent from the thirteenth anniversary until maturity.

As of June 30, 2020, the debt (including short and long-term) matures as follows:

Year	Amount
2020	$ 21,493
2021	68,281
2022	50,450
Thereafter	79,541
	$ 219,765

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

Covenants arising from the credit require the following:

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

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

ii. Maintain an interest ratio of at least 2.5 to 1 on a consolidated basis (Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") to interest) for the payment of interest.

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

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

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

e. ***CEBURES.*** On February 14, 2013, the Company entered into two public debt issuances of CEBURES as follows:

i. The first placement was for $306.2 million ($3,900.0 million of historical Mexican Pesos), bearing interest at a fixed rate of 6.3 percent, with semi-annual payments of interest, maturing in 2023.

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

On April 28, 2020, the Company made the repayment of the loan including interest accrued at this date.

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 a fixed rate in Mexican Pesos for a fixed rate in U. S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U. S. Dollars for this swap is 4.12 percent.

As of June 30, 2020, the swap's total notional value is $306.2 million ($3,900.0 million historical Mexican Pesos). The contract has been designated as cash flow hedge.

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 of 15 years. The loan bears interest at LIBOR plus 2.25 percent per year until maturity.

On June 10, 2020, the Company signed the First Amended and Restated Common Terms Agreement by and among the Borrower IFC, NADB, JICA and DFC.

On June 10, 2020, the Company entered into a 15-year financing with DFC for up to $241.0 million dollars. This transaction is part of the financing structure that the company closed in November 2019, with IFC, a member of the World Bank Group, and NADB.

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 5, 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 for as cash flow hedge. The fixed contracted interest rate is 1.78 percent.

j. ***JICA Long-term credit.*** On March 26, 2020, the Company entered into a15-year credit facility for US $100.0 million with JICA. This transaction is part of the financing structure that the company closed in November 2019, with IFC, a member of the World Bank Group, and NADB.

Funds was disbursed on April 13, 2020 and integrated into those granted last year by IFC and NADB to finance and/or refinance the construction of the Company solar generation project portfolio. The fixed contracted interest rate is 0.88 percent.

k. ***Interest rate swap of JICA Long-term credit***. To partially mitigate its exposure to interest rate changes associated with the JICA Long-term credit, IEnova entered into floating-to-fixed interest rate swaps for 100 percent of the loan. The outstanding interest rate swap assigned to BBVA with a trade date of March 27, 2020, and an effective date of April 13, 2020, 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 for as cash flow hedge. The fixed contracted interest rate is 0.88 percent.

8. Financial instruments

a. *Foreign currency exchange rate*

Exchange rates in effect on June 30, 2020, December 31, 2019 and July 22, 2020, were as follows:

	Mexican Pesos		
	06/30/20	**12/31/19**	**07/22/20**
One U. S. Dollar	$ 22.9715	$ 18.8452	$ 22.3597

b. ***Fair value ("FV") of financial instruments***

8.1. 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 Condensed Interim Consolidated Financial Statements approximate their FV´s.

	As of			
	06/30/20		12/31/19	
	Carrying Amount	FV	Carrying Amount	FV
Financial assets				
Financial lease receivables	$ 948,988	$ 1,400,000	$ 932,624	$ 1,308,000
Due from unconsolidated affiliates	657,339	687,242	781,003	823,757
Financial liabilities				
Long-term debt (traded in stock exchange)	980,434	975,450	1,016,697	1,010,330
Loans from banks long-term	1,097,771	1,113,056	790,444	756,411
Loans from unconsolidated affiliates (Long-term)	305,844	297,626	233,597	228,578
Loans from associate (Long-term)	—	—	11,190	10,848

8.2. Valuation techniques and assumptions applied for the purposes of measuring FV

The FV of financial assets and financial liabilities are determined as follows:

i. The FV of finance lease receivable 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).

ii. 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 the present value is adjusted to reflect the Company's own credit risk. (Level 2).

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).

8.3. FV measurements recognized in the Condensed Interim Consolidated Statements of Financial Position

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

A 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 in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit risk when measuring its liabilities at 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:

i. 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.

ii. 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 the reporting date, either directly or indirectly.

iii. 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 than 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 Level 2 in the FV hierarchy as shown below:

	As of	
	06/30/20	**12/31/19**
Financial instruments assets at FV through profit or loss ("FVTPL")		
Derivative financial instrument assets (Level 2)	$ 14,101	$ 17,241
Derivative financial instrument liabilities at FVTPL		
Derivative financial instrument liabilities (Level 2) (i)	$ 215,539	$ 155,931

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.

i. The change in the liability position is driving due to the fluctuation on forward curve Peso- US Dollar mainly in the Cross-Currency Swaps, this effect is recorded as Cash Flow Hedge on the OCI, net of deferred taxes.

9. Income taxes

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

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

Income tax for the six and three-month periods ended June 30, 2020 and 2019, are reconciled to the profit as follows:

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Profit before income tax and share of profits of joint ventures	$ 108,544	$ 284,691	$ 132,554	$ 139,510
Income tax expense calculated at 30%	(32,563)	(85,407)	(39,766)	(41,853)
Effects of foreign exchange rate (i)	146,279	(19,508)	(14,993)	(8,120)
Effects of inflation adjustment (iii)	(5,185)	(1,158)	(164)	840
Effect of unused tax losses not recognized as deferred income tax asset	7,487	(1,552)	(1,298)	(687)
Effects of foreign exchange rate and inflation on the tax basis of property, plant and equipment, net and unused tax losses (ii)	(190,620)	14,821	23,358	4,768
Tax incentive (iv)	8,346	11,560	4,164	11,560
Other	(2,095)	1,053	(843)	1,315
Income tax expense recognized in the Condensed Interim Consolidated Statements of Profit	$ (68,351)	$ (80,191)	$ (29,542)	$ (32,177)

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

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

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

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

iv. 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.

v. Tax Reform ("The Reform") was published in the Official Gazette on November 25 and December 9, 2019. Most of the Reform went into effect on January 1, 2020. The most relevant modifications to the Mexican Tax Law are summarized below:

a. ***Income Tax***

- The Reform establishes for taxpayers with interest expense over $20.0 million Mexican Pesos 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.

b. ***VAT***

- 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.

c. ***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 Base Erosion and Profits Shifting ("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 assessed 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 Condensed Interim Consolidated Financial Statements as of June 30, 2020, that there were no significant impacts as of that date. However, the Company 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 on the application of the 2020 Tax Reform.

10. Stockholders' equity

During the Company's General Shareholders' Meeting on June 14, 2018, the formation of a repurchase fund of the Company's own shares for a maximum amount of $250.0 million was approved. This repurchase fund was reestablished in the General Shareholders Meeting on April 30, 2020 per an amount of $500.0 million.

As of June 30, 2020 the Company repurchased 3,694,156 shares for a total of $10.3 million.

		As of June 30, 2020 (Mexican Pesos)			
Company stockholder's	Number of shares	Fixed shares	Variable shares	Total	Total shares in USD
Semco Holdco, S . de R . L . de C .V . ("SEMCO")	1,019,038,312	$ 50,000	$ 10,190,333,120	$10,190,383,120	$ 751,825
Private investors	510,365,500	—	5,066,713,440	5,066,713,440	203,414
	1,529,403,812	$ 50,000	$ 15,257,046,560	$15,257,096,560	$ 955,239

		As of 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

11. Segment information

11.1. Change in reportable segments

In February 2020, IEnova approved a change to its reporting segments, effective January 1, 2020, to improve visibility of each business performance, and enable the business to respond to management´s needs more effectively.

Aggregation criteria:

IEnova groups its reportable segments according to the nature of the business activities, having as main starting point the interrelation of its activities in the business operations as the main relevant economic characteristic. In order to determine the aggregation of the operating segments to reportable, the nature of the products or services, the operation processes, the category of product customers and the existing regulatory framework were considered within its evaluation, and concluded from the above that the reportable segments identified by IEnova are as follows:

Gas:

The Gas segment includes IEnova assets that develop, own and operate or have an equity investment in natural gas pipelines, ethane and LPG pipelines and natural gas transportation, distribution and sales operations, in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo Leon and Jalisco, Mexico. The aggregation criteria in this segment included the specific analysis of the distribution and transportation activities, sale of natural gas, which cannot be carried out without in the pipeline system for transportation, for which the management considers the evaluation of the performance of these activities as a whole. In addition, the operation of transportation and distribution of natural gas, ethane and LPG is regulated by CRE, which establishes the guidelines for the operation, as well as maximum rates for each service to be charged to customers, as well the authorization for the commercialization of natural gas in Mexico.

Power:

The Power segment includes three types of technology, solar, wind and combined cycle based on natural gas. Likewise, they participate in two markets, Mexico and California in the United States. In all projects, the nature of the product is electrical power energy, which is unique, regardless of the technology with which it has been generated, and the markets have similar characteristics in their operation, with certain regulatory or contractual differences, for example, for being of an export nature. As an important feature, customers in the energy sector are entities that require minimum consumption to carry out their operations regardless of the technology that produces them.

Management considers that reporting Power segment regardless of its technology, has the benefit of a natural portfolio compensation due to its diversification of technology and customers, synergies of administration and operation and similar regulations for electrical systems, among others.

Storage:

This segment includes the LNG terminal in Baja California, Mexico for the import, storage and regasification of LNG. Additionally, it includes the operations of four liquid gas storage spheres ("LPG") in Jalisco, Mexico. The Company is developing projects for the construction of onshore and in land terminals for the receipt, storage and delivery of hydrocarbons, these terminals will be located in Veracruz, Estado de Mexico, Puebla, Baja California, Sinaloa, Colima and Jalisco, Mexico. The aggregation in this segment is based on the nature and operation of the assets, the activities are also included in the hydrocarbons law and the clients are companies authorized to commercialize those products.

The operation of the terminals will have important synergies in the forms of operation, allocation of capacity, procedures and security protocols, as well as similarities in contracts with different clients (fixed rates for capacity and variables), ensuring the expected returns of the investment in its assets.

The following information is provided to assist the users of the financial statements during transition to the new segment reporting structure. The change did not affect neither the accounting policies nor the preparation basis of the financial information.

The following summarizes the changes made to the reporting business segments:

1. Energia Costa Azul, S. de R.L. de C. V. ("ECA"), Transportadora del Norte SH, S. de R.L. de C.V. ("TDN") ,TDF and marine and land terminals projects have been moved from Gas segment to a new segment "Storage".

2. Servicios DGN de Chihuahua, S. de R.L. de C.V. ("SDGN"), Gasoductos Ingenieria, S. de R.L. de C.V. ("GI") Servicios de Energia Costa Azul, S. de R.L. de C.V. ("SECA"), have been moved from Gas segment to a non-reportable segment Corporate.

3. Intrasegment/intersegment eliminations are presented in a separate column.

The operating segment information for the six-month periods ended June 30, 2020 and 2019 are as follows:

	Six-month period ended June 30, 2020				
	Gas	**Storage**	**Power**	**Corporate and eliminations**	**Consolidated**
External revenue	$ 378,461	$ 79,445	$ 126,960	$ 4,752	$ 589,618
Intercompany revenue	23,281	41,647	—	(64,928)	—
Revenue	401,742	121,092	126,960	(60,176)	589,618
Cost of revenue	(141,232)	(113)	(43,343)	64,370	(120,318)
Operating costs, administration and others	(54,616)	(26,444)	(24,358)	(3,171)	(108,589)
EBITDA	205,894	94,535	59,259	1,023	360,711
Depreciation and amortization	(32,646)	(23,405)	(23,503)	(888)	(80,442)
Operating income	173,248	71,130	35,756	135	280,269
Interest income					32,695
Financial costs					(71,358)
Other (loss), net					(133,062)
Profit before income tax and share of profits of joint ventures					108,544
Income tax expense					(68,351)
Share of profits of joint ventures					132,371
Profit of the period					$ 172,564

	Six-month period ended June 30, 2019 (Restated)				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 463,690	$ 76,882	$ 154,316	$ 2,405	$ 697,293
Intercompany revenue	44,004	41,210	2	(85,216)	—
Revenue	507,694	118,092	154,318	(82,811)	697,293
Cost of revenue	(218,849)	(128)	(61,967)	84,662	(196,282)
Operating costs, administration and others	(63,546)	(26,063)	(17,038)	3,104	(103,543)
EBITDA	225,299	91,901	75,313	4,955	397,468
Depreciation and amortization	(31,505)	(23,224)	(19,866)	(1,816)	(76,411)
Operating income	193,794	68,677	55,447	3,139	321,057
Interest income					15,802
Financial costs					(65,836)
Other gains, net					13,668
Profit before income tax and share of profits of joint ventures					284,691
Income tax expense					(80,191)
Share of profits of joint ventures					8,651
Profit of the period					$ 213,151

	Three months ended June 30, 2020				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 179,491	$ 40,106	$ 54,429	$ 2,378	$ 276,404
Intercompany revenue	7,663	20,749	—	(28,412)	—
Revenue	187,154	60,855	54,429	(26,034)	276,404
Cost of revenue	(61,077)	(44)	(14,415)	27,938	(47,598)
Operating costs, administration and others	(24,513)	(13,505)	(12,085)	(23)	(50,126)
EBITDA	101,564	47,306	27,929	1,881	178,680
Depreciation and amortization	(16,630)	(11,575)	(11,811)	308	(39,708)
Operating income	84,934	35,731	16,118	2,189	138,972
Interest income					14,699
Financial costs					(36,322)
Other gains, net					15,205
Profit before income tax and share of profits of joint ventures					132,554
Income tax expense					(29,542)
Share of profits of joint ventures					23,207
Profit of the period					$ 126,219

	Three months ended June 30, 2019 (Restated)				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
External revenue	$ 206,718	$ 38,759	$ 69,514	$ 1,672	$ 316,663
Intercompany revenue	11,014	20,749	3	(31,766)	—
Revenue	217,732	59,508	69,517	(30,094)	316,663
Cost of revenue	(79,988)	(17)	(19,841)	31,114	(68,732)
Operating costs, administration and others	(33,525)	(13,981)	(8,310)	4,503	(51,313)
EBITDA	104,219	45,510	41,366	5,523	196,618
Depreciation and amortization	(15,734)	(11,629)	(10,549)	(936)	(38,848)
Operating income	88,485	33,881	30,817	4,587	157,770
Interest income					7,766
Financial costs					(33,040)
Other gains, net					7,014
Profit before income tax and share of profits of joint ventures					139,510
Income tax expense					(32,177)
Share of profits of joint ventures					5,228
Profit of the period					$ 112,561

	As of June 30, 2020				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
Assets	$ 5,933,760	$ 2,286,947	$ 1,799,624	$ 344,232	$10,364,563
Liabilities	$ 2,160,146	$ 968,652	$ 1,277,568	$ 940,234	$ 5,346,600

	As of December 31, 2019 (Restated)				
	Gas	Storage	Power	Corporate and eliminations	Consolidated
Assets	$ 5,795,587	$ 2,126,634	$ 1,720,286	$ (90,001)	$ 9,552,506
Liabilities	$ 2,087,468	$ 776,212	$ 1,193,539	$ 538,050	$ 4,595,269

11.2. Segment revenues

The following tables show the restated numbers from the previous operating segments disclosure:

	Revenues			
	Six - month period ended 06/30/19			
	Previous	Storage	Other	Current
Gas	$ 542,041	$ (118,092)	$ 83,745	$ 507,694
Storage	—	118,092	—	118,092
Power	154,318	—	—	154,318
Corporate and eliminations	934	—	(83,745)	(82,811)
	$ 697,293			$ 697,293

	Revenues			
	Three - month period ended 06/30/19			
	Previous	Storage	Other	Current
Gas	$ 246,722	$ (59,508)	$ 30,518	$ 217,732
Storage	—	59,508	—	59,508
Power	69,517	—	—	69,517
Corporate and eliminations	424	—	(30,518)	(30,094)
	$ 316,663			$ 316,663

11.3. Assets and liabilities by segment

	Assets by segment			
	As of 12/31/19			
	Previous	Storage	Other	Current
Gas	$ 7,030,018	$ (2,126,634)	$ 892,203	$ 5,795,587
Storage	—	2,126,634		2,126,634
Power	1,654,192	—	66,094	1,720,286
Corporate and eliminations	868,296	—	(958,297)	(90,001)
	$ 9,552,506			$ 9,552,506

	Liabilities by segment			
	As of 12/31/19			
	Previous	Storage	Other	Current
Gas	$ 1,306,150	$ (776,212)	$ 1,557,530	$ 2,087,468
Storage	—	776,212	—	776,212
Power	690,230	—	503,309	1,193,539
Corporate and eliminations	2,598,889	—	(2,060,839)	538,050
	$ 4,595,269			$ 4,595,269

11.4. External revenue by segment and subsegment

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Distribution	$ 30,516	$ 41,969	$ 10,188	$ 16,047
Transport	214,421	227,533	104,072	113,083
Sale of natural gas	133,524	194,188	65,231	77,588
Storage	79,445	76,882	40,106	38,759
Power	126,960	154,316	54,429	69,514
Corporate and others	4,752	2,405	2,378	1,672
	$ 589,618	$ 697,293	$ 276,404	$ 316,663

12. Revenues

12.1. Distribution by type of revenues

The following table shows the distribution by type of revenue shown in the Condensed Interim Consolidated Statements of Profit for the six and three-month periods ended on June 30, 2020 and 2019:

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Revenue from operations:				
Contracts with customers	$ 366,416	$ 419,087	$ 169,069	$ 190,717
Leases	90,734	85,695	41,751	42,765
Derivatives	35,555	52,464	18,186	25,921
Others - Sale of natural gas	43,019	90,255	20,211	30,119
Other revenue - Non IFRS 15	53,894	49,792	27,187	27,141
Total revenue	$ 589,618	$ 697,293	$ 276,404	$ 316,663

12.2. Disaggregation of revenues from contracts with customers

Following is a breakdown of revenues from contracts with clients by revenue stream and date on which obligations are met for the six and three-month periods ended on June 30, 2020 and 2019:

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Power generation	$ 117,906	$ 142,625	$ 51,060	$ 57,197
Transportation of gas	123,444	144,368	61,337	63,788
Storage and regasification capacity	76,779	77,124	38,080	49,157
Natural gas distribution	30,086	39,587	9,759	12,755
Administrative services	18,201	15,383	8,833	7,820
Total revenue from contracts with clients	$ 366,416	$ 419,087	$ 169,069	$ 190,717
Obligations met:				
Over time	$ 366,416	$ 419,087	$ 169,069	$ 190,717

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

13. Earnings per share

13.1. Basic earnings per share

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Basic and diluted earnings per share	$ 0.11	$ 0.14	$ 0.08	$ 0.07

13.2. Basic and diluted earnings per share

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

	Six-month period ended		Three-month period ended	
	06/30/20	06/30/19	06/30/20	06/30/19
Earnings used in the calculation of basic and diluted earnings per share	$ 173,696	$ 213,177	$ 126,917	$ 112,572
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,528,723,583	1,539,598,745	1,528,343,354	1,535,531,834

The Company does not have potentially diluted shares.

14. Commitments

Material commitments of the Company are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2019, except for the following:

a. ***Don Diego Solar project***. During 2020 the Company entered into several contracts for the construction of the project. During the six-month period ended June 30, 2020 payments under these contracts were $1.5 million. Net future payments under these contracts commitments are as follows:

Year	Amounts
2020	$ 489

b. ***DEN.*** During 2020 the Company entered into several maintenance contracts for the project. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 331
2021	364
2022	470
Total	$ 1,165

c. ***ECA.*** During 2020 the Company entered into several contracts for control room video wall and corrosion service. During the six-month period ended June 30, 2020 payments under these contracts were $0.1 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 621
2021	876
2022	744
Thereafter	77
Total	$ 2,318

d. ***GDT.*** During 2020 the Company entered into several contracts for Turbocharger PK-191 replacement at Caracol Station, Turbine PK-171 replacement at Los Indios Station, Turbocharger PK-172 maintenance and major inspection . Net future payments under this contractual commitment is as follows:

Year	Amounts
2020	$ 4,033
2021	7,124
2022	941
Total	12,098

e. ***Puebla in-land project.*** During 2020 the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2020 payments under these contracts were $0.6 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 2,684

f. ***Topolobampo terminal project.*** During 2020 the Company entered into a contract for soil reinforcement on tanks area construction. Net future payments under this contractual commitments is as follows:

Year	Amounts
2020	$ 3,518

g. ***Veracruz marine terminal project*****.** During 2020 the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2020 payments under these contracts were $3.8 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 1,986

h. ***Valle De Mexico project*** **.** During 2020 the Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2020 payments under these contracts were $0.3 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 2,386

i. ***Manzanillo terminal project.*** e Company entered into several contracts for the project's construction. During the six-month period ended June 30, 2020 payments under these contracts were $0.9 million. Net future payments under these contractual commitments are as follows:

Year	Amounts
2020	$ 1,207

j. ***TDN.*** During 2020 the Company entered into a contract for Facilities Maintenance. Net future payments under this contractual commitment is as follows:

Year	Amounts
2020	$ 231
2021	252
2022	252
Thereafter	22
Total	$ 757

k. ***TDF.*** During 2020 the Company entered into a contract for the supply and commissioning of a chromatograph in TDF. Net future payments under these contractual commitments is as follows:

Year	Amounts
2020	$ 3,150

l. ***Gasoducto de Ingenieria.*** During 2020 the Company entered into two agreements with CEMEX, for transfering rights to the management agreement Ventika and Ventika II . Net future payments under these contractual commitments is as follows:

Year	Amounts
2020	$ 2,500
2021	2,500
Total	$ 5,000

15. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the Consolidated Financial Statements for the year ended December 31, 2019, except for the following:

a. 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.

b. 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. Which process continues.

c. 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.

d. Federal Injunction case number 603/2018 at the 9th District Court with residence in Ensenada, Baja Californis filed by Bajamar Homeowners Association, against the permits issued by the federal government, to build and operate a natural gas liquefaction terminal. ECA was recently served. The constitutional hearing was set for February 24, 2020. The Judge denied the definitive suspension of the acts claimed, which was appealed by the plaintiff. The Collegiate Court granted the suspension. A counter-guarantee was requested, so that the suspension is null and void, which was denied by the Judge, and we will appeal said refusal which will be resolved in approximately 2 months.

e. Amparo lawsuit filed on February 12, 2020 by IEnova Marketing, S. de R.L. de C.V. ("IEnova Marketing"), ECAL, Ecogas Mexico, S. de R.L. de C.V. and Termoelectrica de Mexicali, S. de R.L. de C.V., 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 Gazzette of the State on December 31, 2019. On May 1, 2020, the Baja California Congress derogated this tax, as of the date of these Condensed Interim Consolidated Financial Statements it is no longer applicable. Based on the foregoing, the Company is waiting for the final resolution of the amparo to be issued by the corresponding Courts.

f. In May 2020, two of the customers at the ECA regasification facility filed notices alleging that a 2019 update of the general terms and conditions for service at this facility resulted in both a force majeure and a breach of the existing contracts. IEnova has rejected the customers' allegations as meritless and the parties are engaged in discussions under the applicable upper management discussion period as part of the contractual dispute resolution procedures. During this period the customers have not made payments of the amounts payable under their respective LNG storage and regasification agreements and the Company has drawn on (and receive payments under) the letters of credit provided by the customers as payment security. If a mutual resolution is not achieved, the dispute could proceed to arbitration.

16. Application of new and revised IFRS

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

The accounting policies adopted in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those followed in the preparation of the Company´s Annual Consolidated Financial Statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Condensed Interim Consolidated Financial Statements of the Company.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The Company is in the processes of evaluating the possible impact of these amendments.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the Financial Statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the Company.

b. ***New and revised IFRSs issued but not yet effective***

The Company has not applied the following new and revised IFRS that have been issued but have not being enforced:

-IFRS 17 - *Insurance Contracts*
-Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

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

17. Events after the reporting period

17.1. Repurchase of shares

From the date of these financial statements to July 22, 2020, the management has approved to repurchase 3,942,650 shares for a total of $11.4 million.

18. Approval of financial statements

The Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by Manuela Molina Peralta, Chief Financial Officer on July 22, 2020 and subject to the approval of the Ordinary General Shareholders' Meeting and Board of Directors.

19. Main registered office

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