# 2017
## THIRD QUARTER RESULTS

**Ticker BMV: IENOVA**
**Mexico City, October 25, 2017**

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 September 30, 2017 | Three months ended September 30, 2016 | % Var. | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 | % Var. |
|---|---|---|---|---|---|---|
| | (unaudited) | | | (unaudited) | | |
| Adjusted EBITDA | $ 208,711 | $ 126,174 | 65 % | $ 576,292 | $ 342,776 | 68 % |
| Profit for the period | $ 126,694 | $ 660,385 | (81)% | $ 317,446 | $ 727,457 | (56)% |
| Revenues | $ 319,327 | $ 194,307 | 64 % | $ 872,220 | $ 466,283 | 87 % |

- In the third quarter of 2017, Adjusted EBITDA increased 65 percent to $208.7 million, compared with $126.2 million in the same period of 2016. In the nine months ended September 30, 2017, Adjusted EBITDA increased 68 percent to $576.3 million, compared with $342.8 million in the same period of 2016. For both periods, the increase of $82.5 million and $233.5 million, respectively, was mainly due to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua, the acquisition of the Ventika wind generation facility, and the start of operations in 2017 of the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines.
- In the third quarter of 2017, profit was $126.7 million, compared with $56.0 million in the same period of 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 and the after-tax impairment charge of $68.7 million related to Termoeléctrica de Mexicali power plant recorded during the third quarter of 2016. The increase of $70.7 million was mainly due to the Adjusted EBITDA drivers mentioned above. In the nine months ended September 30, 2017, profit was $381.2 million, excluding the non-cash after-tax impairment charge of $63.8 million related to Termoeléctrica de Mexicali power plant, compared with $123.1 million in the same period of 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 and the after-tax impairment charge of $68.7 million related to Termoeléctrica de Mexicali power plant. The increase of $258.1 million was mainly due to the Adjusted EBITDA drivers mentioned above.
- In the third quarter of 2017, revenues were $319.3 million, compared with $194.3 million in the same period of 2016. In the nine months ended September 30, 2017, revenues were $872.2 million, compared with $466.3 million in the same period of 2016. For both periods, the increase of $125.0 million and $405.9 million, respectively, was mainly due to revenues related to the previously described acquisitions, the start of pipeline operations, and a higher weighted average natural gas price.
- 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 the recently announced Puebla and Mexico City terminals. These refined products storage contracts are long-term, firm capacity, and U.S.-Dollar denominated. The estimated investment is $155.0 million for Veracruz and a total of $120.0 million for the two additional storage terminals.

  The Company will be responsible for the implementation of the projects, including permitting, engineering, procurement, construction, operation, maintenance, financing, and providing services. The marine terminal in Veracruz is expected to start operations at the end of 2018 and the two in-land terminals during 2019.

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

- In October 2017, the Company announced the agreement to acquire Pemex Transformación Industrial's participation in Ductos y Energéticos del Norte ("DEN"), and as a result, will increase its indirect participation in the Los Ramones Norte pipeline from 25 percent to 50 percent. The acquisition is comprised of an estimated cash payment of $231.0 million plus the proportional amount of total outstanding debt in TAG Norte Holding of approximately $289.0 million. The Los Ramones Norte pipeline outstanding debt will not be consolidated in IEnova's financial statements. The cash payment will be subject to customary post-closing adjustments included in the purchase and sale agreement.

  The transaction is expected to close within the fourth quarter of 2017, once the required authorizations have been obtained, including approval from Mexico's Federal Antitrust Commission (COFECE).

## 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 September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| Revenues | $ 319,327 | $ 194,307 | $ 872,220 | $ 466,283 |
| Cost of revenues | (90,851) | (84,343) | (219,852) | (175,834) |
| Operating, administrative, and other expenses | (42,288) | (22,245) | (122,622) | (64,164) |
| Depreciation and amortization | (30,005) | (14,439) | (85,908) | (42,990) |
| Financing cost, net | (13,446) | (4,710) | (36,466) | (7,500) |
| Other losses, net | (7,010) | (1,448) | (1,803) | (2,146) |
| Remeasurement of equity method investment [1] | — | 673,071 | — | 673,071 |
| **Profit before income tax and share of profits of joint ventures** | **135,727** | **740,193** | **405,569** | **846,720** |
| Income tax expense | (23,158) | (16,692) | (51,393) | (57,290) |
| Share of profits of joint ventures, net of income tax | 9,504 | 1,016 | 26,374 | 40,441 |
| **Profit for the period from continuing operations** | **122,073** | **724,517** | **380,550** | **829,871** |
| Profit (loss) for the period from discontinued operations, net of income tax [2] | 4,621 | (64,132) | (63,104) | (102,414) |
| **Profit for the period** | **$ 126,694** | **$ 660,385** | **$ 317,446** | **$ 727,457** |

[1] In the third quarter of 2016 and the nine-months ended September 30, 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 the nine-month period ended September 30, 2017 and $68.7 million in the three-month and nine-month period ended September 30, 2016, related to Termoeléctrica de Mexicali power plant.

## Segment Information

Segment information is presented after eliminating inter-company transactions.

### Profit before Income Tax and Share of Profits of Joint Ventures

| (thousands of US$) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| Gas Segment | $ 135,764 | $ 754,306 | $ 413,079 | $ 874,788 |
| Power Segment | 8,030 | — | 21,498 | — |
| Corporate | (8,067) | (14,113) | (29,008) | (28,068) |
| | **$ 135,727** | **$ 740,193** | **$ 405,569** | **$ 846,720** |

*Gas Segment*

In the third quarter of 2017, Gas segment profit before income tax and share of profits of joint ventures was $135.8 million, compared with $81.2 million in the same period of 2016, excluding the previously mentioned non-cash gain. The increase of $54.6 million is mainly due to $49.6 million from the acquisition of the remaining 50 percent of Gasoductos de Chihuahua on September 26, 2016 and $10.7 million due to the start of operations of the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines, partially offset by $6.0 million of operating and other expenses.

In the nine months ended September 30, 2017, Gas segment profit before income tax and share of profits of joint ventures was $413.1 million, compared with $201.7 million in the same period of 2016, excluding the previously mentioned non-cash gain. The increase of $211.4 million is mainly due to $160.0 million from the acquisition of the remaining 50 percent of Gasoductos de Chihuahua on September 26, 2016 and $51.0 million from the start of operations of the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines.

*Power Segment*

In the third quarter of 2017 and the nine months ended September 30, 2017, the Power segment profit before income tax and share of profits of joint ventures was $8.0 million and $21.5 million, respectively, mainly from the Ventika wind generation facility, acquired on December 14, 2016.

*Corporate*

In the third quarter of 2017, corporate loss before income tax was $8.1 million, compared with $14.1 million in the same period of 2016. The decrease in losses of $6.0 million is mainly due to the interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline (our joint venture with TransCanada). In the nine months ended September 30, 2017, corporate loss before income tax was $29.0 million, compared with $28.1 million in the same period of 2016.

## Revenues

| (thousands of US$, except price per MMBtu[2]) | Three months ended September 30, 2017 | | Three months ended September 30, 2016 | | Nine months ended September 30, 2017 | | Nine months ended September 30, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | (unaudited) | | | | (unaudited) | | | |
| Gas Segment | $ | 291,761 | $ | 193,900 | $ | 790,486 | $ | 464,124 |
| Power Segment | | 27,144 | | — | | 80,330 | | — |
| Corporate | | 422 | | 407 | | 1,404 | | 2,159 |
| | **$** | **319,327** | **$** | **194,307** | **$** | **872,220** | **$** | **466,283** |
| Natural gas weighted average price USD per MMBtu | $ | 3.08 | $ | 3.00 | $ | 3.17 | $ | 2.50 |

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

*Gas Segment*

In the third quarter of 2017, Gas segment revenues were $291.8 million, compared with $193.9 million in the same period of 2016. The increase of $97.9 million is mainly due to:

- $70.3 million in revenues related to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua,
- $19.9 million from the start of operations of the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines, and
- $5.0 million from higher weighted average price of natural gas and higher volume sold.

In the nine months ended September 30, 2017, Gas segment revenues were $790.5 million, compared with $464.1 million in the same period of 2016. The increase of $326.4 million is mainly due to:

- $220.8 million in revenues related to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua,
- $60.8 million from the start of operations of the Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines, and
- $46.0 million mainly from higher weighted average price of natural gas.

*Power Segment*

In the third quarter of 2017 and the nine months ended September 30, 2017, Power segment revenues were $27.1 million and $80.3 million, respectively, from the Ventika wind generation facility.

## Cost of Revenues

| (thousands of US$, except cost per MMBtu) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| Gas Segment | $ 89,835 | $ 84,343 | $ 214,364 | $ 175,834 |
| Power Segment | 1,016 | — | 5,488 | — |
| | **$ 90,851** | **$ 84,343** | **$ 219,852** | **$ 175,834** |
| Natural gas weighted average cost USD per MMBtu | $ 2.97 | $ 2.87 | $ 3.04 | $ 2.42 |

*Gas Segment*

In the third quarter of 2017, Gas segment cost of revenues was $89.8 million, compared with $84.3 million for the same period of 2016. The increase of $5.5 million is mainly due to the higher weighted average price of natural gas and higher volume sold.

In the nine months ended September 30, 2017, Gas segment cost of revenues was $214.4 million, compared with $175.8 million for the same period of 2016. The increase of $38.6 million is mainly due to the higher weighted average price of natural gas.

*Power Segment*

In the third quarter of 2017 and the nine months ended September 30, 2017, Power segment cost of revenues were $1.0 million and $5.5 million, respectively, from the Ventika wind generation facility.

## Consolidated Results

### Operating, Administrative, and Other Expenses

In the third quarter of 2017, operating, administrative, and other expenses were $42.3 million, compared with $22.2 million for the same period of 2016. In the nine months ended September 30, 2017, operating, administrative, and other expenses were $122.6 million, compared with $64.2 million for the same period of 2016. For both periods, the increase of $20.1 million and $58.4 million, respectively, was mainly due to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua, the acquisition of the Ventika wind generation facility, and the start of operations of Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines.

### Depreciation and Amortization

In the third quarter of 2017, depreciation and amortization was $30.0 million, compared with $14.4 million for the same period of 2016. In the nine months ended September 30, 2017, depreciation and amortization was $85.9 million, compared with $43.0 million for the same period of 2016. For both periods, the increase of $15.6 million and $42.9 million, respectively, was mainly due to the acquisition of the Ventika wind generation facility, the acquisition of the remaining 50 percent of Gasoductos de Chihuahua, and the start of operations of Sonora pipeline Guaymas – El Oro segment, and the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines.

### Financing Cost, Net

In the third quarter of 2017, financing cost, net was $13.4 million, compared with $4.7 million for the same period of 2016. In the nine months ended September 30, 2017, financing cost, net was $36.5 million, compared with $7.5 million for the same period of 2016. For both periods, the increase of $8.7 million and $29.0 million, respectively, was mainly due to higher interest expense from debt related to the Ventika wind generation facility and Gasoductos de Chihuahua, and a higher corporate debt balance, partially offset by the interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline (our joint venture with TransCanada).

### Other Losses, net

In the third quarter of 2017, other losses were $7.0 million, compared with other losses of $1.4 million in the same period of 2016. In the nine months ended September 30, 2017, other losses were $1.8 million, compared with other losses of $2.1 million in the same period of 2016. For both periods, the increase of $5.6 million and decrease of $0.3 million, respectively, is mainly due to foreign exchange rate effects.

### Income Tax Expense

In the third quarter of 2017, income tax expense was $23.2 million compared with $16.7 million in the same period of 2016. The increase of $6.5 million is primarily due to higher earnings before taxes and the effect of inflation 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 company functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate.

In the nine months ended September 30, 2017, income tax expense was $51.4 million compared with $57.3 million in the same period of 2016. The decrease of $5.9 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, partially offset by exchange rate and inflation effects on monetary assets and liabilities.

## Share of Profits of Joint Ventures, Net of Income Tax

| (thousands of US$) | Joint Venture With | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|---|
| | | (unaudited) | | (unaudited) | |
| Gasoductos de Chihuahua | Pemex TRI[3] | $ — | $ 150 | $ — | $ 32,713 |
| Los Ramones Norte pipeline | Pemex TRI[3] | 5,106 | 809 | 18,200 | 5,559 |
| Energía Sierra Juárez wind generation facility | InterGen | 607 | 52 | 3,900 | 2,164 |
| South Texas – Tuxpan pipeline | TransCanada | 3,791 | 5 | 4,274 | 5 |
| | | **$ 9,504** | **$ 1,016** | **$ 26,374** | **$ 40,441** |

(3) On September 26, 2016, IEnova acquired the remaining 50-percent participation in Gasoductos de Chihuahua. This acquisition excluded the Los Ramones Norte pipeline, in which IEnova continues to hold an indirect 25-percent ownership interest through Gasoductos de Chihuahua's interest in Ductos y Energéticos del Norte.

In the third quarter of 2017, our share of profits of joint ventures, net of income tax, was $9.5 million, compared with $1.0 million in the same period of 2016. The increase of $8.5 million is mainly due to lower depreciation in the Los Ramones Norte pipeline and a 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.

In the nine months ended September 30, 2017, our share of profits of joint ventures, net of income tax, was $26.4 million, compared with $40.4 million in the same period of 2016. The decrease of $14.0 million is mainly due to the acquisition of the remaining 50 percent of Gasoductos de Chihuahua, partially offset by the start of operations of the Los Ramones Norte pipeline in February 2016 and 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.

## 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 and nine-month period ended September 30, 2017 and September 30, 2016 are presented in the Condensed Consolidated Statements of Profit as discontinued operations, net of income tax.

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 third quarter of 2017, profit from discontinued operations, net of income tax, was $4.6 million, compared with a loss of $64.1 million in the same period of 2016. The increase of $68.7 million is mainly due to the $68.7 million after-tax impairment charge recorded in 2016.

In the nine months ended September 30, 2017, loss from discontinued operations, net of income tax, was $63.1 million, compared with $102.4 million in the same period of 2016. The decrease in losses of $39.3 million is mainly due to a lower non-cash, after-tax impairment charge recorded in 2017.

## 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) 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.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (thousands of US$) | 2017 | 2016 | 2017 | 2016 |
| | (unaudited) | | (unaudited) | |
| Gas Segment | $ 166,678 | $ 88,966 | $ 472,999 | $ 226,413 |
| Power Segment | 22,057 | — | 62,197 | — |
| Corporate | (2,547) | (1,614) | (5,450) | (128) |
| **EBITDA** | **$ 186,188** | **$ 87,352** | **$ 529,746** | **$ 226,285** |
| JV EBITDA adjustment | 14,482 | 31,171 | 51,629 | 115,660 |
| Discontinued operations EBITDA adjustment | 8,041 | 7,651 | (5,083) | 831 |
| **Adjusted EBITDA** | **$ 208,711** | **$ 126,174** | **$ 576,292** | **$ 342,776** |

## Reconciliation of Profit for the Period to EBITDA and Adjusted EBITDA

| (thousands of US$) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| **EBITDA reconciliation** | | | | |
| Profit for the period | $ 126,694 | $ 660,385 | $ 317,446 | $ 727,457 |
| Depreciation and amortization | 30,005 | 14,439 | 85,908 | 42,990 |
| Financing cost, net | 13,446 | 4,710 | 36,466 | 7,500 |
| Other losses, net | 7,010 | 1,081 | 1,803 | 2,146 |
| Remeasurement of equity method investment | — | (673,071) | — | (673,071) |
| Income tax expense | 23,158 | 16,692 | 51,393 | 57,290 |
| Share of profits of joint ventures, net of income tax | (9,504) | (1,016) | (26,374) | (40,441) |
| (Profit) loss for the period from discontinued operations, net of income tax | (4,621) | 64,132 | 63,104 | 102,414 |
| **(1) EBITDA** | **186,188** | **87,352** | **529,746** | **226,285** |
| **JV EBITDA Adjustment reconciliation** | | | | |
| Profit for the period | 9,504 | 1,016 | 26,374 | 40,441 |
| Depreciation and amortization | 1,570 | 5,907 | 4,691 | 16,853 |
| Financing cost, net | 5,234 | 8,840 | 19,756 | 24,006 |
| Other (gains) losses, net | (2,650) | 5,927 | (829) | 6,841 |
| Income tax expense | 824 | 9,481 | 1,637 | 27,519 |
| **(2) JV EBITDA Adjustment** | **14,482** | **31,171** | **51,629** | **115,660** |
| **Discontinued Operations EBITDA Adjustment reconciliation** | | | | |
| Profit (loss) for the period | 4,621 | (64,132) | (63,104) | (102,414) |
| Impairment | — | 136,880 | 63,804 | 136,880 |
| Depreciation and amortization | — | — | — | 2,222 |
| Financing cost, net | 159 | 59 | 542 | 175 |
| Other (gains) losses, net | (198) | 377 | (1,003) | 964 |
| Income tax expense (benefit) | 3,459 | (65,533) | (5,322) | (36,996) |
| **(3) Discontinued Operations EBITDA Adjustment** | **8,041** | **7,651** | **(5,083)** | **831** |
| **(1+2+3) Adjusted EBITDA** | **$ 208,711** | **$ 126,174** | **$ 576,292** | **$ 342,776** |

## Condensed Consolidated Statements of Financial Position

| (thousands of US$) | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (unaudited) | (audited) |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 38,417 | $ 24,918 |
| Short-term investments | 81 | 80 |
| Trade and other receivables, net | 150,477 | 100,886 |
| Recoverable taxes | 116,081 | 33,990 |
| Other current assets(1) | 88,606 | 93,779 |
| Assets held for sale | 152,366 | 191,287 |
| **Total current assets** | **546,028** | **444,940** |
| **Non-current assets** | | |
| Due from unconsolidated affiliates | 407,063 | 104,352 |
| Finance lease receivables | 944,649 | 950,311 |
| Deferred income tax assets | 78,845 | 75,999 |
| Investments in joint ventures | 224,031 | 125,355 |
| Property, plant and equipment, net | 3,738,436 | 3,614,085 |
| Goodwill | 1,651,780 | 1,651,780 |
| Other non-current assets(2) | 184,850 | 160,126 |
| **Total non-current assets** | **7,229,654** | **6,682,008** |
| **Total assets** | **$ 7,775,682** | **$ 7,126,948** |
| **Liabilities and Stockholders' Equity** | | |
| Short-term debt | $ 812,724 | $ 493,571 |
| Due to unconsolidated affiliates | 514,539 | 260,914 |
| Other current liabilities(3) | 197,853 | 181,738 |
| Liabilities held for sale | 51,894 | 35,451 |
| **Total current liabilities** | **1,577,010** | **971,674** |
| **Non-current liabilities** | | |
| Long-term debt | 955,284 | 1,039,804 |
| Due to unconsolidated affiliates | 41,609 | 3,080 |
| Deferred income tax liabilities | 510,903 | 489,607 |
| Other non-current liabilities(4) | 202,024 | 272,472 |
| **Total non-current liabilities** | **1,709,820** | **1,804,963** |
| **Total liabilities** | **3,286,830** | **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 | (105,563) | (126,658) |
| Retained earnings | 1,279,342 | 1,161,896 |
| **Total equity attributable to owners of the company** | **4,488,852** | **4,350,311** |
| **Total liabilities and equity** | **$ 7,775,682** | **$ 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, income tax liabilities, other financial liabilities, and provisions.
(4) Other non-current liabilities include derivative financial instruments, provisions, other financial liabilities, 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 September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (thousands of US$) | 2017 | 2016 | 2017 | 2016 |
| | (unaudited) | | (unaudited) | |
| **Cash and cash equivalents at period beginning** | **$ 28,041** | **$ 53,435** | **$ 24,918** | **$ 40,377** |
| Net cash provided by operating activities | 176,602 | 119,762 | 354,230 | 206,308 |
| Net cash used in investing activities | (216,366) | (1,285,737) | (569,620) | (1,372,199) |
| Net cash provided by financing activities | 48,693 | 1,279,510 | 219,879 | 1,299,709 |
| Effects of exchange rate changes on cash and cash equivalents | 2,019 | 7,761 | 9,010 | 1,706 |
| **Cash and cash equivalents at period end before discontinued operations** | **$ 38,989** | **$ 174,731** | **$ 38,417** | **$ 175,901** |
| Cash and cash equivalents (used in) provided by discontinued operations | (572) | 79 | — | (1,091) |
| **Cash and cash equivalents at period end** | **$ 38,417** | **$ 174,810** | **$ 38,417** | **$ 174,810** |

*Operating Activities*

In the third quarter of 2017, net cash provided by operating activities was $176.6 million, compared with $119.8 million in the same period of 2016, mainly due to a higher operations base as a result of the acquisition of the remaining 50 percent of Gasoductos de Chihuahua and the acquisition of the Ventika wind generation facility, partially offset by changes in working capital.

In the nine months ended September 30, 2017, net cash provided by operating activities was $354.2 million, compared with $206.3 million in the same period of 2016, mainly due to a higher operations base as a result of the acquisition of the remaining 50 percent of Gasoductos de Chihuahua and the acquisition of the Ventika wind generation facility, partially offset by changes in working capital.

*Investing Activities*

In the third quarter of 2017, net cash used in investing activities was $216.4 million, due to a $130.0 million shareholder's loan to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada) and capital expenditures of $113.7 million mainly related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment, the San Isidro – Samalayuca, Ojinaga – El Encino, and Empalme lateral pipelines, and Veracruz marine terminal, partially offset by a restricted cash reduction of $19.1 million related to Ventika and Gasoductos de Chihuahua bank debt.

In the third quarter of 2016, net cash used in investing activities was $1,285.7 million, due to $1,077.6 million for the acquisition of Gasoductos de Chihuahua, net of cash acquired, capital expenditures of $155.7 million related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment, and San Isidro – Samalayuca pipeline, and the investment of $55.8 million in the South Texas – Tuxpan pipeline (our joint venture with TransCanada).

In the nine months ended September 30, 2017, net cash used in investing activities was $569.6 million, mainly due to $372.1 million to fund the South Texas – Tuxpan pipeline (our joint venture with TransCanada) and capital expenditures of $208.2 million related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment, San Isidro – Samalayuca pipeline and Empalme lateral pipeline, and Veracruz marine terminal project.

In the nine months ended September 30, 2016, net cash used in investing activities was $1,372.2 million, due to $1,077.6 million for the acquisition of Gasoductos de Chihuahua, net of cash acquired, capital expenditures of $270.6 million mainly related to our Ojinaga – El Encino pipeline, Sonora pipeline Guaymas – El Oro segment and San Isidro – Samalayuca pipeline, and the investment of $55.8 million in South Texas – Tuxpan pipeline (our joint venture with TransCanada).

*Financing Activities*

In the third quarter of 2017, net cash provided by financing activities was $48.7 million due to $149.1 million in net borrowings from bank loans and $121.2 million in net borrowings from unconsolidated affiliates, partially offset by a dividend payment of $200.0 million and interest paid of $21.6 million.

In the third quarter of 2016, net cash provided by financing activities was $1,279.5 million due to $1,150.1 million proceeds from a bridge loan from unconsolidated affiliates and $400.0 million in borrowings against credit facilities, partially offset by a dividend payment of $140.0 million and $120.1 million of repayment of loans from unconsolidated affiliates.

In the nine months ended September 30, 2017, net cash provided by financing activities was $219.9 million, due to $278.4 million in net borrowings from unconsolidated affiliates and $198.7 million in net borrowings from bank loans, partially offset by a dividend payment of $200.0 million and interest paid of $57.2 million.

In the nine months ended September 30, 2016, net cash provided by financing activities was $1,299.7 million, mainly due to $1,029.9 million in net borrowings from unconsolidated affiliates and $430.0 million in borrowings against credit facilities, partially offset by a dividend payment of $140.0 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.