

May 6, 2009

PEMEX Audited Financial Results Report as of December 31, 2008

PEMEX, Mexico's oil and gas company and the eleventh largest integrated national oil company in the world¹, announced its audited consolidated financial results as of December 31, 2008.

2008 Financial Highlights

- ✦ Total sales increased by 16.7% in 2008 as compared to 2007, reaching to Ps.1,329.0 billion (US\$98.2 billion).
- ✦ Income before taxes and duties increased by 0.1% to Ps. 660.0 billion (US\$48.7 billion).
- ✦ Taxes and duties amounted to Ps. 771.7 billion (US\$57.0 billion), an increase by 13.9%, or Ps. 94.4 billion.
- ✦ Net loss was Ps. 112.1 billion (US\$8.3 billion).
- ✦ Total debt decreased from US\$46.1 billion to US\$43.3 billion.

4Q08

- ✦ Total sales decreased by 16.2% during the fourth quarter of 2008 as compared to the same period of 2007, amounting to Ps.264.0 billion (US\$19.5 billion).²
- ✦ Income before taxes and duties decreased by 117.2% to negative Ps 31.0 billion (US\$2.3 billion).
- ✦ Taxes and duties decreased by 59.3%, amounting to Ps. 86.6 billion (US\$6.4 billion).
- ✦ Net loss was Ps. 117.6 billion (US\$8.7 billion).

Table 1
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Financial results summary* **

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,					
	2007	2008	Change	2008	2007	2008	Change	2008		
	(Ps. MM)			(US\$MM)	(Ps. MM)			(US\$MM)		
Total sales	315,160	264,037	-16.2%	(51,122)	19,503	1,139,257	1,328,950	16.7%	189,693	98,162
Domestic sales	156,541	160,372	2.4%	3,832	11,846	592,048	679,754	14.8%	87,706	50,210
Exports	157,572	102,474	-35.0%	(55,098)	7,569	542,927	644,418	18.7%	101,491	47,600
Services income	1,047	1,191	13.7%	144	88	4,282	4,778	11.6%	496	353
Cost of sales	139,738	213,039	52.5%	73,302	15,736	460,666	654,033	42.0%	193,367	48,310
Gross profit	175,422	50,998	-70.9%	(124,424)	3,767	678,591	674,918	-0.5%	(3,673)	49,852
General expenses	24,614	32,224	30.9%	7,610	2,380	84,939	103,806	22.2%	18,867	7,668
Income before taxes and duties	180,267	(30,991)		(211,258)	(2,289)	658,948	659,625	0.1%	677	48,723
Taxes and duties	212,708	86,641	-59.3%	(126,067)	6,400	677,256	771,702	13.9%	94,446	57,001
Net income (loss)	(32,440)	(117,631)		(85,191)	(8,689)	(18,308)	(112,076)		(93,769)	(8,278)
EBITDA⁽¹⁾	226,794	110,367	-51.3%	(116,427)	8,152	833,691	969,621	16.3%	135,931	71,621
EBITDA / Financial cost ⁽²⁾	11.8	3.4				14.4	15.1			

*Audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Earnings before interest, taxes, depreciation and amortization is a non US-GAAP measure, therefore we provide a reconciliation with net income on page 26. This measure includes the cost of reserve for labor obligations.

(2) Excludes capitalized interest.

Note: Numbers may not total due to rounding.

¹ Petroleum Intelligence Weekly ranking, December, 2008.

² Convenience translations into US dollars of amounts in pesos have been made at the rate of Ps. 13.5383 = US\$1.00 at December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could have been converted into US dollar amounts at the foregoing rate or any other rate.

2008 Operational Highlights

- During 2008, crude oil production decreased by 9.2% to 2,792 thousand barrels per day (Mbd), as compared to 2007, due to lower production at the Cantarell project (Cantarell).
- Total natural gas production increased by 14.2% to 6,919 million cubic feet per day (MMcfd), primarily due to higher volumes from the transition zone at Cantarell and higher production from the Ku-Maloob-Zaap (KMZ), Crudo Ligerito Marino and Ixtal Manik projects.

4Q08

- During the fourth quarter of 2008, crude oil production decreased by 7.0% to 2,729 Mbd, as compared to the same quarter of 2007, primarily due to declining production at the Cantarell project.
- In January 2009, KMZ replaced Cantarell as the largest crude oil producing field.
- Total natural gas production increased by 15.5% to 7,260 MMcfd, as a result of higher volumes produced in the offshore regions.

Operating Items

Exploration and Production

4Q08 Crude Oil Production

During the fourth quarter of 2008, crude oil production decreased by 7.0% as compared to the same quarter of 2007, from 2,934 to 2,729 Mbd.

Production of heavy crude oil decreased by 11.6%, primarily due to lower production at Cantarell and the shutdown of wells due to increases in the oil-gas ratio. Cantarell's decline, however, was partially offset by a 28% increase in production from KMZ.

Production of light crude oil decreased by 1.7%, due to delays in completion of wells at the Crudo Ligerito Marino and Yaxché projects in the Southwestern region. In contrast, production of extra-light crude oil, however, increased by 15.0%, due to completion of wells in the Delta del Grijalva project.

2008 During 2008, crude oil production decreased by 9.2% as compared to 2007, from 3,076 to 2,792 Mbd, primarily due to lower production from Cantarell, despite higher production from KMZ.

Table 2
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Production of liquid hydrocarbons

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
	(Mbd)				(Mbd)			
Liquid hydrocarbons	3,311	3,098	-6.4%	(213)	3,480	3,167	-9.0%	(313)
Crude oil	2,934	2,729	-7.0%	(206)	3,076	2,792	-9.2%	(284)
Heavy	1,902	1,681	-11.6%	(221)	2,039	1,766	-13.4%	(274)
Light	837	822	-1.7%	(15)	838	815	-2.6%	(22)
Extra-light	196	226	15.0%	29	199	210	5.9%	12
Natural gas liquids ⁽¹⁾	377	369	-2.0%	(8)	405	376	-7.2%	(29)

(1) Includes condensates.
Note: Numbers may not total due to rounding.

4Q08 Natural Gas Production

During the fourth quarter of 2008, total natural gas production increased by 15.5%, from 6,285 to 7,260 MMcfd, as compared to the same quarter of 2007.

The production of associated natural gas increased by 30.0%, primarily due to greater production from the transition zone at Cantarell, and higher production volumes from the KMZ, Delta del Grijalva, Costero and Ixtal-Manik projects³. However, the production of non-associated natural gas decreased by 4.2%, primarily due to lower production from the Veracruz, Burgos and Lankahuasa projects in the Northern region.

2008

During 2008, total natural gas production increased by 14.2% as compared to 2007, from 6,058 to 6,919 MMcfd.

Associated natural gas production increased by 25.4%, as a result of higher volumes from the transition zone at Cantarell, and higher production from the KMZ, Delta del Grijalva, Costero and Ixtal-Manik projects⁴. Non-associated natural gas production decreased by 0.5% due to lower production from the Burgos and Lankahuasa projects.

Table 3

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies								
Production of natural gas and gas flaring								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
	(MMcfd)							
Total	6,285	7,260	15.5%	976	6,058	6,919	14.2%	860
Associated	3,623	4,711	30.0%	1,088	3,445	4,320	25.4%	874
Non-associated	2,662	2,550	-4.2%	(112)	2,613	2,599	-0.5%	(14)
Natural gas flaring	895	1,640	83.3%	745	547	1,334	143.9%	787
Gas flaring / total production	14.2%	22.6%			9.0%	19.3%		

Note: Numbers may not total due to rounding.

4Q08 Gas Flaring

In the fourth quarter of 2008, gas flaring represented 22.6% of total production, primarily due to an increase in the production of gas with a high nitrogen content, which surpassed the installed capacity for natural gas handling in the Northeastern Marine region. In addition, maintenance and downtime of compression equipment in offshore platforms contributed to gas flaring during the quarter.

PEMEX reduced significantly gas flaring in December 2008 as a result of the installation of two turbocompressors for sour gas injection in the Northeastern Marine region.

According to the E&P division, PEMEX goal is to reduce gas flaring to 3% by the end of 2009.

³ The transition zone at Cantarell is defined as the gas-oil contact and implies greater associated gas production with high nitrogen content.

⁴ *Idem.*

4Q08 Completion of Wells

During the fourth quarter of 2008, the number of wells drilled increased by 14.9% as compared to the same quarter of 2007, from 181 to 208 wells.

The number of development wells increased by 17 as compared to the same quarter of 2007, due to higher activity at the Aceite Terciario del Golfo (ATG) project in the Northern region.

The number of exploratory wells drilled totaled 22, representing 10 more wells as compared to the fourth quarter of 2007.

2008

During 2008, the total number of operating wells increased by 303 as compared to 2007, primarily due to an increase in production wells at the ATG project. Likewise, the number of non-associated gas production wells increased by 2.0% to 3,120 wells, primarily due to activity at the Burgos and Veracruz projects in the Northern region.

2008 Drilling Equipment

During 2008, the number of operating drilling rigs increased by 18.5%, to 269. Pemex-Exploration and Production (PEP) owns 126 of the total drilling rigs; the remaining rigs are owned by independent contractors.

2008 Offshore Platforms

During 2008, the number of offshore platforms increased by 4.7%, from 215 to 225, as compared to 2007. These platforms provide services including storage, processing, control, housing, drilling, and telecommunications services, among others.

Table 4
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Inventory of wells and operation equipment

	Fourth quarter (Oct.-Dec.)			Year ended Dec. 31,				
	2007	2008	Change	2007	2008	Change		
Wells drilled	181	208	14.9%	27	659	729	10.6%	70
Development	169	186	10.1%	17	610	664	8.9%	54
Exploration	12	22	83.3%	10	49	65	32.7%	16
Total operating wells⁽¹⁾					6,211	6,514	4.9%	303
Injection					269	267	-0.7%	(2)
Production					5,942	6,247	5.1%	305
Crude					2,884	3,127	8.4%	243
Non associated gas					3,058	3,120	2.0%	62
Selected operating infrastructure⁽¹⁾								
Drilling rigs					227	269	18.5%	42
Offshore platforms					215	225	4.7%	10

(1) At end of period.

Note: Numbers may not total due to rounding.

4Q08 Seismic Information

Resulting from the exploration program and the specific requirements of the projects, during the fourth quarter of 2008, the number of kilometers covered by 2D seismic studies increased to 5,315 km, representing 4,517 km more than were covered in the same quarter of 2007, due to the studies of the Área Perdido project located in deepwater. However, the area covered by 3D seismic studies decreased to 4,276 km², 1,268 km² less than the area covered during the same quarter of 2007, due to lower activity in the Deep Mexican Gulf project.

2008 However, during 2008, overall seismic data acquisitions were greater than overall seismic acquisitions during 2007.

Table 5

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies						
Seismic studies for exploration						
Seismic information	Fourth quarter (Oct.-Dec.)			Year ended Dec. 31,		
	2007	2008	Change	2007	2008	Change
2D (km)	798	5,315	4,517	806	7,512	6,706
3D (km ²)	5,544	4,276	(1,268)	11,820	11,657	(163)

Note: Numbers may not total due to rounding.

4Q08 Discoveries

Our main discoveries during the fourth quarter of 2008 were:

Table 6

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies				
Main discoveries				
<u>Project</u>	<u>4Q08</u>	<u>Geologic age</u>	<u>Initial production</u>	<u>Type</u>
Litoral de Tabasco	Tsmin-1	Superior Jurassic	4.4 Mbd	Gas and condensates
	Xanab-DL1	Superior Jurassic	9.2 Mbd	Light crude oil
	Yaxché-DL1	Miocene	2.0 Mbd	Light crude oil
	Tecoalli-1	Pliocene	4.4 Mbd	Light crude oil
Cinco Presidentes	Rabasa-101	Miocene	1.9 Mbd	Light crude oil

Cantarell

The main developments at the Cantarell project during the fourth quarter of 2008 were:

- completion of 5 development wells, and
- 12 major and 7 minor well workovers.

Investment during 2008 in the Cantarell project was Ps. 38.5 billion (US\$3.4 billion). The main activities aimed to manage production decline. The most important were:

- drilling of 20 wells;
- completion of 20 wells;
- drilling of one horizontal well in reduced oil windows;
- installation of dehydration and desalinization plants of crude oil, allowing to open strangled wells due quality problems and to handle offshore production with high water content;
- installation of turbocompressors for transporting gas to processing and to reinjection;
- building infrastructure for gas reinjection; and
- installation of the first nitrogen recovery unit (NRU).

Estimated investment during 2009 is Ps. 42.1 billion (US\$3.6 billion). The main activities expected to be are:

- drilling of 16 wells,
- completion of 14 wells,
- 51 major and 27 minor well workovers,
- construction of dehydrating and desalinization crude oil equipment, and
- construction of 3 platforms to drill additional wells.

Estimated crude oil production for the Cantarell project is approximately 700 Mbd during 2009 and 400 Mbd, on average per year, from 2009 to 2017.

KMZ

On January 31, 2009, the Ku-Maloob-Zaap project (KMZ) recorded a production record of 825 Mbd, as a result of the start of operation of new wells. With this production level, KMZ has become the largest crude oil producing field, and the largest crude oil producing project, in Mexico.

The main activities during the fourth quarter of 2008 were.

- completion of 3 development wells, and
- 4 major and 62 minor well workovers.

- KMZ** Investment during 2008 at KMZ was Ps. 26.0 billion (US\$2.3 billion). The main activities were:
- completion of 20 development wells,
 - 15 major and 125 minor well workovers,
 - completion of nitrogen gas pipelines from the Ku-S to the Zaap-C and Ku-M platforms,
 - completion of the gas pipeline from Maloob-A to Zaap-C,
 - construction of the gas pipeline from Zaap-A to Zaap-C,
 - installation of the Lum-Alfa drilling platform, and
 - completion of the Ku-H housing platform.
- Estimated investment during 2009 is Ps. 24.4 billion (US\$2.1 billion). The main activities are expected to be:
- completion of 15 wells, and
 - 5 major and 36 minor well workovers.
- Estimated crude oil production at KMZ is 800 Mbd for 2009 and 700 Mbd, on average per year, from 2009 to 2017.
- ATG** During the fourth quarter of 2008, the main results at the Aceite Terciario del Golfo project (ATG, previously Chicontepec) were:
- drilling of 91 wells, and
 - 113 major and 92 minor well workovers.
- Investment during 2008 at the ATG project was Ps. 10.3 billion (US\$0.9 billion). During 2008, the main activities were:
- drilling of 289 wells,
 - 208 major well workovers, and
 - construction of:
 - 8 main pipelines, with a total longitude of 76.6 km,
 - 2 separation batteries, Agua Fría II and Coapechaca I, and
 - 49 macropaths.
- In Decemebr 2008, ATG had 831 operating wells.
- Estimated investment for ATG during 2009 is Ps.25.9 billion (US\$2.2 billion). The main activities at ATG are expected to be:
- drilling of 1,079 wells, and
 - 501 major and 274 minor well workovers.
- Estimated crude oil production of ATG during 2009 is 70 Mbd. From 2009 through 2017, estimated annual production at ATG is expected to be 400 Mbd of crude oil and 500 MMcfd of natural gas. To reach these goals, PEMEX needs to drill annually, on average, 1,200 wells.

Deepwater

As of December 31, 2008, 8 deepwater wells were completed (water depth greater than 500 meters).

Activities to produce natural gas reserves from Lakach field continue. It is estimated that production could start in 2013 with production levels of approximately 400 MMcfd.

From 2009 to 2017, the main activities are expected to be:

- drilling and completion of 60 exploratory wells, and
- acquisition of 7,300 km² per year, in average, of 3D seismic.

**2009
Estimated
Production**

During 2009, crude oil and natural gas production is expected to be maintained at 2.7-2.8 MMbd and 6.4-6.5 MMMcfd, respectively.

**2009-2017
Estimated
Production**

From 2009 to 2017, crude oil production is expected to be 2.9 MMbd, on average per year, and natural gas production is expected to be greater than 6.0 MMMcfd, on average per year.

**Incentivized
Contracts**

Following the energy reforms approved by the Mexican Congress during the fourth quarter of 2008, contracts incorporating incentive payment structures for exploration in deep waters and Chicontepec are under process.

Gas and Basic Petrochemicals

4Q08 Gas Processing

During the fourth quarter of 2008, total on-shore natural gas processing was 0.8% greater than in the same quarter of 2007, mainly due to greater production of sour wet gas, which increased by 4.2% as a result of higher production of associated gas.

Sweet wet gas processing, however, decreased by 8.7% due to lower supply of gas in the Northern region and lower recovery of liquids in the off-shore regions. Dry natural gas production decreased by 0.7% primarily due to lower sweet wet gas processing and reduced effective supply of natural gas to processing plants. The latter due to the start of operations of the nitrogen recovery unit (NRU), at the Ciudad Pemex Gas Processing Center (GPC), which eliminates nitrogen in natural gas, in order to meet client delivery specifications. As a result, the effective supply of natural gas to processing plants is reduced. In the fourth quarter of 2008, the NRU eliminated 37.8 MMcfd of nitrogen from the production of dry natural gas.

Natural gas liquids production decreased by 2.0%, primarily due to a 24.1% decrease in condensates availability, from 58 to 44 Mbd, as well as to increased nitrogen content in associated gas in the Northeastern Marine region.

2008 During 2008, on-shore natural gas processing fell by 1.0%, as compared to 2007, as a result of lower availability of sweet wet gas and condensates.

Table 7
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Natural gas processed and dry gas production

	Fourth quarter (Oct.-Dec.)			Year ended Dec. 31,			
	2007	2008	Change	2007	2008	Change	
	(MMcfd)			(MMcfd)			
On-shore gas processed	4,201	4,236	0.8%	35	4,283	4,240	-1.0% (43)
Sour wet gas	3,113	3,243	4.2%	130	3,162	3,188	0.8%
Sweet wet gas	1,088	993	-8.7%	(94)	1,120	1,052	-6.1%
Production							
Dry natural gas	3,472	3,448	-0.7%	(24)	3,546	3,461	-2.4%
Natural gas liquids (Mbd) ⁽¹⁾	377	369	-2.0%	(8)	405	376	-7.2%

(1) Includes condensates and other streams to fractionating process.

Note: Numbers may not total due to rounding.

4Q08 Infrastructure Projects

On December 8, 2008, cryogenic plant 5 commenced operations at the Burgos GPC, with a capacity of 200 MMcfd. Cryogenic plant 6 is expected to start operations during the first quarter of 2009.

Infrastructure Projects 2009

On January 6, 2009, PEMEX announced the construction of a cryogenic plant with a capacity of 200 MMcfd at the Poza Rica GPC; the plant is being brought online in order to process the growing supply of sweet wet gas from the ATG project. Estimated investment in the plant is Ps. 2.7 billion (US\$0.2 billion).

On December 4, 2008, PEMEX announced the construction of the Tamazunchale - San Luis de la Paz - San José Iturbide, Guanajuato gas pipeline to transport 400 MMcfd of natural gas to central and western Mexico to supply the new plants of the Comisión Federal de Electricidad (CFE) in the Valley of Mexico and Salamanca. The project will be developed by the private sector, estimated investment is Ps. 7.1 billion (US\$0.5 billion) and is expected to start operating in 2011.

Refining

4Q08 Processing

During the fourth quarter of 2008, total crude oil processing decreased by 0.4% as compared to the same quarter of 2007. Heavy crude oil processing decreased by 8.3%, due to programmed maintenance at various, which was partially offset by a 5.0% increase in light crude oil processing.

2008

During 2008, total crude oil processing decreased by 0.7% as compared to 2007, primarily as a result of not complying with salt and water specifications, excess fuel oil inventories at the Tula refinery, and higher programmed maintenance activity.

Table 8

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies								
Crude oil processing								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
	(Mbd)				(Mbd)			
Total processed	1,254	1,249	-0.4%	(5)	1,270	1,261	-0.7%	(9)
Light Crude	741	778	5.0%	37	786	761	-3.2%	(25)
Heavy Crude ⁽¹⁾	513	471	-8.3%	(42)	484	500	3.4%	17

(1) Excludes reconstituted crude.

Note: Numbers may not total due to rounding.

4Q08 Capacity Utilization

During the fourth quarter of 2008, the primary distillation capacity utilization rate remained constant at 82.0%, the same level recorded during the fourth quarter of 2007.

4Q08 Production

During the fourth quarter of 2008, the production of petroleum products increased by 1.9% as compared to the fourth quarter of 2007, from 1,454 to 1,482 Mbd, primarily as a result of higher production of fuel oil.

Production of gasoline increased by 1.3%, due to greater usage of intermediate currents, among other factors. Production of fuel oil increased by 11.3% as a result of the fact that revamping works at the Tula refinery to produce ultra low sulfur gasoline decreased the capacity to produce intermediate distillates.

Additionally, production of liquefied petroleum gas (LPG) decreased by 4.0%, primarily due to lower crude oil process and lower production of natural gas liquids. Production of jet fuel decreased by 8.4% due to lower demand.

2008

During 2008, average production of petroleum products decreased by 1.4%, as compared to 2007, from 1,511 to 1,490 Mbd, primarily due to lower crude oil processing. In particular, production of fuel oil and LPG decreased.

Production of fuel oil decreased as a result of greater utilization of deep conversion equipment, and LPG production decreased due to lower production of natural gas liquids.

Table 9
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Petroleum products

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
	(Mbd)				(Mbd)			
Total production	1,454	1,482	1.9%	28	1,511	1,490	-1.4%	(21)
Gasolines	450	455	1.3%	6	456	452	-1.1%	(5)
Fuel oil	265	295	11.3%	30	301	289	-4.2%	(13)
Diesel	335	335	-0.2%	(1)	334	344	2.8%	9
Liquefied petroleum gas (LPG) ⁽¹⁾	213	204	-4.0%	(8)	226	208	-7.7%	(17)
Jet Fuel	63	58	-8.4%	(5)	66	64	-3.4%	(2)
Other ⁽²⁾	128	135	5.2%	7	128	134	5.1%	7

(1) Excludes butylene and propylene and includes isobutanes from Pemex-Gas and Basic Petrochemicals and butane from Pemex-Petrochemicals.

(2) Includes mainly paraffins, furfural extract, aeroflex, asphalt, among others.

Note: Numbers may not total due to rounding.

Variable Refining Margin

In the fourth quarter of 2008, the variable refining margin⁵ increased from US\$4.22 to US\$9.76 per barrel as compared to the same quarter of 2007. This was primarily due to lower prices of crude oil.

During the first quarter of 2008, the variable refining margin was negative US\$0.07 per barrel, during the second quarter of 2008 negative US\$1.07 per barrel and during the third quarter of 2008 negative US\$1.85 per barrel.

Franchises

As of December 31, 2008, the number of franchised gas stations increased by 5.2% with respect to December 31, 2007, from 7,940 to 8,351 franchises.

2008 Infrastructure Works

On July 30, 2008, PEMEX sent to Congress a feasibility study regarding the construction of a new refinery in Mexico. The refinery comprises a coker configuration with a processing capacity of 300 Mbd of Maya crude, and production of 142 Mbd of ultra low sulfur gasoline and 94 Mbd of middle distillates.

⁵ The variable refining margin is an estimate of operating income per barrel of crude oil processed. Operating income is calculated as total revenues minus the cost of raw materials, auto consumption (fuel oil and natural gas used to operate the refineries), and auxiliary services (electric power, water and catalysts).

Petrochemicals

4Q08 Production

During the fourth quarter of 2008, total petrochemicals production, including intermediate products and byproducts, increased by 2.3% as compared to the same quarter of 2007, from 2,668 to 2,730 thousand tons (Mt). This decrease was primarily driven by:

- an increase in production of aromatics, resulting from higher production of amorphous gasoline and high octane hydrocarbons, and greater volumes of toluene, ethylbenzene, styrene and xylene;
- an increase in production of ethane derivatives, due to higher production of high density polyethylene; and
- a decrease in production of methane derivatives, due to lower production of ammonia resulting from inventories control.

2008

During 2008, total petrochemicals production increased by 1.8% with respect to 2007, from 11,757 to 11,973 Mt. This variation was primarily a result of the increased production of ammonia resulting from greater demand for urea, and higher methanol production triggered by favorable market conditions. These increases were partially offset, however, by decreased production of vinyl chloride, paraxylene and propylene.

Table 10

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies								
Production of petrochemicals*								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
	(Mt)				(Mt)			
Total production	2,668	2,730	2.3%	62	11,757	11,973	1.8%	216
Methane derivatives								
Ammonia	235	184	-21.9%	(52)	760	896	18.0%	136
Methanol	12	-	-	(12)	12	44	261.4%	32
Ethane derivatives								
Ethylene	190	203	6.8%	13	1,001	1,062	6.0%	60
Ethylene oxide	49	71	44.2%	22	301	344	14.4%	43
Low density polyethylene	56	47	-15.6%	(9)	277	258	-7.0%	(19)
High density polyethylene	17	29	68.5%	12	157	170	8.2%	13
Vinyl chloride	58	32	-45.0%	(26)	235	157	-33.4%	(79)
Aromatics and derivatives								
Benzene	21	18	-11.9%	(2)	118	101	-14.8%	(18)
Toluene	27	40	47.4%	13	175	153	-12.1%	(21)
Paraxylene	31	N/D	-	(31)	187	112	-40.2%	(75)
Ethylbenzene	26	29	13.3%	3	149	136	-9.1%	(14)
Propylene and derivatives								
Acrylonitrile	11	-	-	(11)	24	-	-	(24)
Polypropylene	79	57	-27.6%	(22)	353	329	-7.0%	(25)
Others ⁽¹⁾	1,856	2,020	8.9%	164	8,007	8,212	2.6%	206

*Includes refined products

(1) Includes glycols, heavy reformed, oxygen, hydrogen, nitrogen, chlorhydric acid, muriatic acid, hexane, heptanes, styrene, ethane, carbon dioxide, sulfur, carbon black, BTX liquids, amorphous gasoline, high octane hydrocarbon, heavy naphtha, butadiene and others.

Note: Numbers may not total due to rounding.

Infrastructure Projects

One of the main projects is the Modernization and Capacity Increase of the Aromatics Train at the Cangrejera Petrochemical Complex (PC), in Coatzacoalcos, Veracruz, which represents an estimated investment of US\$553 million. As of December 31, 2008, the project marked a 6.5% progress toward completion. The expected year to start operations is 2012.

International Trade⁶

4Q08 Crude Oil Exports

During the fourth quarter of 2008, the volume of our crude oil exports decreased by 12.4% as compared to the same quarter of 2007, from 1,621 to 1,420 Mbd, primarily as a result of lower crude oil production.

Approximately 88% of total crude oil exports were heavy crude oil (Maya and Altamira); the remainder consisted of light and extra-light crude oil (Isthmus and Olmeca).

PEMEX exported 84% of its total crude oil exports to the United States, while the remaining 16% was distributed among Europe (9%), the rest of the Americas (3%) and the Far East (4%).

The weighted average export price of the Mexican crude oil basket decreased by 41.0%, from US\$77.3 to US\$45.7 per barrel as compared to the fourth quarter of 2007.

2008

During 2008, the volume of crude oil exports decreased by 16.8% with respect to 2007, from 1,686 to 1,403 Mbd, as a result of lower crude oil production.

The weighted average export price of the Mexican crude oil basket increased by 36.8%, from US\$61.6 to US\$84.3 per barrel as compared to 2007. On July 14, 2008, the Mexican crude oil basket reached its highest level at US\$132.7 per barrel.

4Q08 Dry Gas Exports

During the fourth quarter of 2008, dry gas exports increased from 87 to 198 MMcfd as compared to the same quarter of 2007, due to lower demand from the power generation sector.

2008

During 2008, dry gas exports decreased from 139 to 107 MMcfd, as compared to 2007, as a result of an increase in domestic consumption and a decrease in dry gas production.

4Q08 Petroleum products and Petrochemicals Exports

During the fourth quarter of 2008, exports of petroleum products increased from 137 to 206 Mbd, compared to the same quarter of 2007. By volume, the main petroleum products exported during the fourth quarter of 2008 were fuel oil and naphtha.

Petrochemical exports decreased from 174 to 78 Mt, primarily due to lower sulfur sales. By volume, the main petrochemical products exported during the fourth quarter of 2008 were sulfur and low density polyethylene.

2008

During 2008, exports of petroleum products increased from 177 to 184 Mbd, as compared to 2007, primarily as a result of greater sales of fuel oil and jet fuel. The main exported products by volume during 2008 were naphtha, fuel oil and long residue.

Exports of petrochemical products decreased from 746 to 541 Mt, primarily due to lower sales of sulfur and butane, which were partially offset by greater ammonia exports.

⁶ According to data provided by P.M.I.®

Table 11
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Exports⁽¹⁾

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
Crude oil (Mbd)								
Total	1,621	1,420	-12.4%	(201)	1,686	1,403	-16.8%	(283)
Heavy	1,420	1,249	-12.0%	(171)	1,472	1,251	-15.0%	(221)
Light	49	38	-21.3%	(10)	41	23	-44.1%	(18)
Extra-light	152	133	-13.0%	(20)	173	130	-25.0%	(43)
Average price (US\$/b)	77.3	45.7	-40.9%	(31.6)	61.6	84.3	36.8%	22.7
Dry natural gas (MMcfd)	87	198	126.3%	110	139	107	-22.6%	(31)
Petroleum products (Mbd)	137	206	50.6%	69.2	177	184	4.1%	7
Petrochemicals (Mt)	174	78	-55.1%	(96)	746	541	-27.4%	(205)

(1) Source: P.M.I.®, except dry gas.
Note: Numbers may not total due to rounding.

4Q08 Imports

During the fourth quarter of 2008, dry gas imports decreased from 456 to 397 MMcfd, as compared to the fourth quarter of 2007, primarily due to lower demand from the power generation sector.

Imports of petroleum products decreased from 574 to 547 Mbd, primarily as a result of fewer purchases of gas oil and diesel. The main imports of petroleum products, by volume, were gasoline and diesel.

Petrochemical imports increased from 118 to 137 Mt, primarily due to greater ammonia purchases resulting from favorable conditions in the international markets and in the domestic demand. The main petrochemical imports, by volume, were methanol and isobutene.

2008

During 2008, dry gas imports increased from 386 to 450 MMcfd, as compared to 2007, primarily due to greater higher self consumption and lower production of dry natural gas.

Imports of petroleum products increased from 494 to 548 Mbd. This increase was primarily attributable to greater purchases of gasoline and diesel.

Imports of petrochemical products increased from 425 to 440 Mt, mainly due to greater purchases of isobutene and toluene.

Table 12
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Imports⁽¹⁾

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
Dry natural gas (MMcfd)	456	397	-13.0%	(59)	386	450	16.8%	65
Petroleum products (Mbd) ⁽²⁾	574	547	-4.7%	(27)	494	548	11.0%	54
Petrochemicals (Mt)	118	137	15.8%	19	425	440	3.5%	15

(1) Source: P.M.I.®, except dry gas.
(2) Includes 68 Mbd and 68 Mbd of LPG for the fourth quarter of 2007 and 2008, respectively.
Note: Numbers may not total due to rounding.

Industrial Safety, Environmental Protection and Social Development

Industrial Safety

During the fourth quarter of 2008, the frequency index of industrial accidents at PEMEX facilities decreased by 16.1%, to 0.52 incapacitating accidents per million man-hours worked (MMhw), as compared to the same quarter in 2007. Likewise, the severity index decreased by 10.9%, to 41 days lost per MMhw.⁷

During 2008, the frequency index decreased by 20.3%, to 0.47 incapacitating accidents MMhw, and the severity index decreased by 22.9% to 27 days lost per MMhw. These improvements are attributable to the implementation of the PEMEX-SSPA system (safety, health and environmental protection), that focuses in the application of improved operating discipline, compliance of critical procedures, more effective audits and analysis of safety at work.

Environmental Protection

Sulfur oxide emissions

During the fourth quarter of 2008, sulfur oxide emissions increased by 53.5%, to 3.33 tons per thousand tons (t/Mt), as compared to the same quarter of 2007, primarily due to an increase in gas flaring of sour gas with high nitrogen content in the Northeastern Marine region.⁸

Likewise, during 2008, sulfur oxide emissions increased by 78.8%, to 2.86 t/Mt, as compared to 2007. It is worth mentioning sulfur oxide emissions represent 83.6% of total air emissions.

Since March 2008, the Cadereyta, Madero, Tula and Salamanca refineries comply with NOM-148-SEMARNAT-2006 "Sulfur recovery from petroleum refining processes", allowing PEMEX to improve sulfur recovery and reduce sulfur oxide emissions. The remaining refineries, Minatitlán and Salina Cruz, are expected to comply with the above NOM by 2011. In addition, new sulfur recovery plants will be installed at Salina Cruz and Salamanca.

On July 17, 2008, PEMEX entered into the PROAIRE-II 2007-20012 agreement to reduce pollution levels in the municipality of Salamanca, Guanajuato. Among the activities described in the agreement, PEMEX will invest Ps. 1,300 million in the Salamanca refinery in order to reduce by 40.0% sulfur emissions from its processes, as compared to 2006 levels.

⁷ The frequency index is the number of accidents with incapacitating injuries per million man-hours of risk exposure during the relevant period. An incapacitating accident is a sudden or unexpected event that provokes a bodily injury, functional disability or death, immediate or later, while working or as a result of work. Risk exposure man hours are the number of hours worked by all the personnel, inside or outside the working facilities, during working hours or outside working hours, thus, including overtime hours. The severity index is the number of days lost per million man-hours of risk exposure during the relevant period. Lost days are counted as those lost to medical incapacity as a result of a work accident injuries and compensation days for partial, total or permanent incapacity, as well as for death.

⁸ Average sulfur oxide emissions (SOX) by thousand tons.

Environmental ProtectionReused water

During the fourth quarter of 2008, reused water increased by 6.7%, to 0.16, as compared to the fourth quarter of 2007, primarily due to improvements in waste water treatment.

During 2008, reused water increased by 14.3% as compared to 2007, due to improvements to water treatment plants, in particular, those of the National Refining System.

Environment preservation

During 2009, PEMEX expects to invest Ps. 33.0 million in the infrastructure construction of the Ecological Park Jaguaroundi, in Coatzacoalcos, Veracruz, to save various species under the threat of extinction, by helping to encourage a sustainable development culture and build an information centre, a multiple usage room, a greenhouse, a breeding ground and an outdoors auditorium.

Reforestation

During the first quarter of 2008, Ps. 7 million were allocated to education, conservation and environmental restoration projects in Veracruz, where 200 communal lands with one thousand hectares of mangroves are currently being reforested in the Alvarado's lagoon system.

On July 5, 2008, PEMEX completed the planting of 187 thousand trees in support of the National Reforestation Campaign.

Awards

On April 27, 2008, the Senate Commission for the Environment, Natural Resources and Fishing recognized PEMEX accomplishments at the Jaguaroundi Ecological Park, which has been considered since June 5, 2002, by the National Commission of Protected Natural Areas, as the first ecological private sector reserve for preserving ecosystems.

On June 30, 2008, the state of Veracruz awarded PEMEX an Honorable Mention in the Communitary Work category of the state's 2008 Environmental Award for its environmental remediation project carried out in Texistepec, Veracruz. From 2001 to 2007, PEMEX invested Ps. 450 million in the project, despite the environmental damages were not caused by PEMEX. The proceeds from the award were donated to Texistepec's Integral Development of Families Department (DIF).

During 2008, the Office of the Federal Attorney for Environmental Protection (Profepa) granted 126 Certificates of Clean Industry, 32 of which were granted to facilities that concluded for the first time the process of environmental audits and 94 of which were granted to facilities that demonstrated to maintain environmental performance.

Table 13

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies								
Industrial safety and environmental protection*								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
Selected indexes								
Frequency index ⁽¹⁾	0.62	0.52	-16.1%	(0.10)	0.59	0.47	-20.3%	(0.12)
Severity index ⁽²⁾	46.0	41.0	-10.9%	(5.0)	35.0	27.0	-22.9%	(8.0)
Sulfur oxide emissions (t/Mt)	2.17	3.33	53.5%	1.16	1.60	2.86	78.8%	1.26
Reused water / Use and management	0.15	0.16	6.7%	0.01	0.14	0.16	14.3%	0.02

(1) PEMEX incapacitating work accidents frequency index per million man-hours of risk exposure.

(2) PEMEX incapacitating work accidents severity index, which measures the number of days lost to incapacitating work accidents.

* Information is the average of the last month of the quarter.

Note: Numbers may not total due to rounding.

Carbon credits

PEMEX is developing several projects which, among other things, will reduce the company's greenhouse gas emissions (GHG). In order to sell carbon credits, PEMEX has entered into the following agreements:

Table 14

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies				
Carbon Bonds				
Date	Company	Projects	GHG emission reduction (Mt) ⁽¹⁾	
February 28, 2007	Statoil SA	Elimination of gas flaring at the Tres Hermanos field	164	
June 21, 2007	Eco Securities	Boiler economizers, and changes in flares on vapor traps in the Salina Cruz and Salamanca refineries	206	
August 1, 2007	BNP Paribas	Improvement in thermal efficiency of boilers in the Cadereyta and Tula refineries	152	
August 1, 2007	Carbon Solutions	Increase thermal efficiency of boilers in the Tula refinery	49	
August 1, 2007	Statoil México	Several projects in the Cadereyta, Tula and Salina Cruz refineries	243	
November 30, 2007	Credit Suisse Int'l	Efficiency improvements in boilers of the Cactus and Nuevo Pemex CPGs	155	
December 6, 2007	Mitsui & Co.	Several projects in Cadereyta, Madero and Minatitlán refineries	858	
December 14, 2007	FOMECAR	Cogeneration project in the Nuevo Pemex CPG	942	
August 1, 2008	CO2 Global Solutions	Substitution of wet seals for dry seals in the Ciudad Pemex CPG	160	
August 22, 2008	Statoil New Energy AS	Cogeneration project in the Ciudad Pemex CPG	120	
October 7, 2008	Carbon Solutions	Power use of turbogenerator combustion gases in Marine Terminal Dos Bocas	93	
Total GHG emission reduction (Mt)			3,142	

(1) Greenhouse gases, annual thousand tons.

As of December 31, 2008, total GHG emission reductions expected to be decreased are 3.1 million annual tons; this underscores PEMEX commitment to actions to prevent climate change.

**Social
Development**

During 2008, PEMEX donated Ps. 1.9 billion (US\$0.1 billion) to multiple social development causes. The main beneficiaries were Campeche, Chiapas, Tabasco, Tamaulipas and Veracruz, as well as the states of Coahuila, Guanajuato, Hidalgo, Oaxaca and Nuevo León, which together received 93.3% of total donations.

Table 15

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

Main Donations

<u>State</u>	
Campeche	Supply power to the Universidad Tecnológica de Campeche in the Península de Atasta, as well as the paving of roads and several projects in 2008 related to the fishing sector, both in the Municipality of Carmen.
Chiapas	Construction of Reforma's Regional Hospital, which upon completion will have a capacity of 30 beds and will offer health and specialty services in the Municipality of Reforma and several other municipalities in the northern region of the state.
Tabasco	Construction of the drinking water treatment plant La Isla II, which is located in the Municipality of Centro. Ecological studies and development of environmental protection and preservation projects. Ecological-environmental strategies for the reduction of the liabilities regarding accusations of damages attributable to PEMEX. Technological strengthening and technical assistance for the efficient operation of the System for Geografic Environmental Information. Promotion of environmentally friendly culture in communities where PEMEX operates. Projects that consist of mutual funds for sustainable projects, ordering backyards, integration of local commerce networks, and an agriculture and fishing production support program.
Tamaulipas	Support for the construction of highways Los Encinos and Arboledas in the Municipality of Altamira. Repair of streets to meet population's needs in response to the extreme rains and atypical floods which occurred from July 4 to July 10, 2008.
Veracruz	Support for the Schools Reconstruction and Rehabilitation Program in several Municipalities. Projects aimed at increasing the quality of life of the population, including: restoration of the downtown archeological zone of the municipality of Castillo de Teayo, the restoration of the House of Culture in the Municipality of Cerro Azul, and construction of a new bridge in Tampamachoco, located between Tupan and Laguna de Tampamachoco.

Audited Financial Results for the Quarter Ended December 31, 2008

Sales

4Q08 Total Sales

In the fourth quarter of 2008, total sales, including revenues from services, decreased by 16.2% to Ps. 264.0 billion (US\$19.5 billion), as compared to the same quarter of the previous year, primarily due to a decrease in the weighted average crude oil export price and a decrease in the volume of crude oil exports.

2008

In 2008, total sales, including revenues from services, increased by 16.7%, to Ps. 1,329.0 billion (US\$98.2 billion) as compared to 2007, primarily due to an increase in the weighted average crude oil export price.

4Q08 Domestic Sales

In the fourth quarter of 2008, domestic sales increased by 2.4%, to Ps. 160.4 billion (US\$11.8 billion), as compared to the same quarter of 2007:

- Dry natural gas sales increased by 0.9%, to Ps. 21.7 billion, due to the depreciation of the exchange rate, which resulted in an increase in the peso sales revenues notwithstanding a decrease in the average price from US\$6.41 to US\$5.93 per million British Thermal Unit (MMBtu), partially offset by a 9.3% decrease in volume sold, from 3,267 to 2,964 MMcf.
- Sales of petroleum products increased by 2.7% to Ps. 132.9 billion, primarily due to higher prices of gasoline and diesel and greater volumes of gasoline and fuel oil sales.
- Petrochemical product sales increased by 2.9%, to Ps. 5.8 billion, primarily as a result of higher prices, which was partially offset by a 3.5% decrease in volume sold, from 948 to 915 Mt.

Table 16

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Domestic sales* **

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,					
	2007 (Ps. MM)	2008	Change	2008 (US\$MM)	2007 (Ps. MM)	2008	Change	2008 (US\$MM)		
Domestic sales	156,541	160,372	2.4%	3,832	11,846	592,048	679,754	14.8%	87,706	50,210
Dry natural gas	21,472	21,670	0.9%	197	1,601	82,295	106,821	29.8%	24,527	7,890
Petroleum products	129,445	132,919	2.7%	3,474	9,818	486,046	543,043	11.7%	56,996	40,112
Gasoline	67,528	65,983	-2.3%	(1,545)	4,874	252,716	265,964	5.2%	13,248	19,645
Diesel	25,900	30,246	16.8%	4,347	2,234	98,972	111,388	12.5%	12,416	8,228
Liquefied petroleum gas (LPG)	14,872	15,532	4.44%	660	1,147	55,663	55,972	0.6%	309	4,134
Other	21,146	21,157	0.1%	11	1,563	78,695	109,719	39.4%	31,024	8,104
Petrochemical products	5,623	5,784	2.9%	161	427	23,707	29,890	26.1%	6,183	2,208

*Indicative figures from audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Table 17

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies								
Volume of domestic sales								
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	2007	2008	Change		2007	2008	Change	
Dry natural gas (MMcfd)	3,267	2,964	-9.3%	(303)	3,076	3,074	-0.1%	(2)
Petroleum products (Mbd)	1,844	1,785	-3.2%	(60)	1,816	1,827	0.6%	11
Gasoline	792	803	1.4%	11	760	792	4.2%	32
Diesel	370	380	2.7%	10	358	382	6.6%	24
Liquefied petroleum gas (LPG)	319	307	-3.7%	(12)	301	292	-3.0%	(9)
Other	363	295	-18.9%	(68)	397	362	-8.9%	(35)
Petrochemicals products (Mt)	948	915	-3.5%	(33)	3,992	4,134	3.6%	142

Note: Numbers may not total due to rounding.

4Q08 Exports

In the fourth quarter of 2008, export sales decreased by 35.0%, to Ps. 102.5 billion (US\$7.6 billion), as compared to the same quarter of the previous year:

- Crude oil and condensates export sales decreased by 39.5%, to Ps. 86.5 billion, primarily as a result of a decrease in the weighted average crude oil export price from US\$77.33 to US\$45.60 per barrel, and a 12.4% decrease in the volume of crude oil exports, from 1,621 to 1,420 Mbd.
- Dry natural gas export sales increased by 173.5%, to Ps. 1.8 billion, due to lower demand of the domestic power generation sector.
- Petroleum products export sales increased by 4.2%, to Ps. 14.0 billion, due to a 53.4% increase in the volume of these exports, from 134 to 206 Mbd.
- Petrochemical products export sales decreased by 59.1%, to Ps. 0.2 billion, as a result of a 56.1% reduction in the volume of these exports, from 174 to 76 Mt.

Table 18

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies										
Exports* **										
	Fourth quarter (Oct.-Dec.)					Year ended Dec. 31,				
	2007	2008	Change		2008	2007	2008	Change		2008
	(Ps. MM)				(US\$MM)	(Ps. MM)				(US\$MM)
Total exports	157,572	102,474	-35.0%	(55,098)	7,569	542,927	644,418	18.7%	101,491	47,600
Crude oil and condensates	142,996	86,469	-39.5%	(56,527)	6,387	483,377	562,125	16.3%	78,748	41,521
Dry natural gas	664	1,817	173.5%	1,152	134	4,792	4,360	-9.0%	(432)	322
Petroleum products	13,423	13,988	4.2%	566	1,033	51,969	75,260	44.8%	23,291	5,559
Petrochemical products	489	200	-59.1%	(289)	15	2,789	2,674	-4.1%	(116)	197

*Indicative figures from audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Note: Numbers may not total due to rounding.

Cost of Sales

4Q08 In the fourth quarter of 2008, cost of sales increased by 52.5%, to Ps. 213.1 billion (US\$15.7 billion), as compared to the same quarter of 2007. This increase was primarily the result of the following:

- an increase of Ps. 52.4 billion in variation of inventories, due the decrease in crude oil prices;
- an increase of Ps. 7.6 billion in operational maintenance expenses;
- an increase of Ps. 4. 0 billion in product purchases, due imported products which are then sold in México; and
- an increase of Ps. 3.4 billion in the cost of the reserve for labor obligations.

In the quarter, cost of sales as a percentage of total sales amounted to 80.7%, representing an increase of 36.4 percentage points as compared to the same quarter of the previous year, primarily as a result of greater variation of inventories.

2008 In 2008, cost of sales increased by 42.0%, Ps. 654.1 billion (US\$48.3 billion), as compared to 2007. The increase was primarily the result of the following:

- an increase of Ps. 115. 8 billion in product purchases, due imported products which are then sold in México;
- an increase of Ps. 33.3 billion in variation of inventories, due the decrease in crude oil prices;
- an increase of Ps. 17.3 billion in depreciation and amortization; and
- an increase of Ps. 16.9 billion in the cost of the reserve for labor obligations.

In 2008, cost of sales as a percentage of total sales amounted to 49.2%, representing an increase of 8.8 percentage points as compared to 2007, primarily as a result of higher product purchases and greater variation of inventories.

Gross Income

4Q08 In the fourth quarter of 2008, gross income decreased by 71.0%, to Ps. 50.9 billion pesos (US\$3.8 billion), as compared to the same quarter of 2007, primarily due to the variation of inventories explained by a decrease in the weighted average crude oil export price, and the increase in operational maintenance expenses.

2008 In 2008, gross income decreased by 0.6%, to Ps. 674.8 billion (US\$49.8 billion), as compared to 2007, primarily due to the increase in product purchases and the variation of inventories explained by a decrease in the weighted average crude oil export price at year end.

General Expenses

4Q08 Total In the fourth quarter of 2008, general expenses increased by 30.9%, to Ps. 32.2 billion (US\$2.4 billion) as compared to the same quarter of 2007, primarily due to an increase in the cost of the reserve for labor obligations.

4Q08 Distribution Expenses In the quarter, distribution expenses increased by 93.1% to Ps. 11.7 billion (US\$0.9 billion).

4Q08 Administrative Expenses Administrative expenses increased by 10.7% to Ps. 20.6 billion (US\$1.5 billion).

Cost of the Reserve for Labor Obligations

The cost of the reserve for labor obligations comprises provisions over the year to account for the increase of the reserve for labor obligations, which is recognized in the financial statements in accordance with Mexican FRS D-3 "Employee benefits."

A change in the cost of the reserve for labor obligations reflects the recognition of one additional year of employment and age; wage increases, pensions and benefits; and changes in actuarial assumptions.

The cost of the reserve for labor obligations is distributed among cost of sales, distribution expenses and administrative expenses.

4Q08 In the fourth quarter of 2008, the cost of the reserve for labor obligations increased by 37.4%, to Ps. 28.7 billion (US\$2.1 billion), as compared to the same quarter of 2007. The increase was mainly due to the fact that, in accordance with Mexican FRS D-3 "Employee benefits", the liability generated in respect of benefits to PEMEX's employees was subject to accelerated recognition.

2008 In 2008, the cost of the reserve for labor obligations increased by 37.2%, to Ps. 112.6 billion (US\$8.3 billion), as compared to 2007, due the same reason above described.

Operating Income

4Q08 In the fourth quarter of 2008, the operating income decreased by 87.6%, to Ps. 18.7billion (US\$1.4 billion), as compared to the same quarter of 2007, primarily as a result of a decrease in sales, the variation of inventories and the increase in the cost of the reserve for labor obligations.

2008 In 2008, operating income decreased by 3.8%, to Ps. 571.0 billion (US\$42.2 billion), as compared to 2007, primarily due to the increase in product purchases and the variation in inventories.

Other Revenues (Expenses) –Net-

4Q08 In the fourth quarter of 2008, other net revenues increased by 21.4%, to Ps. 36.3 billion (US\$2.7 billion), as compared to the same quarter of 2007, primarily due to a greater tax credit attributable to the negative rate of the Special Tax on Production and Services (IEPS) tax, which amounted to Ps. 6.2 billion.⁹

2008 In 2008, other net revenues increased by 148.1%, to Ps. 198.0 (US\$14.6 billion), as compared to 2007, primarily due to a greater IEPS credit of Ps. 122.6 billion.

Comprehensive Financing Result

4Q08 In the fourth quarter of 2008, the expense associated with comprehensive financing result increase from Ps. 1.4 billion to Ps. 85.4 billion (US\$6.3 billion). This increase resulted from:

- an increase of Ps. 69.2 billion in foreign exchange loss resulting from the depreciation of the Mexican peso against the U.S. dollar;
- a decrease of Ps. 5.2 billion in gain on monetary position, due the fact that gains or losses in monetary position are no longer recognized, except in periods of high inflation, since the adoption of Mexican FRS B-10 “Effects of inflation”, and¹⁰
- an increase of Ps. 9.5 billion in net interest expense and expense associated with financial products.

The depreciation of the peso against the U.S. dollar resulted in unrealized foreign exchange losses arising from the recognition in Mexican pesos of the outstanding debt stated in foreign currencies.

As part of the regular conduct of its operations, PEMEX enters into contracts for acquisition and disposition of goods and services in foreign currencies. The currency effect generated during the period between the date when the goods and services are received, or delivered, and the time when they are paid for, is registered as a foreign exchange gain or loss.

Likewise, PEMEX revenues are basically obtained in U.S. dollars, or are indexed to this currency; and its expenses are partially indexed to the U.S. dollar. PEMEX has not entered into financial derivatives linked to the Exchange rate between the Mexican peso and the U.S. dollar.

⁹ Under the current fiscal regime, the Special Tax on Production and Services (IEPS) applicable to gasoline and diesel is regulated under the Federal Income Law. PEMEX is an intermediary between the Secretary of Finance and Public Credit (SHCP) and the final consumer; PEMEX retains the IEPS and transfers it to the Federal Government. The difference between the retail price, or final price, and the producer price is the IEPS rate. The final price of gasoline and diesel is established by SHCP. The producer price of PEMEX is referenced to that of an efficient refinery in the Gulf of Mexico.

¹⁰ Mexican FRS B-10 “Effects of Inflation” establishes that, in a non-inflationary environment, financial statements will not update for inflation; therefore the monetary loss (gain) is eliminated.

Table 19

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies										
Comprehensive financing result* **										
	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,					
	2007 (Ps. MM)	2008 (Ps. MM)	Change	2008 (US\$MM)	2007 (Ps. MM)	2008 (Ps. MM)	Change	2008 (US\$MM)		
Comprehensive financing result	(1,422)	(85,417)		(83,995)	(6,309)	(20,047)	(107,512)	-436.3%	(87,465)	(7,941)
Financial income ⁽¹⁾	10,267	17,340	68.9%	7,073	1,281	26,370	37,435	42.0%	11,065	2,765
Financial cost ⁽¹⁾	(18,372)	(34,936)	90.2%	(16,564)	(2,581)	(57,848)	(73,884)	27.7%	(16,036)	(5,457)
Foreign exchange gain (loss)	1,413	(67,821)		(69,234)	(5,010)	(1,435)	(71,063)		(69,628)	(5,249)
Monetary gain (loss)	5,270	(0)		(5,270)	(0)	12,866	-		(12,866)	-

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**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) The financial cost and financial income include the effect of financial derivatives.

Note: Numbers may not total due to rounding.

Participation in results of subsidiary entities and affiliates

4Q08 In the fourth quarter of 2008, participation in the results of subsidiary entities and affiliates decreased from income of Ps. 0.9 billion, to a loss of Ps. 0.7 billion (US\$0.1 billion), as compared to the same quarter of 2007, primarily due to lower refining margins at the Deer Park facility.

Income before Taxes and Duties

4Q08 In the fourth quarter of 2008, PEMEX recorded a loss before taxes and duties of Ps. 31.0 billion (US\$2.3 billion), as contrasted with income before taxes and duties of Ps. 180.3 billion in the fourth quarter of 2007, resulting in a decrease of 117.2%, primarily due to:

- a decrease of Ps. 84.0 billion in the expense associated with comprehensive financial result attributable to the foreign exchange loss;
- an increase of Ps. 73.3 billion in the cost of sales attributable primarily to the variation of inventories; and
- a decrease of Ps. 55.1 billion in export sales.

2008 In 2008, income before taxes and duties increased by 0.1%, to Ps. 659.6 billion (US\$48.7 billion). This increase was primarily the result of:

- an increase of Ps. 87.4 billion in the expense associated with comprehensive financial result attributable to the foreign exchange loss; and
- a decrease of Ps. 7.5 billion in the results of subsidiary entities and affiliates.

Taxes and Duties¹¹

4Q08 In the fourth quarter of 2008, taxes and duties decreased by 59.3%, to Ps. 86.6 billion (US\$6.4 billion), as compared to the same quarter of 2007, primarily due to a decrease in the crude oil average price during the fourth quarter of 2008. Taxes and duties paid as a percentage of total sales amounted to 32.8% as compared to 67.5% in the same quarter of 2007.

2008 In 2008, taxes and duties paid increased by 13.9%, to Ps. 771.7 billion, as compared to 2007, primarily due to an increase in the crude oil average price in 2008. The taxes and duties to total sales ratio decreased from 59.4% in 2007 to 58.1% in 2008.

Table 20
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Taxes and duties* **

	Fourth quarter (Oct.-Dec.)					Year ended Dec. 31,				
	2007 (Ps. MM)	2008	Change	2008 (US\$MM)		2007 (Ps. MM)	2008	Change	2008 (US\$MM)	
Total taxes and duties	212,708	86,641	-59.3%	(126,067)	6,400	677,256	771,702	13.9%	94,446	57,001
Hydrocarbon duties	192,524	85,078	-55.8%	(107,446)	6,284	637,657	761,217	19.4%	123,560	56,227
Ordinary hydrocarbons duty	169,153	74,908	-55.7%	(94,245)	5,533	559,408	667,000	19.2%	107,592	49,268
Extraordinary duty on crude oil exports	7,434	(1,903)		(9,337)	(141)	16,511	25,560	54.8%	9,049	1,888
Hydrocarbons duty for the oil revenues stabilization fund	15,791	11,853	-24.9%	(3,938)	876	61,254	66,930	9.3%	5,676	4,944
Duty on hydrocarbons for the fund for scientific and technological research on energy	138	216	56.5%	78	16	457	1,676	267.1%	1,220	124
Duty for fiscal monitoring of oil activities	8	4	-47.0%	(4)	0	27	34	22.6%	6	2
Other taxes and duties ⁽¹⁾	12,163	1,563	-87.2%	(10,600)	115	26,296	10,485	-60.1%	(15,812)	774

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**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Includes provisions.

Note: Numbers may not total due to rounding.

¹¹ Since January 1, 2006, PEMEX has been subject to a new fiscal regime. Pemex-Exploration and Production's (PEP) tax regime is governed by the Federal Duties Law, while the other Subsidiary Entities continue to be governed by Mexico's Income Tax Law. The most important duty paid by PEP is the Ordinary Hydrocarbons Duty (OHD), the tax base of which is a *quasi* operating profit. In addition to the payment of the OHD, PEP pays other duties.

Net income

4Q08 In the fourth quarter of 2008, PEMEX recorded a net loss of Ps. 117.6 billion (US\$8.7 billion), as compared to a net loss of Ps. 32.4 billion in the same quarter of 2007. The increase in PEMEX's net loss was primarily a result of the foreign exchange loss during the quarter, which increased Ps. 69.2 billion as compared to the fourth quarter of 2007.

2008 In 2008, PEMEX recorded net loss of Ps. 112.1 billion (US\$8.3 billion), as compared to net loss of Ps. 18.3 billion in the 2007. This decrease is primarily the result of:

- the foreign exchange loss recorded in 2008, which increased Ps. 69.6 billion due to the depreciation of the peso against the U.S. dollar during the fourth quarter of 2008;
- the variation of inventories, which increased Ps. 33.3 billion due to the decrease in crude oil export prices; and
- the cost of the reserve for labor obligations, which increased Ps. 30.5 billion in accordance with Mexican FRS D-3 "Employee Benefits".

EBITDA

4Q08 In the fourth quarter of 2008, earnings before interest, taxes, depreciation and amortization, or EBITDA, decreased by 51.3%, to Ps. 110.4 billion (US\$8.1 billion), as compared to the fourth quarter of 2007.

2008 In 2008, EBITDA increased by 16.3%, to Ps. 969.6 billion (US\$71.6 billion).

Table 21

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
EBITDA reconciliation* **

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,					
	2007	2008	Change		2007	2008	Change		2008	
	(Ps. MM)				(Ps. MM)				(US\$MM)	
Net income (loss)	(32,440)	(117,631)		(85,191)	(8,689)				(8,278)	
+ Taxes and duties	212,708	86,641	-59.3%	(126,067)	6,400	677,256	771,702	13.9%	94,446	57,001
- Comprehensive financing result	(1,422)	(85,417)		(83,995)	(6,309)	(20,047)	(107,512)		(87,465)	(7,941)
+ Depreciation and amortization	24,243	27,274	12.5%	3,031	2,015	72,592	89,841	23.8%	17,249	6,636
+ Cost of the reserve for retirement payments	20,862	28,666	37.4%	7,804	2,117	82,104	112,644	37.2%	30,540	8,320
EBITDA	226,794	110,367	-51.3%	(116,427)	8,152	833,691	969,621	16.3%	135,931	71,621

*Indicative figures from audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

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Note: Numbers may not total due to rounding.

Results by Business Line

The net income of PEMEX's subsidiaries in 2008 was as follows:

- PEP** Pemex-Exploration and Production recorded net income of Ps. 23.5 billion, which was Ps. 3.5 billion greater than the net income recorded in 2007, primarily due to higher crude oil and natural gas prices.
- PGPB** Pemex-Gas and Basic Petrochemicals recorded net income of Ps. 2.3 billion, which was Ps. 2.7 billion less than the net income recorded in 2007, primarily due to lower processing and higher prices of LPG purchased in the international markets, which, as a result of price controls imposed by the Mexican Government, cannot be passed on by PEMEX to its customers in the domestic market.
- PR** Pemex-Refining recorded net loss of Ps. 119.5 billion, which was Ps. 73.8 billion higher than the net loss recorded in 2007, as a result of lower refining margins.
- PPQ** Pemex-Petrochemicals recorded net loss of Ps. 18.7 billion, which was Ps. 2.6 billion more than the net loss recorded in 2007, primarily due to an increase in the cost of raw materials and in the cost of the reserve for labor obligations due to the adoption of Mexican FRS D-3 "Employee Benefits."

Assets

- Current Assets** As of December 31, 2008, current assets decreased by 15.0% to Ps. 364.3 billion, as compared to the previous year.
- The value of inventories decreased from Ps. 93.1, to Ps. 65.5 billion;
 - cash and cash equivalents decreased from Ps. 171.0, to Ps. 114.2 billion; and
 - accounts receivable increased from Ps. 164.4, to Ps. 184.6 billion.
- Investments in Shares** Investments in shares decreased by 66.2%, to Ps. 11.2 billion.
- Fixed Assets** Property, plant and equipment increased by 6.5%, to Ps. 845.1 billion, which represented 68.9% of total assets. This ratio increased by 9.2 percentage points as compared to the ratio of property, plant and equipment to total assets as of December 31, 2007.
- Other Assets** Other assets increased to Ps. 16.3 billion, primarily due to a reclassification of the difference between the net present value and the nominal value of some PEMEX issuances.
- Total Assets** As of December 31, 2008, total assets decreased by 7.0%, to Ps. 1,236.8 billion (US\$91.4 billion), as compared to 2007. This decrease is the result of the elimination of the intangible asset derived from the actuarial valuation of the reserve for labor obligations of Ps. 72.0 billion, as a result of changes to Mexican FRS Bulletin D-3 "Employee Benefits."

Liabilities

Current Liabilities

Short-term liabilities decreased by 39.2%, to Ps. 176.0 billion (US\$13.0 billion), primarily as a result of a Ps. 129.9 billion decrease in taxes payable.

Long Term Liabilities

Long-term liabilities increased by 4.3%, to Ps. 1,033.3 billion (US\$76.3 billion), primarily due to an increase of Ps. 70.7 billion in long-term debt.

The 6.3% decrease in the reserve for labor obligations, from Ps. 528.2 to Ps. 495.1 billion is primarily explained by the decrease of Ps. 123.4 billion from the elimination of the additional liability due to changes to Mexican FRS Bulletin D-3 "Employee Benefits".

However, the initial benefit resulting from the reduction of the reserve for labor obligations due to changes to Mexican FRS Bulletin D-3 "Employee Benefits" is offset by an increase in the cost of the reserve for labor obligations.

Total Liabilities

Total liabilities decreased by 5.5% to Ps. 1,210.0 billion (US\$89.4 billion), primarily due to the decrease of the reserve for labor obligations, as a result of changes to the Mexican FRS Bulletin D-3 "Employee Benefits".

Equity

Total equity decreased by 46.1%, to Ps. 26.9 billion (US\$2.0 billion), as compared to 2007. The decrease was primarily due to the net loss recorded in 2008 of Ps. 112.1 billion (US\$8.3 billion).

Table 22
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Equity* **

	As of December 31,				2008 (US\$MM)
	2007 (Ps. MM)	2008	Change		
Total equity	49,908	26,885	-46.1%	(23,022)	1,986
Certificates of contribution	96,958	96,958	0.0%	-	7,162
Increase in equity	144,458	179,915	24.5%	35,457	13,289
Social capital	4,045	3,546	-12.3%	(499)	262
Legal reserve	833	988	18.6%	155	73
Donations	494	884	79.0%	390	65
Restatement of equity	171,681	-		(171,681)	-
Effect of the reserve for retirement payments	(51,760)	-		51,760	-
Financial derivatives	-	-		-	-
Integrated profit (loss)	373	6,434	1623.9%	6,061	475
Accumulated net income (losses)	(317,174)	(261,840)	-17.4%	55,334	(19,341)
From prior years	(298,867)	(149,764)	-49.9%	149,103	(11,062)
Net income (loss) for the period	(18,308)	(112,076)	512.2%	(93,769)	(8,278)

*Audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

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Note: Numbers may not total due to rounding.

Statement of Cash Flows**Operating Activities**

In 2008, net cash flow provided from operating activities was Ps. 33.9 billion (US\$2.5 billion), primarily due to higher prices of hydrocarbons in the first months of 2008.

Investing Activities

The net cash flow used in investing activities was Ps. 136.3 billion (US\$10.1 billion), primarily due to increases in fixed assets.

Financing Activities

The net cash flow provided from financing activities was Ps. 45.6 billion (US\$3.4 billion).

Cash and cash equivalents

As a result of the foregoing, in 2008, PEMEX registered a decrease of Ps. 56.8 billion (US\$4.2 billion) in cash and cash equivalents.

Investing and Financing Activities

Investing Activities

2008 Investments for 2008 totaled Ps. 201.9 billion (US\$14.9 billion)¹². The allocation of total investments is as follows:

PIDIREGAS Investment

- Ps. 170.0 billion for exploration and production¹³;
- Ps. 6.8 billion for refining;
- Ps. 1.3 billion for gas and basic petrochemicals; and
- Ps. 0.01 billion for petrochemicals.

Non-PIDIREGAS Investment

- Ps. 8.3 billion for exploration and production¹⁴;
- Ps. 10.6 billion for refining;
- Ps. 2.9 billion for gas and basic petrochemicals;
- Ps. 1.6 billion for petrochemicals; and
- Ps. 0.4 billion for Petróleos Mexicanos.

2009 According to the National Agreement Favoring the Family Economy and Employment announced by President Calderón on January 7, 2009, PEMEX will allocate additional resources coming from the Stabilization Fund for Oil Income Investment (FEIIP by its Spanish abbreviation). As a result, 2009 investment is expected to increase from Ps. 227.5 billion, assigned initially in the 2009 Federal Budget (PEF), to Ps. 238.9 billion (US\$20.4 billion)¹⁵. The allocation of total investments is expected to be as follows:

- approximately Ps. 208.1 billion to exploration and production¹⁶;
- approximately Ps. 23.4 billion to refining;
- approximately Ps. 4.2 billion to gas and basic petrochemicals;
- approximately Ps. 2.5 billion to petrochemicals; and
- approximately Ps. 0.7 billion to Petróleos Mexicanos.

The investment amounts may be further modified based on budgetary adjustments.

¹² The convenience translation into US dollars of amounts in pesos has been made based on the exchange rate as of December 31, 2008, of Ps. 13.5383 = US\$1.00. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

¹³ Includes upstream maintenance expenditures.

¹⁴ *Idem*.

¹⁵ The convenience translation into US dollars of the amount in pesos has been made based on the exchange rate of the 2009 Federal Revenue Law of Ps. 11.7 = US\$1.00.

¹⁶ Includes upstream maintenance expenditures.

Financing Activities

Elimination of PIDIREGAS

As a result of the elimination of PIDIREGAS financing (see “Program to Promote Growth and Employment” below), Petróleos Mexicanos will assume all payment obligations of the Pemex Project Funding Master Trust (Master Trust) and Fideicomiso Irrevocable de Administración F/163. These entities were PEMEX’s principal PIDIREGAS financing vehicles and all debt obligations of these entities were guaranteed by Petróleos Mexicanos.

Prior to December 31, 2009, Petróleos Mexicanos will assume, as primary obligor, all payment obligations entered into by these financing vehicles.

4Q08 Financing Operations

From October 1, 2008 through December 31, 2008, the Master Trust obtained US\$0.2 billion in nominal terms in loans from Export Credit Agencies (ECA’s).

4Q08 Liquidity Management

On October 24, 2008, RepCon Lux S.A. redeemed in full its U.S.\$1,307,100,000 principal amount of 4.5% Guaranteed Exchangeable Bonds due 2011, exchangeable into shares of Repsol YPF, S.A. (Repsol). Most holders elected to exchange their bonds into Repsol shares prior to the redemption date. Petróleos Mexicanos intends to retain beneficial ownership of approximately 4.9% of the shares of Repsol, and is financing its investment in Repsol through a series of equity swaps. PEMEX will continue to act as a member of the Repsol Board of Directors.

As of December 31, 2008, US\$1.5 billion of the syndicated revolving credit facility entered into on September 17, 2007 had been disbursed. Additionally, on January 21, 2009, US\$0.984 billion were disbursed.

2009 Financing Operations

The 2009 financing program plans to raise funds according to market conditions, including:

- approximately between US\$1.5 and US\$2 billion through ECA’s,
- approximately between US\$2.0 and US\$2.5 billion through bank loans,
- approximately between US\$2.0 and US\$3.0 billion through debt securities placed in international markets; and
- approximately between US\$2.0 and US\$3.0 billion through local markets.

On January 27, 2009, Petróleos Mexicanos established a Medium-Term Notes program, which will allow it to issue debt securities directly, rather than through one of its financing vehicles. The amount of the program is US\$7.0 billion.

On February 3, 2009, Petróleos Mexicanos issued US\$2.0 billion of 10-year notes with an 8.0% coupon, payable semi-annually due on May 3, 2019.

Debt

Total As of December 31, 2008, total consolidated debt in U.S. dollars,¹⁷ including accrued interest, decreased 6.1%, from US\$46.1 to US\$43.3 billion, as compared to 2007. However, total consolidated debt in pesos increased by 17.1%, to Ps. 586.7 billion (US\$43.3 billion).

- Short-term debt totaled Ps. 91.2 billion (US\$6.7 billion), and
- Long-term debt totaled Ps. 495.5 billion (US\$36.6 billion).

Debt as a percentage of equity and liabilities totaled 47.8%.

Net Net debt, or the difference between total debt and cash and cash equivalents, increased by 43.2%, to Ps. 472.5 billion (US\$34.9 billion).

Table 23

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Consolidated total debt* **					
	As of December 31,				
	2007	2008	Change		2008
	(Ps. MM)				
					(US\$MM)
Total debt	500,879	586,711	17.1%	85,832	43,337
Short-term	76,050	91,224	20.0%	15,174	6,738
Long-term	424,828	495,487	16.6%	70,658	36,599
Cash & cash equivalents	170,997	114,224	-33.2%	(56,773)	8,437
Total net debt	329,881	472,486	43.2%	142,605	34,900

*Indicative figures from audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Note: Numbers may not total due to rounding.

¹⁷ Total consolidated debt consists of documented debt of Petróleos Mexicanos, the Pemex Project Funding Master Trust, Fideicomiso F/163, RepCon Lux, S.A. and PEMEX Finance, Ltd.

Maturity Profile

The following table shows the maturity profile of PEMEX's total debt:

Table 24

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies			
Maturity profile* **			
		As of December 31,	
		(Ps. MM)	(US\$MM)
Documented debt in pesos		95,733	7,071
	2009	15,533	1,147
	2010	20,085	1,484
	2011	10,300	761
	2012	4,800	355
	2013 and beyond	45,015	3,325
Documented debt in other currencies		490,978	36,266
	2009	75,691	5,591
	2010	84,867	6,269
	2011	45,674	3,374
	2012	56,120	4,145
	2013 and beyond	228,625	16,887
Total debt		586,711	43,337

*Indicative figures from audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Note: Numbers may not total due to rounding.

Duration

The following table presents the average duration of our debt exposure:

Table 25

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies			
Average duration of debt exposure			
		As of December 31,	
	2007	2008	Change
		(Years)	
U.S. Dollars	3.7	4.9	1.2
Mexican pesos	2.2	2.0	(0.2)
Euros	3.2	2.8	(0.3)
Yen	1.4	0.9	(0.5)
Total	3.4	4.5	1.01

Note: Numbers may not total due to rounding.

**Derivatives
Financial
Instruments
Policy**

PEMEX uses derivative financial instruments to hedge market risks associated with:¹⁸

- debt positions,
- natural gas price hedges provided by PEMEX to domestic clients, and
- fluctuations in the prices of petroleum products bought and sold in foreign trade operations.

In general, PEMEX's revenues are either denominated in U.S. dollars or indexed to the U.S. dollar; and its expenditures are partially indexed to the U.S. dollar. PEMEX does not enter into derivative financial instruments that are linked to the Mexican peso / U.S. dollar exchange rate.

Debt

The portfolio of derivative financial instruments associated with debt positions includes interest rate swaps and cross currency swaps.

- Interest rate swaps are used to mitigate volatility in interest payments linked to floating rates.
- Cross currency swaps reduce foreign exchange risk other than the Mexican peso against the U.S. dollar. Hedged currencies include the Euro, British Pound, and Japanese Yen.
- Additionally, PEMEX uses hedges to mitigate risk between Mexican investment units (UDI) and the Mexican peso.

Natural gas

PEMEX offers derivative financial instruments linked to natural gas prices to its clients in order to give them the option of protecting themselves against fluctuations in the price of PEMEX's sales. PEMEX offsets market risk through similar hedging contracts in the international markets, reestablishing its natural market risk profile.

Petroleum products

PEMEX uses hedging instruments related to petroleum products to mitigate the market risk of foreign trade operations.

Mark-to-market value

As of December 31, 2008, the mark to market value of PEMEX's derivative financial instruments was negative US\$161.8 million.

The following tables present the amount hedged and the mark to market valuation of PEMEX's derivative financial instruments.

¹⁸ PEMEX implements several practices to mitigate counterparty risk.

Table 26

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Face value of derivative financial instruments linked to debt*					
	As of December 31,				2008 (US\$MM)
	2007 (Ps. MM)	2008	Change	2008	
Interest rate swaps	19,211	16,529	-14.0%	(2,682)	1,221
Cross currency swaps	49,427	68,085	37.7%	18,658	5,029
Extinguishing cross currency swaps	28,172	35,100	24.6%	6,928	2,593
Assets swaps ⁽¹⁾	-	19,679		19,679	1,454
Total	96,810	139,393	44.0%	42,583	10,296

*Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.8662 = US\$1.00 as of December 31, 2007 and Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Asset swaps include options over Repsol YPF, S.A. shares.

Note: Numbers may not total due to rounding.

Table 27

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Mark to market of derivative financial instruments linked to debt*					
	As of December 31,				2008 (US\$MM)
	2007 (Ps. MM)	2008	Change	2008	
Interest rate swaps	(1,453)	(1,269)	-12.7%	184	(94)
Cross currency swaps	2,868	3,566	24.3%	698	263
Extinguishing cross currency swaps	1,667	(1,777)	-206.6%	(3,444)	(131)
Assets swaps ⁽¹⁾	-	(2,762)		(2,762)	(204)
Total	3,082	(2,241)	-172.7%	(5,324)	(166)

*Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.8662 = US\$1.00 as of December 31, 2007 and Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Asset swaps include options over Repsol YPF, S.A. shares.

Note: Numbers may not total due to rounding.

Table 28

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Volume of natural gas derivative financial instruments*					
	As of December 31,				
	2007 (MMcf)	2008	Change	2008	
Long swaps	61,312.1	231,686.8	277.9%	170,374.6	
Short swaps	(61,354.1)	(231,654.3)	277.6%	(170,300.1)	
Long options	37,250.3	88,930.5	138.7%	51,680.2	
Short options	(37,314.3)	(88,969.7)	138.4%	(51,655.4)	
Total	(106.1)	(6.7)	-93.7%	99.3	

* Each contract includes 10,000 MMBtu. The conversion rate used was 1 cf = 1,027 Btu.

Note: Numbers may not total due to rounding.

Table 29

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Mark to market of natural gas derivative financial instruments*					
	As of December 31,				
	2007 (Ps. MM)	2008	Change	2008 (US\$MM)	
Long swaps	(148.3)	(8,881.4)	(8,733.1)	(656.0)	
Short swaps	158.8	9,038.8	8,880.0	667.6	
Long options	218.3	915.0	696.6	67.6	
Short options	(217.9)	(915.0)	(697.1)	(67.6)	
Total	11.0	157.4	146.4	11.6	

*Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.8662 = US\$1.00 as of December 31, 2007 and Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Note: Numbers may not total due to rounding.

Table 30

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies				
Volume of petroleum products derivative financial instruments				
	As of December 31,			Change
	2007	2008		
	(MMb)			
Total	7.3	29.3	300.1%	21.9

Note: Numbers may not total due to rounding.

Table 31

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies				
Mark to market of petroleum products derivative financial instruments*				
	As of December 31,			2008 (US\$MM)
	2007	2008	Change	
	(P.s. MM)			
Total	(80.4)	(106.3)	32.2%	(25.9)

*Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.8662 = US\$1.00 as of December 31, 2007 and Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

Note: Numbers may not total due to rounding.

Interest Rate Risk

PEMEX's policy is to maintain a balance between fixed and floating rate liabilities in order to mitigate the impact of fluctuations in interest rates. As of December 31, 2008, approximately 51.1% of PEMEX's debt exposure was to fixed interest rates, and the remaining 48.9% was to floating rates.

Debt Exposure

The following table sets forth PEMEX's debt exposure to currency and interest rate risk:

Table 32

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies						
Debt exposure ⁽¹⁾						
	2007	2008	As of December 31,		2007	2008
			2007	2008		
	By currency		Percentage		At floating rate	
U.S. Dollars	80.1%	83.5%	55.2%	51.2%	44.8%	48.8%
Mexican pesos	19.8%	16.5%	51.9%	50.6%	48.1%	49.4%
Euros	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Yen	0.1%	0.1%	100.0%	100.0%	0.0%	0.0%
Total	100.0%	100.0%	54.6%	51.1%	45.4%	48.9%

(1) Excludes accrued interest.

Note: Numbers may not total due to rounding.

Accounting for Derivative Financial Instruments

Derivative financial instruments are accounted at fair value in the financial statements, in accordance with Mexican FRS C-10 "Derivative Financial Instruments and Hedging Operations." However, some of these instruments do not comply with the accounting standards required to be designated as hedges; in some cases, cash flows generated by these instruments are offset by cash flows generated by the associated positions.

Impact of Mexican Financial Reporting Standards (FRS) Modifications

On January 1, 2008, five Mexican Financial Reporting Standards (FRS), issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) were enacted. The implications for PEMEX are the following:

FRS B-10

FRS B-10 “Inflation Effects”- The principal guidelines established by the FRS B-10 include:

- the change in the value of *unidades de inversión* (UDIs) may be used to determine the inflation for a given period;
- the election to use inventory replacement costs as well as specific indexation for fixed assets is eliminated;
- an entity is only required to recognize the effects of inflation when operating in an inflationary economic environment (*i.e.* accumulated inflation equal to or higher than 26% in the most recent three-year period); and
- the accounts of (i) gain or loss from holding non-monetary assets (RETANM by its Spanish abbreviation), (ii) monetary position gains or losses (REPOMO by its Spanish abbreviation), and (iii) deficit/excess in equity restatement will be reclassified to retained earnings, when their unrealized portion is not identified.

The impact on the presentation of financial information is that the comparisons between periods are made in nominal figures, instead of constant pesos. In particular, during 2008, the information presented for 2007 will represent the purchasing power of December 31, 2007.

PEMEX estimates that the initial effects of the modifications to this FRS will not result in any effect on the income statement nor the balance sheet. However, as of December 31, 2008, equity recorded a credit to equity excess or insufficiency of Ps. 171.7 billion and a charge in results from prior years equal to this amount.

FRS D-3

FRS D-3 “Employee Benefits”- The principal guidelines established by the FRS D-3 include:

- the recognition in the income statement of actuarial gains or losses;
- use of nominal discount rates instead of real discount rates;
- the recognition of three types of beneficiaries: (i) direct short-term and long-term (ii) at end of contract and (iii) at retirement;
- the elimination of the recognition of an additional liability and related intangible asset and any related item as a separate element of stockholders' equity;
- the inclusion of severance benefits in results of operations;
- the presentation of Employee Statutory Profit Sharing (“ESPS”), including deferred ESPS, in the statement of income as ordinary operations;¹⁹ and
- a maximum of five years for amortizing unrecognized/unamortized items, with the option for immediate recognition of actuarial gains or losses in results of operations.

As of December 31, 2008, the following effects were recognized:

- i. elimination of additional liabilities for Ps. 123.8 billion, reflected in the elimination of intangible assets for Ps. 72.0 billion and the elimination of the effect in equity of the reserve for labor obligations for Ps. 51.8 billion; and
- ii. increase in the cost of the reserve for labor obligations to Ps. 112.4 billion, as compared to Ps. 82.1 in 2007.

FRS B-2

FRS B-2 “Statement of Cash Flows”- The principal guidelines established by the FRS B-2 include:

- the replacement of the statement of changes in financial position with the statement of cash flows;
- the reporting of cash inflows and cash outflows in nominal currency units, i.e., the effects of inflation are not included;
- the establishment of two alternative preparation methods (direct and indirect), without stating a preference for either method. In addition, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and finally cash flows from financing activities;
- the reporting of captions of principal items as gross; and
- the requirement of disclosure of the composition of those items considered cash equivalents.

PEMEX estimates that the total impact of the modification of this FRS as of December 31, 2008 is not material.

¹⁹ In addition, FRS D-3 establishes that the asset and liability method required by FRS D-4 “Tax on earnings” should be used for determining deferred ESPS, and that any effects arising from the change are to be recognized in retained earnings, with no restatement of prior years' financial statements.

FRS B-15

FRS B-15 “Translation of Foreign Currencies”- The principal guidelines established by the FRS B-15 include:

- the substitution of the integrated foreign operation and foreign entity concepts for determining recording currency, functional currency and reporting currency, requiring that translation be made based on the economic environment in which the entity operates, regardless of its dependency on a holding company; and
- the inclusion of translation procedures for those cases where the reporting currency is different from the functional currency.

PEMEX estimates that the total impact of the modification of this FRS as of December 31, 2008 is not material.

FRS B-4

FRS D-4 “Taxes on Earnings”- The principal guidelines established by the FRS D-4 include:

- the reclassification of balance of the cumulative income tax effects resulting from the initial adoption of Bulletin D-4 in 2000 to retained earnings;
- the recognition of asset taxes as a tax credit (benefit), rather than a tax prepayment; and
- the transfer of the accounting treatment of ESPS incurred and deferred to FRS D-3.

PEMEX estimates that the total impact of the modification of this FRS as of December 31, 2008 is not material.

Other Relevant Topics

Energy Reform

On October 28, 2008, the Mexican Congress approved reforms to the following laws:

- Regulatory Law of Constitutional Article 27, on Crude Oil (*Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo*)
- Federal Public Administration Law (*Ley Orgánica de la Administración Pública Federal*)
- Energy Regulatory Commission Law (*Ley de la Comisión Reguladora de Energía*)

On the same date, Congress approved the creation of the following laws:

- Petróleos Mexicanos Law (*Ley de Petróleos Mexicanos*)
- National Hydrocarbons Commission Law (*Ley de la Comisión Nacional de Hidrocarburos*)
- Sustainable Energy Usage Law (*Ley para el Aprovechamiento Sustentable de la Energía*)
- Renewable Energy Usage and Financing Energy Transition Law (*Ley para el Aprovechamiento de Energías Renovables y el Financiamiento de la Transición Energética*)

On October 21, 2008, the Mexican Congress approved changes to the Federal Duties Law, modifying the fiscal regime applicable to PEP; the following are the main changes related to the limit on deductible expenses assigned to various projects (cost cap):

- for projects located in Paleocanal de Chicontepec, the cost cap increased to US\$11.0 per barrel for crude oil and US\$2.7 per thousand cubic feet for non-associated natural gas;
- for projects located in deep waters, the cost cap increased to US\$16.5 per barrel for crude and US\$4.0 per thousand cubic feet for non-associated natural gas; and
- for other fields, the cost cap remains constant at US\$6.5 per barrel for crude oil and US\$2.7 per thousand cubic feet for non-associated natural gas.

Petróleos Mexicanos Law

The Petróleos Mexicanos (PEMEX) Law (*Ley de Petróleos Mexicanos*), which replaces the Petróleos Mexicanos and Subsidiary Entities Organic Law, includes modifications to the following areas:

Corporate Governance

- PEMEX's Board of Directors will include six State representatives appointed by the President of Mexico, five representatives of the Petroleum Workers Union (*Sindicato de Trabajadores Petroleros de la República Mexicana*) and four professional members appointed by the President of Mexico and ratified by the Senate.
- Professional members are public servants and will be subject to public service regulations.
- Board resolutions will require a favorable vote of at least two professional members; if such vote is not received, the vote on the resolution will be postponed until the next meeting.

**Petróleos
Mexicanos Law**

On February 24, 2009, the Mexican Senate received the proposal for the designation of the four professional members to the Board of Directors of PEMEX sent by President Felipe Calderón. The appointments are subject to approval by the Senate. For a single time, the four professional members will end their terms successively:

- Fluvio César Ruiz Alarcón 3 years,
- Rogelio Gasca Neri 4 years,
- Héctor Moreira 5 years, and
- José Fortunato Álvarez 6 years.

Committees

The following committees will be created to give support to the Board of Directors:

- Audit and Performance Evaluation;
- Strategy and Investment;
- Compensation;
- Acquisition, Lease, Works and Services;
- Environment and Sustainable Development;
- Transparency and Accountability; and
- Development and Technological Research.

Subsidiary Entities

- PEMEX has the option to operate as one consolidated company or through subsidiary entities.
- The Boards of Directors of the subsidiary entities will include, at least, two independent members as well as committees, including (i) strategy and investment and (ii) acquisition, lease, works and services.

Public works and services contracts

The new law includes a more flexible contracting structure for PEMEX's core production activities (well drilling, platform maintenance, etc.), subject to certain limitations.

Remuneration to suppliers or contractors:

- Will always be in cash.
- May not be based on a percentage of production, value of hydrocarbon sales or profit percentages.
- Should be established when the contract is signed.
- May be established through fixed mechanisms or formulas that provide for a subsequent calculation, as required by the project.
- May be modified throughout the project in accordance with technological advances, input prices variations and other factors that contribute to improving the efficiency of the project or service.
- May include penalty to suppliers or contractors if they fail to meet timing and quality parameters.
- May include additional compensation when PEMEX (i) obtains savings due to a shorter execution time of the project; (ii) benefits from new technologies; or (iii) agrees that other circumstances have produced better results or greater profits for PEMEX.

**Petróleos
Mexicanos Law**Citizen Bonds

- PEMEX may issue debt securities that grant holders a return linked to its performance.
- Bonds may only be acquired by Mexicans (individuals, pension funds, mutual funds and market makers).
- The Ministry of Finance and Public Credit will establish the securities' terms and conditions and will establish measures through which they will be available to greater number of individuals.
- Thresholds for the amount of these bonds acquired will be established.
- Financial institutions will be responsible for applying measures to avoid "hoarding".

Debt

- PEMEX will be subject to general debt guidelines and authorization from the Ministry of Finance and Public Credit for specific transactions will not be required.
- However, the Secretary of Finance and Public Credit may object to specific debt transactions, as justified exceptions.

Budget

- PEMEX may, without the authorization of the Ministry of Finance and Public Credit, (i) make budgetary adjustments (as long as it oversees PEMEX's financial balance annual goal and the regular budget for personnel services is not increased) and (ii) increase its expenses as its income increases.
- PEMEX investment projects will be subject to a less complicated registration in the Secretary of Finance and Public Credit.

National Suppliers

PEMEX must:

- Require minimum percentages of national content in its procurement of certain goods and services.
- Establish preference in favor of proposals that employ Mexican human resources, goods or services.
- Grant preferences to small-and medium-sized companies during national bidding processes.
- Have a specialized area that identifies opportunities for the development of Mexican suppliers and contractors.

Fertilizers

With the objective of offering farmers fertilizer at accessible prices, PEMEX must:

- Offer to the national fertilizing industry stable supplies and long-term contracts that contemplate fixed prices of ammonia and anhydrous ammonia.
- Enter into natural gas -which is used as an input for fertilizers- prices hedge, to enable PEMEX to offer fixed prices.
- Give priority to national demand for fertilizing producers in its sulfur sales.

Program for Growth and Employment

On October 8, 2008, President Felipe Calderón announced the Program for Growth and Employment. The main features of the program that relate to PEMEX include:

- the use of accumulated resources of the Stabilization Fund for Oil Income Investment (FEIIP by its Spanish abbreviation) to start the construction of a refinery and carry out other infrastructure works; and
- the modification of PEMEX's investment program by:
 - eliminating the PIDIREGAS budget and accounting treatment
 - recognition of PEMEX's PIDIREGAS liabilities as public debt, and
 - excluding PEMEX's capital expenditures from the expenditures included in the Mexican Government's budget by modifying the Federal Law of Budget and Fiscal Accountability (LFPRH).

National Agreement in Favor of Family Economy and Employment

On January 7, 2009, President Felipe Calderón announced the National Agreement in Favor of Family Economy and Employment. The main features of the agreement that relate to PEMEX include:

- the suspension of periodic increases in the retail price of gasoline during 2009;
- the reduction by 10% of end-user sales of LPG;
- the announcement that the Mexican Federal Government will purchase, at least 20% out of its total purchases, from small-and medium-sized companies (PyMes by its Spanish abbreviation);
- the announcement that the Mexican Federal Government will grant technical advisory to small-and medium-sized companies in order for them to become petroleum industry suppliers; and
- the authorization to governmental companies to execute public tenders since January 1, 2009 to promote timely public expenditure.

PEMEX's 70th Anniversary

On June 7, 2008, PEMEX celebrated its 70th anniversary.

Anticorruption measures

On December 12, 2008, the U.S. Securities and Exchange Commission (SEC) filed a settled enforcement action charging Siemens AG with violations of the U.S. Foreign Corrupt Practices Act ("FCPA"). Among other matters, the SEC alleged that two Siemens subsidiaries made three illicit payments totaling approximately U.S. \$2.6 million to a consultant to assist in settling cost overrun claims in connection with three refinery upgrade projects, and that some portion of those payments was passed on to a senior PEMEX official.

On December 22, 2008, PEMEX requested its internal control body (*Órgano Interno de Control*) which is independent of PEMEX's management and under the supervision of the *Secretaría de la Función Pública* (Ministry of Public Administration), an investigation concerning these alleged events. The investigation will attempt to determine whether any person acted improperly in the matters related to the SEC allegations.

A Mexican public official who in the course of his or her official duties acts or fails to act in accordance with applicable law and regulations is subject to administrative penalties and criminal prosecution and punishment, under the Mexican law and the *Código de Ética de los Servidores Públicos de la Administración Pública Federal* (Code of Ethics for Public Servants of the Federal Public Administration).

**2008
Transparency
and Disclosure
Awards**

In March 2008, the Tenth Annual Investor Relations Global Ranking Awards Ceremony took place, an event sponsored by MZ Consult. The organization evaluated the IR webpages of several firms. PEMEX won first place in the Best Financial Disclosure Procedures category, competing against 61 Latin American contestants.

In April 2008, Transparency International, in its 2008 Report on petroleum companies' transparency, recognized PEMEX as the best national oil company in disclosure of payments, financial operations and anticorruption programs. The report evaluated 42 international oil companies.

In May 2008, Global Reporting Initiative (GRI) awarded PEMEX's Sustained Development Report the highest grade (A+). PEMEX is the first Mexican company to receive this recognition.

In 2008, PEMEX received 4,304 information requests, which represents a 20.7% increase as compared to the 3,564 requests received in 2007. Additionally, in 2008, PEMEX received 539,192 citizen inquiries through the Governmental Transparency Applications Website (*Portal de Obligaciones de Transparencia*).

In January 2009, the Center of Studies for Sustainable Development of the Private Sector (CESPEDES by its Spanish abbreviation) noted that PEMEX's 2007 Sustainable Development Report was the benchmark in Mexico for this kind of publication. The report is one of the main tools PEMEX has to communicate its efforts in this area to the investment community and the community at large.

**Actions Against
the Illicit Market
in Fuels 2008**

In 2008, PEMEX increased surveillance over rights of way and other facilities to combat fuels theft, as a result, 4.1 million liters were recovered.²⁰

**2008 Wage
Revision**

PEMEX's relationship with its workers is regulated by the Federal Labor Law and a collective labor contract between PEMEX and the Mexican Republic Petroleum Workers Union (STPRM by its Spanish abbreviation). The labor contract is entered into every two years, although wages are reviewed every year.

On July 22, 2008, PEMEX and the Mexican Republic Petroleum Workers Union entered into a wage revision contract. The new agreement includes a 4.8% salary increase and a 1.9% increase in benefits.

²⁰ The volume of these products has been recovered in warehouses, clandestine storages facilities, illegal car tanks and land plots where illegal tapping pipelines ended.

Appointments

On March 18, 2008, the following appointments to PEMEX's Independent Audit Committee were announced:

- Felipe Mellado Flores, President,
- Ricardo Samaniego Breach, Member, and
- Fernando Vilchis Platas, Member.

On August 22, 2008, Arturo Arregui García was appointed as Deputy Director of Planning of Pemex-Gas and Basic Petrochemicals.

On October 16, 2008, Gustavo Ernesto Ramírez Rodríguez was appointed as Internal Controller for PEMEX.

On December 2, 2008, Guadalupe Merino Bañuelos was appointed as Deputy Director of Economic Planning of the Corporate Finance Office.

On January 5, 2009, Manuel Sánchez Guzman was appointed Head of the Deputy Direction of Planning of Pemex- Petroquímica.

On January 26, 2009, Maria del Rocío Cárdenas Zubieta, was appointed Director General of PMI Comercio Internacional.

Incidents

The following table shows the main incidents that took place in 2008 and up to date:

Table 33
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Incidents

<u>Date</u>	<u>Incident</u>	<u>Details</u>
March 23, 2008	Fire in the storage tank of processed hydrocarbon in the fractionating and extracting plant of aromatics in the Cangrejera Petrochemical Center.	One worker died.
September 24, 2008	Accident during a drill in the Tula refinery.	One worker died.
November 14, 2008	Accident in the Morelos Petrochemical Center while carrying out cleaning activities in the cooling system of a reactor in the Mitsu plant.	Five workers were injured.
November 17, 2008	Explosion in the Cactus Gas Processing Plant.	Two workers died and one worker was injured.
December 1, 2008	Accident at the Rosarito, Baja California facilities.	One worker died and one worker was injured.
February 5, 2009	The semisubmersible platform Safe Lancia had a water entrance that tilted the platform nine degrees.	514 workers were evacuated.
February 12, 2009	Gas leak from the Girdaldas pipeline at Reforma, Chiapas	Works to reduce pressure at the pipeline.

PEMEX regrets the death of the deceased.

Annex

Table A1
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Crude oil production by selected fields

	2003	2004	2005	2006				2007				2008			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total	3,371	3,383	3,333	3,345	3,329	3,247	3,104	3,158	3,166	3,048	2,934	2,891	2,794	2,754	2,729
Northeast Marine Region	2,416	2,441	2,357	2,334	2,289	2,174	2,026	2,074	2,111	2,003	1,885	1,861	1,770	1,695	1,658
Cantarell	2,108	2,125	2,029	1,937	1,850	1,751	1,617	1,582	1,580	1,427	1,270	1,163	1,036	954	858
Akal-Nohoch	2,054	2,079	1,973	1,882	1,797	1,698	1,564	1,529	1,533	1,383	1,223	1,117	992	897	790
Chac	20	17	12	13	13	12	11	11	11	14	14	13	13	12	10
Ixtoc	11	11	13	14	15	14	13	13	11	11	12	13	12	12	12
Sihil	9	6	19	16	14	16	17	18	12	8	10	9	8	22	36
Kutz	13	12	12	12	12	12	12	12	12	11	11	11	11	11	11
Ku	197	191	203	244	278	282	272	310	330	328	342	360	361	359	376
Zaap	41	57	69	82	76	66	62	89	91	123	148	197	219	232	253
Maloob	50	53	47	57	64	50	45	55	64	83	91	100	114	112	125
Others	21	15	9	14	21	27	29	39	47	42	34	41	41	39	45
Southwest Marine Region	398	388	396	428	454	498	519	522	493	493	515	495	486	507	513
Chuc	99	93	103	111	106	110	99	96	94	82	78	76	71	68	62
Caan	114	108	98	93	90	86	84	75	69	69	75	66	76	68	59
Ixtal	-	-	9	24	45	53	68	77	50	74	73	74	56	98	102
Sinan	0	18	32	39	44	62	65	66	70	66	62	64	60	53	61
Bolontiku	-	15	40	46	45	73	66	83	93	81	89	88	78	81	69
Others	148	137	133	137	136	148	164	170	177	175	200	190	202	197	214
Southern Region	483	473	497	499	501	491	474	475	472	465	449	449	450	466	470
Samaria	73	62	65	66	64	64	61	67	63	59	58	55	52	51	52
Jujo	51	44	50	54	58	59	55	53	52	51	50	46	46	47	43
Iride	44	46	50	51	50	46	46	46	42	40	38	37	35	35	30
Puerto Ceiba	46	77	77	63	59	52	45	42	41	41	40	36	33	32	29
Sen	21	13	19	22	22	21	21	21	27	29	29	38	37	39	48
Tecominoacán	23	20	22	28	31	30	26	25	24	21	20	23	24	27	28
Pijije	12	11	13	14	15	15	14	14	14	14	15	15	19	18	19
Cárdenas	14	13	15	19	21	18	15	15	14	14	13	12	12	12	14
Cunduaacán	23	26	27	23	23	21	18	16	15	13	12	12	13	13	13
Mora	5	4	4	5	9	10	11	12	12	12	11	10	10	10	11
Yagual	4	6	12	11	10	11	11	11	13	12	10	10	9	9	8
Oxiacaque	6	6	6	6	6	9	10	11	12	11	11	9	8	9	7
Ogarrio	5	5	7	7	8	9	10	9	10	10	7	8	9	9	8
Cactus	12	11	9	8	9	9	8	9	9	9	9	10	10	10	10
Chinchorro	10	9	8	7	7	7	8	8	7	8	8	9	8	9	9
Others	131	117	110	113	109	108	112	117	119	124	119	120	127	139	144
Northern Region ⁽¹⁾	74	81	84	84	85	84	85	87	89	87	85	87	88	86	88
Poza Rica	10	11	10	10	10	10	10	10	10	9	9	8	7	7	8
Tajín	3	6	6	6	5	5	5	7	8	9	7	12	13	12	8
Arenque	9	8	9	8	9	8	8	8	8	8	7	6	6	7	6
Coapechapa	0	4	9	10	7	6	6	7	6	5	6	7	7	7	8
Agua Fria	2	7	6	7	8	8	6	5	4	5	6	7	6	6	7
Constituciones	5	5	5	5	5	5	5	5	5	4	5	5	4	4	4
Others	44	40	38	37	41	42	45	46	49	48	45	44	45	43	47

⁽¹⁾ Production by Chicontepec. 1Q08: 28 Mbd. 2Q08: 30 Mbd. 3Q08: 31 Mbd. 4Q08: 30 Mbd.

Note: Numbers may not total due to rounding.

Table A2
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Natural gas production by selected fields

	2003	2004	2005	2006				2007				2008			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total	4,498	4,573	4,818	5,094	5,281	5,478	5,565	5,816	6,033	6,094	6,285	6,586	6,861	6,963	7,260
Northeast Marine Region	940	947	928	931	958	923	870	992	1,129	1,147	1,356	1,647	1,854	1,913	2,189
Cantarell	782	786	759	731	739	715	678	782	930	925	1,124	1,383	1,586	1,634	1,897
Akal-Nohoch	750	759	720	687	698	675	634	740	888	873	1,069	1,335	1,553	1,595	1,853
Ixtoc	13	13	21	24	21	21	22	19	23	34	31	29	18	19	21
Sihil	6	2	8	10	9	10	12	13	10	7	12	8	4	9	14
Kutz	6	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Chac	9	7	5	5	5	5	5	5	5	6	6	6	6	5	4
Ku	111	101	103	127	152	150	137	146	138	147	153	161	153	159	164
Others	47	61	65	73	67	58	56	64	61	75	79	103	114	120	128
Southwest Marine Region	581	603	655	750	810	908	953	985	940	1,010	1,035	991	1,016	1,046	1,038
Caan	206	215	206	196	189	181	176	171	159	200	212	188	227	209	179
Sinan	1	48	80	94	104	156	136	140	152	144	141	130	110	90	116
May	-	-	24	67	68	65	139	135	121	152	165	173	229	206	215
Ixtal	-	-	13	35	87	98	122	143	99	151	147	152	113	200	202
Chuc	119	95	113	118	113	121	109	107	107	93	84	82	78	75	68
Bolontiku	-	15	40	46	45	73	66	83	93	81	89	88	78	81	69
Others	188	178	176	183	177	200	190	210	227	212	224	213	207	213	219
Southern Region	1,630	1,495	1,400	1,361	1,318	1,355	1,375	1,365	1,392	1,378	1,277	1,364	1,419	1,492	1,525
Iride	77	70	93	109	109	101	106	108	116	104	96	92	93	108	106
Samaria	99	102	88	78	76	81	76	107	101	88	89	83	83	83	92
Narvaez	-	-	0	0	-	47	73	87	83	82	85	88	90	101	100
Cunduacán	55	71	88	99	101	97	92	85	80	61	58	60	66	59	62
Sen	64	33	47	56	57	55	55	54	71	73	75	90	106	117	146
Muspac	215	145	115	92	86	81	78	76	74	75	24	61	65	53	49
Giraldas	96	89	74	64	61	63	63	60	61	62	62	70	70	71	70
Jujo	58	45	54	64	54	54	57	58	57	53	57	63	66	61	73
Oxiacaque	16	17	13	14	15	15	18	32	41	62	74	77	76	81	54
Copano	82	78	65	60	55	53	51	50	49	47	48	44	42	40	38
Pijije	35	32	37	42	42	43	42	42	41	37	38	36	43	44	47
Tizón	13	24	28	26	26	33	32	31	36	42	40	33	32	54	75
Catedral	128	100	74	66	54	53	49	44	44	40	11	20	22	18	17
Puerto Ceiba	29	53	51	43	39	35	32	29	29	29	29	27	25	24	22
José Colomo	37	36	35	32	31	28	29	29	30	29	28	28	26	26	25
Tecominoacán	25	31	34	40	41	41	37	28	30	28	26	29	27	29	31
Cárdenas	28	27	33	41	41	38	33	31	25	26	28	26	25	27	30
Costero	-	0	-	-	0	9	35	18	12	43	18	40	52	81	70
Others	538	508	436	409	401	404	432	412	432	462	444	478	500	540	507
Northern Region⁽¹⁾	1,347	1,528	1,835	2,052	2,196	2,292	2,366	2,475	2,572	2,559	2,616	2,583	2,572	2,512	2,509
Lizamba	4	12	103	137	139	160	173	235	233	225	279	303	307	297	296
Arquimia	-	-	-	16	125	147	161	195	219	198	195	167	129	101	79
Apertura	-	-	52	121	139	150	162	168	181	157	175	176	158	138	126
Culebra	201	169	172	157	161	171	183	154	160	167	170	165	145	139	138
Velero	22	38	50	54	65	73	91	105	112	124	111	94	86	82	83
Cuicláhuac	91	113	116	121	120	116	112	100	100	96	91	91	84	84	78
Arcabuz	33	40	65	71	77	81	79	97	88	95	98	104	95	85	82
Lankahuasa	-	-	-	6	28	69	98	104	101	83	79	72	66	61	57
Fundador	3	14	50	93	94	102	91	87	84	89	86	77	83	78	70
Vistoso	8	80	117	120	116	118	113	100	90	66	64	60	54	45	37
Arcos	141	104	92	104	101	100	78	69	67	60	61	55	62	53	50
Papán	-	-	-	-	-	-	-	-	14	98	115	129	197	256	262
Cañón	16	22	53	59	56	49	51	50	53	53	53	49	44	45	37
Others	737	834	892	936	922	903	922	968	1,043	1,109	1,119	1,135	1,231	1,275	1,356

⁽¹⁾ Chicontepec production. 1Q08: 44 MMcf. 2Q08: 50 MMcf. 3Q08: 51 MMcf. 4Q08: 66 MMcf.
Note: Numbers may not total due to rounding.

Table A3
Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Selected operating information

	Fourth quarter (Oct.-Dec.)				Year ended Dec. 31,			
	<u>2007</u>	<u>2008</u>	<u>Change</u>		<u>2007</u>	<u>2008</u>	<u>Change</u>	
Production								
Total hydrocarbons (Mboed)	4,293	3,930	-8.5%	(364)	4,386	3,965	-9.6%	(421)
Total crude oil (Mbd)	2,934	2,729	-7.0%	(206)	3,076	2,792	-9.2%	(284)
Total gas equivalent (Mboed) ⁽¹⁾	1,359	1,201	-11.6%	(158)	1,311	1,173	-10.5%	(137)
Offshore crude oil / Total crude oil production	83.0%	80.3%	-2.7%		82.8%	81.4%	-1.4%	

(1) Includes condensates.

Note: Numbers may not total due to rounding. Mboed stands for thousand of barrels of oil equivalent, per day.

Table A4

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies					
Consolidated balance sheet^{*, **}					
	As of December 31,				2008 (US\$MM)
	2007 (Ps. MM)	2008	Change		
Current assets	428,561	364,292	-15.0%	(64,269)	26,908
Cash & cash equivalents	170,997	114,224	-33.2%	(56,773)	8,437
Net accounts receivable	164,420	184,596	12.3%	20,175	13,635
Inventories	93,143	65,472	-29.7%	(27,672)	4,836
of products	87,971	60,366	-31.4%	(27,605)	4,459
of materials	5,172	5,105	-1.3%	(67)	377
Investments in shares of non-consolidated subsidiaries and affiliates	33,063	11,177	-66.2%	(21,886)	826
Properties, plant and equipment	793,845	845,062	6.5%	51,217	62,420
Intangible asset derived from the actuarial computation of labor obligations	72,009	-		(72,009)	-
Other assets, net	2,802	16,306	481.9%	13,504	1,204
Total assets	1,330,281	1,236,837	-7.0%	(93,443)	91,358
Short-term liabilities	289,464	175,965	-39.2%	(113,499)	12,998
Short-term debt ⁽¹⁾	76,050	91,224	20.0%	15,174	6,738
Suppliers	35,138	35,382	0.7%	243	2,613
Net accounts payable	31,682	32,686	3.2%	1,004	2,414
Taxes payable	146,593	16,672	-88.6%	(129,921)	1,232
Long-term liabilities	990,909	1,033,987	4.3%	43,079	76,375
Long-term debt ⁽¹⁾	424,828	495,487	16.6%	70,658	36,599
Reserve for retirement payments, pensions and seniority premiums	528,201	495,084	-6.3%	(33,118)	36,569
Reserve for sundry creditors	31,467	36,377	15.6%	4,910	2,687
Deferred taxes	6,412	7,040	9.8%	628	520
Total liabilities	1,280,373	1,209,952	-5.5%	(70,421)	89,373
Total equity	49,908	26,885	-46.1%	(23,022)	1,986
Total liabilities and equity	1,330,281	1,236,837	-7.0%	(93,443)	91,358

*Audited consolidated financial statements prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards, FRS) -formerly Mexican GAAP- issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF). Based on the adoption of FRS B-10 "Inflation effects", 2007 amounts are expressed in pesos with purchasing power as of December 31, 2007; 2008 amounts are expressed in nominal terms.

**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Includes documented debt of Petróleos Mexicanos, the Pemex Project Funding Master Trust, the Mexican Trust F/163, Pemex Finance Ltd. and Repcon Lux, S.A.

Note: Numbers may not total due to rounding.

Table A5

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Consolidated income statement* **

	Fourth quarter (Oct.-Dec.)					Year ended Dec. 31,				
	2007 (Ps. MM)	2008	Change	2008 (US\$MM)		2007 (Ps. MM)	2008	Change	2008 (US\$MM)	
Total sales	315,160	264,037	-16.2%	(51,122)	19,503	1,139,257	1,328,950	16.7%	189,693	98,162
Domestic sales	156,541	160,372	2.4%	3,832	11,846	592,048	679,754	14.8%	87,706	50,210
Exports	157,572	102,474	-35.0%	(55,098)	7,569	542,927	644,418	18.7%	101,491	47,600
Services income	1,047	1,191	13.7%	144	88	4,282	4,778	11.6%	496	353
Cost of sales⁽¹⁾	139,738	213,039	52.5%	73,302	15,736	460,666	654,032	42.0%	193,367	48,310
Gross income	175,422	50,998	-70.9%	(124,424)	3,767	678,591	674,918	-0.5%	(3,673)	49,852
General expenses⁽¹⁾	24,614	32,224	30.9%	7,610	2,380	84,939	103,806	22.2%	18,867	7,668
Distribution expenses	6,044	11,673	93.1%	5,629	862	24,799	33,962	37.0%	9,163	2,509
Administrative expenses	18,570	20,551	10.7%	1,981	1,518	60,141	69,844	16.1%	9,704	5,159
Operating income (loss)	150,808	18,774	-87.6%	(132,034)	1,387	593,652	571,112	-3.8%	(22,540)	42,185
Other revenues (expenses) -net⁽²⁾	29,940	36,330	21.3%	6,390	2,683	79,798	197,991	148.1%	118,193	14,624
Comprehensive financing result	(1,422)	(85,417)		(83,995)	(6,309)	(20,047)	(107,512)		(87,465)	(7,941)
Participation in the results of subsidiaries and associates	941	(677)		(1,618)	(50)	5,545	(1,965)		(7,510)	(145)
Income before taxes and duties	180,267	(30,991)		(211,258)	(2,289)	658,948	659,625	0.1%	677	48,723
Taxes and duties	212,708	86,641	-59.3%	(126,067)	6,400	677,256	771,702	13.9%	94,446	57,001
Net income (loss)	(32,440)	(117,631)		(85,191)	(8,689)	(18,308)	(112,076)		(93,769)	(8,278)

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(1) Includes the cost of the reserve for retirement payments, pensions and indemnities.
(2) Includes the reimbursement of the Special Tax on Production and Services (IEPS).

Note: Numbers may not total due to rounding.

Table A6

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies				
Selected financial indexes* **				
	Fourth quarter (Oct.-Dec.)		Year ended Dec. 31,	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Consolidated income statement ratios				
Cost of sales / Total sales	44.3%	80.7%	40.4%	49.2%
Depreciation / Cost of sales and General expenses	14.8%	11.1%	13.3%	11.9%
Operating income / Total sales	47.9%	7.1%	52.1%	43.0%
Taxes and duties / Total sales	67.5%	32.8%	59.4%	58.1%
Consolidated balance sheet ratios			As of December 31,	
Working capital (Ps. MM) ⁽¹⁾			139,097	188,327
Properties and equipment / Total Assets			59.7%	68.3%
Total debt / Total liabilities and equity			37.7%	47.4%
Pemex - Exploration and Production ratios			Year ended Dec. 31,	
Sales / Hydrocarbons production (Ps. / boe)			569.8	784.1
Operating income / Hydrocarbons production (Ps. / boe)			441.9	600.4
Net income / Hydrocarbons production (Ps. / boe)			12.5	16.2
Taxes and duties / Operating income			93.8%	87.4%

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**Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate of Ps. 13.5383 = US\$1.00 as of December 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

(1) Current assets minus short-term liabilities.

Table A7

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies		
Consolidated statement of cashflow (indirect method)* **		
	2008	2008 (US\$MM)
<u>Operating activities</u>		
Income before taxes and duties paid ⁽¹⁾	539,013	39,814
<u>Non-cash items</u>	<u>112,971</u>	<u>8,345</u>
<u>Items related to investing activities</u>	<u>92,255</u>	<u>6,814</u>
Depreciation and amortization	89,841	6,636
Participation in subsidiary companies and joint ventures	2,098	155
Other items	317	23
<u>Items related to financing activities</u>	<u>90,872</u>	<u>6,712</u>
Accrued interest	(2,801)	(207)
Other items	93,672	6,919
Funds provided by income before taxes and duties	835,112	61,685
Accounts receivables	(12,068)	(891)
Inventories	27,223	2,011
Other accounts receivable and other assets	(13,505)	(998)
Suppliers	243	18
Other liabilities	(24,776)	(1,830)
Taxes and duties paid	(778,296)	(57,488)
Funds provided by (used in) the operation	(801,179)	(59,179)
Net cashflow from operating activities	33,932	2,506
<u>Investing activities</u>		
Property, plant and equipment	(140,976)	(10,413)
Other permanent investments	4,661	344
Net cashflow from investing activities	(136,315)	(10,069)
Exceeding (required) funds for financing activities	(102,382)	(7,562)
<u>Financing activities</u>		
Bank loans	63,049	4,657
Securities	83,884	6,196
Amortization of bank loans	(89,592)	(6,618)
Amortization of securities	(47,190)	(3,486)
Future equity increases	35,457	2,619
Net cashflow from financing activities	45,609	3,369
Net increase in cash and cash equivalents	(56,773)	(4,193)
Cash and cash equivalents at the beginning of the year	170,997	12,631
Cash and cash equivalents at the end of the year	114,224	8,437

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(1) The starting point is income before taxes and duties paid, not accrued as presented in the income statement.

Note: Numbers may not total due to rounding.

Table A8

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies
Subsidiary Entities' contribution to financial results*

	<u>Exploration and Production</u>	<u>Refining</u>	<u>Gas and Basic Petrochemicals</u>	<u>Petrochemicals</u>	<u>Subsidiary Companies and Corporate</u>	<u>Intersegment eliminations</u>	<u>Total</u>
Twelve months ending December 31, 2008							
	(Ps. MM)						
Total sales	1,137,807	547,548	271,136	80,057	976,836	(1,684,435)	1,328,950
External clients	-	487,070	167,108	25,576	644,418	-	1,324,172
Intersegment	1,137,807	56,992	104,028	54,482	330,043	(1,683,352)	0
Revenues from services	-	3,486	-	-	2,375	(1,083)	4,778
Gross income (loss)	902,305	(236,864)	13,004	(8,722)	42,362	(37,254)	674,832
Operating income (loss)	871,180	(280,318)	(260)	(19,336)	318	(333)	571,112
Comprehensive financing result	(87,732)	(25,488)	3,200	624	4,032	(2,149)	(107,512)
Depreciation and amortization	74,476	9,979	3,688	1,094	604	-	89,840
Cost of the reserve for labor obligations	38,147	37,600	9,851	9,112	17,935	-	112,644
Taxes and duties	761,683	5,349	1,771	274	2,625	-	771,702
Net income (loss)	23,473	(119,475)	2,264	(18,671)	(110,724)	111,056	(112,076)
As of December 31, 2008							
Current assets	779,193	206,143	98,032	61,787	546,040	(1,326,904)	364,292
Investment in shares	403	157	1,667	-	734,982	(726,096)	11,113
Fixed assets	606,669	171,845	43,832	16,548	6,169	-	845,062
Acquisition of fixed assets	113,322	24,155	5,405	3,507	2,911	-	149,301
Total assets	1,402,389	380,061	143,792	78,499	3,030,737	(3,798,640)	1,236,837
Short-term liabilities	94,755	158,067	39,420	7,720	1,126,494	(1,250,491)	175,965
Reserve for labor obligations	172,981	168,327	41,602	45,590	66,584	-	495,084
Total liabilities	1,144,607	395,714	96,036	54,481	2,988,056	(3,468,942)	1,209,952
Equity	257,782	(15,653)	47,756	24,018	58,622	(345,640)	26,885
Twelve months ending December 31, 2007							
Total sales	912,295	475,834	222,904	57,644	792,801	(1,322,221)	1,139,257
External clients	-	430,383	139,963	21,702	542,927	-	1,134,975
Intersegment	912,295	42,230	82,941	35,942	247,994	(1,321,402)	0
Revenues from services	-	3,221	-	-	1,880	(819)	4,282
Gross income (loss)	740,812	(77,803)	15,817	(6,560)	41,180	(34,855)	678,591
Operating income (loss)	707,402	(111,086)	7,336	(14,115)	5,850	(1,735)	593,652
Comprehensive financing result	(25,562)	(5,765)	1,071	(1,181)	10,097	1,292	(20,047)
Depreciation and amortization	57,263	10,160	3,437	1,092	640	-	72,592
Cost of the reserve for labor obligations	28,077	27,560	6,259	7,920	12,288	-	82,104
Taxes and duties	663,549	3,847	5,537	257	4,065	-	677,256
Net income (loss)	19,966	(45,654)	4,958	(16,086)	(11,473)	29,981	(18,308)
As of December 31, 2007							
Current assets	630,760	229,537	85,311	58,651	495,165	(1,070,864)	428,561
Investment in shares	343	157	1,096	-	612,696	(581,228)	33,063
Fixed assets	565,434	162,586	42,006	15,570	8,250	-	793,845
Acquisition of fixed assets	99,253	22,912	5,871	999	325	-	129,360
Total assets	1,237,968	417,393	133,971	79,872	2,331,377	(2,870,301)	1,330,281
Short-term liabilities	191,867	148,710	33,464	8,897	929,479	(1,022,952)	289,464
Reserve for labor obligations	180,931	178,387	40,792	49,058	79,033	-	528,201
Total liabilities	998,714	377,308	85,453	59,276	2,262,119	(2,502,497)	1,280,373
Equity	239,255	40,085	48,518	20,597	69,257	(367,804)	49,908

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Note: Numbers may not total due to rounding.

Table A9

Main Tenders
Pemex-Exploration and Production

Tender number	Amount US\$MM	Announced date	Description	Status	Awarded to:
18575088-012-08	385.7783601	5-Nov-08	LEASING OF OFFSHORE DRILLING PLATFORMS	AWARDED	
2 partidas	292.4			AWARDED	ENSCO DRILLING MEXICO
1 partida	71.1			AWARDED	NOBLE CONTRACTING
1 partida	22.3			AWARDED	PERFORADORA CENTRAL
1 partida	0.0			VOID	
18575107-073-08	66.5	15-Dec-08	RESIDUES MANAGEMENT	AWARDED	ACC INGENIERÍA Y SERVICIOS ESPECIALIZADOS
18575106-038-08	49.4	27-Nov-08	CONSTRUCTION OF WELL RECOVERY PLATFORMS	AWARDED	INDUSTRIA DEL HIERRO
18575107-075-08	45.0	8-Dec-08	SEA TRANSPORTATION	AWARDED	
2 partidas	45.0			AWARDED	SAAM REMOLCADORES
1 partida	0.0			VOID	
18575106-035-08	43.1	18-Dec-08	TRANSPORTATION AND INSTALLATION OF SEA PLATFORMS	AWARDED	J RAY MCDERMOTT DE MÉXICO
18575106-039-08	42.6	25-Nov-08	CONSTRUCTION OF WELL RECOVERY PLATFORMS	AWARDED	CONSTRUCCIONES MECÁNICAS MONCLOVA
18575106-032-08	39.3	22-Dec-08	ENGINEERING, PROCUREMENT AND CONSTRUCTION	AWARDED	TERRACERÍAS Y CIMENTACIONES DEL SUR
18575106-033-08	39.0	22-Dec-08	ENGINEERING, PROCUREMENT AND CONSTRUCTION	AWARDED	CAPICONSTRUCTORA
18575106-034-08	38.4	22-Dec-08	ENGINEERING, PROCUREMENT AND CONSTRUCTION	AWARDED	IMPULSORA DE DESARROLLO INTEGRAL
18575106-016-08	37.6	9-Oct-08	PROCUREMENT AND CONSTRUCTION OF 2 SEA PIPELINES	AWARDED	GLOBAL OFFSHORE MEXICO
18575106-031-08	37.2	22-Dec-08	ENGINEERING, PROCUREMENT AND CONSTRUCTION	AWARDED	LUNA RODRIGUEZ
18575106-023-08	36.3	10-Oct-08	TRANSPORTATION AND INSTALLATION OF OFFSHORE PLATFORMS	AWARDED	
18575106-037-08	35.9	18-Nov-08	CONSTRUCTION OF WELL RECOVERY PLATFORMS	AWARDED	CONSTRUCCIONES Y EQUIPOS LATINOAMERICANOS
18575004-058-08	34.2	9-Dec-08	GAS MANAGEMENT AT VERACRUZ ASSET	AWARDED	VALERUS COMPRESSION SEVICES MEXICO
18575008-050-08	34.0	26-Nov-08	CONSTRUCTION AND OVERHAULING OF PIPELINES	AWARDED	FABRICACION Y REPARACION ELECTROMECANICA
18575050-018-08	31.8	10-Dec-08	WORKS FOR DRILLING, COMPLETION AND WORKOVER OF WELLS	AWARDED	HALLIBURTON DE MEXICO
18575062-047-08	31.6	4-Nov-08	SERVICES FOR GEOLOGICAL CONTROL OF DRILLING	AWARDED	AL
18575106-024-08	30.6	25-Nov-08	PROCUREMENT AND CONSTRUCTION OF DECK INTERCONNECTIONS	AWARDED	CONDUX
18575106-026-08	28.1	6-Oct-08	PROCUREMENT AND CONSTRUCTION OF PIPELINES	AWARDED	CONDUX
18575050-015-08	27.0	17-Oct-08	PERFORATION AND SPECIAL OPERATIONS WITH EXPLOSIVES IN WELLS	AWARDED	HALLIBURTON DE MEXICO
18575106-022-08	22.5	16-Oct-08	WORKS AT ATG ASSET	AWARDED	ENK COMPRESSORS
18575095-024-08	21.8	3-Dec-08	SOUR GAS REINJECTION	AWARDED	OPERADORA CICSA
18575106-040-08	20.8	4-Dec-08	CONSTRUCTION OF WELL RECOVERY PLATFORMS	AWARDED	
18575107-054-08	18.2	13-Oct-08	SEA TRANSPORTATION	AWARDED	NAVIERA BOURBON TAMAUUPAS
1 partida	18.2			AWARDED	
2 partidas	0.0			VOID	
18575107-077-08	17.5	27-Nov-08	SEA TRANSPORTATION	AWARDED	OCEANO GRAHÍA
18575050-021-08	16.2	11-Nov-08		AWARDED	MEXICO DIESEL ELECTRO-MOTIVE
18575107-076-08	16.1	28-Nov-08	SEA TRANSPORTATION	AWARDED	
1 partida	4.9			AWARDED	NAVIERA INTEGRAL
1 partida	5.6			AWARDED	NAVIERA BOURBON TAMAUUPAS
1 partida	5.6			AWARDED	MANTENIMIENTO EXPRESS MARITIMO
2 partidas	0.0			VOID	
18575050-016-08	15.3	24-Oct-08	PRODUCTION METERING WORKS	AWARDED	DOWELL SCHLUMBERGER DE MEXICO
18575051-039-08	13.0	18-Dec-08	NITROGEN GAS INJECTION IN THE NORTHERN REGION	AWARDED	NITROPET
18572002-008-08	12.4	16-Jan-09	AIR Transportation	AWARDED	
1 partida	0.8			AWARDED	AEROVÍAS DE MEXICO
9 partidas	8.8			AWARDED	COMPAÑIA MEXICANA DE AVIACION
7 partidas	1.6			AWARDED	EL MUNDO ES TUYO
2 partidas	1.1			AWARDED	TRANSPORTES AEROMAR
1 partida	0.1			AWARDED	VIAJES KOKAI
5 partidas	0.0			VOID	
18575106-021-08	11.7	19-Dec-08	COMPLETION OF CONSTRUCTION AT DOS BOCAS	AWARDED	CONSTRUCCIONES Y EQUIPOS LATINOAMERICANOS
18575001-001-08	11.0	13-Oct-08	LEASING OF TRUCKS	AWARDED	
1 partida	0.6			AWARDED	AUTO COMERCIAL SICA
3 partidas	0.2			AWARDED	CAMIONES ANDRADE
12 partidas	6.1			AWARDED	CAMIONES DE CUAUTITLAN
1 partida	0.5			AWARDED	DINA CAMIONES
8 partidas	0.2			AWARDED	EUROGRU
2 partidas	0.1			AWARDED	GARCIA & MALLITZ
11 partidas	0.2			AWARDED	GRUPO VASILIOPOULOS
4 partidas	0.1			AWARDED	HIAB
3 partidas	0.3			AWARDED	HOUSTON FREIGHTLINER
4 partidas	0.4			AWARDED	INDUSTRIAS LUGARTH
3 partidas	0.0			AWARDED	KASA INTERNATIONAL ABASTOS
12 partidas	0.3			AWARDED	KENWORTH TOLLOCAN
1 partida	0.3			AWARDED	SERRETECNO
4 partidas	1.8			AWARDED	UNIVERSAL MOTOR GERÁTE DE MÉXICO
22 partidas	0.0			VOID	
6 partidas	0.0			IN PROCESS	
18575088-013-08	10.9	7-Nov-08	SUPPLY OF MATERIALS	AWARDED	
15 partidas	2.0			AWARDED	EQUIPAMIENTO Y MAQUINARIA ESPECIAL GRUJALVA
52 partidas	0.9			AWARDED	OWEN OIL TOOLS
44 partidas	8.0			AWARDED	SCHLUMBERGER OFFSHORE SERVICES (MEXICO)
138 partidas	0.0			VOID	
5 partidas	0.0			IN PROCESS	
18575062-016-08	10.3	22-Oct-08	CONSTRUCTION AND RECONDITIONING FOR DRILLING	AWARDED	ARMADORA TABASQUEÑA
18575004-050-08	9.6	10-Nov-08	CARBON STEEL PIPELINES	AWARDED	
2 partidas	0.8			AWARDED	PYTOO
5 partidas	3.9			AWARDED	TUBERIA LAGUNA
2 partidas	4.8			AWARDED	TUBERIAS PROCARSA
18575021-018-08	9.1	1-Oct-08	REHABILITATION OF FIRE CONTROL SYSTEMS	AWARDED	GRUPO PROASIP
18575008-053-08	9.1	13-Nov-08	CONSTRUCTION AND REHABILITATION OF ROADS AND PLATFORMS	AWARDED	COPA VISA
18575107-066-08	8.6	17-Oct-08	SEA TRANSPORTATION	AWARDED	NAVIERA ARMAMEX
18575062-042-08	7.6	17-Oct-08	MODIFICATIONS TO INDUSTRIAL AND ADMINISTRATIVE BUILDINGS	AWARDED	CONSTRUCTORA Y COMERCIALIZADORA MAYA
18575088-020-08	NA	18-Nov-08	LEASING OF 3 OFFSHORE DRILLING PLATFORMS	IN PROCESS	
18575051-043-08	NA	9-Dec-08	NITROGEN GAS INJECTION OPERATIONS	IN PROCESS	
18575051-044-08	NA	11-Dec-08	DRILLING AND COMPLETION OF WELLS AT ATG PROJECT	IN PROCESS	
18575051-046-08	NA	18-Dec-08	DRILLING AND COMPLETION OF WELLS AT ATG PROJECT	IN PROCESS	

Note: Includes only information of tenders with amounts over Ps. 100 MM. Additional information and from other tenders can be consulted at www.compra.net.gob.mx.

Table A10

Main Tenders Pemex-Gas and Basic Petrochemicals						
Tender number	Amount US\$MM	Announced date	Description	Status	Awarded to:	
18577001-041-08	2.9	18-Nov-08	CENTRIFUGAL PUMPS	AWARDED	MEX QUIP	
18577001-034-08	2.6	8-Oct-08	AUTOMATIC START SYSTEM FOR GAS FLARERS	AWARDED	CIA. ELECTR. EN INSTRUM. MARIT. INDUST. Y COM.	
18577007-025-08	2.5	20-Oct-08	OIL AND LUBRICANTS	AWARDED		
170 lots	1.7			AWARDED	COMERCIAL ROSHFRANS	
18 lots	0.8			AWARDED	M&A OIL CO. DE MEXICO	
44 lots	0.0			VOID		
18577010-027-08	2.1	17-Oct-08	MANAGEMENT OF SPECIAL AND DANGEROUS RESIDUES	AWARDED		
1 lot	0.6			AWARDED	GRUPO CORULI	
2 lots	1.4			AWARDED	INGENIERIA Y SERVICIOS ECOLOGICOS MILENUM	
1 lot	0.1			AWARDED	ADMINISTRACION DE RESIDUOS Y CONSTRUCCIÓN CORPORATIVO DE SERVICIOS AMBIENTALES	
1 lot	0.0			AWARDED		
18577007-029-08	1.9	31-Oct-08	MEASURING INSTRUMENTS	AWARDED	GRUPO K B DE MEXICO	
3 lots	0.1			AWARDED	LLOG	
1 lot	0.2			AWARDED	GRUPO VASILOPOULOS	
1 lot	0.4			AWARDED	PRODUCTOS E IMPORTACIONES ESPECIALES	
1 lot	1.3			AWARDED		
18577001-036-08	NA	28-Aug-08	POWER GENERATION USING NATURAL GAS	IN PROCESS		

Additional information and from other tenders can be consulted at www.compranet.gob.mx.

Table A11

Main Tenders Pemex-Refining						
Tender number	Amount US\$MM	Announced date	Description	Status	Awarded to:	
18576009-054-08	393.9	6-Oct-08	SCIENTIFIC INSTRUMENTS AND MATERIALS	AWARDED		
4 lots	0.1			AWARDED	ICASA INGENIERIA	
1 lot	0.0			AWARDED	J. A. DIAZ Y CIA.	
1 lot	0.1			AWARDED	PROOIL DE MEXICO	
4 lots	0.0			AWARDED	RAWSON MEXICANA	
1 lot	0.0			AWARDED	REPRESENTACIONES Y MONTAJES	
1 lot	0.1			AWARDED	SERVICIOS TECNICOS Y AUTOMATIZACION INDUSTRIAL	
3 lots	393.5			AWARDED	SUMINISTROS DE INSTRUMENTACION Y MEDICION ESPECIAL	
4 lots	0.0			AWARDED	TUBOS MEXICANOS FLEXIBLES	
2 lots	0.0			VOID		
18576171-008-08	30.8	10-Oct-08	LEASING OF VEHICLES	AWARDED		
1 lot	0.5			AWARDED	AUTOMOTORES SONI	
1 lot	1.3			AWARDED	AUTOMOTRIZ PARNASSE	
1 lot	0.1			AWARDED	DAOSA	
3 lots	4.4			AWARDED	FORMULA ANGELOPOLIS	
8 lots	22.3			AWARDED	GRAND AUTOMOTRIZ	
1 lot	0.3			AWARDED	ITALOAMERICANA DE AUTOS	
3 lots	0.8			AWARDED	NUEVO GRUPO FORD DE MEXICO	
1 lot	1.1			AWARDED	SUPER CAMIONES Y AUTOS DE SILAO	
2 lots	0.0			VOID		
18576057-006-08	23.1	18-Dec-08	OTHER PRODUCTS AND CHEMICAL SUBSTANCES	AWARDED	W. R. GRACE AND CO.	
18576112-021-08	21.8	13-Nov-08	CARBON STEEL PIPELINES	AWARDED	TUBERIAS PROCARSA	
18576057-010-08	12.2	29-Dec-08	OTHER PRODUCTS AND CHEMICAL SUBSTANCES	AWARDED	W. R. GRACE AND CO.	
18576057-009-08	10.3	26-Dec-08	OTHER PRODUCTS AND CHEMICAL SUBSTANCES	AWARDED	CATALIZADORES SALTHMON	
18576057-007-08	8.8	18-Dec-08	OTHER PRODUCTS AND CHEMICAL SUBSTANCES	AWARDED	W. R. GRACE AND CO.	
18572039-006-08	NA	11-Sep-08	ENGINEERING, PROCUREMENT AND CONSTRUCTION AT TULA AND SALAMANCA	IN PROCESS		
18575106-057-08	NA	18-Nov-08	CONSTRUCTION OF 40 PIPELINES AT ATG ASSET	IN PROCESS		

Note: Includes only information of tenders with amounts over Ps. 100 MM. Additional information and from other tenders can be consulted at www.compranet.gob.mx.

Table A12

Tender number
Pemex-Petrochemicals

Tender number	Amount US\$MM	Announced date	Description	Status	Awarded to:
18578019-026-08	24.2	25-Nov-08	POLIETHYLENE EXTRUSION SYSTEM	AWARDED	KOBE STEEL
18578019-025-08	4.1	20-Nov-08	COLUMNS AND DRYERS FOR POLIETHYLENE PLANT	AWARDED	GEA PROCESS ENGINEERING DE MÉXICO
18578010-010-08	2.6	15-Oct-08	SAFETY FOOTWEAR	AWARDED	
2 lots	1.4			AWARDED	LINEA EN SEGURIDAD
2 lots	1.2			AWARDED	CALZADO VAN VIEN
18578011-011-08	1.9	19-Nov-08	COOLED AIR COMPRESSOR	AWARDED	
4 lots	1.9			AWARDED	ATLAS COPCO MEXICANA
2 lots	0.0			VOID	
18578011-019-08	1.7	5-Dec-08	CENTRIFUGAL MOTOCOMPRESSOR	AWARDED	GRACO MEXICANA
18578010-023-08	1.7	14-Oct-08	LEASING OF EQUIPMENT	AWARDED	EQUIPOS DE PROCESO MEXICANOS
18578012-030-08	1.8	3-Oct-08	REHABILITATION OF CRUDE OIL TANK	AWARDED	FUMUJI INDUSTRIES
18572039-007-08		27-Nov-08	SERVICES AT PC CANGREJERA	IN PROCESS	

Additional information and from other tenders can be consulted at www.compranet.gob.mx.

Table A13

Main Tenders
Petróleos Mexicanos

Tender number	Amount US\$MM	Announced date	Description	Status	Awarded to:
18572002-010-08	38.3	30-Jan-09	INSURANCE POLICY	AWARDED	SEGUROS INBURSA, S.A. GRUPO FINANCIERO
18572039-011-08	NA	23-Dec-08	CONSTRUCTION OF A CRYOGENIC PLANT AT GPC POZA RICA	IN PROCESS	

Additional information and from other tenders can be consulted at www.compranet.gob.mx.

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PEMEX is Mexico's national oil and gas company. Created in 1938, it is the exclusive producer of Mexico's oil and gas resources. The operating subsidiary entities are Pemex-Exploration and Production, Pemex-Refining, Pemex- Gas and Basic Petrochemicals and Pemex-Petrochemicals. The principal subsidiary company is PMI Comercio Internacional, S.A. de C.V., its international trading arm.

Convenience translations into US dollars of amounts in pesos have been made at the established exchange rate, as of December 31, 2008, of Ps. 13.5383 = US\$1.00. Such translation should not be construed as a representation that the peso amounts have been or could be converted into US dollars at the foregoing or any other rate.

This report contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the Mexican National Banking and Securities Commission and the U.S. Securities and Exchange Commission, in our annual report, 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:

- *drilling and other exploration activities;*
- *import and export activities;*
- *projected and targeted capital expenditures and other costs, commitments and revenues; and liquidity, etc..*

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;*
- *limitations on our access to sources of financing on competitive terms;*
- *significant economic or political developments in Mexico;*
- *developments affecting the energy sector; and*
- *changes in our regulatory environment.*

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 PEMEX's most recent Form 20-F filing, as amended, with the U.S. Securities and Exchange Commission (www.sec.gov) and the PEMEX prospectus filed with the National Banking and Securities Commission (CNBV) and available through the Mexican Stock Exchange (www.bmv.com.mx). These factors could cause actual results to differ materially from those contained in any forward-looking statement.

The U.S. Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as total reserves, probable reserves and possible reserves, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 20-F, as amended, "File No. 0-99", available from us at www.pemex.com or Marina Nacional 329, Floor 38, Col. Huasteca, Mexico City 11311 or at (52 55) 1944 9700. You can also obtain this Form from the SEC 's website, www.sec.gov. Investors are also welcome to review the annual report to the CNBV, available at www.pemex.com.

EBITDA is a non-US GAAP measure.

Errata

On page 30 where it says:

2008 Investments for 2008 totaled Ps. 201.9 billion (US\$14.9 billion). The allocation of total investments is as follows:

PIDIREGAS Investment

- Ps. 170.0 billion for exploration and production;

It should say:

2008 Investments for 2008 totaled Ps. 201.7 billion (US\$14.9 billion). The allocation of total investments is as follows:

PIDIREGAS Investment

- Ps. 168.9 billion for exploration and production;