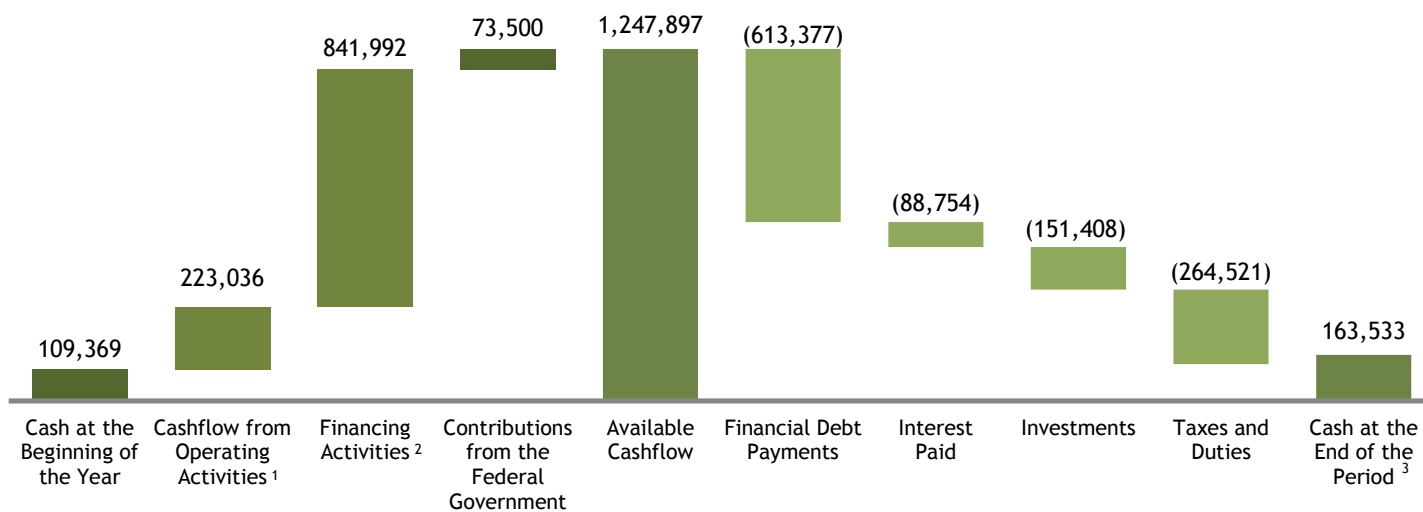


## Results of PEMEX<sup>1</sup> as of December 31, 2016<sup>2</sup>

2016 Results	2015 (MXN billion)	2016 (MXN billion)	Variation	2016 (USD billion)	Highlights
Total Sales	1,166.4	1,079.5	-7.4%	52.2	→ 2,154 Mbd production exceeds established goal
Operating Income	(154.4)	424.4	374.9%	20.5	→ Reverse of the operational loss due to increased efficiency and cost reduction
Net Income (Loss)	(712.6)	(191.1)	73.2%	(9.2)	→ Positive net result due to expense efficiency and discipline policies

Acronyms used: Special Tax on Production and Services (IEPS), thousand (M), million (MM), billion (MMM), thousand barrels per day (Mbd), thousand barrels of oil equivalent per day (Mboed), thousand cubic feet per day (Mcf), thousand tons (Mt).

### Uses and Sources of Funds as of December 31, 2016 (MXN million)



(1) Before taxes and duties. Calculated by adding accrued taxes and duties to revenues from operations from the statement of changes in financial position.

(2) Excludes E&P Financed Public Works Contract Program.

(3) Includes (i) a MXN 16,893 million effect from exploration expenses, investment in shares, dividend revenue and financial instruments available for sale and (ii) change of cash effect of MXN 16,804 million.

<sup>1</sup> PEMEX refers to Petróleos Mexicanos, its Productive Subsidiary Companies, Affiliates, Subsidiary Entities and Subsidiary Companies.

<sup>2</sup> PEMEX is providing this report to publish its audited financial and operational results for the fourth quarter and year-end of 2016. PEMEX encourages the reader to analyze this report together with the Annexes hereto. All comparisons are made against the same period of the previous year unless otherwise specified. Annexes, transcripts and relevant documents related to this call can be found at [www.pemex.com/en/investors](http://www.pemex.com/en/investors).

## Operating Results

PEMEX Main Statistics of Production								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2015	2016	Change		2015	2016	Change	
<b>Upstream</b>								
Total hydrocarbons (Mboed)	3,272	2,888	-11.8%	(385)	3,269	3,037	-7.1%	(232)
Liquid hydrocarbons (Mbd)	2,319	2,103	-9.3%	(215)	2,308	2,190	-5.1%	(118)
Crude oil (Mbd)	2,277	2,070	-9.1%	(207)	2,267	2,154	-5.0%	(113)
Condensates (Mbd)	42	33	-20.1%	(8)	41	37	-10.4%	(4)
Natural gas (MMcfd) <sup>(1)</sup>	6,316	5,492	-13.0%	(824)	6,401	5,792	-9.5%	(609)
<b>Downstream</b>								
Dry gas from plants (MMcfd) <sup>(2)</sup>	3,364	2,838	-15.6%	(526)	3,398	3,047	-10.3%	(351)
Natural gas liquids (Mbd)	308	296	-3.7%	(12)	327	308	-6.0%	(20)
Petroleum products (Mbd) <sup>(3)</sup>	1,178	900	-23.6%	(278)	1,205	1,057	-12.3%	(148)
Petrochemical products (Mt)	849	911	7.4%	62	4,505	4,100	-9.0%	(405)

(1) Includes nitrogen.

(2) Does not include dry gas used as fuel.

(3) Includes LPG

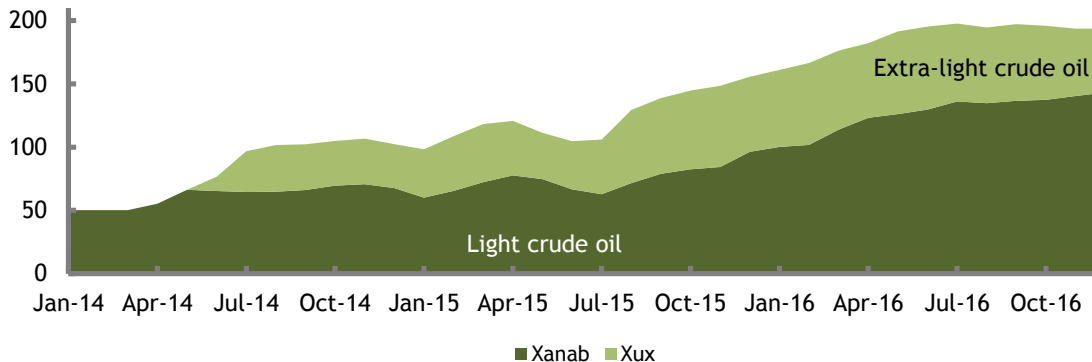
### Exploration & Production 4Q16

#### Crude Oil Production

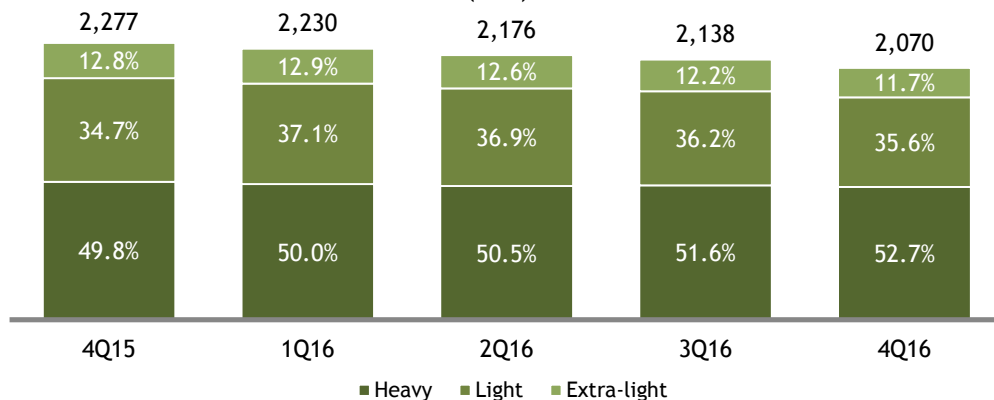
During the fourth quarter of 2016, total crude oil production averaged 2,070 Mbd, a 9.1% decrease as compared to the same period of 2015. This variation was primarily due to:

- a 13.5% reduction in production of light crude oil, primarily due to a natural decline in production at the Chuhuk, Chuc, Ixtal and Onel fields of the Abkatún-Pol-Chuc business unit of the Southwestern Marine region, as well as at Tsimin of the Litoral de Tabasco business unit and Artesa of the Macuspana-Muspac, both in the South region. The decline was partially offset by an increase in production at the Xanab field of the Litoral de Tabasco business unit, raising output from 88 Mbd during the fourth quarter of 2015, to 140 Mbd during the same period of 2016;
- a 16.6% decrease in extra-light crude oil production, due to a natural decline in production, as well as an increase in the fractional water flow of wells of the Bellota-Jujo, Samaria-Luna, Macuspana-Muspac and Litoral de Tabasco business units; and
- a 3.8% decrease in the production of heavy crude oil, as a result of the natural decline in production and an increase in the fractional water flow of wells in highly fractured deposits of the Cantarell business unit in the Northeastern Marine region.

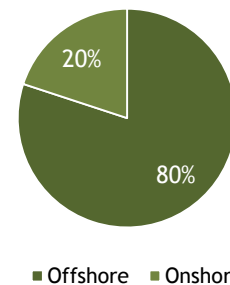
Crude Oil Production Performance of Select Fields (Mbd)



Crude Oil Production by Type (Mbd)



Crude Oil Production by Region (Mbd)

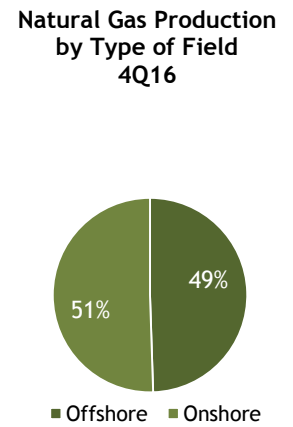
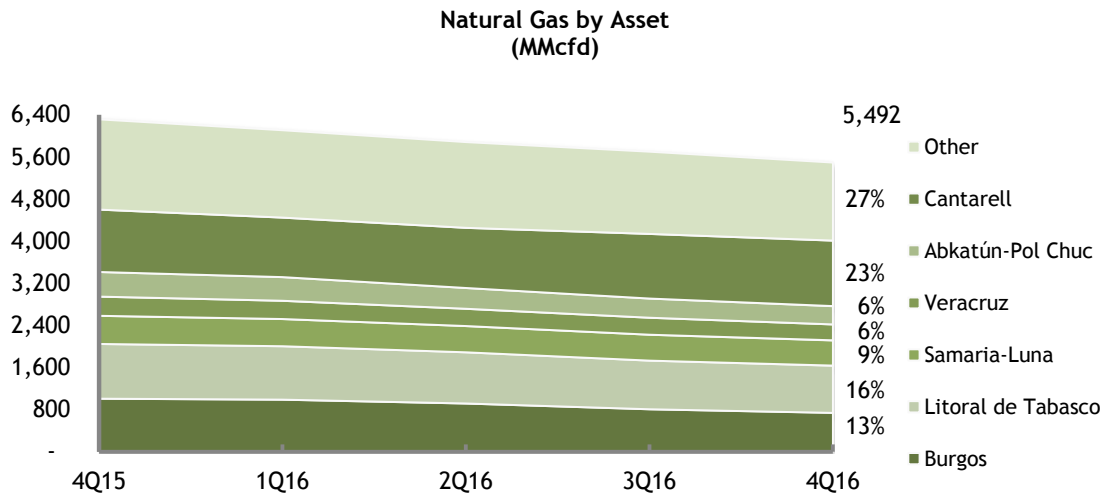
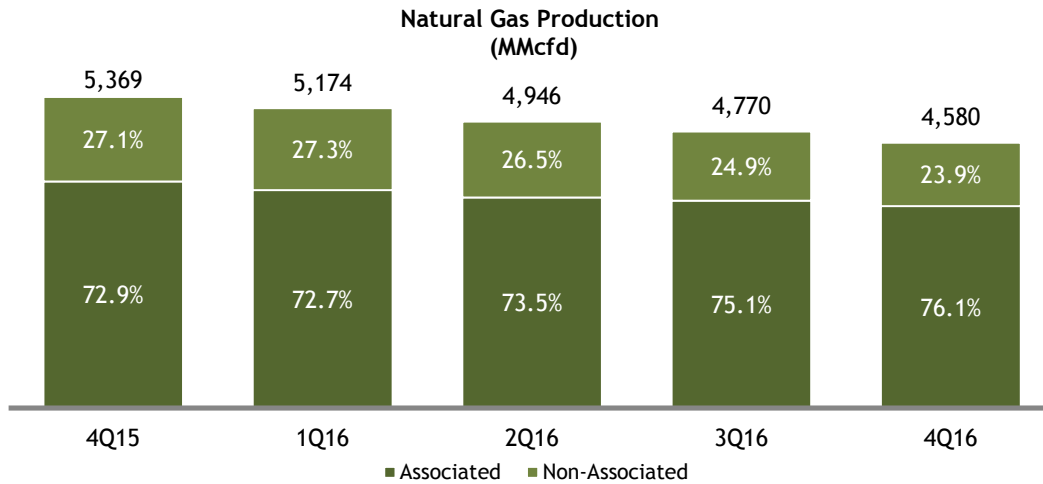


**Natural Gas Production**

During the fourth quarter of 2016, total natural gas production decreased by 14.7%<sup>3</sup>, amounting to 4,580 MMcfd, as a result of:

- a 10.9% decrease in associated gas production, primarily due to the natural decline in production of crude oil and an increase in the fractional water flow of wells of the Litoral de Tabasco and Abkatún-Pol-Chuc business units, as well as a natural decline in production at fields of the Macuspana-Muspac, Bellota-Jujo and Samaria-Luna business units; and
- a 24.8% reduction in non-associated gas production during the period, mainly due to a natural decline in production at the Veracruz and Burgos business units of the Northern region.

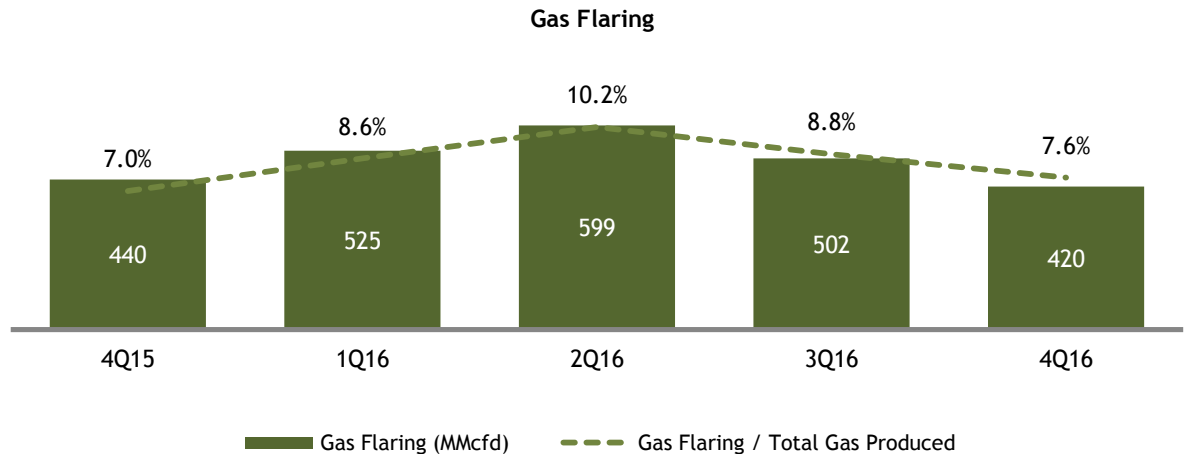
<sup>3</sup> Does not include nitrogen.



**Gas Flaring**

During the fourth quarter of 2016, gas flaring decreased to 420 MMcfd, primarily as a result of the completion of works for gas utilization on marine rigs.

As a result, natural gas use as a percentage of production during the period amounted to 92.4%.

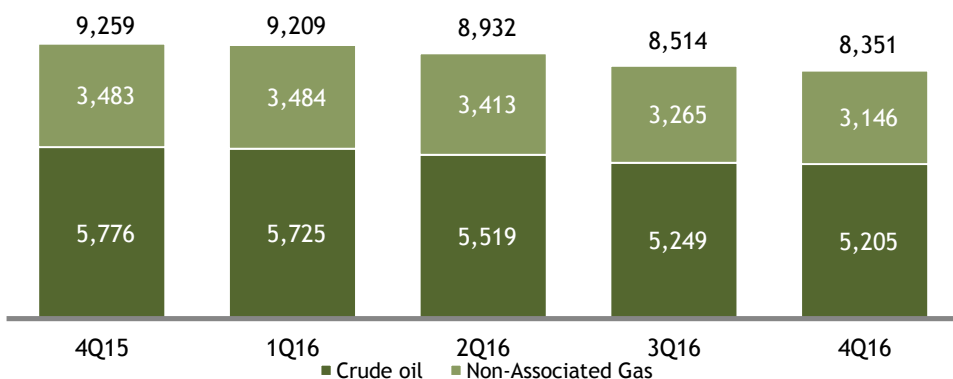


**Infrastructure**

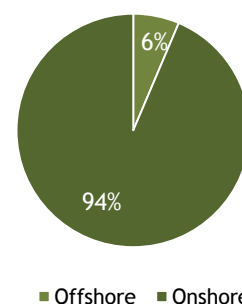
During the fourth quarter of 2016, the average number of operating wells totaled 8,351, a 9.8% decrease as compared to the same period of 2015.

The completion of wells decreased by 63.2%, a decrease of 43 wells, due to a decrease in the completion of development wells. The previous was a result of a scheduled reduction of development activities at the Poza Rica-Altamira, Aceite Terciario del Golfo (ATG), Cinco Presidentes, Samaria-Luna and Litoral de Tabasco business units, as a result of the budget adjustments approved by the Board of Directors at the beginning of the year. Additionally, six exploration wells were completed during the quarter, a two well reduction as compared to the previous year, primarily as a result of a reduction of activities at the deep water exploration business units.

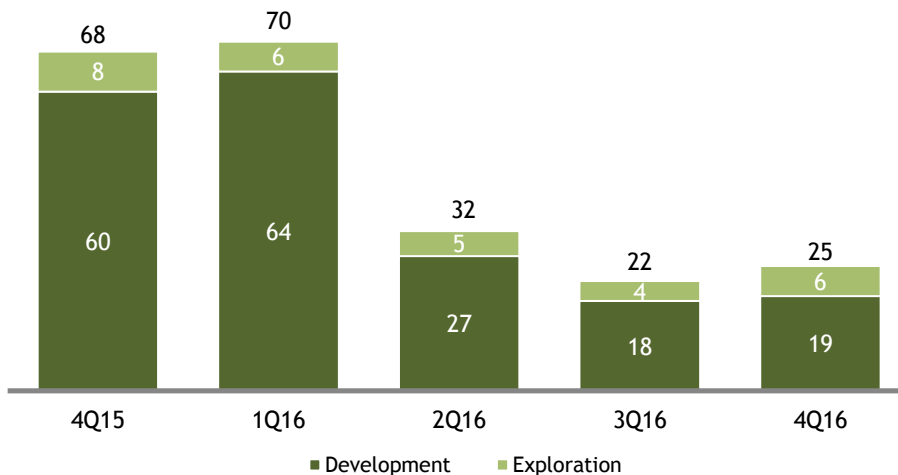
**Average Number of Operating Wells**



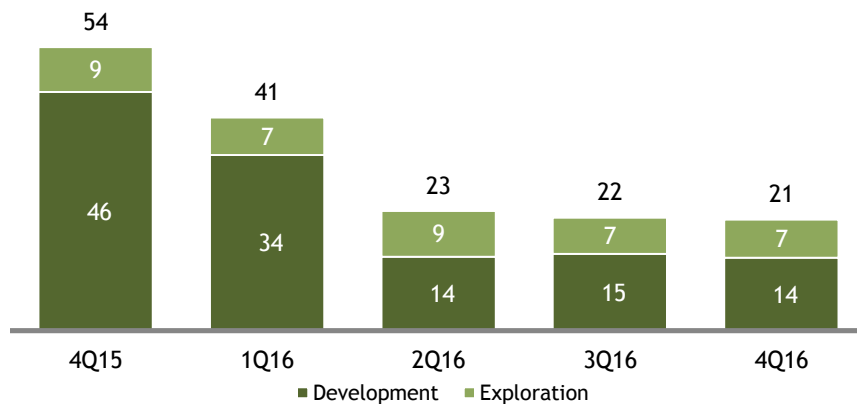
**Average Operating Wells by Type of Field 4Q16**



**Completed Wells**



Average Number of Operating Drilling Rigs



Average Drilling Rigs by Type  
4Q16



Seismic Information

No additional 2D or 3D seismic data was acquired during the fourth quarter of 2016.

Discoveries

As a result of the exploratory activities carried out during the fourth quarter of 2016, the Uchbal-1 and Pokche-1 wells, located at the Litoral de Tabasco business unit, continued to quantify the production potential of the Southeastern basins. We would highlight that these discoveries are located in shallow waters, at water depths between 25 to 40 meters (m) near existing production complexes.

Moreover, the Doctus-1 well from the Poza Rica-Altamira business unit, drilled at water depths of more than 1,500 m confirmed the existence of extra-light oil, proving the company’s ability to develop capabilities in new and highly complex producer regions.

Main Discoveries As of December 31, 2016						
Business Unit	Well	Geologic Age	Initial Production		Water Depth Meters	Type of Hydrocarbons
			Oil & Condensates (bd)	Gas (MMcfd)		
Litoral de Tabasco	Teca-1	Mioceno Superior	3,186.0	7.3	44	Extra-Light Oil
Poza Rica-Altamira	Nobilis-1	Eoceno Inferior Wilcox	18,350.0	30.0	3,009	Extra-Light Oil
Litoral de Tabasco	Uchbal-1	Mioceno Medio	570.4	0.2	39	Heavy Oil
Litoral de Tabasco	Pokche-1	Jurásico Superior Tithoniano-Jurásico Superior Kimmeridgiano	4,726.0	9.1	25	Extra-Light Oil
Poza Rica-Altamira	Doctus-1	Eoceno Inferior Wilcox-100	6,031.0	18.0	1,597	Extra-Light Oil
<b>Total</b>			<b>32,863.4</b>	<b>64.7</b>		

## Exploration & Production 2016

### Crude Oil Production

During 2016, and for the first time in the last five years, crude oil production met and exceeded the production goal established at the beginning of the year of 2,130 Mbd.

As compared to 2015, production decreased by 162 Mbd, or 5.0%, primarily due to:

- a 6.3% decline in production of light crude oil, primarily as a result of a natural decline in production of fields located in the Litoral de Tabasco and Abkatún-Pol-Chuc business units. The previous was partially offset by a 70.6% increase in production at the Xanab field of the Southwestern Marine region, which contributed an average of 127 Mbd during 2016, as compared to 74.4 Mbd in 2015;
- a decrease in production of heavy crude oil, as a result of the natural decline in production and an increase in the fractional water flow of wells in highly fractured deposits of the Cantarell business unit in the Northeastern Marine region; and
- a slight decrease in production of extra-light crude oil by 11 Mbd, primarily due to the natural decline in production and an increase in the fractional water flow of wells of fields in the Bellota-Jujo, Samaria-Luna and Macuspana-Muspac projects of the South region, and at the Litoral de Tabasco business unit of the Southwestern Marine region. The previous was partially offset by a 22% increase in production at the Xux field in the Southwestern Marine region.

### Natural Gas

During 2016, natural gas production goal was 99.0% met. As compared to 2015, production decreased by 11.6%, totaling 4,866 MMcfd, primarily due to:

- a decrease in non-associated gas production during the year caused by a natural decline in production at the Burgos and Veracruz business units of the North region; and
- a reduction in associated gas production, mainly due to the natural decline in production of crude oil and closing of wells with higher gas-oil ratios at the Akal field of the Cantarell business unit, and production deferrals at fields of the Abkatún-Pol-Chuc business unit, as a result of the incident that occurred within the compression area of the Abkatún-A platform in February 2016, as well as by an increase in the fractional water flow of wells of fields located in the Abkatún-Pol-Chuc, Macuspana-Muspac and Litoral de Tabasco business units.

### Gas Flaring

During 2016, gas flaring increased by 76 MMcfd, primarily as a result of the incident at the Abkatún-A Permanente platform.

As a result, the natural gas use as a percentage of production was 91.2% during 2016.

### Operational Infrastructure

During 2016, the average number of operating wells decreased by 6.6% to 8,750, as compared to 2015.

The completion of wells decreased by 52.2% during 2016, from 312 to 149 wells, mainly due to a decrease in the completion of development wells. The decrease in the completion of development wells resulted primarily from a scheduled reduction of activities at the Aceite Terciario del Golfo and Burgos business units in the North region, and at the Samaria-Luna, Macuspana-Muspac and Cinco Presidentes business units of the South region, as a result of the budget adjustments approved at the beginning of the year.

With regard to the completion of exploration wells, we would highlight that ten deep water exploration wells were completed, an increase of two wells. The previous was offset by a reduction of exploration drilling activities in shallow waters.

### Seismic

No additional 2D or 3D seismic data was acquired during 2016, as a result of the budget

- Information** adjustment.
- Discoveries** During 2016, PEMEX focused its exploration activities on the following producer prospects:
- Southeastern Basin:
    - the Teca-1 (extra-light oil), Pokche-1 (extra-light oil), and the Uchbal-1 (heavy oil) wells continued to confirm the production potential of the Southeastern basins. Its initial aggregate production is approximately 4 Mbd.
  - Deep Waters of the Gulf of Mexico:
    - along with joint ventures in deep waters, the Nobilis-1 and Doctu-1 wells confirmed the production potential of the Perdido area in the deep waters of the Gulf of Mexico. It's important to highlight that these wells are located at water depths of 3,000 and 1,500 m, respectively, again demonstrating the company's ability to develop capabilities in new and highly complex producer regions.

Altogether, these discoveries incorporated almost 700 MMboe in 3P reserves in 2016.

## Other Information Related to E&P Activities

### Migration of Assignments at Trión Block

On December 5, 2016, the National Hydrocarbons Commission announced that BHP Billiton Petróleo Operaciones de México, S. de R.L. DE C.V. (or BHP Billiton Mexico), had been selected as the partner for Pemex Exploration and Production for activities in the Trión block. Pursuant to the terms of its bid, BHP Billiton Mexico offered USD 624 million contribution to the partnership, and would obtain a 60% participating interest in and be the operator of the Trión block; 10% of the additional contribution will be a cash payment to the State as a sign in bonus, and the remaining 90% will be destined to additional investment made on behalf of PEMEX.

The sum of the minimum USD 570 million investment and the additional contribution offered, will allow PEMEX to delay any additional budgetary resources to this specific project for the next four years. The corresponding joint operating agreement and other relevant agreements are expected to be entered into within 90 days.

Total estimated investment throughout the project's life is USD 11 billion. Investment will come as early as 2017 to carry exploratory activities that provide a better understanding of the subsoil. Initial production is expected for 2023, and by 2025 the project would reach a production plateau of 120 Mboed.

Trión	
Pemex Exploration and Production	40%
BHP Billiton Petróleo Operaciones de México	60%
Base royalty	7.5%
Additional royalty	4.0%
Tie-break criteria	USD 624.0 million
Signing bonus payable to the Mexican Oil Fund;	USD 62.4 million
Additional carry in favor of PEMEX	USD 561.6 million
Minimum investment	USD 570.0 million
<b>Total carry on behalf of PEMEX</b>	<b>USD 1,974 million</b>



**Competitive Bidding Rounds**

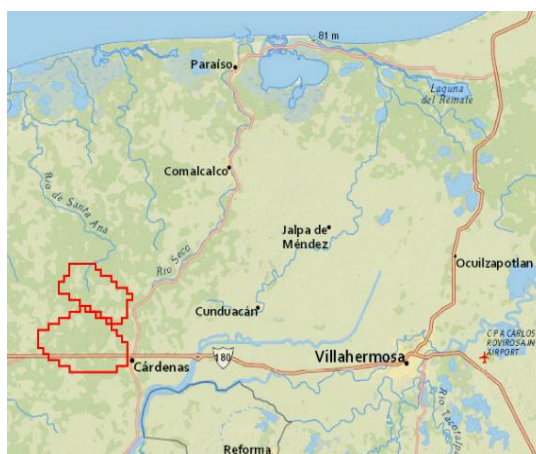
On December 5, 2016, the National Hydrocarbons Commission published the results of the bidding process referred to as Round 1.4, through which a consortium consisting of Pemex Exploration and Production, Chevron Energía de México, S. de R.L. de C.V. (referred to as Chevron Energía), and INPEX Corporation was awarded an exploration contract for a field located in the Perdido Fold Belt in the Gulf of Mexico. The field covers an area of approximately 1,686.9 km<sup>2</sup> and is located approximately 117 km off of the coast of Mexico in water depths ranging between 500 and 1,700 m. Chevron Energía will be the operator and holds a 33.3334% of the interest in the consortium, while Pemex Exploration and Production and INPEX Corporation each hold a 33.3333% interest.

Block 3 - Perdido Fold Belt	
Pemex Exploration & Production	33.33%
Chevron Energía de México	33.34%
Inpex Corporation	33.33%
Base royalty	7.50%
Additional royalty	7.44%
Minimum work program	3,374 work units (USD 3.47 million)

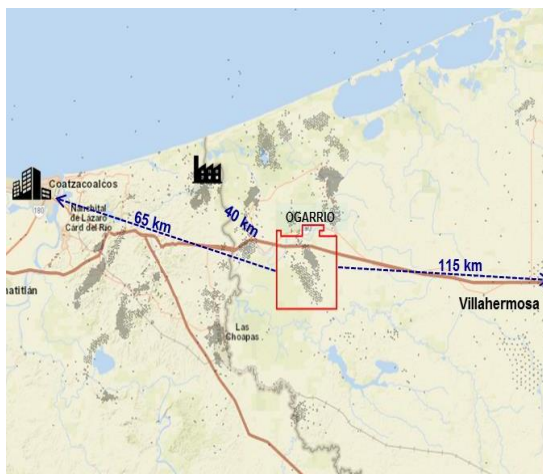
**Farm-Outs**

In line with the company’s business plan, on October 18, 2016, Petróleos Mexicanos’ Board of Directors approved the request to the Ministry of Energy for the farm-outs related to the Cárdenas-Mora and Ogarrio onshore fields. The Cárdenas-Mora fields are located around 62 km of Villahermosa, Tabasco, and cover approximately 104 and 63 km<sup>2</sup>, respectively. Altogether, these fields contribute with around 94 MMboe in 3P reserves as of 2016, and are currently producers of extra-light crude oil.

This onshore farm-out may be included in the second bidding round of “Round 2”, which is expected to be awarded in July 2017.



The Ogarrio field is located in Huimanguillo, Tabasco, 65 km of Coatzacoalcos, Veracruz, cover approximately 153 km<sup>2</sup> and accounts for 54 MMboe in 3P reserves as of 2016. A significant amount of infrastructure and communications lines have been developed on this project, and currently produces light crude oil.



For more information on the fields that PEMEX will farm-out during the “Round 2” process, please visit the following links (only available in Spanish):

Ayín-Batsil:

<http://www.gob.mx/cnh/documentos/informacion-disponible-de-la-zona-ayin-batsil-en-el-centro-nacional-de-informacion-de-hidrocarburos?state=draft>

Cárdenas-Mora:

<http://www.gob.mx/cnh/documentos/informacion-disponible-de-la-zona-cardenas-mora-en-el-centro-nacional-de-informacion-de-hidrocarburos-84110?idiom=es>

Ogarrio:

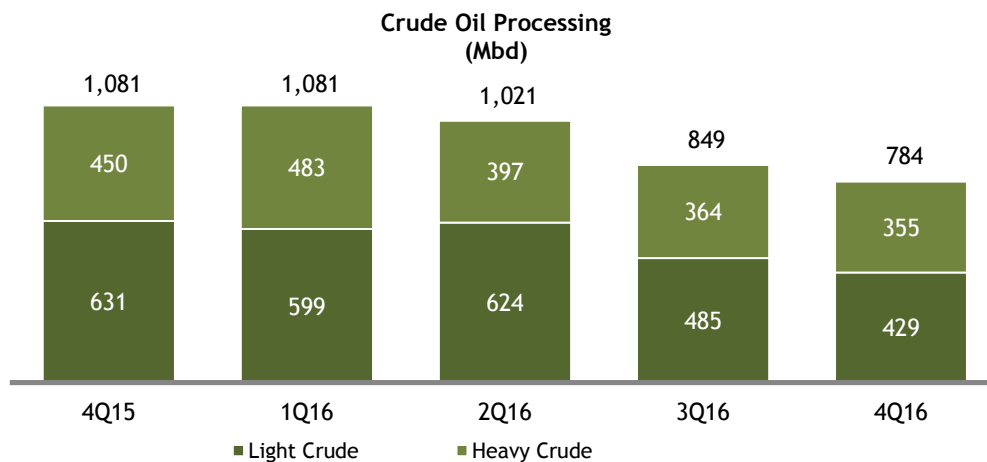
<http://www.gob.mx/cnh/documentos/informacion-disponible-de-ogarrioen-el-centro-nacional-de-informacion-de-hidrocarburos?idiom=es>

## Industrial Processes 4Q16

### Crude Oil Processing

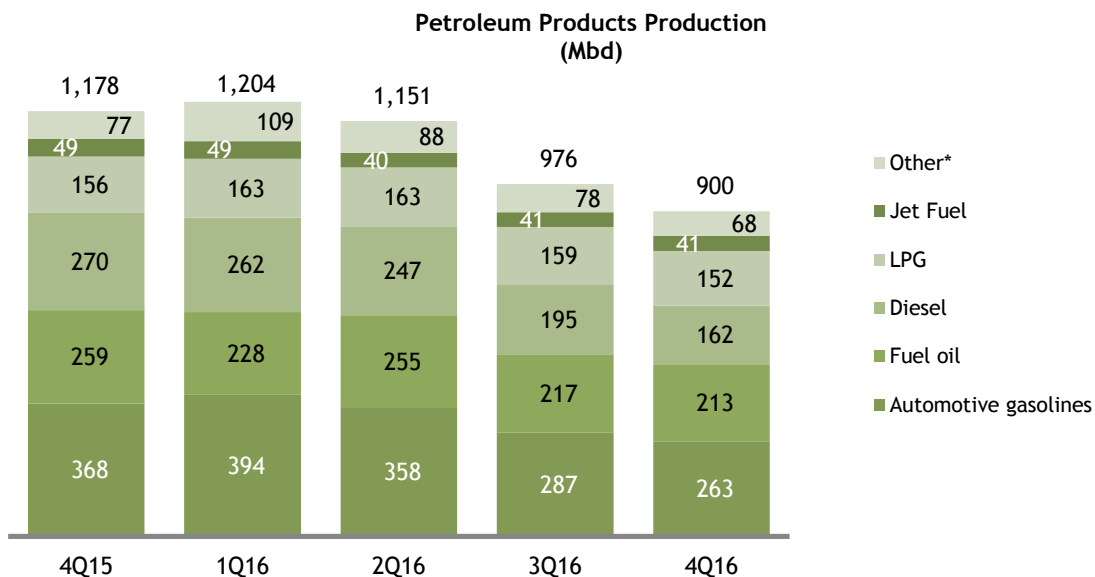
During the fourth quarter of 2016, total crude oil processing decreased by 27.5%, primarily due lower crude oil processing at the Tula and Cadereyta refineries, as a result of non-scheduled shutdowns and shortcomings of auxiliary services and scheduled maintenance cycles.

PEMEX’s usage of its primary distillation capacity decreased by 18.1 percentage points, due to maintenance cycles and the operational problems described above.



**Production of Petroleum Products**

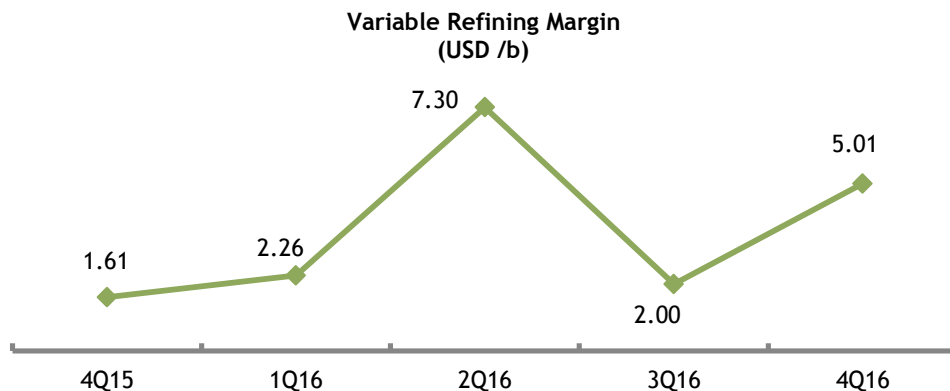
During the fourth quarter of 2016, total petroleum products output decreased by 26.0%, as compared to the same period of 2015, primarily due to a decrease in the amount of crude oil processed at the Tula and Cadereyta refineries, as well as lower yields at the Salina Cruz refinery.



\* Includes paraffins, furfural extract, aeroflex, asphalt, lubricants, coke, cyclical light oil and other gasolines.

**Variable Refining Margin**

During the fourth quarter of 2016, PEMEX’s NRS recorded a positive variable refining margin of USD 5.01 per barrel, a USD 3.40 per barrel increase, as compared to the fourth quarter of 2015, due to a recovery in prices.



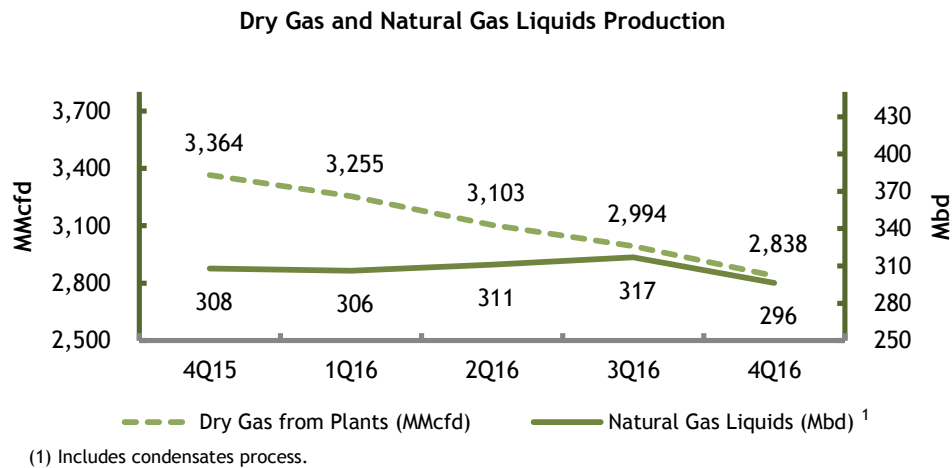
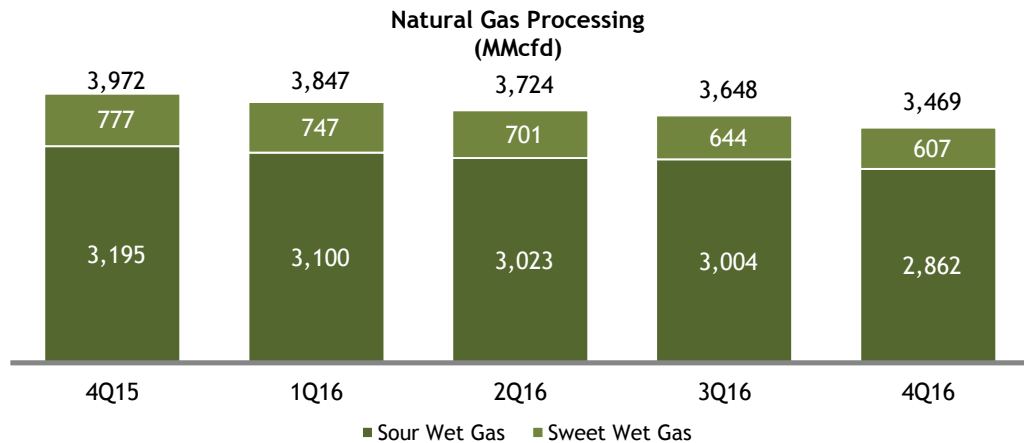
**PEMEX Gas Stations**

As of December 31, 2016, PEMEX gas stations totaled 11,578, a 3.3% increase as compared to the number recorded by year-end 2015

**Natural Gas Processing and Production**

During the fourth quarter of 2016, natural gas processing decreased by 12.7%, as compared to the same period of 2015, in response to the decreased availability of sour wet gas from both the offshore and South regions, as well as a reduction in the supply of sweet wet gas from the Burgos basin. As a result, dry gas and natural gas liquids production decreased by 15.6% and 3.7%, respectively, as compared to the same period of 2015.

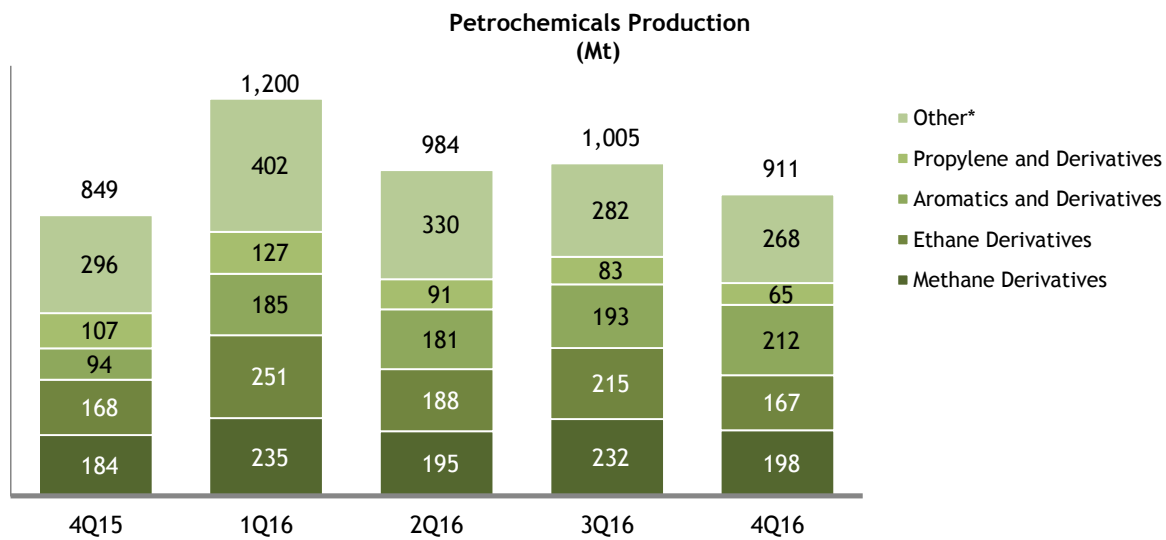
Condensates processing decreased by 19.2%, during the fourth quarter of 2016, as compared to the same period of 2015, primarily due to a decline in the supply of sweet and sour condensates from Burgos and Nuevo Pemex, respectively.



**Petrochemicals Production**

During the fourth quarter of 2016, the production of petrochemical products increased by 7.4%, as compared to the same period of 2015, primarily due to the following:

- a 118 Mt increase in production in the aromatics and derivatives chain, largely due to greater loads at the Continuous Catalytic Regeneration (CCR) plant, following the operating problems registered during the second and third quarter of 2016;
- a 14 Mt increase in production in the methane derivatives chain, due additional supply of natural gas;
- a 42 Mt decrease in the propylene and derivatives chain, due to non-scheduled shutdowns at the catalytic cracking plants of Madero and Cadereyta; and
- a 28 Mt decrease in production of other petrochemicals, primarily due to a decrease in production of sulfur and oxygen, due to lower crude oil processing and sour gas.



\*Includes muriatic acid, butadiene, polyethylene wax, petrochemical specialities, BTX liquids, hydrogen, isohexane, pyrolysis liquids, oxygen, CPDI, sulfur, isopropyl alcohol, amorphous gasoline, octane basis gasoline and heavy naphtha.

## Industrial Transformation 2016

### Crude Oil Processing

During 2016, total crude oil processing totaled 933 Mbd, a 12.3% decrease as compared to 2015, primarily due to non-scheduled shutdowns at the Madero and Minatitlán refineries, as well as shortcomings of auxiliary services and high inventories of middle distillates.

During 2016, PEMEX's usage of its primary distillation capacity decreased by 8.0 percentage points, as compared to 2015, to 56.9% of its total capacity, due to the maintenance activities and overhaul works described above.

### Production of Petroleum Products

During 2016, total petroleum products output decreased by 12.7%, as compared to 2015, as a result of lower crude oil processing and distillate yields. The Cadereyta, Madero and Minatitlán refineries accounted for the majority of the decrease, due to non-scheduled shutdowns and overhaul works.

### Variable Refining Margin

By the end of 2016, the NRS recorded a variable refining margin of USD 4.48 per barrel, an increase by USD 1.13 per barrel, as compared to 2015. This is broadly a result of the recovery of refined prices.

### Natural Gas Processing and Production

During 2016, natural gas processing decreased by 9.9%, as compared to 2015, in response to the decreased availability of sour wet gas from both the offshore and South regions, as well as a reduction in the supply of sweet wet gas from the Burgos basin. As a result, dry gas production decreased by 15.6% or 351 MMcfd, while natural gas liquids production decreased by 6.0%, as compared to the same period of 2015.

Condensates processing decreased by 8.8%, primarily due to a decrease in the supply of sweet condensates from Burgos and sour condensates from Nuevo Pemex.

### Petrochemicals Production

During 2016, production of petrochemical products totaled 4,100 Mt, a 9.0% decrease as compared to 2015. This decrease is primarily explained by:

- a 148 Mt decrease in production in the ethane derivatives chain, mainly due to a reduction in the supply of ethane in response to the startup of operations of the Braskem-Idesa ethylene cracker, lower storage availability at the Ethylene Refrigerated Terminal and Pajaritos Embankment, and non-scheduled shutdowns at the Cangrejera petrochemical complex;
- a 126 Mt decrease in production in the propylene and derivatives chain, due to decreased availability of propylene, non-scheduled shutdowns and, and an extended maintenance shutdown of the acrylonitrile plant at the Morelos complex;
- a 42 Mt decrease in production in the methane derivatives chain, due to decreased output of ammonia and methanol, in response to operating problems and a reduction in the supply of natural gas during the first half of the year;
- a 139 Mt decrease in production of other petrochemicals, primarily due to a decrease in production of sulfur, hexane and raw material used for the production of carbon black, due to lower crude oil processing and sour wet gas.

This decrease was partially offset by a 113 Mt increase in production in the aromatics and derivatives chain, primarily due to increased production of high octane hydrocarbons, as a result of startup of operations of the CCR plant.

## Other Information Related to Industrial Processes

**Incident at the Madero Refinery** On January 12, 2016, one worker was killed and two others were injured as a result of a sudden release of toxic hydrogen sulfide while doing maintenance works at one of the diesel middle distillates plant of the Madero refinery. PEMEX profoundly regrets the loss of one of its workers and the injuries suffered by workers due to this incident. Operations continued to operate normally.

**Pemex Logistics Open Season** As a result of the Energy Reform, PEMEX Logistics can now offer its storage and petroleum products pipe distribution to the market.

According to the Energy Regulatory Commission’s guidelines (CRE in Spanish), Pemex Industrial Transformation has reserved the capacity required to supply the domestic demand of fuels during the transition stage. The remaining capacity will be offered through an auction, where Pemex Logistics will carry out an Open Season process where any participant can bid for additional capacity. In this context, Pemex Industrial Transformation will be a price taker of the fee arising from the auction process.

Pemex Logistics will begin by offering its additional capacity in the northwestern portion of the Mexican territory. The winners will be awarded on March 15, 2017. As of today, 20 companies such as Shell México S.A. de C.V., Chevron Combustibles de México S. de R.L. de C.V., Tesoro Mexico Supply & Marketing S. de R.L. de C.V., BP Estaciones and Servicios Energéticos S.A. de C.V. have pre-qualified.

Pemex Logistics will gradually continue to offer its remaining capacity in the rest of the country throughout 2017. For more information on this process please visit the following link (only available in Spanish):

<http://www.pemex.com/nuestro-negocio/logistica/temporadas-abiertas/Paginas/inicio.aspx>



### First Joint Venture for Tula Hydrogen Plant

On February 23, 2017, Pemex Industrial Transformation signed its first joint venture with Air Liquide México S.A. de R.L. de C.V., to operate the existing hydrogen plant at the Tula refinery, and invest in a new one.

This joint venture will guarantee the supply of hydrogen to Tula for the next 20 years, and is expected to generate savings of 30%, guarantee the supply of hydrogen, which in turn will decrease non-scheduled shutdowns and increase gasoline production.

## Industrial Safety

**Frequency Index<sup>4</sup>** During 2016, the initiatives related to Safety, Health, Environmental Protection, and Sustainable Development promoted by the company, helped surpass the frequency index goal established at 0.38 injuries per million man-hours worked (MMhh), reaching a record low for PEMEX of 0.36 injuries per MMhh, which represents a 23% decrease as compared to 2015.

**Severity Index<sup>5</sup>** By the end of 2016, the accumulated severity index was 23 days lost per MMhh, a 25% decrease as compared to 2015.

To reverse the trend observed in severe accidents, during 2016, Petróleos Mexicanos implemented Safety, Health and Environmental Protection's (SSPA for its acronym in Spanish) new mandates and functions, to reinforce the actions carried out by the entire personnel in safety departments and reinsure the fulfillment of all 13 guidelines stated by SSPA. Additionally, a new program for audit and advisory services for the effective implementation of the Safety, Health and Environmental Protection and Operational Reliability Systems has been implemented in key working centers of both, Exploration and Production, and Industrial Transformation.

Additionally, awareness campaigns aimed to increase safety and reduce accidents at work were carried out to also tackle minor and non-severe accident issues.

## Environmental Protection

**Sulfur Oxide Emissions** During 2016, sulfur oxide emissions increased by 22.8% as compared to 2015, primarily due to emissions produced as a result of the decline in wells that use nitrogen to increase production, which resulted in an increase in the generation of sour gas that is sent for flaring at the Ku-Maloob-Zaap, Abkatún Pol-Chuc and Litoral de Tabasco business units, as well as increase in the gas volume sent for flaring at the Minatitlán and Salina Cruz refineries. Additionally, maintenance works were carried out at the sulfur plants of the gas processing centers of Poza Rica, Ciudad Pemex and Nuevo Pemex.

**Water Reuse** During 2016, the reuse of water decreased by 7.5% as compared to 2015, primarily due to the decrease in the utilization rates of residual water treatment plants in the NRS, due to operating problems.

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<sup>4</sup> Refers to the number of accidents with incapacitating injuries per million man-hours worked (MMhh) with risk exposure during the relevant period of time. An incapacitating injury is an injury, functional damage or death that is caused, either immediately or subsequently, by a sudden event at work or during work-related activities. Man-hours worked with risk exposure represent the number of hours worked by all personnel, including overtime hours.

<sup>5</sup> Refers to the total number of days lost per million man-hours worked with risk exposure during the relevant period of time. The number of days lost is based on medical leaves of absence for injuries stemming from accidents at work, plus the number of corresponding days on which compensation is paid for partial or total disability or death.



## Financial Results

PEMEX  
Consolidated Income Statement

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,					
	2015	2016	Change	2016	2015	2016	Change	2016		
	(MXN million)			(USD million)	(MXN million)			(USD million)		
Total sales	264,226	323,849	22.6%	59,622	15,672	1,166,362	1,079,546	-7.4%	(86,816)	52,243
Domestic sales	176,594	197,392	11.8%	20,799	9,552	746,236	670,001	-10.2%	(76,235)	32,424
Exports	84,913	122,352	44.1%	37,439	5,921	407,214	395,118	-3.0%	(12,096)	19,121
Services income	2,720	4,105	50.9%	1,384	199	12,912	14,427	11.7%	1,515	698
Cost of sales	636,184	50,771	-92.0%	(585,413)	2,457	1,280,836	536,266	-58.1%	(744,570)	25,952
Gross income	(371,958)	273,078	-173.4%	645,035	13,215	(114,474)	543,279	374.6%	657,753	26,291
Other revenues (expenses)	(2,845)	(6,539)	129.8%	(3,694)	(316)	(2,374)	18,956	698.5%	21,329	917
Transportation and distribution expenses	(13,914)	6,026	-143.3%	19,940	292	12,801	25,231	97.1%	12,430	1,221
Administrative expenses	(61,271)	29,623	-148.3%	90,893	1,434	24,739	112,654	355.4%	87,915	5,452
Operating income (loss)	(299,618)	230,890	-177.1%	530,509	11,174	(154,387)	424,350	174.9%	578,738	20,536
Financial Income	(18,946)	(30,033)	-58.5%	(11,087)	(1,453)	(67,774)	(98,844)	45.8%	(31,071)	(4,783)
Financial Cost	12,574	7,112	-43.4%	(5,461)	344	14,991	13,749	-8.3%	(1,242)	665
Income (cost) due to financial derivatives	(4,143)	(16,844)	-306.5%	(12,701)	(815)	(21,450)	(14,001)	-34.7%	7,449	(678)
Foreign exchange profit (loss)	(18,496)	(75,870)	-310.2%	(57,374)	(3,672)	(154,766)	(254,013)	64.1%	(99,247)	(12,293)
Profit sharing in non-consolidated subsidiaries and affiliates	162	1,402	765.4%	1,240	68	2,318	2,136	-7.9%	(182)	103
Income before taxes and duties	(328,469)	116,657	-135.5%	445,125	5,645	(381,067)	73,377	-80.7%	454,445	3,551
Taxes and duties	31,289	43,999	40.6%	12,710	2,129	331,500	264,521	-20.2%	(66,979)	12,801
Profit Sharing Duties	86,294	94,996	10.1%	8,702	4,597	377,088	304,813	-19.2%	(72,274)	14,751
Income tax and other	(55,006)	(50,997)	-7.3%	4,008	(2,468)	(45,587)	(40,292)	-11.6%	5,295	(1,950)
Net income (loss)	(359,757)	72,658	120.2%	432,415	3,516	(712,568)	(191,144)	-73.2%	521,423	(9,250)
Other comprehensive results	78,256	114,935	46.9%	36,679	5,562	88,612	127,872	44.3%	39,260	6,188
Investment in equity securities	(302)	(75)	75.1%	227	(4)	(3,206)	208	-93.5%	3,414	10
Actuarial losses due to employee benefits	78,557	108,236	37.8%	29,680	5,238	78,557	108,192	37.7%	29,636	5,236
Conversion effect	2	8,689	-551495.6%	8,687	420	13,262	21,387	61.3%	8,125	1,035
Deferred taxes	-	(1,915)		(1,915)	(93)	-	(1,915)		(1,915)	(93)
Comprehensive income (loss)	(281,501)	187,592	166.6%	469,094	9,078	(623,955)	(63,272)	-89.9%	560,683	(3,062)

## Income Statement from October 1 to December 31, 2016

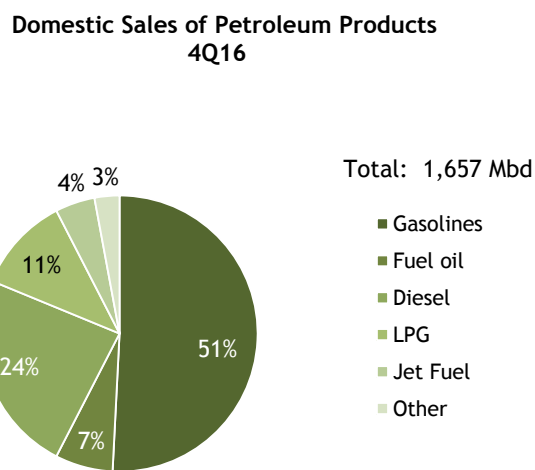
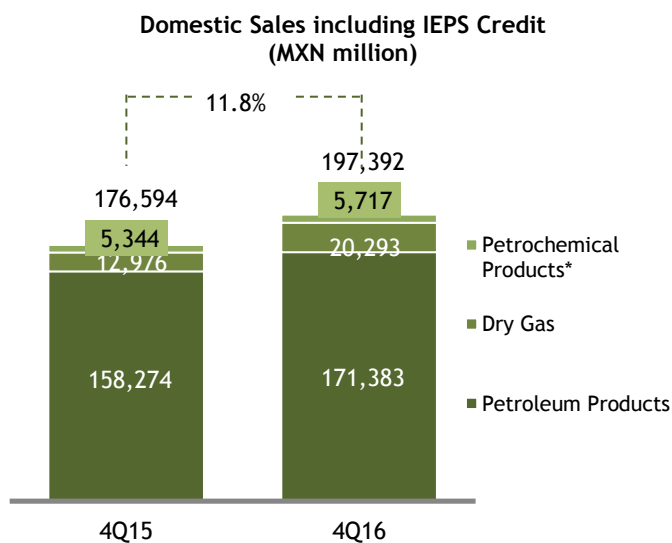
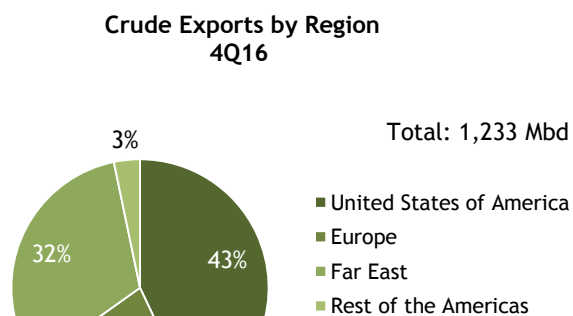
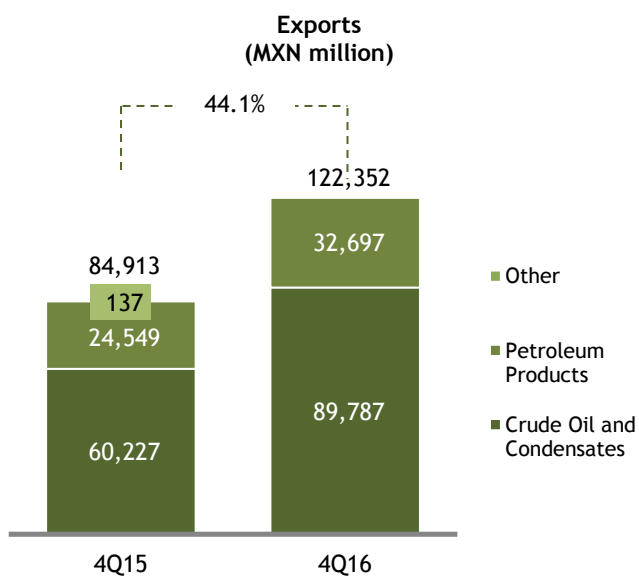
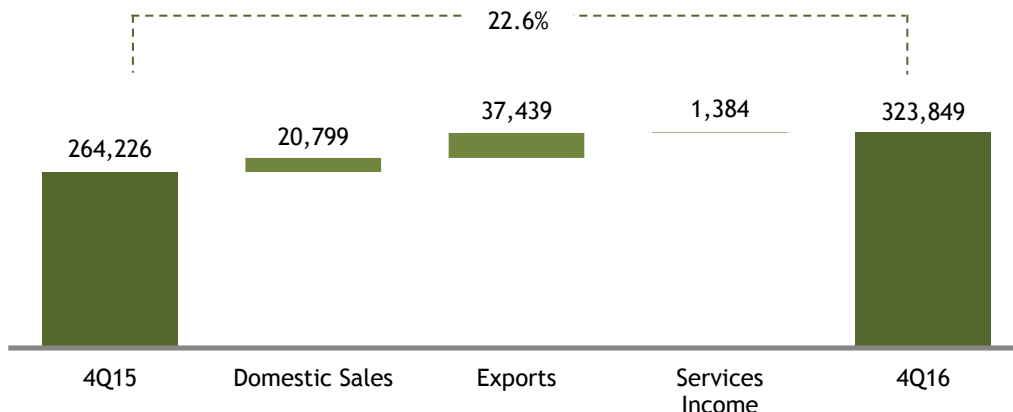
## Sales

During the fourth quarter of 2016, total sales increased by 22.6% as compared to the same period of 2015, recording MXN 323.8 billion primarily as a result of:

- a 49.1% increase in exports of crude oil and condensates, explained in 86% by higher prices and in 14% by a minor increase in volume. Average oil price went from USD 33.53 per barrel during the fourth quarter of 2015 to USD 40.95 in the same period of 2016;
- a 33.2% increase in exports of petroleum products, primarily as a result of higher prices. The price effect on the reduction of petroleum products' exports had a positive impact of MXN 11.8 billion, and sales volume decreased by MXN 3.7 billion;
- a 11.8% increase in domestic sales of gasoline and diesel, mainly due to higher prices and a 3.7% increase in volume. The price effect on the domestic sales of gasoline and diesel had a positive impact of MXN 15.4 billion, while sales volume increased by MXN 4.5 billion; and
- a partial offset by a 44.5% or MXN 9.1 billion decrease in domestic sales of liquefied natural gas (LNG), primarily due to the market share loss that resulted from increased competition due to the liberalization of imports in 2016. Nevertheless, PEMEX expects to maintain 70% of the client base.

Sales were also negatively affected by changes in the IEPS tax computation that was updated in April 2016, and now considers the past five months of international reference price quotes for gasoline and diesel.

Sales Evolution  
(MXN million)



\* Includes Pemex Fertilizers' and Pemex Ethylene's products.

**Gross & Operating Income**

Cost of sales decreased by 92.0%, primarily as a result of the impact of:

- a MXN 232.2 billion partial reverse of the impairment loss recorded in the “Other” item, mainly as a result of (i) increased efficiencies in extraction processes and production costs; (ii) appreciation of the U.S. dollar against the Mexican peso; (iii) changes in the reserve valuation period, going from 20 years to a 25 year average period of economic life, in accordance with the quantification and certification of reserves; and (iv) the recovery of the Mexican Mix export price. In addition, the final calculation of audited figures considers the expected cash flows from temporary assignments, based on its total economic life, which originated the increase in the impairment reverse;
- a 16.0% decrease in operating costs, mainly due to the implementation of the cost reduction strategy in order to generate savings and increase efficiency in operations.

The previous was partially offset by a MXN 48.3 billion increase in purchases for resale. This item consists of the import of petroleum products and recorded an increase attributable to higher prices, depreciation of the Mexican peso against the U.S. dollar and an 18.7% increase in volume.

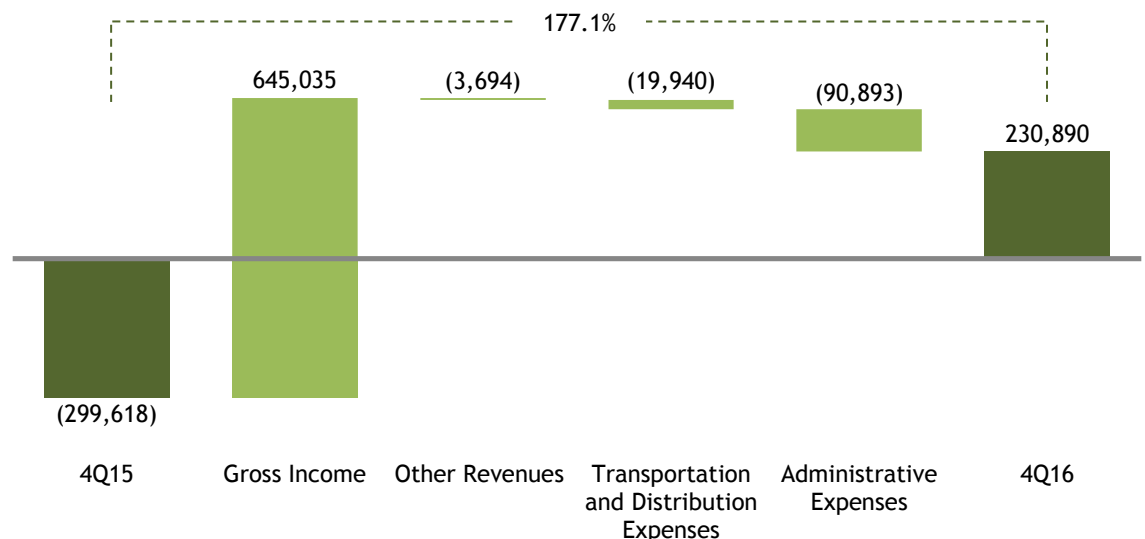
As a consequence, the gross income increased by 173.4%, totaling MXN 220.7 billion.

It is worth to mention that other revenues (expenses) in this fourth quarter include the recorded loss from the transfer of pipelines to the National Natural Gas Control Center (CENAGAS), partially offset by the tax credit for previous fiscal years, among other items.

Total operation expenses (transportation and distribution expenses and administrative expenses) increased by MXN 110.8 billion compared to 2015, since the savings generated from the revision of the pension system were recorded in that year.

As a result of the previously described factors, a reverse of the operating loss was recorded, and a MXN 231 billion operating income was reached.

**Operating Income Evolution  
(MXN million)**



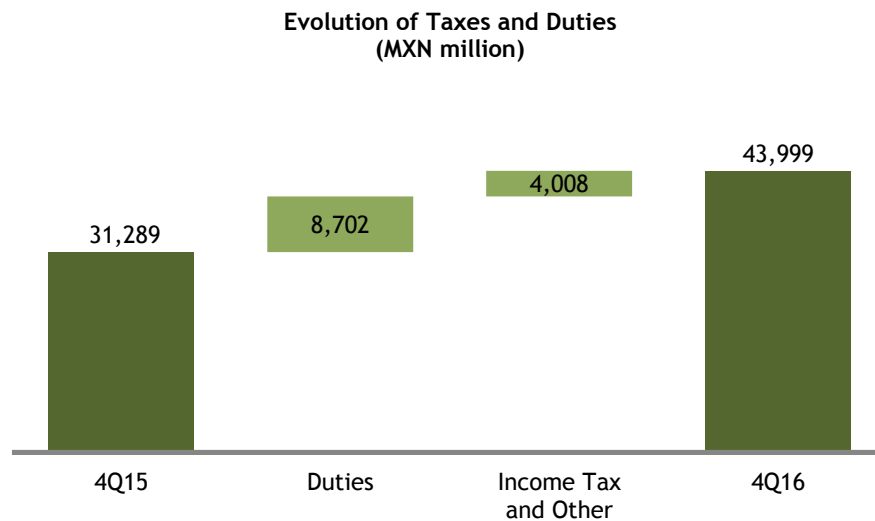
**Taxes and Duties**

Although PEMEX, starting in 2015, became subject to a new fiscal regime that is more in line with the rest of the oil and gas industry, it, unlike other companies, is still not able to deduct all of its operating costs and expenses from its calculation of taxes and duties.

To reduce the negative impact of the current applicable fiscal regime, on April 18, 2016, the Federal Government published in the Official Gazette of the Federation a decree that grants certain forms of tax relief to assignment operators. The decree is expected to reduce the negative impact caused by the decline in the prices of hydrocarbons and allows assignment operators to choose between two schemes to calculate the cap on permitted deductions applicable to the Profit-sharing Duty:

- (i) the scheme established within the Hydrocarbons Revenue Law, based on a percentage of the value of extracted hydrocarbons; or
- (ii) the scheme proposed by the Ministry of Finance and Public Credit, within the decreed published in April, calculated upon established fixed fees.

Profit-sharing Duty: cap on permitted deductions		
Type of Field	Hydrocarbons Revenue Law	2016 Decree
Onshore	2016 - 11.075%	8.30 USD/b
	2017 - 11.550%	
Shallow waters	2018 - 12.025%	6.10 USD/b
	2019+ - 12.500%	



Note: As of 2016, Duties refer to Profit Sharing Duty, and Exploration and extraction taxes and duties are registered under the Cost of sales.

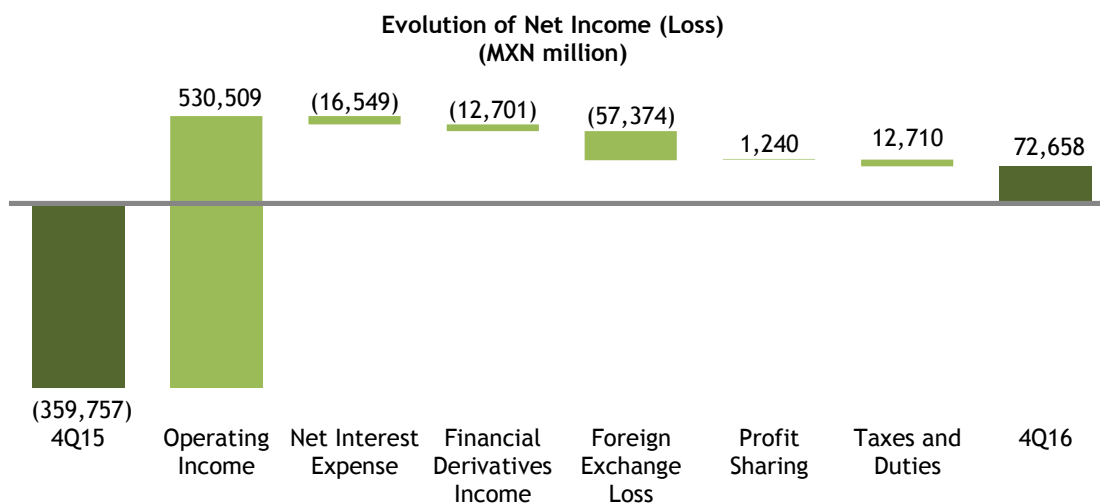
Income Tax was affected by the recognition of active deferred taxes. This resulted in a MXN 50.1 billion income recorded during the fourth quarter of 2016.

#### Evolution of Net Income (Loss)

The decrease in net loss during the fourth quarter of 2016 is primarily explained by the 177.1% previously described improvement in the operating income. This improvement was partially offset by:

- a MXN 16.6 billion increase in net interest expense;
- a MXN 12.7 billion increase in costs associated to financial derivatives, mainly due to the appreciation of the U.S. dollar against currencies other than the Mexican peso in which Petróleos Mexicanos hedges; and
- a MXN 77.0 billion foreign exchange loss, which mostly did not imply cash outflows. This loss results from a depreciation of the Mexican peso relative to the U.S. dollar, with an exchange rate of MXN 20.6640 per dollar during the fourth quarter of 2016, as compared to MXN 17.2065 per dollar during the same period of 2015.

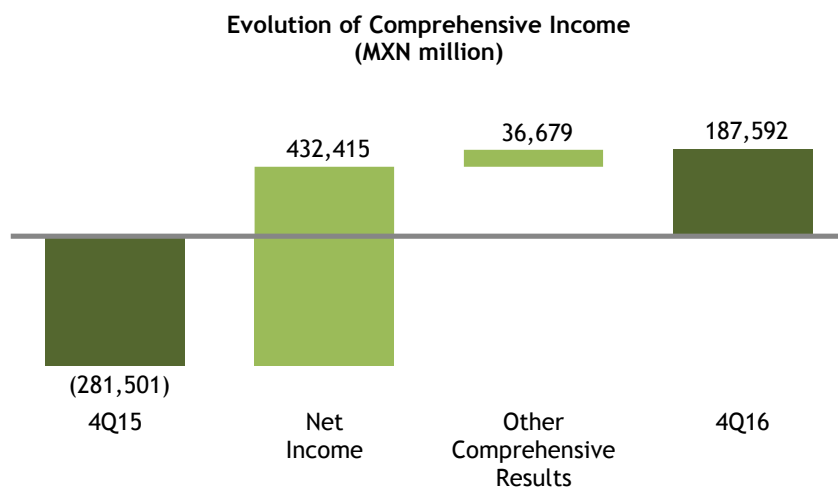
As a result of the aforementioned, PEMEX recorded a net income of MXN 72.6 billion during the fourth quarter of 2016, as compared to a net loss of MXN 359.7 billion during 4Q2015.



**Comprehensive Income (Loss)**

During the fourth quarter of 2016, other comprehensive results increased by 46.9%, primarily as a result of actuarial gains due to employee benefits. This increase is explained by the update in the actuarial rates used to calculate employee benefits.

As a result, the comprehensive income for the fourth quarter totaled MXN 187.6 billion.



## Income Statement from January 1 to December 31, 2016

During 2016, Petróleos Mexicanos has focused on recovering stability, taking firm steps towards taking advantage of the opportunities provided by the Energy Reform and strengthening the relationship with its stakeholders.

Despite 2016's challenges, PEMEX managed to:

- (i) complete the execution of the Adjustment Plan;
- (ii) materialize the federal government supports;
- (iii) normalize accounts payable to suppliers;
- (iv) reverse operational loss;
- (v) strengthen its financial balance;
- (vi) implement the Business Plan;
- (vii) utilize the opportunities provided by the Energy Reform; and
- (viii) maintain continuous access to debt markets.

The results of the company were positively affected by (i) the stability of sales, mainly due to the maintenance of the production platform, and (ii) the partial reverse of the impairment loss as a result of increased operational efficiencies. Conversely, the results were negatively affected by exogenous variables including the depreciation of the peso against the U.S. dollar, which has an important impact in the income statement due to the financial debt conversion.

### Sales

During 2016, total sales remained relatively stable and registered a slight decrease by 7.4%, as compared to 2015, primarily due to a 10.2% decrease in domestic sales, and to a lesser extent to a 3.0% decrease in export sales. These reductions were partially offset by an 11.7% increase in services income.

The decrease in domestic sales was mainly caused by:

- a 34.9% decrease in sales of liquefied natural gas (LNG), primarily due to the market share loss that resulted from increased competition due to the liberalization of imports in 2016.
- a 15.9% decrease in diesel sales, essentially due to lower prices;
- a 5.5% reduction in sales of gasoline, also due to lower prices despite higher volumes; and
- a 36.5% reduction in sales of fuel oil as a result of the diminishing demand for this product from the Federal Electricity Commission (CFE by its Spanish acronym).

On the other hand, the reduction in exports was primarily due to:

- a 12.6% decrease in petroleum products exports. The volume of exports of this product decreased by 7.4%; and
- a marginal increase in crude oil exports, mainly due to the drop in prices, from USD 43.12 per barrel in 2015 to USD 35.63 per barrel in 2016.

Services income increased by MXN 1.5 billion, mainly as a result of the increase of the transportation services provided by Pemex Logistics to the Natural Gas Control Center (CENAGAS), as well as the freight services provided by Pemex Industrial Transformation.

**Gross & Operating Income**

Cost of sales decreased by 58.1% and was mainly affected by:

- a MXN 331.3 billion partial reverse of the impairment loss recorded in the “Other” item, mainly as a result of (i) increased efficiencies in extraction processes and production costs; (ii) appreciation of the U.S. dollar against the Mexican peso; (iii) changes in the reserve valuation period, going from 20 years to a 25 year average period of economic life, in accordance with the quantification and certification of reserves; and (iv) the recovery of the Mexican Mix export price. In addition, the final calculation of audited figures considers the expected cash flows from temporary assignments, based on its total economic life, which originated the increase in the impairment reverse;
- a 13.5% decrease in operating expenses, primarily due to the implementation of the cost reduction strategy in order to generate savings and increase efficiency in operations.
- partially offset by a MXN 46.9 billion growth in purchases for resale. This item consists of the import of petroleum products and recorded an increase attributable to higher prices, depreciation of the Mexican peso against the U.S. dollar and the increase in petroleum products volume demand.

As a result of the previously described factors, gross income increased by MXN 657.7 billion and totaled MXN 543.2 billion.

During the year, other revenues (expenses) include the income from PEMEX’s first divestiture in Gasoductos de Chihuahua, as well as the recorded loss from the transfer of pipelines to the National Natural Gas Control Center (CENAGAS) and the tax credit for previous fiscal years, among other items.

Costs and operating expenses (transportation and distribution expenses and administrative expenses) increased by MXN 100.3 billion, mainly due to the savings from the changes in the pension scheme recorded in 2015.

As a result, the operational loss was reversed and a MXN 424.3 billion operating income was recorded.

**Composition of Net Income (Loss)**

During 2016, PEMEX recorded a net loss of MXN 191.1 billion; a 73.2% decrease compared to 2015 primarily as a result of:

- operating income of MXN 424.3 billion;
- net interest expense of MXN 85.1 billion;
- costs associated to financial derivatives of MXN 14.0 billion;
- a foreign exchange loss of MXN 254.0 billion; and
- taxes and duties of MXN 264.5 billion

Within taxes and duties, the most representative decrease was 19.2% in the Profit Sharing Duties, primarily due to a decline in prices and lower crude oil production, as well as to a modification in the deductibility limit announced by the Federal Government in April, 2016.

During this year, the ratio of taxes and duties paid to operating income was 62.3%, as for the ratio of taxes and duties paid to sales was 24.5%. In 2015, the ratio of taxes and duties paid to sales was exactly the same.

## Consolidated Balance Sheet as of December 31, 2016

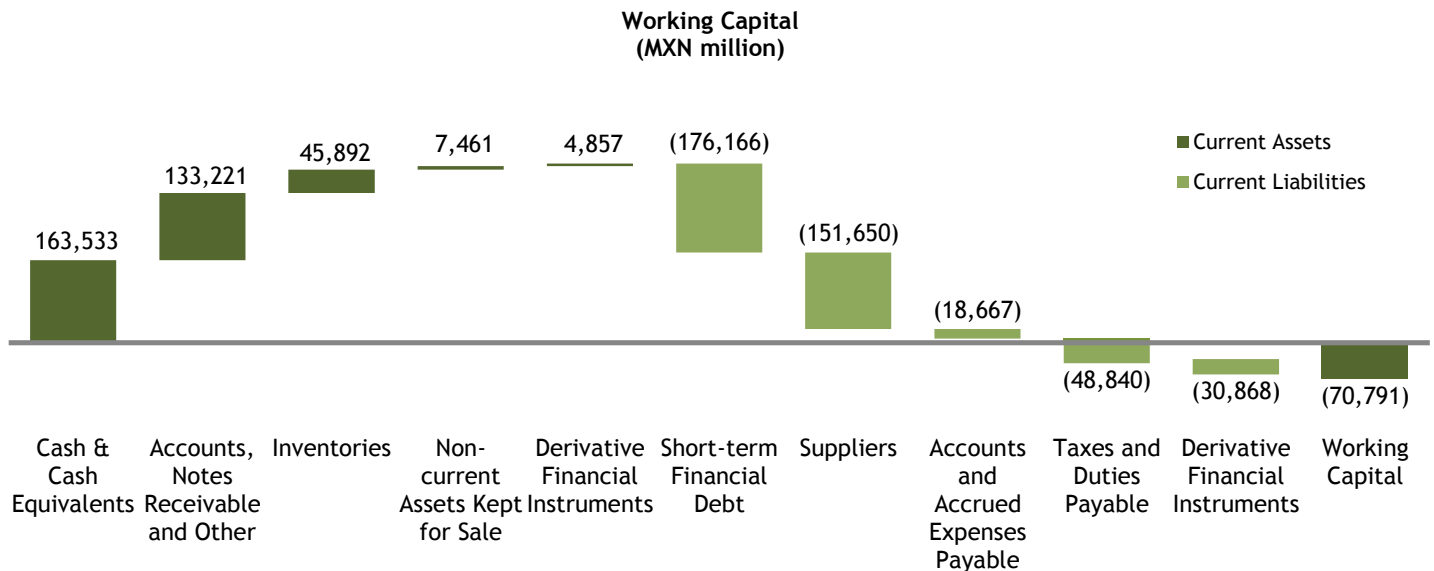
PEMEX Consolidated Balance Sheet					
	As of December 31, <u>2015</u>	As of December 31, <u>2016</u>		<u>Change</u>	<u>2016</u>
	(MXN million)			(USD million)	
<b>Total assets</b>	1,775,654	2,329,886	31.2%	554,232	112,751
<b>Current assets</b>	267,200	355,399	33.0%	88,198	17,199
Cash and cash equivalents	109,369	163,533	49.5%	54,164	7,914
Accounts, notes receivable and other	79,246	133,221	68.1%	53,975	6,447
Inventories	43,771	45,892	4.8%	2,121	2,221
Available non-current assets kept for sale	33,214	7,461	-77.5%	(25,753)	361
Available for sale financial assets	-	436	0.0%	-	-
Derivative financial instruments	1,601	4,857	203.4%	3,256	235
<b>Permanent investment in shares of associates</b>	24,166	23,155	-4.2%	(1,011)	1,121
<b>Property, plant and equipment</b>	1,344,484	1,667,742	24.0%	323,259	80,708
<b>Deferred taxes</b>	54,900	100,325	82.7%	45,424	4,855
<b>Restricted cash</b>	9,247	10,479	13.3%	1,232	507
<b>Other assets</b>	71,713	166,759	132.5%	95,047	8,070
<b>Available for sale financial assets</b>	3,945	6,028	52.8%	2,083	292
<b>Total liabilities</b>	3,107,330	3,562,894	14.7%	455,564	172,420
<b>Current liabilities</b>	443,408	426,190	-3.9%	(17,218)	20,625
Short-term financial debt	192,509	176,166	-8.5%	(16,342)	8,525
Suppliers	167,314	151,650	-9.4%	(15,665)	7,339
Accounts and accrued expenses payable	13,237	18,667	41.0%	5,429	903
Derivative financial instruments	27,301	30,868	13.1%	3,567	1,494
Taxes and duties payable	43,047	48,840	13.5%	5,793	2,364
<b>Long-term liabilities</b>	2,663,922	3,136,704	17.7%	472,782	151,796
Long-term financial debt	1,300,873	1,807,005	38.9%	506,131	87,447
Reserve for employee benefits	1,279,385	1,220,409	-4.6%	(58,976)	59,060
Reserve for diverse credits	73,192	88,318	20.7%	15,126	4,274
Other liabilities	8,288	16,838	103.2%	8,550	815
Deferred taxes	2,184	4,135	89.3%	1,951	200
<b>Total equity</b>	(1,331,676)	(1,233,008)	-7.4%	98,668	(59,669)
<b>Holding</b>	(1,331,929)	(1,233,985)	-7.4%	97,944	(59,717)
Certificates of contribution "A"	194,605	356,544	83.2%	161,940	17,254
Federal Government Contributions	43,731	43,731	0.0%	-	2,116
Legal Reserve	1,002	1,002	0.0%	-	48
Comprehensive accumulated results	(306,023)	(163,399)	46.6%	142,624	(7,907)
Retained earnings (accumulated losses)	(1,265,244)	(1,471,863)	16.3%	(206,619)	(71,228)
From prior years	(552,809)	(1,280,217)	-131.6%	(727,408)	(61,954)
For the year	(712,435)	(191,646)	73.1%	520,789	(9,274)
<b>Participation of non-holding entities</b>	253	977	285.6%	723	47
<b>Total liabilities and equity</b>	1,775,654	2,329,886	31.2%	554,232	112,751



**Working Capital**

As of December 31, 2016, working capital increased by 60.0% as compared to 2015, amounting MXN (70.8) billion, mainly as a result of:

- a MXN 54.2 billion increase in cash and cash equivalents, primarily as a result of the net effect between receivables and funds raised through financing, partially offset by financing taxes and debt payments, as well as capital and operational expenditures;
- a MXN 54.0 billion increase in accounts, notes receivable and other, mainly due to higher hydrocarbon prices and the depreciation of the Mexican peso against the U.S. dollar. This increase is also explained by accrued interest of the promissory notes received from the Federal Government in 2015 as a result of the changes in the pension scheme and the increase in redeemable taxes and duties from previous fiscal years;
- a MXN 17.0 billion decrease in accounts payable to suppliers, as a result of the partial payment of existing liabilities; and
- a MXN 16.3 billion decrease in short-term financial debt, mainly due to the payment of revolving credit lines towards the end of the year and a liability management transaction.



**Debt**

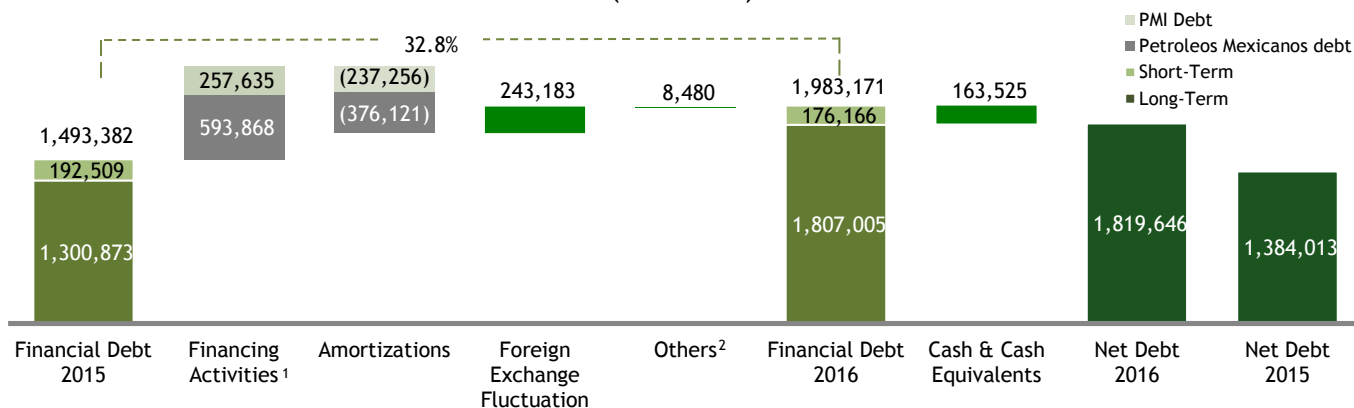
Total financial debt increased by 32.8% as compared to 2015, primarily due to additional financing activities carried out during the period and the depreciation of the Mexican peso relative to the U.S. dollar, from MXN 17.2065 per dollar in 2015 to MXN 20.6640 per dollar in 2016. Total financial debt amounted MXN 1,983.2 billion or USD 96.0 billion.

During 2016, Petróleos Mexicanos and PMI's<sup>6</sup> total financing activities amounted to MXN 851.5 billion or USD 41.2 billion. Total debt payments made during the period amounted to MXN 613.4 billion or USD 29.7 billion.

PEMEX's financing strategy is intended to take advantage of financial markets with increased liquidity, maximize efficiencies with respect to reference curves, seize opportunities in select markets and maintain a diversified debt maturity profile.

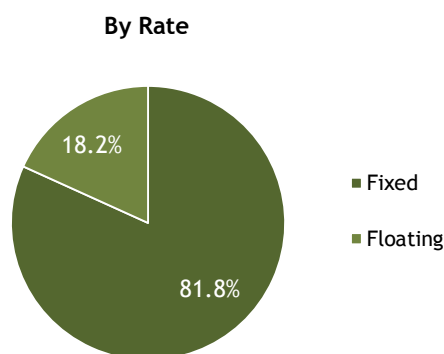
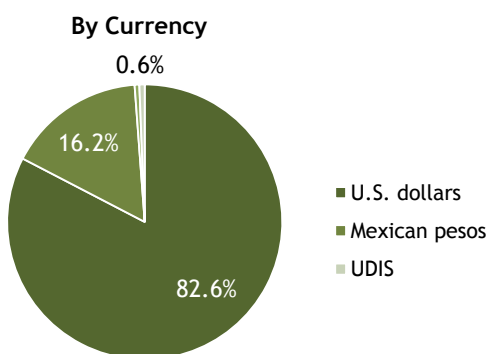
<sup>6</sup> Refers to P.M.I. Holdings, B.V., P.M.I. Norteamérica, S.A. de C.V., Pemex Finance Ltd and Pro-Agroindustria, S.A. de C.V.

Financial Debt (MXN billion)

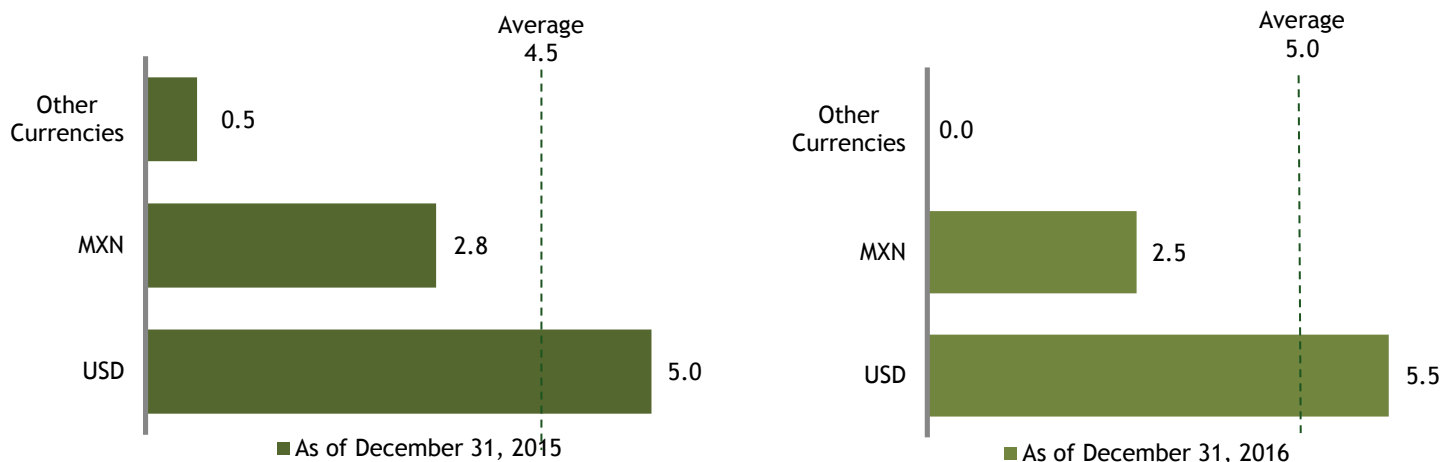


1) Includes Finance Public Works Contracts Program.  
 2) Includes accrued interests and amortized cost.

Financial Debt Exposure as of December 31, 2016



Average Duration of Financial Debt Exposure (years)



## Investment Activities

**2016 Activity** During 2016, PEMEX spent MXN 298.6 billion (USD 16.0 billion)<sup>7</sup> on investment activities, which represents 146% of the total investment budget of MXN 204.4 billion that was programmed for the year, due to budget adjustments made during April-September 2016, as a result of the capitalizations made to Petróleos Mexicanos, within the support measures implemented by the Federal Government, and from the financial lease agreements entered into by Exploration and Production and Industrial Transformation. Accordingly, the estimated investment budget for the year was adjusted to MXN 304.4 billion. These investments made during the aforementioned period were allocated as follows:

- MXN 241.2 billion to Pemex Exploration and Production<sup>8</sup>, MXN 37.2 billion of which were allocated to exploration;
- MXN 45.2 billion to Industrial Transformation;
- MXN 7.0 billion to Logistics;
- MXN 3.6 billion to Drilling and Services;
- MXN 0.7 billion to Ethylene;
- MXN 0.5 billion to Petróleos Mexicanos Corporate; and
- MXN 0.4 billion to Fertilizers.

**2017 Budget** The Mexican Congress approved a 2017 investment budget for PEMEX of MXN 204.6 billion (USD 11.0 billion<sup>9</sup>) in 2016. These investments are expected to be allocated as follows:

- MXN 168.4 billion to Exploration and Production<sup>10</sup>, MXN 14.7 billion of which were allocated to exploration;
- MXN 21.4 billion to Industrial Transformation;
- MXN 5.4 billion to Petróleos Mexicanos Corporate;
- MXN 4.4 billion to Logistics;
- MXN 2.7 billion to Drilling and Services;
- MXN 1.8 billion to Ethylene; and
- MXN 0.4 billion to Fertilizers.

## Financing Activities 2016

**Capital Markets** On December 7, 2017, Petróleos Mexicanos issued USD 5.5 billion in three tranches, to partially pre-fund its 2017 financing needs:

- USD 3.0 billion at 6.50%, due in 2027;
- USD 1.5 billion at 5.375%, due in 2022; and
- USD 1.0 billion at floating rate of 3-month LIBOR plus 365 basis points, maturing August 2022.

**Bank loans** During 2016, PEMEX received MXN 15.0 billion of bank loans with national development banks, due in March 2017:

- MXN 2.0 billion at 28 days TIIE plus 52 basis points
- MXN 3.3 billion at 28 days TIIE plus 52 basis points.
- MXN 9.7 billion at 28 days TIIE plus 31 basis points.

**Liability management** On October 3, 2016, PEMEX reinforce its funding management structure and continued its prudent financial administration with:

- a USD 1.5 billion debt repurchase in order to increase the average term to maturity;

<sup>7</sup> Convenience translation has been made at the established exchange average rate of 2016, of MXN 18.6572 = USD 1.00

<sup>8</sup> Includes maintenance expenditures.

<sup>9</sup> Convenience translation has been made at the established average exchange rate established in the Economic Package Fiscal Year 2017 of MXN 18.62 = USD 1.00

<sup>10</sup> Includes maintenance expenditures.

and a

- bond swapping with maturities between 2018 and 2044 for two benchmark bonds. PEMEX's treasury financial strategy does not change the current debt levels and increase the liquidity along the curve.

**Syndicated  
Revolving Credit  
Lines**

On December 13, 2016, Petróleos Mexicanos acquired a three-year syndicated revolving credit line for USD 1.50 billion, which replaced the previous line for USD 1.25 billion that came due in December 2016.

As of December 31, 2016, Petróleos Mexicanos holds four syndicated revolving credit lines for liquidity management in the amounts of USD 4.75 billion and MXN 23.5 billion, of which USD 4.63 billion and MXN 3.5 billion are available.

**Financing Activities 2017****Capital Markets**

On February 14, 2017, Petróleos Mexicanos issued bonds for EUR 4.25 billion in three tranches:

- EUR 1.75 billion at 2.5%, due in August 2021;
- EUR 1.25 billion at 3.75%, due in February 2024; and
- EUR 1.25 billion at 4.875%, due in February 2028.

**Liquidity  
Management**

As of February 27, 2017, Petróleos Mexicanos holds four syndicated revolving credit lines for liquidity management in the amounts of USD 4.75 billion and MXN 23.5 billion, of which USD 2.6 billion are available.

**PEMEX**  
Consolidated Statements of Cash Flows

	As of December 31,		<u>Change</u>	<u>2016</u>	
	<u>2015</u>	<u>2016</u>		(USD million)	
	(MXN million)				
<b>Operating activities</b>					
Net income (loss)	(712,567)	(191,144)	-73.2%	521,423	(9,250)
<b>Items related to investing activities</b>	<b>689,781</b>	<b>(121,779)</b>	<b>-117.7%</b>	<b>(811,560)</b>	<b>(5,893)</b>
Depreciation and amortization	167,951	150,439	-10.4%	(17,512)	7,280
Impairment of properties, plant and equipment	477,945	(331,314)		(809,259)	(16,033)
Unsuccessful wells	23,214	29,106	25.4%	5,893	1,409
Retirement of property, plant and equipment	24,639	3,771	-84.7%	(20,867)	183
Profit (loss) from sale of financial assets available for sale	(681)	(15,211)		(14,530)	(736)
Effects of non-consolidated subsidiaries and affiliates	(2,318)	(2,136)	-7.9%	182	(103)
Effects of net present value of reserve for well abandonment	(608)	11,969	-2068.1%	12,577	579
<b>Activities related to financing activities</b>	<b>218,150</b>	<b>340,417</b>	<b>56.0%</b>	<b>122,267</b>	<b>16,474</b>
Amortization of primes, discounts, profits and debt issuance expenses	(2,300)	(1,610)	-30.0%	689	(78)
Interest expense (income)	67,774	98,844	45.8%	31,071	4,783
Unrealized loss (gain) from foreign exchange fluctuations	152,676	243,183	59.3%	90,507	11,768
<b>Subtotal</b>	<b>195,364</b>	<b>27,493</b>	<b>-85.9%</b>	<b>(167,871)</b>	<b>1,330</b>
<b>Funds provided by (used in) operating activities</b>	<b>(93,027)</b>	<b>(68,979)</b>	<b>-25.9%</b>	<b>24,048</b>	<b>(3,338)</b>
Financial instruments for negotiation	9,802	311	-96.8%	(9,491)	15
Accounts and notes receivable	33,003	(43,045)	-230.4%	(76,048)	(2,083)
Inventories	6,168	(1,359)	-122.0%	(7,527)	(66)
Long term accounts and notes receivable	-	(3,278)		(3,278)	(159)
Intangible assets	-	(19,746)		(19,746)	(956)
Other assets	(16,602)	(2,105)	-87.3%	14,497	(102)
Accounts payable and accrued expenses	1,002	3,098	209.0%	2,095	150
Taxes paid	627	(6,267)	-1100.1%	(6,894)	(303)
Suppliers	51,136	(15,665)	-130.6%	(66,801)	(758)
Reserve for diverse credits	(9,127)	15,585	-270.8%	24,712	754
Reserve for employees benefits	(116,022)	47,293	-140.8%	163,315	2,289
Deferred taxes	(53,014)	(43,802)	-17.4%	9,212	(2,120)
<b>Net cash flow from operating activities</b>	<b>102,337</b>	<b>(41,485)</b>	<b>-140.5%</b>	<b>(143,822)</b>	<b>(2,008)</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment	(253,514)	(151,408)	-40.3%	102,106	(7,327)
Exploration expenses	(5,699)	(2,023)	-64.5%	3,676	(98)
Investment in securities	(36)	-	-100.0%	36	-
Resources from divestment of financial assets	4,417	22,685	413.6%	18,268	1,098
<b>Net cash flow from investing activities</b>	<b>(254,832)</b>	<b>(134,516)</b>	<b>-47.2%</b>	<b>120,316</b>	<b>(6,510)</b>
<b>Cash needs related to financing activities</b>	<b>(152,495)</b>	<b>(176,001)</b>	<b>15.4%</b>	<b>(23,506)</b>	<b>(8,517)</b>
<b>Financing activities</b>					
Increase of contributions from the Federal Government	<b>10,000.0</b>	<b>73,500.0</b>	<b>635.0%</b>	<b>63,500.0</b>	<b>3,556.9</b>
Loans obtained from financial institutions	378,971	841,992	122.2%	463,021	40,747
Amortization of loans	(191,319)	(613,377)	220.6%	(422,058)	(29,683)
Interest paid	(62,737)	(88,754)	41.5%	(26,017)	(4,295)
<b>Net cash flow from financing activities</b>	<b>134,915</b>	<b>213,360</b>	<b>58.1%</b>	<b>78,445</b>	<b>10,325</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>(17,580)</b>	<b>37,359</b>	<b>312.5%</b>	<b>54,939</b>	<b>1,808</b>
Effect of change in cash value	8,960	16,804	87.5%	7,844	813
<b>Cash and cash equiv. at the beginning of the period</b>	<b>117,989</b>	<b>109,369</b>	<b>-7.3%</b>	<b>(8,620)</b>	<b>5,293</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>109,369</b>	<b>163,533</b>	<b>49.5%</b>	<b>54,164</b>	<b>7,914</b>

## Other Relevant Information

<b>Business Plan 2016-2021</b>	<p>On November 3, 2016, Petróleos Mexicanos presented its 2016-2021 Business Plan. The strategic plan is focused on profitability, has begun being implemented and was designed to achieve a primary balance as early as 2017, and a financial balance towards 2020.</p> <p>The enforcement of the 2016 budget adjustment by MXN 100 billion, allowed the company to achieve stable financials that back the objectives and goals stated in the plan for the next five years.</p> <p>Moreover, the Business Plan was designed using conservative scenarios and realistic benchmarks, while encouraging the formation of joint ventures along the entire value chain, as a mechanism to increase investment and efficiency.</p> <p>The implementation of the plan has the potential to reduce crude oil production, as a result of the natural decline of Cantarell, and afterwards stabilize it and increase it in the medium-term. With regards to downstream activities, the plan sets forward the initiatives to increase efficiency and gradually reduce the losses of the National Refining System.</p> <p>The Business Plan is already on its execution stage:</p> <ol style="list-style-type: none"> <li>1. First farm-outs             <ol style="list-style-type: none"> <li>a) Trion in deep waters;</li> <li>b) Ayin-Batsil in shallow waters; and</li> <li>c) onshore fields such as Cárdenas-Mora and Ogarrio.</li> </ol> </li> <li>2. Divestment of non-strategic assets, Gasoductos de Chihuahua</li> <li>3. Joint venture for Tula hydrogen unit</li> </ol>
<b>Fitch Ratings Revises Outlook</b>	<p>On December 9, 2016, as a result of the credit rating agency's revision of Mexico's rating outlook from stable to negative, PEMEX's long-term foreign and local currency ratings were changed to negative from stable.</p>
<b>LatinFinance Awards</b>	<p>On January 16, 2017, LatinFinance presented Petróleos Mexicanos with two awards for completing the best financing operations in the capital markets during 2016. The company was recognized as:</p> <ul style="list-style-type: none"> <li>• "Corporate Issuer of the Year" for the third year in a row, for its innovation strategy, diversity and the timing of its financing operations; and</li> <li>• "Best Capital Placement", in recognition of its strategy in a competitive environment, the breadth of the transaction led, and the innovation and foresight demonstrated.</li> </ul>
<b>Recent Appointments</b>	<p>On February 23, 2017, the Mexican Senate ratified the appointment of Maria Teresa Fernández Labardini as Independent Counselor of Petróleos Mexicanos for a five-year term.</p>
<b>Fight Against Corruption</b>	<p>On December 21, 2016, the U.S. Department of Justice (DOJ) announced an agreement reached with the Brazilian companies Odebrecht S.A. and Braskem S.A. These companies admitted having executed bribery actions with public servants around the world and agreed to pay fines totaling at least USD 3.5 billion. This information was published in the U.S. Department of Justice webpage, and is available at the following link: <a href="https://www.justice.gov/opa/pr/odebrecht-and-braskem-plead-guilty-and-agree-pay-least-35-billion-global-penalties-resolve">https://www.justice.gov/opa/pr/odebrecht-and-braskem-plead-guilty-and-agree-pay-least-35-billion-global-penalties-resolve</a>.</p> <p>In this particular case the DOJ pointed out that Odebrecht illegally paid approximately USD 788 million between 2001 and 2016 to public servants and political parties in Brazil, Angola, Argentina, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama, Peru and Venezuela among other countries, in order to get inappropriate advantages to complete businesses.</p>

With regard to Mexico, Odebrecht admitted having paid approximately USD 10.5 million to public servants between 2010 and 2014 to get contracts awarded. Particularly, during 2013 and 2014 the company paid USD 6.0 million to a senior officer of a Mexican state-owned company, in order to get a project awarded.

As a result, on December 22, 2016, PEMEX's Responsibilities Unit began investigations and is conducting an exhaustive analysis of all the contracts entered into between PEMEX and Odebrecht, to define whether there was an act of corruption involved and, if applicable, penalize those responsible. If a corruption act is revealed, the sanction could be (a) a restriction to enter into contracts with PEMEX and the Mexican Government; (b) disabling of the employee(s) that committed an irregularity; (c) economic sanctions and (d) criminal complaints against those employees.

On February 2, 2016, PEMEX requested Odebrecht to cooperate in the investigations and informed them that the business relation is being reviewed given the seriousness of the matter.

Moreover, as a preventive action, Petróleos Mexicanos filed complaints before the Attorney General against whom is declared liable, for possible criminal acts against the company. If the investigation concludes that a PEMEX officer was bribed, an official complaint will be filed against him and could result in imprisoning.

PEMEX will execute all the necessary actions to clarify the facts, and will take action if its participation in the case is proved.

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#### Variations

Cumulative and quarterly variations are calculated comparing the period with the same one of the previous year; unless specified otherwise.

#### Rounding

Numbers may not total due to rounding.

#### Financial Information

Excluding budgetary and volumetric information, the financial information included in this report and the annexes hereto is based on unaudited consolidated financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), which PEMEX has adopted effective January 1, 2012. For more information regarding the transition to IFRS, see Note 23 to the consolidated financial statements included in Petróleos Mexicanos' 2012 Form 20-F filed with the Securities and Exchange Commission (SEC) and its Annual Report filed with the Comisión Nacional Bancaria y de Valores (CNBV).

EBITDA is a non-IFRS measure. We show a reconciliation of EBITDA to net income in Table 33 of the annexes to this report. Budgetary information is based on standards from Mexican governmental accounting; therefore, it does not include information from the subsidiary companies or affiliates of Petróleos Mexicanos. It is important to mention, that our current financing agreements do not include financial covenants or events of default that would be triggered as a result of our having negative equity.

#### Methodology

We might change the methodology of the information disclosed in order to enhance its quality and usefulness, and/or to comply with international standards and best practices.

#### Foreign Exchange Conversions

Convenience translations into U.S. dollars of amounts in Mexican pesos have been made at the exchange rate at close for the corresponding period, unless otherwise noted. Due to market volatility, the difference between the average exchange rate, the exchange rate at close and the spot exchange rate, or any other exchange rate used could be material. Such translations should not be construed as a representation that the Mexican peso amounts have been or could be converted into U.S. dollars at the foregoing or any other rate. It is important to note that we maintain our consolidated financial statements and accounting records in pesos. As of December 31, 2016, the exchange rate of MXN 20.6640 = USD 1.00 is used.

#### Fiscal Regime

Starting January 1, 2016, Petróleos Mexicanos' fiscal regime is ruled by the Ley de Ingresos sobre Hidrocarburos (Hydrocarbons Income Law). Since January 1, 2006 and until December 31, 2015, PEP was subject to a fiscal regime governed by the Federal Duties Law, while the tax regimes of the other Subsidiary Entities were governed by the Federal Revenue Law.

The Special Tax on Production and Services (IEPS) applicable to automotive gasoline and diesel is established in the Production and Services Special Tax Law "Ley del Impuesto Especial sobre Producción y Servicios". As an intermediary between the Ministry of Finance and Public Credit (SHCP) and the final consumer, PEMEX retains the amount of the IEPS and transfers it to the Mexican Government. The IEPS rate is calculated as the difference between the retail or "final price," and the "producer price" of products. If the "final price" is higher than the "producer price," the IEPS is paid by the final consumer. If the opposite occurs, the "negative IEPS" amount can be credited against certain of PEMEX's tax liabilities and included in "Other income (expenses)" in its Income Statement.

PEMEX's "producer price" is calculated in reference to that of an efficient refinery operating in the Gulf of Mexico. Until December 31, 2017, the Mexican Government may continue issuing pricing decrees to regulate the maximum prices for the retail sale of gasoline and diesel fuel, taking into account transportation costs between regions, inflation and the volatility of international fuel prices, among other factors. Beginning in 2018, the prices of gasoline and diesel fuel will be freely determined by market conditions. However the Federal Commission for Economic Competition, based on the existence of effective competitive conditions, can declare that prices of gasoline and diesel fuel are to be freely determined by market conditions before 2018.

#### Hydrocarbon Reserves

In accordance with the Hydrocarbons Law, published in the Official Gazette of the Federation on August 11, 2015, the National Hydrocarbons Commission (CNH) will establish and will manage the National Hydrocarbons Information Center, comprised by a system to obtain, safeguard, manage, use, analyze, keep updated and publish information and statistics related; which includes estimations, valuation studies and certifications.

As of January 1, 2010, the Securities and Exchange Commission (SEC) changed its rules to permit oil and gas companies, in their filings with the SEC, to disclose not only proved reserves, but also probable reserves and possible reserves. Nevertheless, any description of probable or possible reserves included herein may not meet the recoverability thresholds established by the SEC in its definitions. Investors are urged to consider closely the disclosure in our Form 20-F and our Annual Report to the CNBV and SEC, available at <http://www.pemex.com/>.

#### Forward-looking Statements

This report contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the CNBV and the SEC, in our annual reports, in our offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. We may include forward-looking statements that address, among other things, our:

- exploration and production activities, including drilling;
- activities relating to import, export, refining, petrochemicals and transportation of petroleum, natural gas and oil products;
- activities relating to the generation of electrical energy;
- projected and targeted capital expenditures and other costs, commitments and revenues, and
- liquidity and sources of funding.

Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond our control. These factors include, but are not limited to:

- changes in international crude oil and natural gas prices;
- effects on us from competition, including on our ability to hire and retain skilled personnel;
- limitations on our access to sources of financing on competitive terms;
- our ability to find, acquire or have the right to access additional hydrocarbons reserves and to develop the reserves that we obtain successfully;
- uncertainties inherent in making estimates of oil and gas reserves, including recently discovered oil and gas reserves;
- technical difficulties;
- significant developments in the global economy;
- significant economic or political developments in Mexico, including developments relating to the implementation of the laws that implement the new legal framework contemplated by the Energy Reform Decree (as described in our most recent Annual Report and Form 20-F);
- developments affecting the energy sector; and
- changes in our legal regime or regulatory environment, including tax and environmental regulations.

Accordingly, you should not place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. These risks and uncertainties are more fully detailed in our most recent Annual Report filed with the CNBV and available through the Mexican Stock Exchange (<http://www.bmv.com.mx/>) and our most recent Form 20-F filing filed with the SEC (<http://www.sec.gov/>). These factors could cause actual results to differ materially from those contained in any forward-looking statement.