2017
FOURTH QUARTER RESULTS

Ticker BMV: IENOVA
Mexico City, February 20, 2018

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

Executive Summary

(thousands of US$, except percentages)	Three months ended December 31, 2017	Three months ended December 31, 2016	% Var.	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016	% Var.
	(unaudited)			(audited)		
Adjusted EBITDA *	$ 182,347	$ 161,245	13%	$ 758,639	$ 504,021	51 %
Profit for the period	$ 36,728	$ 27,533	33%	$ 354,174	$ 754,990	(53)%
Revenues	$ 294,306	$ 251,611	17%	$ 1,166,526	$ 717,894	62 %

* Twelve-month figures are audited, except Adjusted EBITDA.

- In the fourth quarter of 2017, Adjusted EBITDA increased 13 percent to $182.3 million, compared with $161.2 million in the same period of 2016. The increase of $21.1 million was mainly due to the acquisition of the Ventika wind power generation facility in December 2016, higher operational results at the Termoeléctrica de Mexicali power plant, the November 2017 acquisition of an additional 25 percent of Los Ramones Norte pipeline, and the start of operations of the Ojinaga – El Encino, San Isidro - Samalayuca and Empalme lateral pipelines. This increase was partially offset by operating, administrative and other expenses from the start of operations of the Guaymas – El Oro and San Isidro – Samalayuca pipelines.
- In 2017, Adjusted EBITDA increased 51 percent to $758.6 million, compared with $504.0 million in 2016. The increase of $254.6 million was mainly due to the acquisitions of Gasoductos de Chihuahua and Ventika, the start of operations of four pipelines, and the acquisition of an additional 25 percent of Los Ramones Norte pipeline.
- In the fourth quarter of 2017, profit was $36.7 million, up 33 percent from $27.5 million in the same period of 2016. The increase of $9.2 million was mainly due to lower income tax expense, higher share of profits of joint ventures, and higher operational results at the Termoeléctrica de Mexicali power plant. This increase was partially offset by exchange rate effects, and operating, administrative and other expenses from the start of operations of the Guaymas – El Oro, Ojinaga – El Encino, and San Isidro – Samalayuca pipelines.
- In 2017, profit was $418.0 million, up 135 percent from $177.7 million in 2016. These figures exclude the non-cash after-tax impairment charges of $63.8 million in 2017 and $95.8 million in 2016 related to the Termoeléctrica de Mexicali power plant and the non-cash gain of $673.1 million related to the remeasurement to fair value of the previously held 50 percent interest in Gasoductos de Chihuahua in 2016. The increase of $240.3 million was mainly due to the acquisition of Gasoductos de Chihuahua, lower income tax expense, the start of operations of four pipelines, the acquisition of Ventika, and higher operational results at the Termoeléctrica de Mexicali power plant. This increase was partially offset by exchange rate effects.
- In the fourth quarter of 2017, revenues were $294.3 million, compared with $251.6 million in the same period of 2016. The increase of $42.7 million was mainly due to higher natural gas sales volume and weighted average prices, the acquisition of Ventika, and the start of operations of new pipelines.

- In 2017, revenues were $1,166.5 million, compared with $717.9 million in 2016. The increase of $448.6 million was mainly due to revenues related to the acquisitions of Gasoductos de Chihuahua and Ventika, the start of operations of new pipelines, and higher weighted average natural gas prices and higher volume sold.
- In 2017 and early 2018, the Company executed the following transactions for a total value of approximately $3 billion:
    - In March 2017, the Company executed a 20-year contract for the supply of clean energy that will be generated by a new 110 megawatt (MW) photovoltaic solar power plant that will be located in Caborca, Sonora, with an estimated total investment of $115 million. The Company will be responsible for the construction, financing, operation, and maintenance of the Pima Solar plant, which will allocate 100 percent of its capacity to DeAcero.
    - In July 2017, the Company was awarded the public tender issued by the Integral Port Administration (API) of Veracruz, for the construction and operation of a marine terminal for the receipt, storage and delivery of hydrocarbons, primarily gasoline, diesel, and jet fuel. The terminal will be built in the new Port of Veracruz with a capacity of approximately 1,400,000 barrels. It is expected to begin operations during the second half of 2018.

      In August 2017, the Company executed a contract with a subsidiary of Valero Energy Corporation for the storage capacity at the new Veracruz marine terminal and Puebla and Mexico City terminals. These refined products storage contracts are long-term, firm capacity, and U.S. dollar denominated. The estimated investment is $155 million for Veracruz and a total of $120 million for the two additional storage terminals. It is expected that the two in-land terminals will start operations in the first half of 2019.
    - In November 2017, the Company closed the acquisition of the remaining 50 percent of the capital stock of Ductos y Energéticos del Norte from Pemex Transformación Industrial. The transaction value is $547 million. It is comprised of (i) the price paid for the assignment of Ductos y Energéticos del Norte's capital stock and the liquidation of certain shareholder loans of $258 million, and (ii) the proportional amount of Los Ramones Norte pipeline project financing of $289 million. This debt is not consolidated on the Company's financial statements. As a result of the acquisition, the Company increased its ownership in Los Ramones Norte pipeline from 25 percent to 50 percent.
    - In November 2017, the Company executed a 20-year fixed payment per megawatt-hour power purchase agreement with San Diego Gas & Electric Company. The contract will be supplied through a new wind power generation facility that will be located in Tecate, Baja California. The project will have a capacity of 108 MW and will require an investment of approximately $150 million. The development of this project is subject to receipt of regulatory approvals and other authorizations.
    - In December 2017, the Company successfully completed its $840 million international senior note offerings, comprised of $300 million aggregate principal amount of the Company's 3.750% Senior Notes due 2028 and $540 million aggregate principal amount of the Company's 4.875% Senior Notes due 2048. The Senior Notes received an investment grade rating from Fitch (BBB+), Moody's (Baa1) and Standard & Poor's (BBB). The Company used the net proceeds from the offering to repay outstanding short-term indebtedness and for general corporate purposes.
    - In January 2018, the Company announced the execution of a standby letter of credit facility and reimbursement agreement, up to an amount equivalent to $1 billion, in order to make more efficient and standardize the process for the issuance of standby letters of credit requested by governmental

entities or third parties. The bank syndicate is Banco Nacional de México, Sumitomo Mitsui Banking Corporation, BBVA Bancomer, Scotiabank Inverlat, Mizuho, BNP Paribas and Santander. The facility will be in effect for five years. The letter of credit facility and the related standby letters of credit do not constitute the Company's debt.

- As a result of these transactions, the Company's total assets increased more than $1 billion, from $7 billion as of December 2016 to $8 billion as of December 2017.

Results of Operations

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

Condensed Consolidated Statements of Profit

(thousands of US$)	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
	(unaudited)		(audited)	
Revenues	$ 294,306	$ 251,611	$ 1,166,526	$ 717,894
Cost of revenues	(83,610)	(61,955)	(303,462)	(237,789)
Operating, administrative, and other expenses	(54,171)	(40,590)	(176,793)	(104,754)
Depreciation and amortization	(33,112)	(21,394)	(119,020)	(64,384)
Financing cost, net	(13,631)	(7,067)	(50,097)	(14,567)
Other (losses) gains, net	(39,787)	4,314	(41,590)	2,168
Remeasurement of equity method investment (1)	—	—	—	673,071
Profit before income tax and share of profits of joint ventures	**69,995**	**124,919**	**475,564**	**971,639**
Income tax expense	(58,270)	(89,868)	(109,663)	(147,158)
Share of profits of joint ventures, net of income tax	18,303	2,400	44,677	42,841
Profit for the period from continuing operations	**30,028**	**37,451**	**410,578**	**867,322**
Profit (loss) for the period from discontinued operations, net of income tax (2)	6,700	(9,918)	(56,404)	(112,332)
Profit for the period	**$ 36,728**	**$ 27,533**	**$ 354,174**	**$ 754,990**

(1) In 2016, the non-cash gain of $673.1 million is related to the remeasurement to fair value of our previously held 50 percent interest in Gasoductos de Chihuahua.

(2) The Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant; accordingly, its financial results are presented as discontinued operations. These results include non-cash, after-tax impairment charges of $63.8 million in 2017 and $95.8 million in 2016.

Segment Information

Segment information is presented after eliminating inter-company transactions.

Profit before Income Tax and Share of Profits of Joint Ventures

	Three months ended December 31,		Twelve months ended December 31,	
(thousands of US$)	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Gas Segment	$ 113,304	$ 134,933	$ 526,383	$ 1,009,953
Power Segment	(175)	(1,120)	21,323	(1,120)
Corporate	(43,134)	(8,894)	(72,142)	(37,194)
	$ 69,995	**$ 124,919**	**$ 475,564**	**$ 971,639**

Gas Segment

In the fourth quarter of 2017, Gas segment profit before income tax and share of profits of joint ventures was $113.3 million, compared with $134.9 million in the same period of 2016. The decrease of $21.6 million is mainly due to $10.9 million related to operating, administrative and other expenses in the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca and Ojinaga – El Encino pipelines, and lower interest capitalization of $8.3 million related to projects under construction.

In 2017, Gas segment profit before income tax and share of profits of joint ventures was $526.4 million, compared with $336.9 million in 2016, excluding the non-cash gain of $673.1 million related to the remeasurement to fair value of the previously held 50 percent interest in Gasoductos de Chihuahua. The increase of $189.5 million is mainly due to $160.0 million from the acquisition of the remaining 50 percent of Gasoductos de Chihuahua on September 26, 2016, $40.3 million from the start of operations of the Sonora pipeline Guaymas – El Oro segment, and Ojinaga – El Encino and Empalme lateral pipelines, and $4.9 million from the natural gas distribution rate increase at Ecogas. It was partially offset by $9.9 million of lower capitalization of interest related to projects under construction and operating, administrative and other expenses of $5.0 million.

Power Segment

In the fourth quarter of 2017 and full year of 2017, the Power segment had a loss before income tax and share of profits of joint ventures of $0.2 million and a profit before income tax and share of profits of joint ventures of $21.3 million, respectively. The increase is mainly from the Ventika wind power generation facility, acquired on December 14, 2016.

Corporate

In the fourth quarter of 2017, corporate loss before income tax was $43.1 million, compared with $8.9 million in the same period of 2016. In 2017, corporate loss before income tax was $72.1 million compared with $37.2 million in 2016. The increase in losses of $34.2 million and $34.9 million, respectively, is mainly due to exchange rate effects primarily related to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline (which is partially offset in the share of profits of joint ventures), and higher interest expense, partially offset by interest income related to the shareholder's loan to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada).

Revenues

(thousands of US$, except price per MMBtu[1])	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
	(unaudited)		(audited)	
Gas Segment	$ 274,460	$ 248,159	$ 1,064,946	$ 712,327
Power Segment	19,391	2,930	99,721	2,930
Corporate	455	522	1,859	2,637
	$ 294,306	**$ 251,611**	**$ 1,166,526**	**$ 717,894**
Natural gas weighted average price USD per MMBtu	$ 3.29	$ 3.22	$ 3.18	$ 2.73

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

Gas Segment

In the fourth quarter of 2017, Gas segment revenues were $274.5 million, compared with $248.2 million in the same period of 2016. The increase of $26.3 million is mainly due to:

- $17.9 million from higher natural gas volume and weighted average prices, and
- $9.0 million from the start of operations of the Ojinaga – El Encino, San Isidro – Samalayuca, and Empalme lateral pipelines.

In 2017, Gas segment revenues were $1,064.9 million, compared with $712.3 million in 2016. The increase of $352.6 million is mainly due to:

- $220.8 million in revenues related to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua,
- $66.2 million from the start of operations of four pipelines: the Sonora Guaymas – El Oro segment, Ojinaga – El Encino, the San Isidro – Samalayuca, and Empalme lateral,
- $61.3 million from higher natural gas weighted average price and higher volume sold, and
- $4.9 million from the natural gas distribution rate increase at Ecogas.

Power Segment

In the fourth quarter of 2017 and full year of 2017, Power segment revenues were $19.4 million and $99.7 million, respectively. The increase is from the Ventika wind power generation facility.

Cost of Revenues

(thousands of US$, except cost per MMBtu)	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
	(unaudited)		(audited)	
Gas Segment	$ 82,569	$ 61,787	$ 296,933	$ 237,621
Power Segment	1,041	168	6,529	168
	$ 83,610	**$ 61,955**	**$ 303,462**	**$ 237,789**
Natural gas weighted average cost USD per MMBtu	$ 3.12	$ 2.90	$ 3.18	$ 2.60

Gas Segment

In the fourth quarter of 2017, Gas segment cost of revenues was $82.6 million, compared with $61.8 million for the same period of 2016. The increase of $20.8 million is mainly due to higher volume sold and higher weighted average price of natural gas.

In 2017, Gas segment cost of revenues was $296.9 million, compared with $237.6 million for 2016. The increase of $59.3 million is mainly due to higher weighted average price of natural gas and higher volume sold.

Power Segment

In the fourth quarter of 2017 and full year of 2017, Power segment cost of revenues were $1.0 million and $6.5 million, respectively. The increase is from the Ventika wind power generation facility.

Consolidated Results

Operating, Administrative, and Other Expenses

In the fourth quarter of 2017, operating, administrative, and other expenses were $54.2 million, compared with $40.6 million for the same period of 2016. The increase of $13.6 million was mainly due to the start of operations of four pipelines: Ojinaga – El Encino, Sonora Guaymas – El Oro segment, San Isidro – Samalayuca and Empalme lateral and the acquisition of Ventika.

In 2017, operating, administrative, and other expenses were $176.8 million, compared with $104.8 million for 2016. The increase of $72.0 million was mainly due to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua, the acquisition of Ventika, the start of operations of four pipelines: Ojinaga – El Encino, Sonora Guaymas – El Oro segment, San Isidro – Samalayuca, and Empalme lateral, and other corporate general expenses.

Depreciation and Amortization

In the fourth quarter of 2017, depreciation and amortization was $33.1 million, compared with $21.4 million for the same period of 2016. The increase of $11.7 million was mainly due to the acquisition of Ventika, and the start of operations of four pipelines: Sonora Guaymas – El Oro segment, Ojinaga – El Encino, San Isidro – Samalayuca and Empalme lateral.

In 2017, depreciation and amortization was $119.0 million, compared with $64.4 million for 2016. The increase of $54.6 million was mainly due to the acquisitions of Ventika and the remaining 50 percent of Gasoductos de Chihuahua, and the start of operations of four pipelines: Sonora Guaymas – El Oro segment, Ojinaga – El Encino, San Isidro – Samalayuca and Empalme lateral.

Financing Cost, Net

In the fourth quarter of 2017, financing cost, net was $13.6 million, compared with $7.1 million for the same period of 2016. The increase of $6.5 million was mainly due to higher interest expense from debt related to Ventika, a higher corporate debt balance, and lower interest capitalization related to projects under construction, partially offset by interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline (our joint venture with TransCanada).

In 2017, financing cost, net was $50.1 million, compared with $14.6 million for 2016. The increase of $35.5 million was mainly due to the same factors mentioned in the previous paragraph, and interest expense related to Gasoductos de Chihuahua.

Other (Losses) Gains, net

In the fourth quarter of 2017, other losses were $39.8 million, compared with other gains of $4.3 million in the same period of 2016. The decrease of $44.1 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada), which is partially offset in Share of Profits of Joint Ventures.

In 2017, other losses were $41.6 million, compared with other gains of $2.2 million in 2016. The decrease of $43.8 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada), which is partially offset in Share of Profits of Joint Ventures.

Income Tax Expense

In the fourth quarter of 2017, income tax expense was $58.3 million compared with $89.9 million in the same period of 2016. The decrease of $31.6 million is primarily due to the effect of currency exchange rate movements at period end on monetary assets and liabilities. This decrease is 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 company functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate and inflation and the effect of the inflation on monetary assets and liabilities.

In 2017, income tax expense was $109.7 million compared with $147.2 million in 2016. The decrease of $37.5 million is primarily due to the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant, and equipment at our U.S. dollar company 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 is partially offset by the currency exchange rate and inflation movements at period end on monetary assets and liabilities.

Share of Profits of Joint Ventures, Net of Income Tax

(thousands of US$)	Joint Venture With	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
		(unaudited)		(audited)	
Gasoductos de Chihuahua	Pemex TRI[3]	$ —	$ —	$ —	$ 32,713
Los Ramones Norte pipeline	Pemex TRI[3]	3,877	4,107	22,077	9,666
South Texas – Tuxpan pipeline	TransCanada	14,743	(2,100)	19,017	(2,095)
Energía Sierra Juárez wind generation facility	InterGen	(317)	393	3,583	2,557
		$ 18,303	**$ 2,400**	**$ 44,677**	**$ 42,841**

(3) On September 26, 2016, IEnova acquired the remaining 50-percent participation in Gasoductos de Chihuahua. This acquisition excluded the Los Ramones Norte pipeline, until November 2017, when IEnova closed the acquisition of the remaining 50 percent of Ductos y Energéticos del Norte. Accordingly, IEnova participates with a 50 percent interest in Los Ramones Norte pipeline.

In the fourth quarter of 2017, our share of profits of joint ventures, net of income tax, was $18.3 million, compared with $2.4 million in the same period of 2016. The increase of $15.9 million is mainly due to the profit in South Texas – Tuxpan pipeline (our joint venture with TransCanada), due to foreign exchange rate effects related to a peso-denominated shareholder's loan, partially offset by higher income tax expense. These foreign exchange rate effects are offset in Other (Losses) Gains, net.

In 2017, our share of profits of joint ventures, net of income tax, was $44.7 million, compared with $42.8 million in 2016. The increase of $1.9 million is mainly due to profit in the South Texas – Tuxpan pipeline (our joint venture with TransCanada), due to foreign exchange rate effects related to a peso-denominated shareholder's loan, the start of operations of Los Ramones Norte pipeline in February 2016, and lower income tax expense. This increase is partially offset by the impact of the acquisition of the remaining 50 percent of Gasoductos de Chihuahua and higher income tax in the South Texas – Tuxpan pipeline. These foreign exchange rate effects are offset in Other (Losses) Gains, net.

Profit (Loss) for the Period from Discontinued Operations, Net of Income Tax

In February 2016, the Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results for the three-month period and the year ended December 31, 2017 and December 31, 2016 are presented in the Condensed Consolidated Statements of Profit as discontinued operations, net of income tax.

In September 2016, the Company determined that the carrying value of Termoeléctrica de Mexicali power plant needed to be adjusted. This resulted in a non-cash, after-tax impairment charge of $68.7 million in the third quarter of 2016.

In June 2017, the asset value indicated by the Termoeléctrica de Mexicali power plant sale process was determined to be lower than its carrying value. This resulted in a non-cash, after-tax impairment charge of $63.8 million in the second quarter of 2017.

In the fourth quarter of 2017, profit from discontinued operations, net of income tax, was $6.7 million, compared with a loss of $9.9 million in the same period of 2016. The increase of $16.6 million is mainly due to higher operational results and income tax benefit in 2017.

In 2017, loss from discontinued operations, net of income tax, was $56.4 million, compared with $112.3 million in 2016. The decrease in losses of $55.9 million is mainly due to a lower impairment charge in 2017, an income tax benefit and higher operational results.

EBITDA and Adjusted EBITDA

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

Our definition of EBITDA is profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, (4) remeasurement of equity method investment, (5) income tax expense, (6) share of profits of joint ventures, net of income tax, and (7) (Profit) loss for the period from discontinued operations, net of income tax.

We define Adjusted EBITDA as EBITDA plus Joint Ventures (JV) EBITDA adjustment plus Discontinued Operations EBITDA adjustment.

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

We define the Discontinued operations EBITDA adjustment as the profit (loss) for the period from discontinued operations, net of income tax after adding back or subtracting, as the case may be, (1) impairment, (2) depreciation and amortization, (3) financing cost, net, (4) other (gains) losses, net, and (5) income tax expense (benefit).

	Three months ended December 31,		Twelve months ended December 31,	
(thousands of US$)	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Gas Segment	$ 144,482	$ 147,468	$ 617,481	$ 373,881
Power Segment	14,649	2,169	76,846	2,169
Corporate	(2,606)	(571)	(8,056)	(699)
EBITDA	**$ 156,525**	**$ 149,066**	**$ 686,271**	**$ 375,351**
JV EBITDA adjustment	18,934	14,424	70,563	130,084
Discontinued operations EBITDA adjustment	6,888	(2,245)	1,805	(1,414)
Adjusted EBITDA	**$ 182,347**	**$ 161,245**	**$ 758,639**	**$ 504,021**

Reconciliation of Profit for the Period to EBITDA and Adjusted EBITDA

(thousands of US$)	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
	(unaudited)		(unaudited)	
EBITDA reconciliation				
Profit for the period	$ 36,728	$ 27,533	$ 354,174	$ 754,990
Depreciation and amortization	33,112	21,394	119,020	64,384
Financing cost, net	13,631	7,067	50,097	14,567
Other losses (gains), net	39,787	(4,314)	41,590	(2,168)
Remeasurement of equity method investment	—	—	—	(673,071)
Income tax expense	58,270	89,868	109,663	147,158
Share of profits of joint ventures, net of income tax	(18,303)	(2,400)	(44,677)	(42,841)
(Profit) loss for the period from discontinued operations, net of income tax	(6,700)	9,918	56,404	112,332
(1) EBITDA	**156,525**	**149,066**	**686,271**	**375,351**
JV EBITDA Adjustment reconciliation				
Profit for the period	18,303	2,400	44,677	42,841
Depreciation and amortization	1,585	(3,097)	6,276	13,907
Financing cost, net	10,331	8,346	30,087	32,194
Other (gains) losses, net	(16,059)	3,047	(16,888)	4,433
Income tax expense	4,774	3,728	6,411	36,709
(2) JV EBITDA Adjustment	**18,934**	**14,424**	**70,563**	**130,084**
Discontinued Operations EBITDA Adjustment reconciliation				
Profit (loss) for the period	6,700	(9,918)	(56,404)	(112,332)
Impairment	—	—	63,804	136,880
Depreciation and amortization	—	—	—	2,222
Financing cost, net	53	54	595	229
Other losses (gains), net	380	432	(623)	1,396
Income tax (benefit) expense	(245)	7,187	(5,567)	(29,809)
(3) Discontinued Operations EBITDA Adjustment	**6,888**	**(2,245)**	**1,805**	**(1,414)**
(1+2+3) Adjusted EBITDA	**$ 182,347**	**$ 161,245**	**$ 758,639**	**$ 504,021**

Condensed Consolidated Statements of Financial Position

(thousands of US$)	December 31, 2017	December 31, 2016
	(audited)	(audited)
Assets		
Current assets		
Cash and cash equivalents	$ 37,208	$ 24,918
Short-term investments	1,081	80
Trade and other receivables, net	94,793	100,886
Recoverable taxes	121,542	33,990
Other current assets[1]	112,199	93,779
Assets held for sale	148,190	191,287
Total current assets	**515,013**	**444,940**
Non-current assets		
Due from unconsolidated affiliates	493,887	104,352
Finance lease receivables	942,184	950,311
Deferred income tax assets	97,334	75,999
Investments in joint ventures	523,102	125,355
Property, plant and equipment, net	3,729,456	3,614,085
Goodwill	1,638,091	1,651,780
Other non-current assets[2]	224,792	160,126
Total non-current assets	**7,648,846**	**6,682,008**
Total assets	**$ 8,163,859**	**$ 7,126,948**
Liabilities and Stockholders' Equity		
Short-term debt	$ 262,760	$ 493,571
Due to unconsolidated affiliates	544,217	260,914
Other current liabilities[3]	184,418	181,738
Liabilities held for sale	62,522	35,451
Total current liabilities	**1,053,917**	**971,674**
Non-current liabilities		
Long-term debt	1,732,040	1,039,804
Due to unconsolidated affiliates	73,510	3,080
Deferred income tax liabilities	551,614	489,607
Other non-current liabilities[4]	236,191	272,472
Total non-current liabilities	**2,593,355**	**1,804,963**
Total liabilities	**3,647,272**	**2,776,637**
Stockholders' Equity		
Common stock	963,272	963,272
Additional paid-in capital	2,351,801	2,351,801
Accumulated other comprehensive loss	(114,556)	(126,658)
Retained earnings	1,316,070	1,161,896
Total equity attributable to owners	**4,516,587**	**4,350,311**
Total liabilities and equity	**$ 8,163,859**	**$ 7,126,948**

(1) Other current assets include restricted cash, amounts due from unconsolidated affiliates, other current assets, finance lease receivable (current), natural gas inventories, and derivative financial instruments.
(2) Other non-current assets include intangible assets, other non-current assets, and derivative financial instruments.
(3) Other current liabilities include trade and other payables, derivative financial instruments, other taxes payable, other current liabilities, other financial liabilities, income tax liabilities, and provisions.
(4) Other non-current liabilities include derivative financial instruments, provisions, and employee benefits.

Liquidity and Capital Resources

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

Sources and Uses of Cash

	Three months ended December 31,		Twelve months ended December 31,	
(thousands of US$)	2017	2016	2017	2016
	(unaudited)		(audited)	
Cash and cash equivalents at period beginning	**$ 38,417**	**$ 174,810**	**$ 24,918**	**$ 40,377**
Net cash provided by operating activities	232,004	34,424	586,234	240,732
Net cash used in investing activities	(405,294)	(476,677)	(974,914)	(1,848,876)
Net cash provided by financing activities	186,705	305,752	406,584	1,605,461
Effects of exchange rate changes on cash and cash equivalents	(14,624)	(14,048)	(5,614)	(12,342)
Cash and cash equivalents at period end before discontinued operations	**$ 37,208**	**$ 24,261**	**$ 37,208**	**$ 25,352**
Cash and cash equivalents provided by (used in) discontinued operations	—	657	—	(434)
Cash and cash equivalents at period end	**$ 37,208**	**$ 24,918**	**$ 37,208**	**$ 24,918**

Operating Activities

In the fourth quarter of 2017, net cash provided by operating activities was $232.0 million, compared with $34.4 million in the same period of 2016, mainly due to changes in working capital and lower income tax paid.

In 2017, net cash provided by operating activities was $586.2 million, compared with $240.7 million in 2016, mainly due to a higher operations base as a result of the acquisitions of Gasoductos de Chihuahua and Ventika, and the start of operations of four pipelines, partially offset by changes in working capital.

Investing Activities

In the fourth quarter of 2017, net cash used in investing activities was $405.3 million, due to a $205.9 million shareholder's loan to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada), $147.6 million from the acquisition of an additional 25 percent of Los Ramones Norte pipeline, net of cash available at the closing date, and capital expenditures of $44.8 million mainly related to our four pipelines: Ojinaga – El Encino, Sonora Guaymas – El Oro segment, San Isidro – Samalayuca and Empalme lateral.

The $258.5 million price paid for the assignment of Ductos y Energéticos del Norte's capital stock and the liquidation of certain shareholder loans is comprised of $164.8 million cash and the liquidation of certain shareholder loans of $95.8 million as shown in the cash flow from financing activities, minus value added tax of $2.1 million. The cash available at the closing date was $17.2 million.

In the fourth quarter of 2016, net cash used in investing activities was $476.7 million, due to $434.7 million from the acquisition of Ventika, net of cash available at the closing date, including the assumption of shareholders' debt of $125.0 million, capital expenditures of $45.2 million related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment and San Isidro – Samalayuca pipeline projects, and the investment of $44.6 million in the South Texas – Tuxpan pipeline (our joint venture with TransCanada). These amounts are partially offset by a decrease in restricted cash of $46.8 million related to Ventika's and Gasoductos de Chihuahua's bank debt.

In 2017, net cash used in investing activities was $974.9 million, mainly due to $578.1 million to fund the South Texas – Tuxpan pipeline and capital expenditures of $253.0 million mainly related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline, Empalme lateral pipeline and Veracruz marine terminal project, $147.6 million for the acquisition of an additional 25 percent of Los Ramones Norte pipeline, net of cash available at the closing date.

In 2016, net cash used in investing activities was $1,848.9 million, due to $1,077.6 million from the acquisition of Gasoductos de Chihuahua, net of cash available at the date of acquisition and the Ventika acquisition using $434.7 million, net of cash available at closing date, including the assumption of shareholders' debt of $125.0 million, capital expenditures of $315.8 million for our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment and San Isidro – Samalayuca pipeline, and the investment of $100.5 million in South Texas – Tuxpan pipeline. These amounts are partially offset by a decrease in restricted cash of $46.8 million related to bank debt of Ventika and Gasoductos de Chihuahua, a decrease in short-term investments of $20.0 million, and repayment of loans from unconsolidated affiliates of $8.3 million.

Financing Activities

In the fourth quarter of 2017, net cash provided by financing activities was $186.7 million, due to $807.4 million of international senior note offerings, net of expenses, $52.8 million in net borrowings from unconsolidated affiliates, net payments to bank loans of $559.2 million, payment to Pemex Transformación Industrial loan of $95.8 million as part of the acquisition of an additional 25 percent of Los Ramones Norte pipeline, and interest paid of $18.4 million.

In the fourth quarter of 2016, net cash provided by financing activities was $305.8 million due to $1,567.7 million proceeds from the common stock follow-on offering, net of expenses, $375.0 million in borrowings against credit facilities, $90.0 million in borrowings from unconsolidated affiliates, $1,249.5 million of repayment of loans from unconsolidated affiliates, and $459.5 million of repayment of bank loans.

In 2017, net cash provided by financing activities was $406.6 million, due to $807.4 million of international senior note offerings, net of expenses, $331.2 million in net borrowings from unconsolidated affiliates, $360.5 million net bank loan payments, a dividend payment of $200.0 million, payment to Pemex Transformación Industrial loan of $95.8 million as part of the acquisition of an additional 25 percent of Los Ramones Norte pipeline, and interest paid of $75.6 million.

In 2016, net cash provided by financing activities was $1,605.5 million, mainly due to $1,567.7 million proceeds from the common stock follow-on offering, net of expenses, $1,240.0 million in loans from unconsolidated affiliates, $805.0 million from borrowings against credit facilities, $1,369.6 million repayment of unconsolidated affiliate loans, $459.5 million bank loan payments, a dividend payment of $140.0 million, and interest paid of $35.8 million.

Internal Controls

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

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