

# PEMEX<sup>1</sup> Presents its 2018 Fourth Quarter Results<sup>2</sup>

Mexico City, April 26, 2019



## Investor Relations

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## Key Highlights

The fourth quarter of 2018 presented several challenges. Nevertheless, PEMEX recorded improvements in some of its financial and operational indicators:

- ✓ Completion of wells recorded a 95% increase, from 21 wells in 4Q17 to 41 wells in 4Q18
- ✓ Gross income recorded MXN 119.1 billion, as compared to a MXN 23.3 billion loss in 4Q17
- ✓ Operating income amounted to MXN 86.1 billion, compared to a MXN 69.1 billion loss in 4Q17

## Selected financial information (MXN million)

	Fourth Quarter		Var %
	2017	2018	
<b>Total sales</b>	<b>397,995</b>	<b>408,401</b>	<b>3%</b>
Domestic sales	235,225	236,765	1%
Exports	159,848	169,182	6%
<b>Cost of sales</b>	<b>421,261</b>	<b>289,282</b>	<b>-31%</b>
<b>Total expenses</b>	<b>26,184</b>	<b>45,752</b>	<b>75%</b>
<b>Operating income (loss)</b>	<b>(69,127)</b>	<b>86,110</b>	<b>225%</b>
<b>Net income (loss)</b>	<b>(299,759)</b>	<b>(157,330)</b>	<b>58%</b>
<b>EBITDA</b>	<b>93,035</b>	<b>102,053</b>	<b>10%</b>



**Crude Oil Production**  
1,738 Mbd



**Natural gas production**  
3,809 MMcfd



**Crude Oil Processing**  
505 Mbd



**EBITDA**  
MXN 102.1 billion

## Long Term Credit Rating in Foreign Currency

Agency	Rating	Outlook
S&P	BBB+	Negative
Fitch	BBB-	Negative
Moody's	Baa3	Stable

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

<sup>2</sup> From October 1 to December 31, 2018. PEMEX encourages the reader to analyze this document together with the information provided in the annexes and relevant documents which can be found at [www.pemex.com/en/investors](http://www.pemex.com/en/investors).



## Earnings

During the fourth quarter of 2018, total sales increased by 2.6%, as compared to the same period of 2017, mainly as a result of a 5.8% increase in exports due to the recovery in international crude oil prices. Domestic sales remained stable.

## Gross & Operating Income

Cost of sales decreased by 31.3% as compared to 4Q17, mainly due to a MXN 35.3 billion impairment reversal.

Gross income recorded MXN 119.1 billion. General expenses (administrative, transportation, distribution and other income/expenses) decreased by 28.0%, and operating income recorded MXN 86.1 billion.

## Taxes and Duties

During the fourth quarter of 2018, total taxes and duties increased by 212.9% as compared to 4Q17, mainly as a result of the recovery in crude oil prices. Profit Sharing Duty increased by 153.2% as compared to 4Q17.

## Net Income (loss)

During 4Q18 a net loss of MXN 157.3 billion was recorded.

## Financial Debt

Total financial debt increased by 2.2% as compared to December 31, 2017, mainly due to the peso depreciation.

The exchange rate recorded as of December 31, 2018, was MXN 19.6829 per U.S. dollar, resulting in a MXN 2,082.3 billion or USD 105.8 billion total financial debt.

## Liquidity Management

PEMEX holds six syndicated revolving credit lines for liquidity management in the amounts of USD 6.7 billion and MXN 32.5 billion. As of December 31, 2018, USD 300.0 million and MXN 6.3 billion were drawn.

## New method to calculate EBITDA

In order to reveal a better approach to the operating cash flow capacity, as of 4Q17 the EBITDA formula was modified. Net cost for the period of employee benefits (excluding pension payments, seniority premium and health service since they are cash items), depreciation, amortization and impairment of wells, pipelines, property, plant and equipment are added to the operating income. EBITDA during the 4Q18 amounted to MXN 102.1 billion.

## Investment Activities

As of December 31, 2018, PEMEX spent MXN 188.8 billion (USD 9.8 billion) on investment activities, which represents 92.3% of the total investment budget of MXN 204.6 billion that was programmed for the year.



## Hydrocarbons production

During the fourth quarter of 2018, total hydrocarbons production amounted to 2,435 thousand barrels of oil equivalent per day (Mboed); liquid hydrocarbons averaged 1,755 thousand barrels per day (Mbd) and crude oil averaged 1,738 Mbd. Total crude oil production decreased by 143 Mbd as compared to the same period of 2017, mainly due to an increase in fractional water flow of the wells at Xanab, and natural decline of some mature fields.

Heavy crude oil production increased by 2.3%, mainly due to stable production at Ku-Maloob-Zaap, and the development of Ayatsil field.

Natural gas production (without nitrogen) amounted to 3,809 million cubic feet per day (MMcfd), a 5.5%

or 222 MMcfd decrease as compared to the fourth quarter of 2017.

## Crude oil processing

During the fourth quarter of 2018, total crude oil processing averaged 505 Mbd, a 12% decrease as compared to crude oil processing recorded in the fourth quarter of 2017. Performance of plants at the Madero refinery, inventories build-up at the Tula and Salamanca refineries and a fire at the Minatitlán refinery, negatively impacted crude oil processing during the period.

Industrial Safety and Environmental Protection		
	4Q18	Change
Frequency Index (MMhh)	0.23	-13.7
Severity Index (MMhh)	24	17.0%
Natural Gas Flaring (MMcfd)	241	19.6%
Upstream		
Total Production (Mboed)	2,435	-7.6%
Liquid Hydrocarbons (Mbd)	1,755	-7.8%
Crude Oil (Mbd)	1,738	-7.6%
Condensates (Mbd)	18	-23.4%
Natural Gas (MMcfd)	4,851	1.3
Downstream		
Dry Gas from Plants (MMcfd)	2,350	-2.5%
Natural Gas Liquids (Mbd)	215	-13.1%
Petroleum Products (Mbd)	500	-11.8%
Petrochemical Products (Mt)	628	3.8%
Variable Refining Margin (USD/b)	-10.97	-18.05 USD/b



## **National Refining Plan**

On December 9, 2018, Mexican president Andrés Manuel López Obrador, presented the National Refining Plan to increase fuel production and improve refining processes, through rehabilitation of PEMEX's six refineries, and building a new one in Dos Bocas, Tabasco.

## **National Plan for Hydrocarbon Production**

On December 15, 2018, president López Obrador presented the National Plan for Hydrocarbon Production, to boost PEMEX's production. Course of action will be focused on increasing drilling activities and well reparation at development fields with 2P reserves; increasing recovery factor from mature fields; and decreasing decline at exploitation fields.

## **Ixachi increases 3P reserves projection**

On November 27, 2018, and after technical trials at the Ixachi field, located in Tierra Blanca, Veracruz,

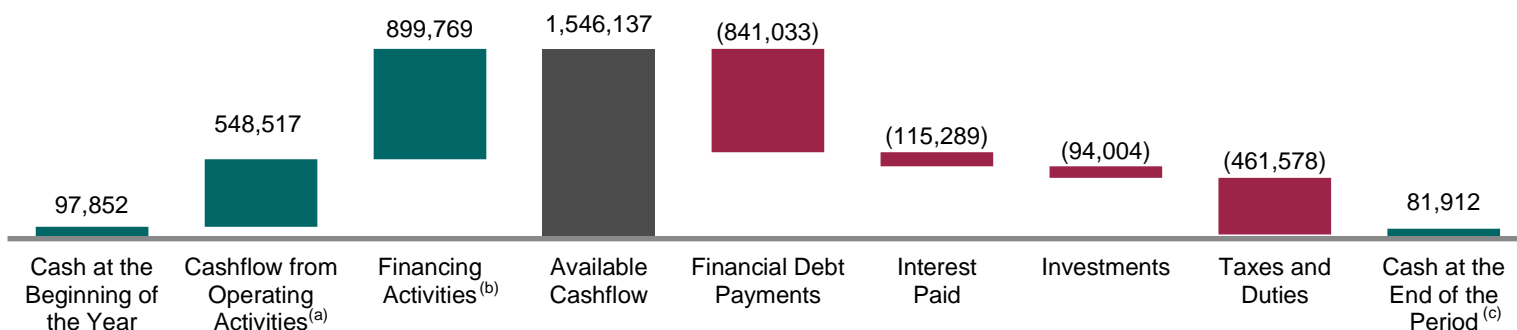
Petróleos Mexicanos informed that the field has a greater extension than it was announced when it was discovered. Ixachi's 3P reserves amount to over 1 billion barrels of oil equivalent. Preliminary studies estimate Ixachi could contribute to PEMEX's production with approximately 80 Mbd of condensate and over 700 MMcfd of gas.

## **PEMEX Strengthening Program**

On February 15, 2019, Mexico's Federal Government informed of a set of measures to support PEMEX's financial condition, allowing the company to obtain MXN 107 billion in additional revenues in 2019. Announced measures consist of a MXN 25 billion capital contribution; a MXN 35 billion cash-out of pension liability promissory notes; a MXN 15 billion annual tax cut, cumulative up to MXN 90 billion in 2024; and MXN 32 billion in estimated additional revenues due to the recovery of fuel theft.



## Uses and Sources of Funds as of December 31, 2018 (MXN million)



- a) Before taxes and duties. Calculated by adding accrued taxes and duties to revenues from operations from the statement of changes in financial position.
- b) Excludes E&P Financed Public Works Contract Program.
- c) Includes (i) an MXN 49,247 million effect from Intangible assets and Interest paid; and (ii) change of cash effect of MXN (1,568) million.

## Consolidated Income Statement from October 1 to December 31, 2018

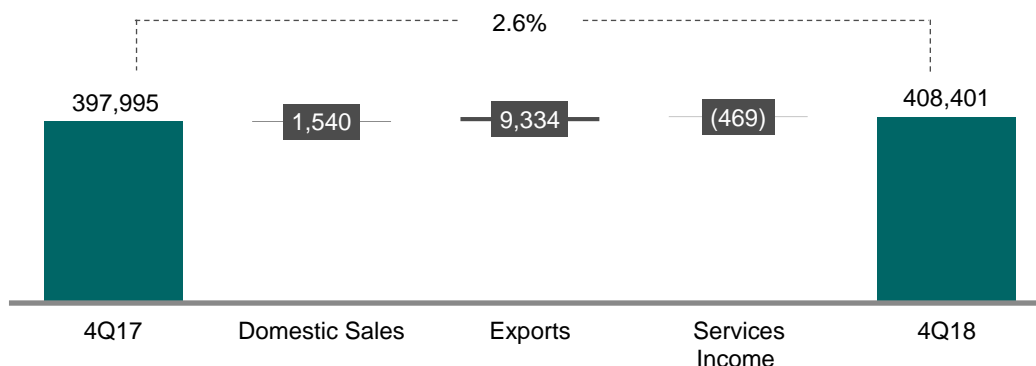
### Total Sales

During the fourth quarter of 2018, total sales increased by 2.6%, as compared to the same period of 2017, mainly as a result of:

- a 5.8% increase in export sales, mainly due to the recovery in average international crude oil prices from USD 52.50 per barrel in 4Q17 to USD 59.98 per barrel in 4Q18. The volume of crude oil exports decreased by 18.6%; and
- stable domestic sales. Domestic sales' volume of gasolines decreased by 9.3% while diesel decreased by 8.6%.

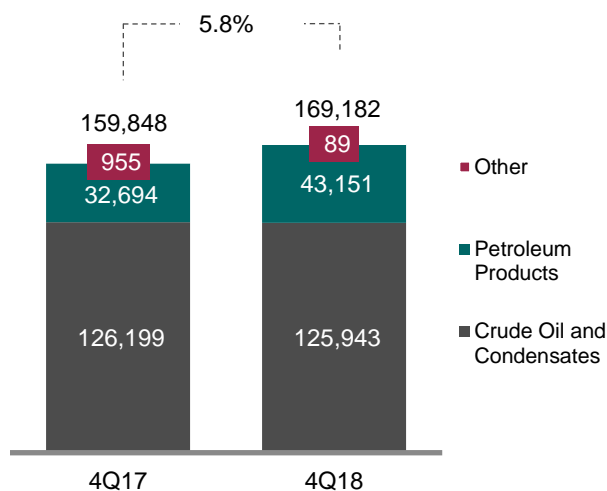
The increase in domestic sales also presents an important effect due to the new pricing scheme, implemented in 2017. This scheme modifies the calculation formula of maximum prices of gasolines and diesel and recognizes logistics and distribution costs, in addition to the effect of the Mexican peso - U.S. dollar exchange rate. In addition, as of December 1, 2017, sale prices of gasoline and diesel are fully liberalized throughout the country.

### Sales Evolution (MXN million)

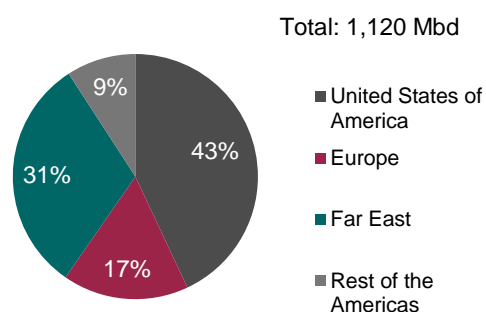




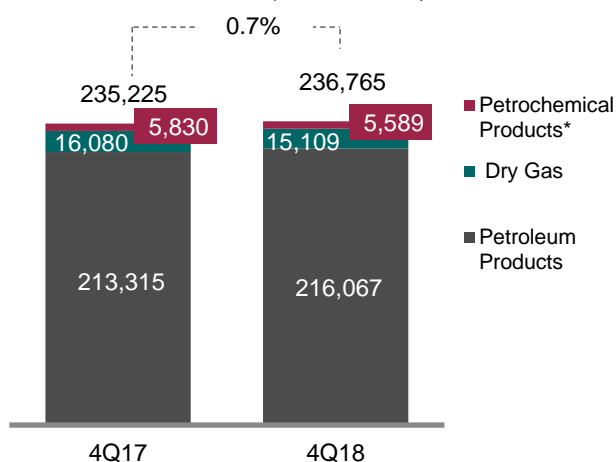
### Exports (MXN million)



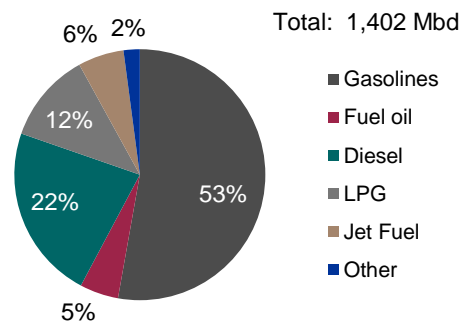
### Crude Exports by Region



### Domestic Sales (MXN million)



### Domestic Sales of Petroleum Products



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

## Gross & Operating Income

Cost of goods sold decreased by 31.3% as compared to 4Q17, primarily as a result of a MXN 35.3 billion fixed assets impairment reversal. If we isolate the impairment reversal, cost of goods sold increased by 6.0%, mainly due to an 8.6% or MXN 13.0 billion increase in purchases for resale, primarily of gasolines and diesel, to satisfy local demand of petroleum products. The price-effect of this purchases for resale increase was 122%, and the volume-effect was -22%.

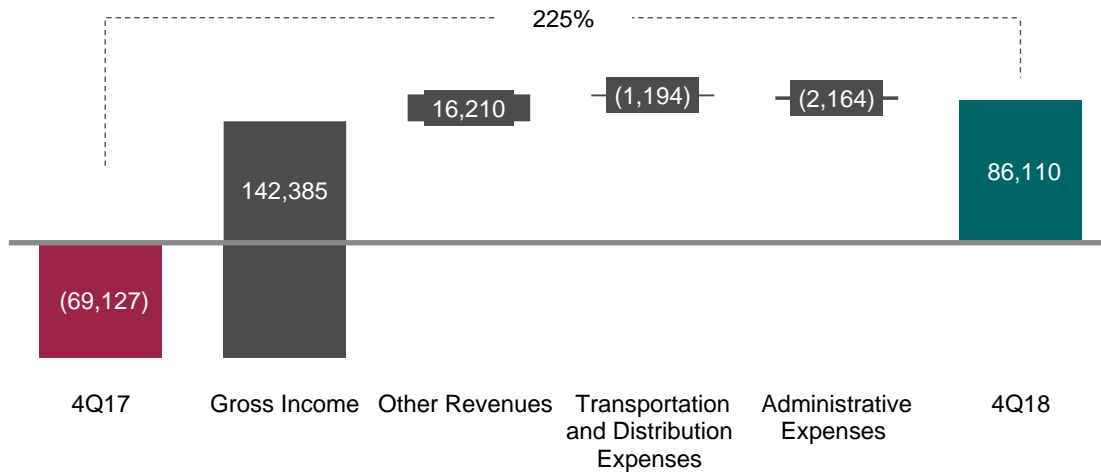
Consequently, gross income totaled MXN 119.1 billion.

General expenses (administrative, distribution, transportation, sales and other income/expenses) decreased by 28.0%, mainly due to the recognition of certain assets.

Thus, operating income amounted to MXN 86.1 billion.



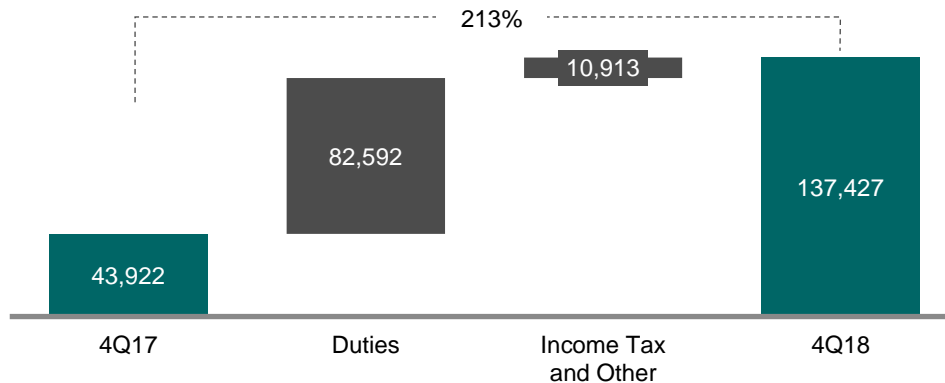
## Operating Income Evolution (MXN million)



## Taxes and Duties

During the fourth quarter of 2018, total taxes and duties amounted to MXN 137.4 billion, a 212.9% increase as compared to the same period of 2017, mainly due to the recovery in crude oil prices. Profit Sharing Duty -the most important duty for the company- increased by 153.2%.

## Evolution of Taxes and Duties (MXN million)



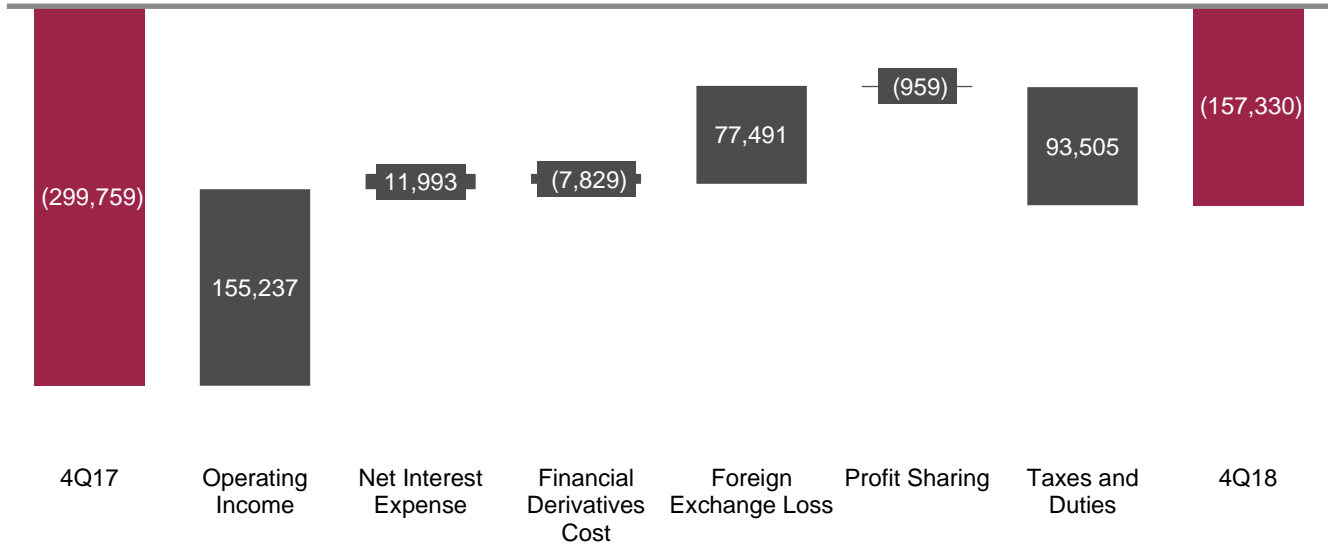
## Evolution of Net Income

During the fourth quarter of 2018, PEMEX recorded a MXN 157.3 billion net loss, as compared to a MXN 299.8 billion net loss in 4Q17. This result was mainly due to the following:

- a MXN 73.6 billion foreign exchange loss due to the depreciation of the Mexican peso against the U.S. dollar in the period. As of September 30, 2018, the exchange rate was MXN 18.8120 per dollar, compared to MXN 19.6829 at the end of the last quarter, which represents a 4.6% increase. This variation is considered “virtual” and mostly did not represent cash disbursements; and
- a MXN 12.4 billion financial income due to financial derivatives, mainly as a result of updates to the discount rate used for the computation of the reserve for well plugging, at Pemex Exploration and Production.



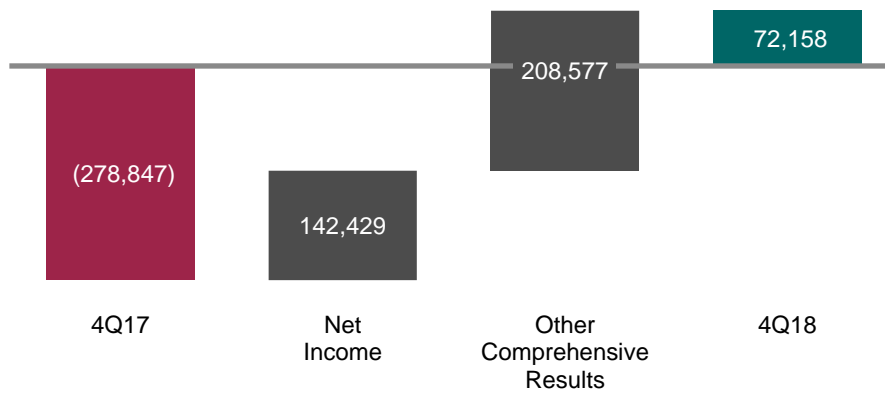
## Evolution of Net Income (Loss) (MXN million)



## Comprehensive Income

A MXN 72.2 billion comprehensive income was recorded, mainly as a result of a MXN 212.2 billion increase in actuarial profits due to employee benefits derived from the update of the discount rate from 7.89% in 2017 to 9.29% in 2018.

## Evolution of Comprehensive Income (Loss) (MXN million)







## Consolidated Income Statement from January 1 to December 31, 2018

### Total Sales

During 2017, total sales increased by 20.3%, as compared to 2017, mainly as a result of:

- a 36.1% increase in export sales, mainly due to the recovery in international crude oil prices from an average of USD 46.79 per barrel in 2017 to USD 61.34 per barrel in 2018. The volume of crude oil exports remained stable; and
- an 11.8% increase in domestic sales, mainly gasolines and diesel, as a consequence of international prices' recovery, notwithstanding 4.2% and 9.3% decreases in domestic sales of gasolines and diesel, respectively.

### Cost of Goods Sold

Cost of sales increased by 1.9%, primarily as a result of a 24.5% increase in purchases for resale, due to the recovery in hydrocarbon prices.

This effect was partially offset by a MXN 21.4 billion asset impairment reversal due to a change in the methodology to compute it. As of 2018, the discount factor used to calculate Future Cash Flows of fixed assets after taxes has been updated in line with Industry Best Practices. Furthermore, recent changes in the valuation of certain assets resulted in a favorable impact on Impairment.

### Taxes and Duties

During 2018, total taxes and duties amounted to MXN 461.6 billion, a 38.6% increase as compared to 2017, mainly as a result of international oil price recovery despite the decrease in crude oil production. The Mexican Crude Oil Export Mix averaged USD 46.79 per barrel in 2017 and USD 61.34 per barrel in 2018.

Profit Sharing duty -the most important duty for the company- increased by 39.0%.

Furthermore, the Federal Government announced several support measures for PEMEX in February 2019, including fiscal support of up to MXN 15 billion on an annual cumulative basis, from 2019 to 2024.

### Evolution of Net Income (Loss)

During 2018, PEMEX recorded a MXN 180.4 billion net loss, as compared to a MXN 280.9 billion net loss in 2017. This result was mainly due to the following:

- cost due to financial derivatives amounted to MXN 22.3 billion, due to the U.S. dollar's appreciation against other currencies that PEMEX hedges. This effect was partially offset by foreign exchange profit recorded under the corresponding debt; and
- a MXN 23.7 billion foreign exchange gain, resulting from the marginal appreciation of the Mexican peso against the U.S. dollar in the period. Foreign exchange amounted to MXN 19.7867 per U.S. dollar as of December 31, 2017 to MXN 19.6829 per dollar by year-end 2018. Foreign exchange effect is considered a "virtual" concept and mostly does not represent cash flow movements.

### Comprehensive Income (Loss)

A MXN 43.0 billion comprehensive income was recorded in 2018, as compared to a MXN 269.3 billion loss recorded last year. This was mainly due to a MXN 210.0 billion increase in actuarial profits due to employee benefits derived from the update of the discount rate from 7.89% in 2017 to 9.29% in 2018.

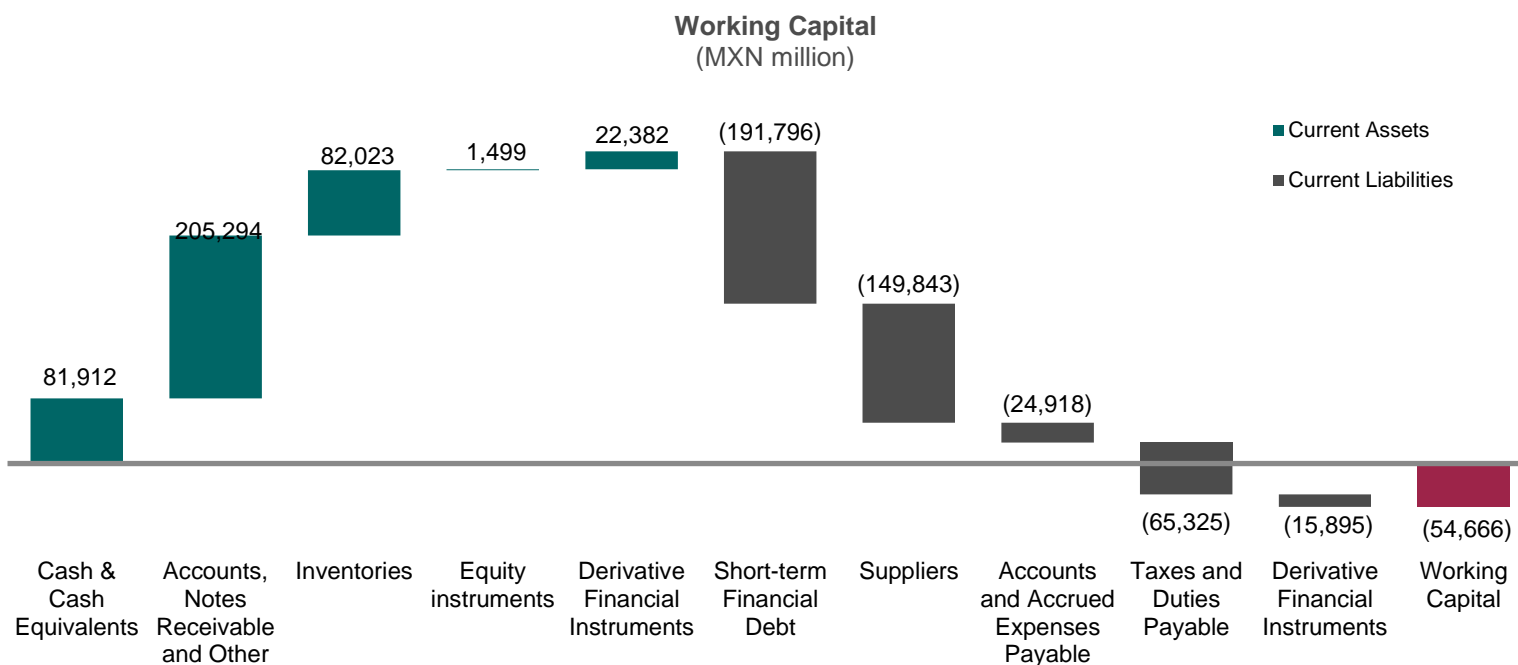


## Consolidated Balance Sheet as of December 31, 2018

### Working Capital

As of December 31, 2018, the company's negative working capital amounted to MXN 54.7 billion, as compared to a negative working capital of MXN 25.6 billion at the end of 2017. This result was mainly caused by:

- a 16.3% decrease in cash and cash equivalents, mainly due to the net effect between receivables and funds from financing activities, and was partially offset by taxes and amortizations related to financing transactions, as well as capital and operational expenditures;
- a MXN 7.7 billion decrease in financial derivative instruments, due to the decrease in the value of cross-currency swaps, caused by the appreciation of the U.S. dollar against other currencies that PEMEX hedges, in addition the premiums related to the crude oil hedging program;
- a 22.0% increase in short-term debt, mainly resulting from a reclassification of maturities due in the next 12 months; and
- a MXN 14.3 billion increase in taxes and duties payable, due to the adjustment in outstanding balances as of December 31, 2018 on the Special Tax on Production and Services (IEPS), and the Profit-sharing Duty (DUC).



### Financial Debt

Total financial debt increased by 2.2% as compared to December 31, 2017, mainly due to the effect of the exchange rate during the period.

As of December 31, 2018, the Mexican peso – U.S. dollar exchange rate was MXN 19.6829 per U.S. dollar, resulting in a total financial debt of MXN 2,082.3 billion, or USD 105.8 billion.

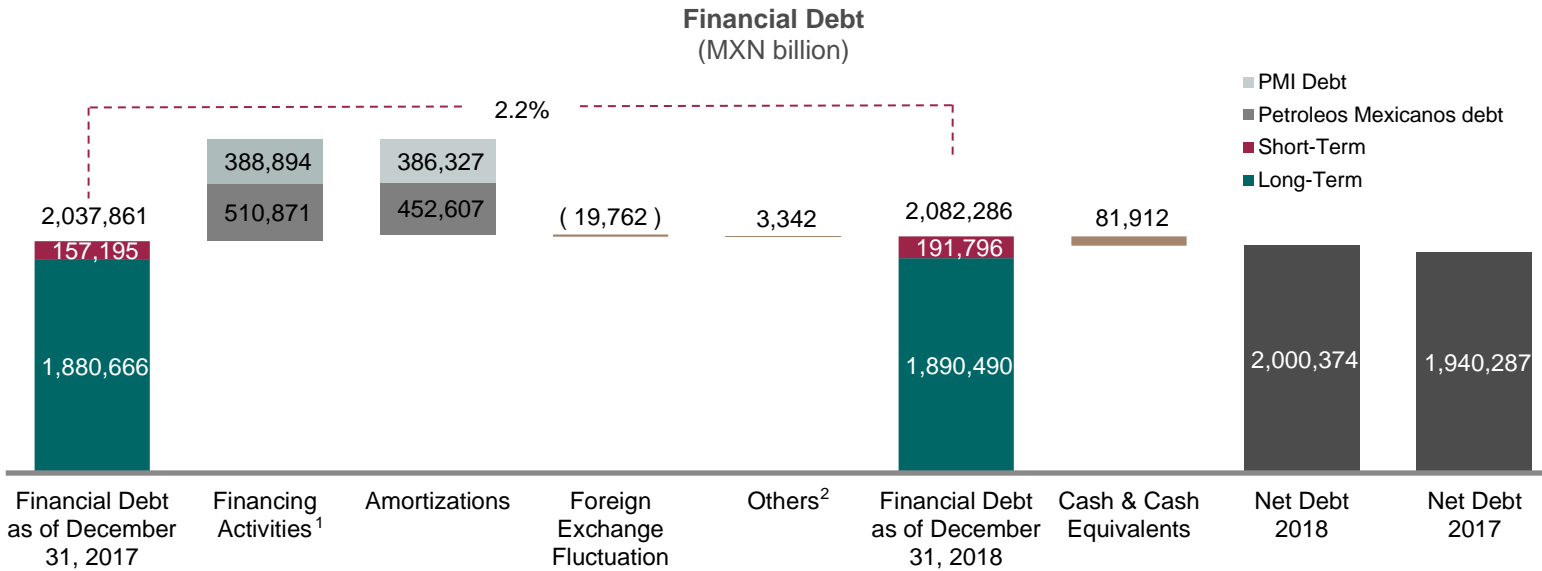
Approximately, 87% of Petróleos Mexicanos' financial debt is denominated in currencies different to the Mexican peso, mainly in U.S. dollars, and for registration purposes is converted into pesos at the exchange rate at the end of the period.

As of December 31, 2018, Petróleos Mexicanos and PMI carried out financing activities for MXN 899.8 billion, or USD 45.7 billion. Total debt payments amounted to MXN 838.9 billion, or USD 42.6 billion.

PEMEX's financing strategy is intended to take advantage of financial markets with increased liquidity, maximize

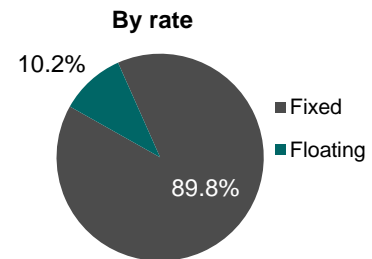
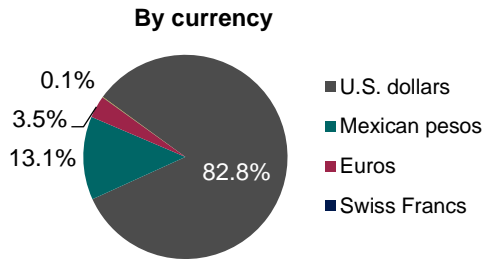


efficiencies with respect to reference curves, seize opportunities in select markets and maintain a diversified debt maturity profile.

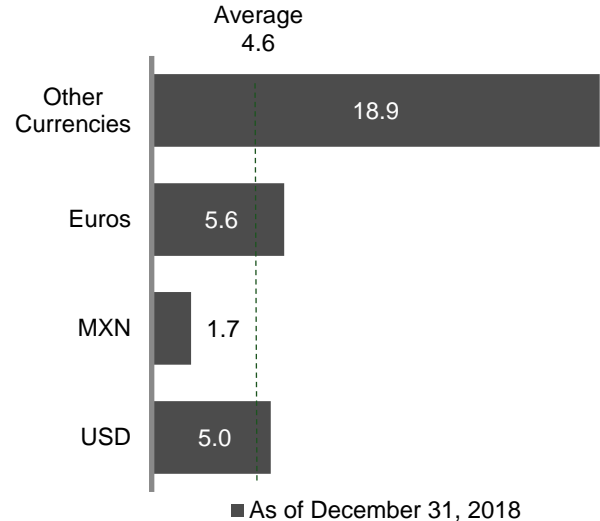
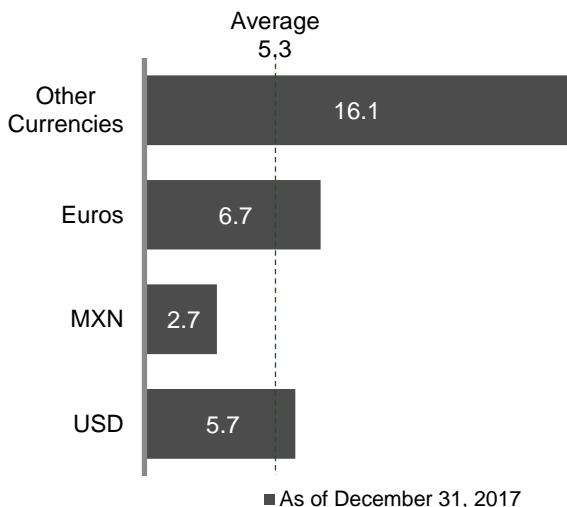


1) Includes Finance Public Works Contracts Program.  
 2) Includes accrued interests and amortized cost.

### Financial Debt Exposure as of December 31, 2018



### Average Duration of Financial Debt Exposure (Years)





## Investment Activities

### 2018 Activity

As of December 31, 2018, PEMEX spent MXN 188.8 billion (USD 9.8 billion<sup>1</sup>) on investment activities, which represents 92.3% of the total investment budget of MXN 204.6 billion (USD 11.1 billion<sup>2</sup>) that was programmed for the year.

PEMEX continuously reviews its expenditures portfolio in accordance with its current and future business plans and upcoming opportunities and adjusts capital and operational needs throughout the year. As of December 31, 2018, these investments were allocated as follows:

	Authorized Investment 2018 (MXN billion)	Investment Expenditures As of December 31, 2018 (MXN billion)
Exploration and Production <sup>3</sup>	168.4	160.6
Industrial Transformation	21.4	17.0
Logistics	4.4	5.0
Drilling and Services	2.7	2.5
Corporate	5.4	0.9
Ethylene	1.8	1.0
Fertilizers	0.4	1.8

### 2019 Budget

For 2019, the Mexican Congress approved a 33% increase in PEMEX's budget, as compared to that of 2018, hence, estimate investment amounts to MXN 273.1 billion (USD 13.7 billion<sup>4</sup>), to be allocated as follows:

	Authorized Investment 2019 (MXN billion)
Exploration and Production <sup>5</sup>	210.7
Industrial Transformation	57.5
Logistics	1.2
Drilling and Services	2.7
Corporate	0.1
Ethylene	0.3
Fertilizers	0.5

<sup>1</sup> Convenience translation has been made at the average exchange average rate as of December 31, 2018, of MXN 19.2357 = USD 1.00

<sup>2</sup> Convenience translation has been made at the exchange rate established in the Economic Package Fiscal Year 2018 of MXN 18.40 = USD 1.00.

<sup>3</sup> MXN 36.5 billion were allocated to exploration activities. Includes non-capitalizable maintenance expenditures.

<sup>4</sup> Convenience translation has been made at the exchange rate established in the Economic Package Fiscal Year 2019 of MXN 20.00 = USD 1.00

<sup>5</sup> MXN 48.3 billion will be allocated to exploration activities. Includes non-capitalizable maintenance expenditures.



## Financing Activities

### Capital Markets

In 2018, Petróleos Mexicanos carried out the following transactions in the international capital markets, under the 2018 approved financing program:

- On February 1, 2018, the company issued USD 4.0 billion in two tranches:
  - USD 2.5 billion at 5.35%, due February 2028; and
  - USD 1.5 billion at 6.35%, due February 2048.
- On May 3, 2018, Petróleos Mexicanos issued bonds for CHF 365.0 million, at 1.75%, due December 2023.
- On May 16, 2018, PEMEX issued bonds for EUR 3.15 billion in four tranches:
  - EUR 600 million at 2.50% Due November 2022;
  - EUR 650 million at 3-month EURIBOR + 2.40% due August 2023;
  - EUR 650 million at 3.625% due November 2025; y
  - EUR 1,250 million at 4.75% due February 2029.
- On October 16, 2018, the company issued bonds for USD 2.0 billion, at 6.5% and due January 2029.

Proceeds from these issuances will be used to comply with the investment program and to pay off or refinance debt.

### Liability Management

- In line with the issuance on February 1, 2018, PEMEX carried out a liability management transaction, consisting of:
  - Exchange of bonds maturing between 2044 and 2046 for the new reference 30-year bond due 2018, for USD 1,828.7 million; and
  - Purchase totaling USD 1,789.4 million of bonds due 2019 and 2020.
- From the May 16, 2018 issuance, EUR 406 million were used to repurchase the bond in Euros, maturing in 2019.
- On July 3, 2018 PEMEX carried out a liability management transaction to repurchase USD 191.4 million from the outstanding notional of the 5.5% notes due February 2019.

### Bank Loans

From January to December, 2018, PEMEX signed the following bank loans:

- On March 27, 2018, the company obtained a loan for USD 181.1 million, at 6-month LIBOR plus 0.70% on an annual basis, due 2023.
- On August 23, 2018, PEMEX obtained a loan for USD 200.0 million, at 3-month LIBOR plus 1.75% annual rate, due 2023.
- On November 30, 2018, PEMEX signed a contract for USD 250.0 million, at 6-month LIBOR plus 0.80% on an annual basis, due 2028.

### Syndicated Revolving Credit Lines

PEMEX holds six syndicated revolving credit lines for liquidity management in the amounts of USD 6.7 billion and MXN 32.5 billion. As of December 31, 2018, USD 300.0 million and MXN 6.3 billion were drawn.



## Other Relevant Information

### PEMEX's new CEO

On December 1, 2018, president Andrés Manuel López Obrador appointed Octavio Romero Oropeza as Petróleos Mexicanos Director General/Chief Executive Officer.

### Appointments

On December 14, 2018, PEMEX's Board of Directors approved the following appointments:

- Alberto Velázquez García as Corporate Director of Finance/Chief Financial Officer;
- Marcos Manuel Herrería Alamina as Corporate Director of Management and Services;
- Rogelio Hernández Cázares as Director General of Pemex Fertilizers;
- Javier Emiliano González del Villar as Director General of Pemex Logistics;
- Manuel Antonio Mijares Bravo as Director General of Pemex Ethylene;
- Miguel Gerardo Breceda Laperyre as Director General of Pemex Industrial Transformation;
- Miguel Ángel Lozada Aguilar as Director General of Pemex Exploration and Production;
- Víctor Manuel Navarro Cervantes as Corporate Director of Planning, Coordination and Performance;
- Luz María Zarza Delgado as Deputy Director of Legal Consultancy;
- José Samuel Sánchez Reyes as Deputy Legal Director of Regional Operations;
- María Elena Méndez Sánchez as Deputy Legal Director of Litigious Affairs and Portfolio Management;
- Laura Josefina Chong Gutiérrez as Deputy Legal Director of Projects and Businesses;
- Rodolfo Lehmann Mendoza Deputy Director of Health Services at the Corporate Office of Management and Services;
- Iyadalid Martínez Domínguez as Deputy Director of Corporate Services at the Corporate Office of Management and Services;
- Franco Octavio Veites Palavicini Pesquera as Deputy Director of Labor Relations and Services for Personnel at the Corporate Office of Management and Services;
- Ricardo Sánchez Madrid as Deputy Director of Human Resources at the Corporate Office of Management and Services;
- Brenda Fierro Cervantes as Deputy Director of Technology Alignment at the Corporate Office of Information Technologies; and
- Arturo Velázquez Bravo as Deputy Director of Strategic Safeguarding at the Corporate Office of Management and Services.

### Fitch Ratings modified PEMEX's Global and National Scale Ratings

On January 29, 2019, credit rating agency Fitch Ratings (Fitch) modified PEMEX's long-term foreign currency to 'BBB-' from 'BBB+' and long-term national scale to 'AA(mex)' from 'AAA(mex)', with negative outlook. Fitch informed that ratings are based on the deterioration of PEMEX's individual credit profile and underinvestment in exploration and production activities.



## Main Statistics of Production

	Fourth quarter (Oct.-Dec.)			
	<u>2017</u>	<u>2018</u>	<u>Change</u>	
<b>Upstream</b>				
Total hydrocarbons (Mboed)	2,635	2,435	-7.6%	(200)
Liquid hydrocarbons (Mbd)	1,904	1,755	-7.8%	(148)
Crude oil (Mbd)	1,881	1,738	-7.6%	(143)
Condensates (Mbd)	23	18	-23.4%	(5)
Natural gas (MMcfd) <sup>(1)</sup>	4,791	4,851	1.3%	61
<b>Downstream</b>				
Dry gas from plants (MMcfd) <sup>(2)</sup>	2,412	2,350	-2.5%	(61)
Natural gas liquids (Mbd)	247	215	-13.1%	(32)
Petroleum products (Mbd) <sup>(3)</sup>	567	500	-11.8%	(67)
Petrochemical products (Mt)	605	628	3.8%	23

(1) Includes nitrogen.

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

(3) Includes LPG

## Hydrocarbon Production 4Q18

During the fourth quarter of 2018, total hydrocarbon production amounted to 2,435 Mboed; liquid hydrocarbons recorded 1,755 Mbd, consisting of 18 Mbd of condensates and 1,738 Mbd of crude oil. In relative terms, total hydrocarbon production decreased by 200 Mboed or 7.6%, as compared to the last quarter of 2017; crude oil production decreased by 143 Mbd or 7.6%.

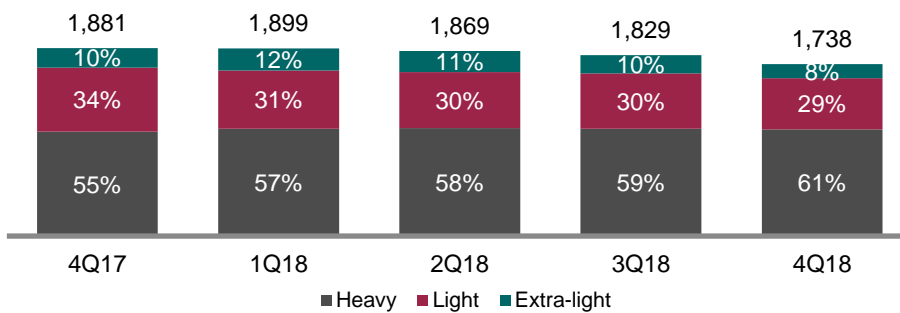
The decrease was mainly focused on light and extra-light crude oil production. Light crude oil decreased by 130 Mbd as compared to the fourth quarter of 2017, due to the increase of fractional flow of wells caused by increased inflow of water at Xanab. In addition, production was affected by natural decline in production at the Chuc, Kuil, Chuhuk and Ixtal fields of the Abkatún-Pol-Chuc business unit, as well as Artesa, Guaricho, Puerto Ceiba, Ayocote, Shishito and Rabasa of the Southern Blocks Production Deputy Direction.



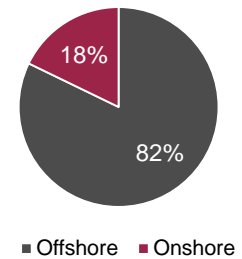
Extra-light crude oil production averaged 140 Mbd, which represents a 56 Mbd decrease as compared to the same period of 2017, primarily due to natural decline in production at mature fields and the increase in waterflow of wells at fields of the Samaria-Luna, Bellota-Jujo and Litoral de Tabasco business units. Furthermore, eight fields that were considered crude oil and associated gas producers were reclassified to non-associated gas and condensates fields.

It should be noticed that heavy crude oil production increased by 2.3% or 24 Mbd, to average 1,067 Mbd, due to Ku-Maloob-Zaap's continued production platform, and the development of Ayatsil field. Some wells at the Ku-Maloob-Zaap's business unit have maintained electro-centrifugal pumping.

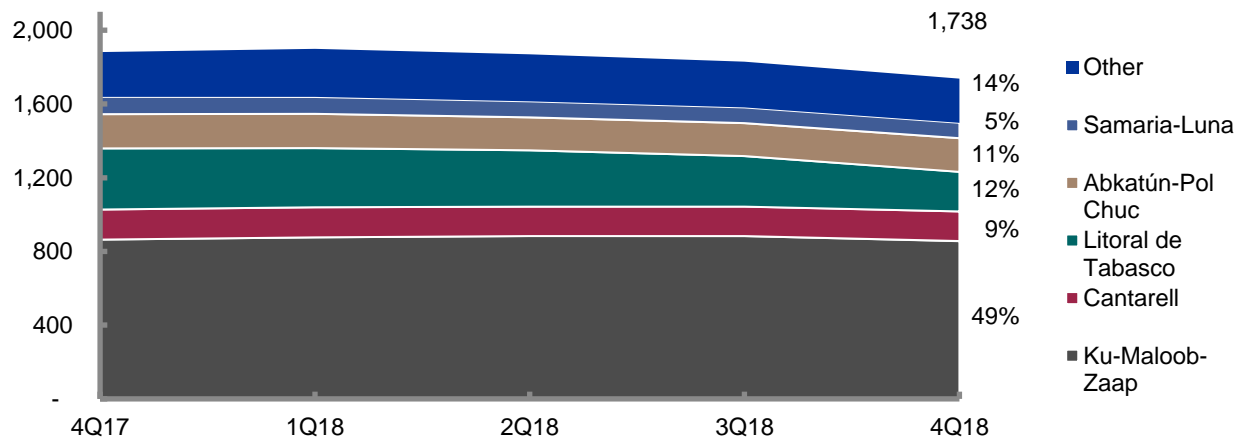
**Crude Oil Production by Type**  
(Mbd)



**Crude Oil Production by Region**



**Crude Oil Production by Asset**  
(Mbd)



## Natural Gas Production<sup>4</sup> 4Q18

During the fourth quarter of 2018, natural gas production averaged 3,809 MMcfd. As compared to the same quarter of 2017, natural gas production decreased by 222 MMcfd, mainly explained by a 235 MMcfd decrease in associated gas production. Lower associated gas production can be explained due to natural decline at mature fields and an increase in the fractional water flow of wells at the Abkatún-Pol-Chuc, Litoral de Tabasco, Bellota-Jujo, Samaria-Luna and Macuspana-Muspac business units.

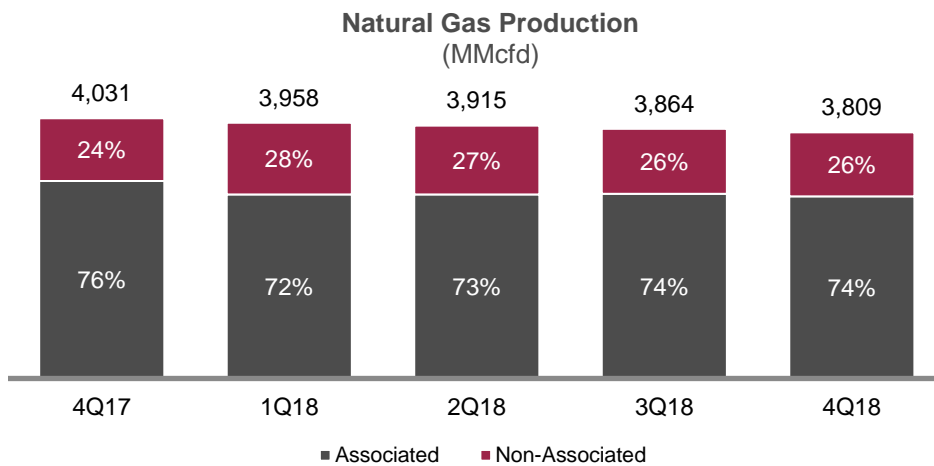
In contrast, non-associated gas production increased by 13 MMcfd due to reclassification of eight crude oil and associated gas producing fields to non-associated gas and condensates fields. Burgos and Veracruz business units,

<sup>4</sup> Includes nitrogen  
[www.pemex.com](http://www.pemex.com)

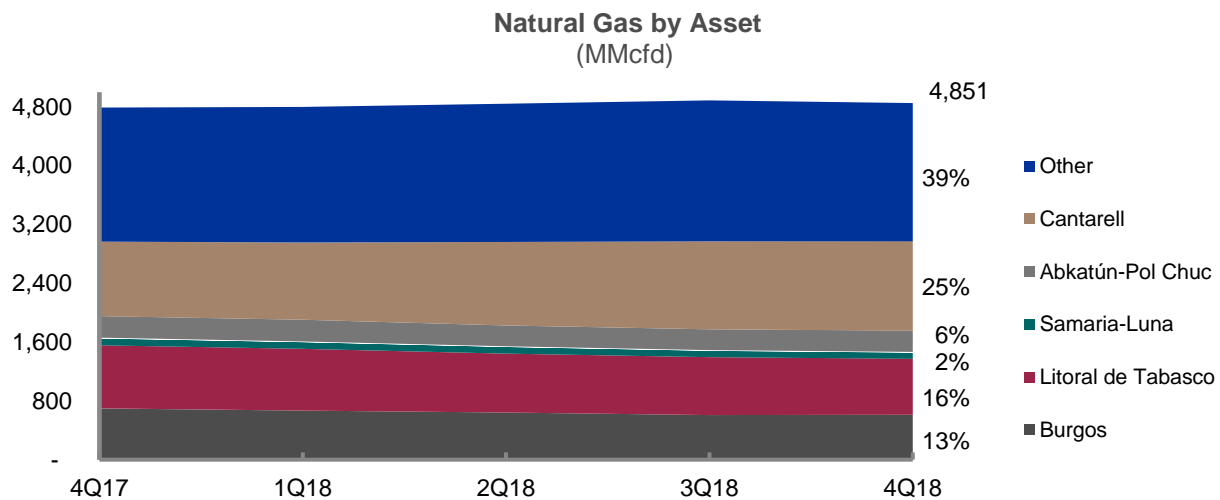
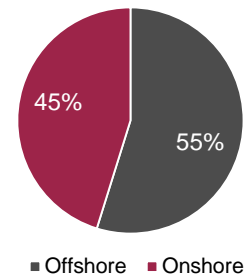




main producers of non-associated gas, reached an average of 781 MMcfd, representing 16.3% of total gas production and 82.5% of non-associated gas production.

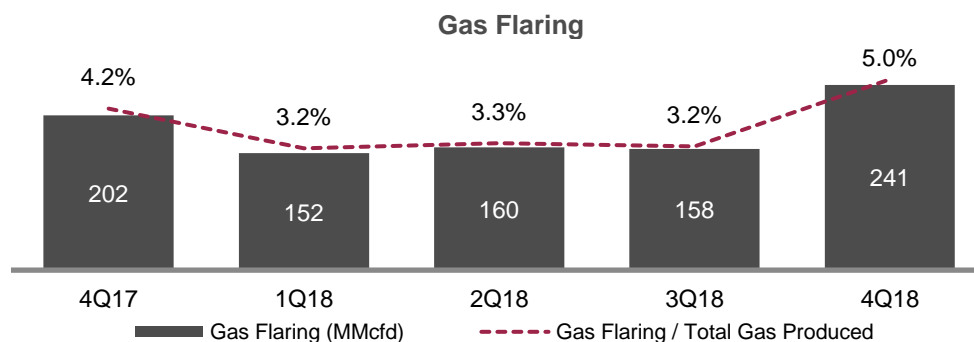


### Natural Gas Production by Type of Field



## Natural Gas Use and Gas Flaring 4Q18

Gas flaring during the fourth quarter of 2018 increased by 19.6% to 241 MMcfd, explained by maintenance works at compressing equipment, rejection from gas processing centers due to operational failures and non-scheduled shutdowns, operational failures in compressing equipment and gas flaring due to leaks and vandalism. Consequently, natural gas use amounted to 95.0% during the fourth quarter of 2018.



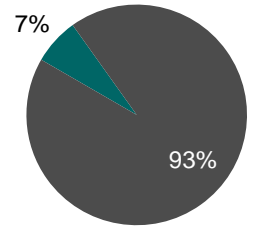


## Infrastructure 4Q18

During the fourth quarter of 2018, the average number of operating wells was 7,466, a 379 well-decrease as compared to the same period of 2017. This was a result of lower drilling activity due to budgetary restrictions, and due to natural decline of some fields.

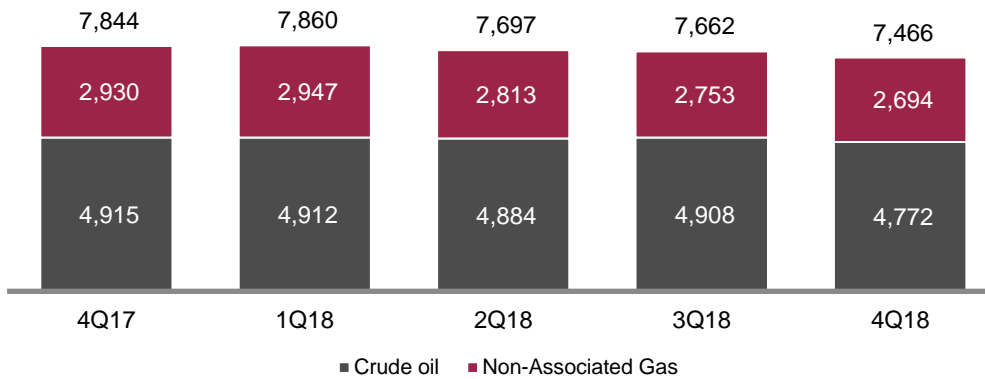
In contrast, and in line with the strategy to stabilize crude oil production, completion of wells increased by 20, which represents a 95% increase as compared to the fourth quarter of 2017. The increase focuses on the completion of 35 wells for the development of fields. Regarding exploration wells, 6 were completed during the last quarter of 2018.

### Average Operating Wells by Type of Field



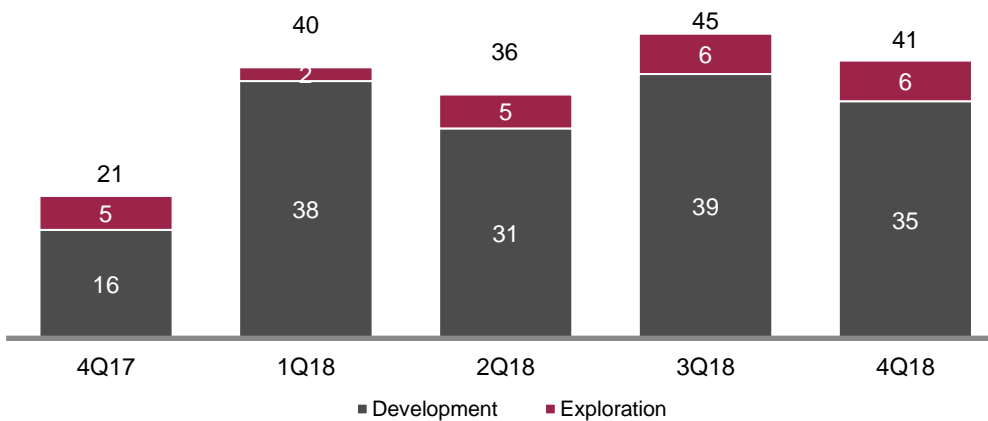
■ Offshore ■ Onshore

### Average Number of Operating Wells



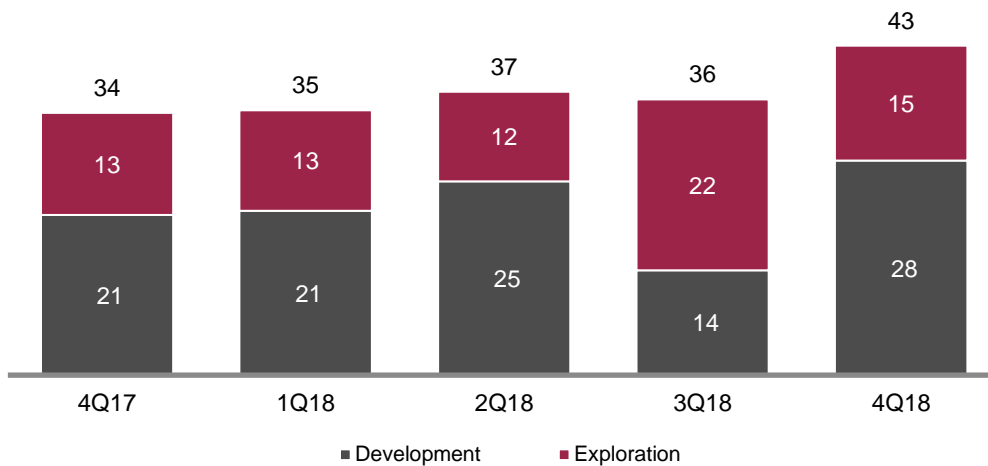
Note: sums may not total due to rounding

### Completed Wells

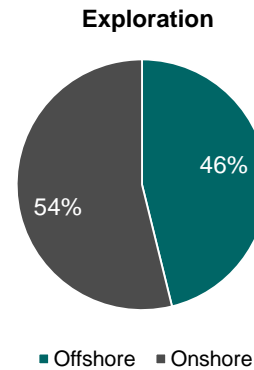
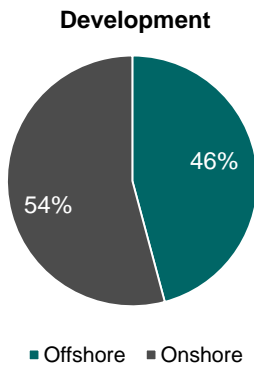




Average Number of Operating Drilling Rigs



Average Drilling Rigs by Type



Discoveries

During the fourth quarter of 2018, exploration activities resulted in expanding information on the deep water Perdido Area thanks to exploratory well Kokitl-1EXPL, at water depth of almost 2 kilometers below sea level. Hydrocarbons discovered were gas and condensate. Kokitl's reserves are currently under documentation process.

In addition, onshore field Ixachi, located in the Veracruz Basin, resulted greater than originally announced. Ixachi-1DEL delineation well shows it could reach a higher gas and condensate production than that of Ixachi-1. It is estimated to produce over 3 Mbd of condensate and 30 MMcfd of gas.

Project	Well	Geologic Era	Initial production		Water Depth Meters	Type of Hydrocarbon
			Crude & condensates bd	Gas MMcfd		
Perdido Area	Kokitl-1EXPL	Upper Paleocene Wilcox			1,936	Gas and condensate



Llave	Ixachi-1DEL	Mid-Cretaceous	2,457	20.7	N.A.	Gas and condensate
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## Exploration and Production 2018

### Hydrocarbon Production

In 2018 total hydrocarbon production averaged 2,547 Mboed, which represents a 191 Mboed as compared to 2017. Liquid hydrocarbons totaled 1,857 Mbd, consisting of 1,833 Mbd of crude oil and 24 Mbd of condensate.

### Crude oil Production

Crude oil production averaged 1,833 Mbd in 2018. As compared to 2017, production decreased by 115 Mbd, or 5.9%, primarily due to an increase in the fractional water flow of wells caused by advance of water-oil contact at the Xanab field, which produced 169 Mbd of light crude oil in January to 39 Mbd in December.

Other causes for the decrease in crude oil production are the natural decline of fields and an increase in the fractional water flow of wells at mature fields, and production shutdown because of high inventory levels, due to the temporary suspension of crude oil tanker exports caused by adverse weather conditions.

### Natural Gas

During 2018, natural gas production averaged 3,886 MMcfd, 1.6% over target, nevertheless, it represents a 7.6% decrease as compared to natural gas production in 2017. This decrease can be explained by natural decline at mature fields and an increase in the fractional water flow of wells of fields located in the Abkatún-Pol-Chuc, Litoral de Tabasco, Bellota-Jujo, Samaria-Luna and Macuspana-Muspac business units.

### Gas Flaring

Gas flaring decreased by 38 MMcfd or 17.6% in 2018, mainly due to continued implementation of the program to substitute pneumatic pumping equipment for electro centrifugal pumping equipment at offshore fields, and maintenance works in compressing systems. As a result, natural gas use as a percentage of production reached 96.3 %.

### Operational Infrastructure

In 2018, 143 development wells were completed, 88 more wells as compared to those in 2017, in line with the strategy to compensate declining production.

Daily production from these fields amounted to 52 Mbd of crude oil and 43 MMcfd of gas. Out of these 143 wells, 122 were onshore and 21 offshore, and 126 wells were proven oil and gas producers, 11 condensate and gas producers, and 6 non-productive wells, therefore obtaining a 96% success.

With regard to exploratory wells, in 2018, 19 wells were completed, 5 wells less than in 2017. In deep waters, delineation well Doctus-1DL was successfully concluded, providing certainty to information leading to a new development area of light crude oil in the Perdido Area.

### Discoveries

PEMEX strengthened its shallow waters potential during 2018, with Manik-101A and Mulach-1. They are estimated to incorporate 180 MMboe in 3P reserves.



## Additional Information Related to Upstream

### **PEMEX increases 3P reserves forecast of Ixachi field**

On November 27, 2018, after carrying out technical trials on Ixachi, located in Tierra Blanca, Veracruz, PEMEX announced that the field has a greater extension than the one reported at its discovery. Ixachi's 3P reserves total over 1 billion boe, and preliminary studies estimate Ixachi could contribute to PEMEX's production with approximately 80 Mbd of condensate and over 700 MMcfd of gas.

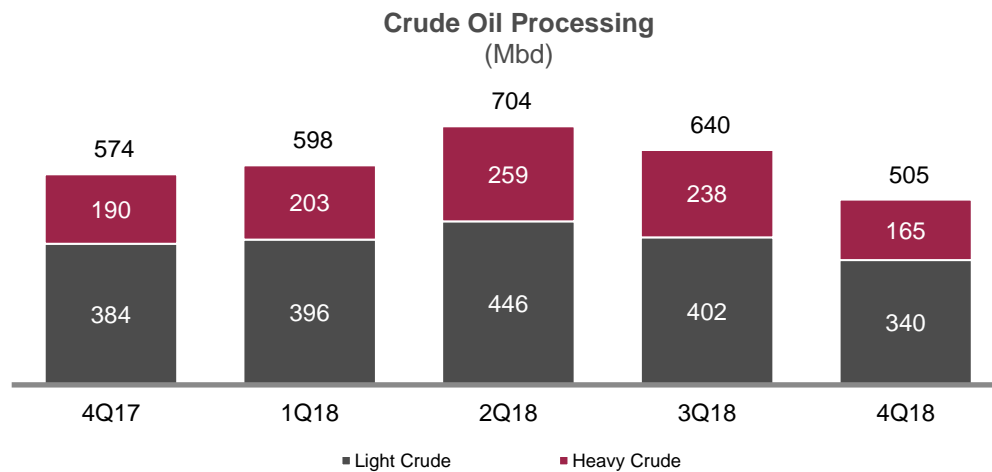


## Crude oil processing 4Q18

During the fourth quarter of 2018, total crude oil processing at the National Refining System (NRS) averaged 505 Mbd, which represents a 12% or 69 Mbd decrease as compared to the same period of 2017. As a result, primary distillation utilization capacity amounted to 31%.

Limited crude oil processing can be explained due to several reasons. First, the Madero refinery was out of operations due to performance issues at some plants. Notwithstanding, beginning January 7, 2019, operations resumed. Second, crude oil processing at the Tula and Salamanca refineries decreased due to petroleum products inventory buildup. Third, a fire in the combined Maya atmospheric distillation plant at the Minatitlán refinery affected crude oil processing levels.

In contrast, the Salina Cruz refinery recorded an 86 Mbd increase in crude oil processing, as compared to the amount processed during the fourth quarter of 2017. It is worth mentioning that in March 2018, this refinery stabilized operations, after the problems arisen from 2017's natural disasters. Finally, the Cadereyta refinery recorded a stable performance as compared to the last quarter of 2017.



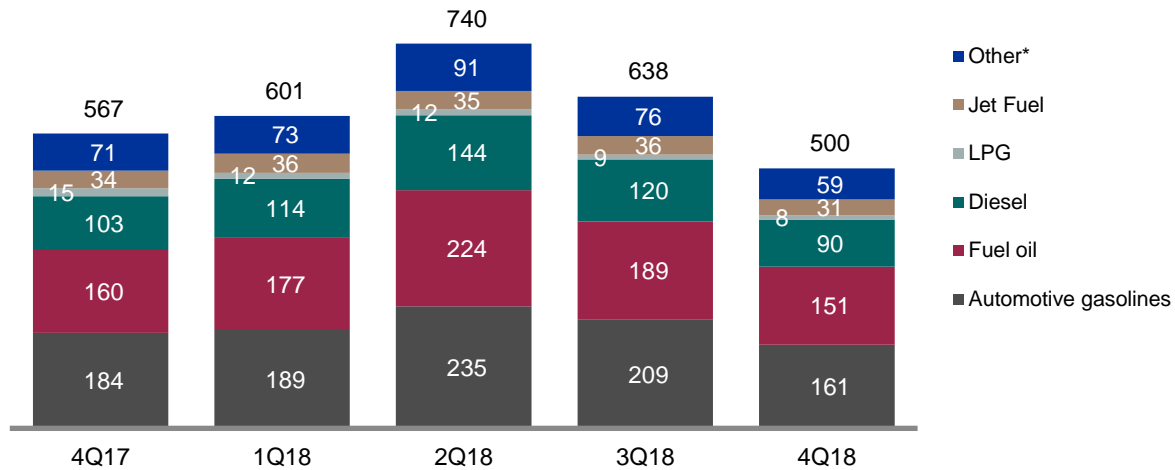
## Production of Petroleum Products 4Q18

Petroleum products output averaged 500 Mbd in the last quarter of 2018, consisting of 161 Mbd of automotive gasolines, 90 Mbd of diesel, 31 Mbd of jet fuel and 218 Mbd of other petroleum products including liquefied petroleum gas (LPG). Output decreased by 67 Mbd as compared to the amount recorded during the fourth quarter of 2017, due to crude oil processing problems at the NRS.

Improved crude oil processing at the Salina Cruz refinery yielded an increase in gasoline and diesel production, by 34 Mbd and 15 Mbd, respectively, as compared to the same period of 2017.



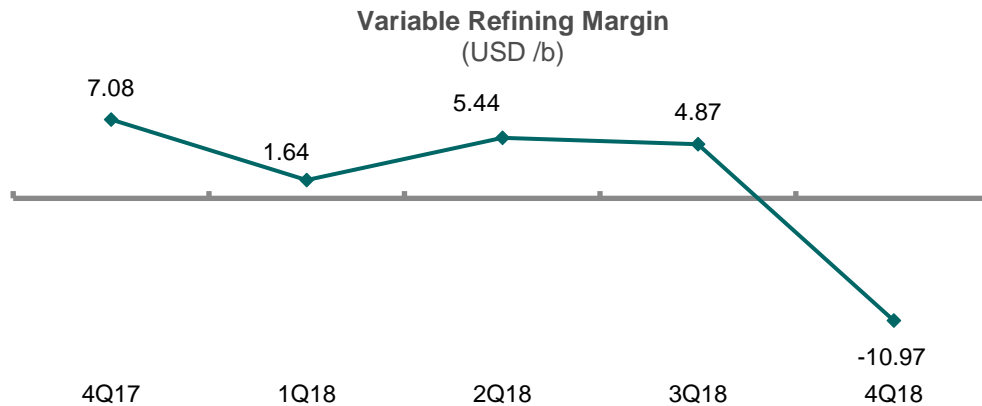
### Petroleum Products Production (Mbd)



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

### Variable Refining Margin 4Q18

Variable refining margin at the NRS decreased by USD 18.0 per barrel over the fourth quarter of 2018, to record USD 11.0 per barrel. This decrease follows tightened refining margins at the U.S. Gulf Coast during the last quarter of 2018.



### PEMEX Gas Stations

As of December 31, 2018, PEMEX Franchise service stations totaled 9,930, this is a 14% decrease as compared to 11,586 service stations recorded as of the fourth quarter of 2017. From PEMEX's total service stations, 9,884 are private franchises, and 46 are owned by Pemex Industrial Transformation. In addition, there are 2,006 service stations that do not operate under PEMEX's franchise scheme, but their fuel is supplied by PEMEX, either using PEMEX-branded fuel, totaling 386 service stations, or using other brands, amounting to 1,620 service stations.

### Natural Gas Processing and Production 4Q18

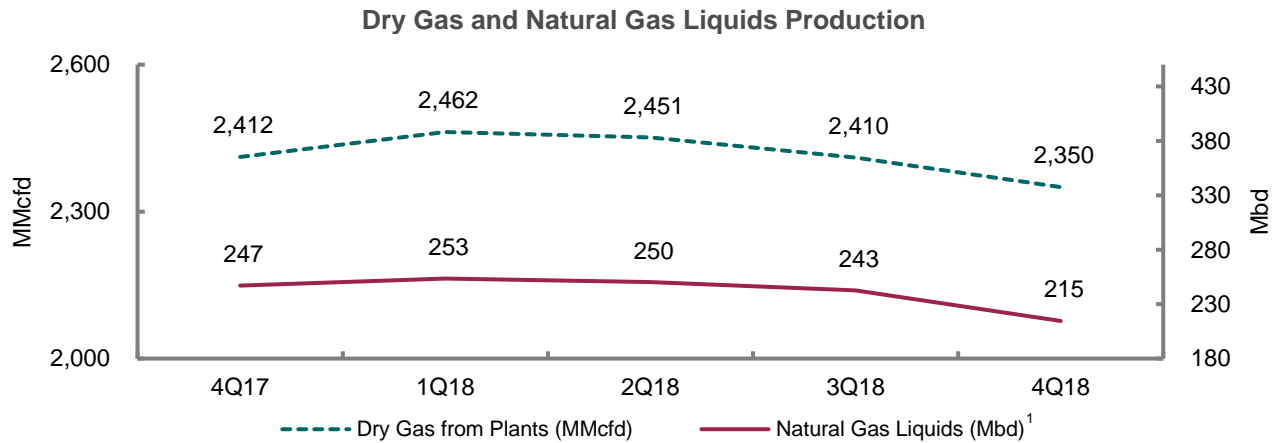
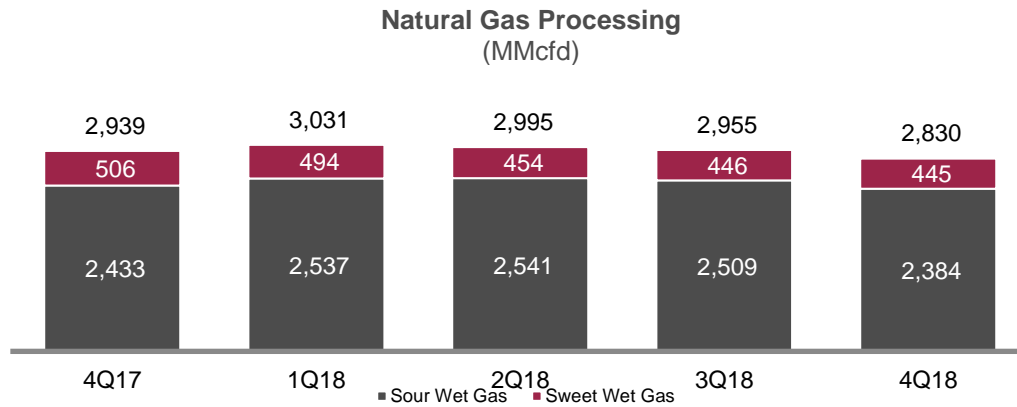
During the fourth quarter of 2018, natural gas processing averaged 2,830 MMcfd, affected by lower availability of wet gas. This performance represents a 110 MMcfd or 3.7% decrease as compared to the same period of 2017. The most affected regions were the offshore region in terms of sour wet gas and the Burgos basin, regarding sweet wet



gas.

Dry gas production during the quarter totaled 2,350 MMcfd, which represents a 61 MMcfd or 2.5% decrease as compared to the fourth quarter of 2017. With regard to natural gas liquids production, it amounted to 215 Mbd, which represents a 32 Mbd or 13.1% decrease.

Condensate processing averaged 19.8 Mbd over the last quarter of 2018, a 24.9% decrease, due to lower availability of sour and sweet condensates.



(1) Includes condensates process.

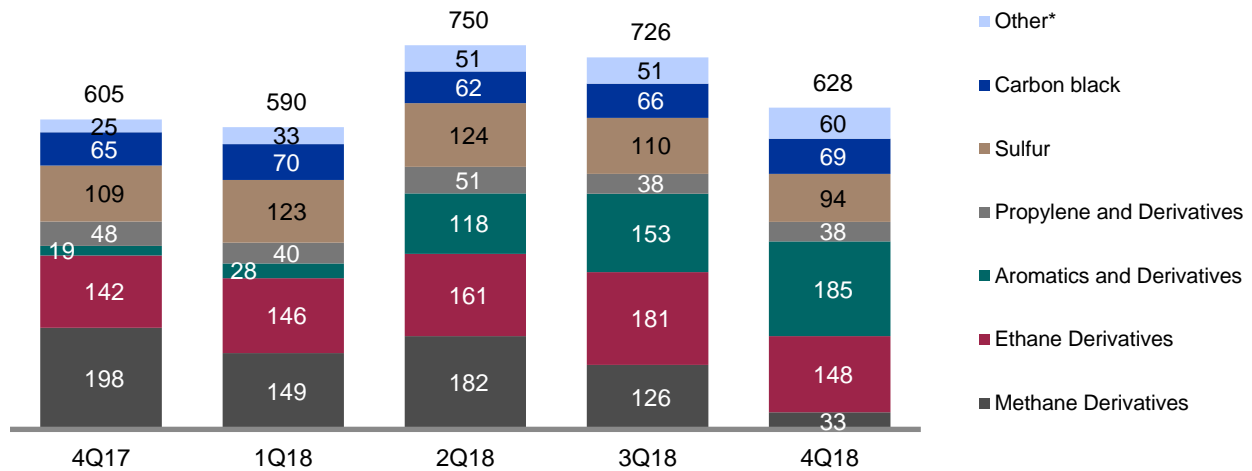
## Petrochemicals Production 4Q18

Petrochemicals production totaled 628 thousand tons (Mt) during the fourth quarter of 2018, comparing positively with output during the same period of 2017, given a 23 Mt or 3.8% increase. This change was mainly due to the following:

- Aromatics and derivatives production totaled 185 Mt, a 166 Mt increase, since the aromatics train at the Cangrejera Petrochemical Complex underwent maintenance works during the last quarter of 2017 and therefore, production of high-octane was impacted;
- Methane derivatives production amounted to 33 Mt, as a result of low supply of raw materials.
- Ethane derivatives marginally increased by 7 Mt to total 148 Mt.

### Petrochemicals Production (Mt)





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

## Industrial Transformation 2018

### Crude Oil Processing

In 2018, total crude oil processing totaled 612 Mbd, a 20% or 155 Mbd decrease as compared to 2017, primarily due to performance problems in some plants at refineries of the NRS.

Specifically, Plant Number One at the Tula refinery operated intermittently from January to September, caused by deficit in light crude oil supply, failure of some equipment, and high inventories of fuel oil.

In addition, at the Madero refinery, low performance of the atmospheric distillation plant impacted processing levels and petroleum products output.

Finally, a fire at the combined Maya plant of atmospheric distillation at the Minatitlán refinery in October affected its performance.

In contrast, crude oil processing at the Salina Cruz refinery recorded an increase as compared to the level recorded in 2017, due to the stabilization of its operations in March 2018, following Tropical Storm Calvin and earthquakes in 2017. The Cadereyta refinery recorded stable crude oil processing during the period.

As a result of all of the above, primary distillation capacity utilization at the NRS reached almost 38%, figure below that recorded in 2017 (47%).

### Production of Petroleum Products

Total petroleum products output decreased by 156 Mbd to 620 Mbd in 2018. In particular, the NRS produced 198 Mbd of automotive gasolines, 117 Mbd of diesel, 35 Mbd of jet fuel and 270 Mbd of other petroleum products and LPG. It is worth mentioning that gasoline and jet fuel production at the Salina Cruz refinery, increased by 11 Mbd and 4 Mbd, respectively.

### Variable Refining Margin

In 2018, the NRS recorded a variable refining margin of USD 0.96 per barrel, a USD 4.47 per barrel decrease as compared to the variable refining margin of USD 5.43 per barrel during 2017. This decrease follows tightened refining



margins at the U.S. Gulf Coast during the last quarter of 2018.

## Natural Gas Processing and Production

In 2018, natural gas processing decreased by 8.8%, to 2,952 MMcfd, due to low supply of sour wet gas.

Dry gas production totaled 2,418 MMcfd, which represents a 9.2% decrease as compared to 2017.

Natural gas liquids production averaged 240 Mbd, a 14.4% or 40 Mbd decrease over the amount recorded in 2017

In 2018, condensate processing decreased by 15.4% and averaged 27 Mbd, mainly due to lower supply of sour condensate from the Mesozoic and sweet condensate from Burgos.

## Petrochemicals Production

Petrochemicals output during 2018 totaled 2,695 Mt, which represents a 583Mt decrease as compared to 2017's production. This volume is primarily explained by:

- a 109 Mt decrease in the aromatics and derivatives output, to total 485 Mt, as a result of intermittent performance of the naphta reforming plant since February 2018, when it resumed operations. In addition, problems in the supply of auxiliary services and low supply of raw materials also impacted production. Furthermore, the aromatics train operated with low loads due to restrictions in supply of products from the Minatitlán refinery.
- a 95 Mt decline in sulfur production, that amounted 450 Mt in 2018, explained by decreased output at the Minatitlán, Tula and Madero refineries due to lower crude oil processing. Sulfur production was also impacted by low supply of sour wet gas at the Cactus gas processing complex, and corrective maintenance works at sulfur plants.
- a 32 Mt increase in the methane derivatives chain, mainly explained by 148 Mt production at the Independencia Petrochemical Complex.
- propylene production totaled 169 Mt, a 60 Mt decrease as compared to 2017, mostly due to low crude oil processing at the Minatitlán and Tula refineries.

## Additional Information Related to Downstream and Midstream Activities

### National Refining Plan

On December 9, 2018, Mexican president Andrés Manuel López Obrador, presented the National Refining Plan to boost fuel production and improve refining processes. The Plan includes the NRS' Reparation Plan, aimed at attending irregular performance at some plants. In this regard, diagnosis to integrate precise requirements per plant has been elaborated. Submission for budgetary approval, in addition to the procurement strategy for the acquisition of materials and equipment, are expected to take place during the first half of 2019.

The National Refining Plan considers the Dos Bocas refinery project. In the first half of 2019, PEMEX will develop deliverables for the evaluation and approval of the business case. Afterward, studies and engineering projects will be carried out. We expect to initiate site preparations during the second half of 2019 and begin construction by the end of the year.



## Industrial Safety 4Q18

### Frequency Index<sup>5</sup>

During the fourth quarter of 2018, PEMEX's frequency index recorded 0.23 injuries per million man-hours worked (MMhh), which represents a 13.7% decrease as compared to the same period of 2017.

### Severity Index<sup>6</sup>

During the quarter, severity index totaled 24 days lost per MMhh, a 4-day increase as compared to the same period of 2017.

## Environmental Protection 4Q18

### Sulfur Oxide Emissions

During the fourth quarter of 2018, sulfur oxide emissions increased by 30.6% as compared to the same quarter of 2017, primarily due to a decrease in operating time of sulfur-recovery plants at the Cactus and Poza Rica gas processing centers, and at the Tula, Minatitlán and Salina Cruz refineries. In addition, increased gas flaring at blocks AS01 and South of Pemex Exploration and Production contributed to this result.

### Water Reuse

During the fourth quarter of 2018, water reuse decreased by 0.03 million cubic meter per month (MMm<sup>3</sup>/month) as compared to the same period of 2017, mainly due to the decrease in water treatment at the NRS.

## Industrial Safety 2018

### Frequency Index

In 2018, PEMEX's frequency index recorded 0.25 injuries per million man-hours worked (MMhh), which represents a 26% improvement as compared to 2017.

### Severity Index

From January 1 to December 31, 2018, severity index totaled 15 days lost per MMhh, a 30% improvement as compared to the same period of 2017.

PEMEX is committed to industrial safety and 2018's performance results from a series of initiatives implemented by the PEMEX Safety, Health and Environmental Protection (SSPA) System and followed by the entire personnel.

<sup>5</sup> Refers to the number of accidents with incapacitating injuries per million man-hours worked (MMhh) with risk exposure during the relevant period of time. An incapacitating injury is an injury, functional damage or death that is caused, either immediately or subsequently, by a sudden event at work or during work-related activities. Man-hours worked with risk exposure represent the number of hours worked by all personnel, including overtime hours.

<sup>6</sup> Refers to the total number of days lost per million man-hours worked with risk exposure during the relevant period of time. The number of days lost is based on medical leaves of absence for injuries stemming from accidents at work, plus the number of corresponding days on which compensation is paid for partial or total disability or death.



## Environmental Protection 2018

### **Sulfur Oxide Emissions**

In 2018, sulfur oxide emissions decreased by 8 Mt as compared to 2017, nevertheless, this result was impacted due to primarily due to a decrease in operating time of sulfur-recovery plants at the Cactus and Poza Rica gas processing centers, and at the Tula, Minatitlán and Salina Cruz refineries during the fourth quarter, as was previously mentioned.

### **Water Reuse**

In 2018, water reuse decreased by 18.9% as compared to 2017, mainly due to the decrease in water treatment at the NRS.



## Consolidated Income Statement

	Fourth quarter (Oct.-Dec.)		Change	2018	
	<u>2017</u>	<u>2018</u>		<u>(USD million)</u>	
	<u>(MXN million)</u>				
<b>Total sales</b>	<b>397,995</b>	<b>408,401</b>	<b>2.6%</b>	<b>10,406</b>	<b>20,749</b>
Domestic sales	235,225	236,765	0.7%	1,540	12,029
Exports	159,848	169,182	5.8%	9,334	8,595
Services income	2,922	2,454	-16.0%	(469)	125
Cost of sales	421,261	289,282	-31.3%	(131,979)	14,697
<b>Gross income</b>	<b>(23,266)</b>	<b>119,118</b>	<b>612.0%</b>	<b>142,385</b>	<b>6,052</b>
Other revenues (expenses)	(9,838)	6,372	-164.8%	16,210	324
Transportation and distribution expenses	5,312	6,505	22.5%	1,194	331
Administrative expenses	30,711	32,875	7.0%	2,164	1,670
<b>Operating income (loss)</b>	<b>(69,127)</b>	<b>86,110</b>	<b>224.6%</b>	<b>155,237</b>	<b>4,375</b>
Financial Cost	(40,674)	(36,683)	9.8%	3,991	(1,864)
Financial Income	4,412	12,414	181.4%	8,002	631
Income (cost) due to financial derivatives	356	(7,473)	-2198.1%	(7,829)	(380)
Foreign exchange profit (loss)	(151,052)	(73,561)	51.3%	77,491	(3,737)
Profit sharing in non-consolidated subsidiaries and affiliates	248	(710)	-386.0%	(959)	(36)
<b>Income before taxes and duties</b>	<b>(255,837)</b>	<b>(19,903)</b>	<b>92.2%</b>	<b>235,934</b>	<b>(1,011)</b>
<b>Taxes and duties</b>	<b>43,922</b>	<b>137,427</b>	<b>212.9%</b>	<b>93,505</b>	<b>6,982</b>
Profit Sharing Duties	53,926	136,518	153.2%	82,592	6,936
Income tax and other	(10,004)	909	109.1%	10,913	46
<b>Net income (loss)</b>	<b>(299,759)</b>	<b>(157,330)</b>	<b>47.5%</b>	<b>142,429</b>	<b>(7,993)</b>
<b>Other comprehensive results</b>	<b>20,911</b>	<b>229,488</b>	<b>997.4%</b>	<b>208,577</b>	<b>11,659</b>
Investment in equity securities	2,806	(0)	100.0%	(2,806)	(0)
Actuarial losses due to employee benefits	12,499	224,726		212,227	11,417
Conversion effect	5,606	4,305	23.2%	(1,301)	219
Deferred taxes	-	457		457	23
<b>Comprehensive income (loss)</b>	<b>(278,847)</b>	<b>72,158</b>	<b>125.9%</b>	<b>351,005</b>	<b>3,666</b>



## Consolidated Income Statement

	Year ended Dec. 31,				2018 (USD million)
	2017 (MXN million)	2018	Change	2018	
<b>Total sales</b>	<b>1,397,030</b>	<b>1,681,119</b>	<b>20.3%</b>	<b>284,089</b>	<b>85,410</b>
Domestic sales	877,360	980,560	11.8%	103,200	49,818
Exports	508,539	691,887	36.1%	183,348	35,152
Services income	11,131	8,673	-22.1%	(2,458)	441
Cost of sales	1,155,649	1,178,093	1.9%	22,443	59,854
<b>Gross income</b>	<b>241,380</b>	<b>503,027</b>	<b>108.4%</b>	<b>261,646</b>	<b>25,557</b>
Other revenues (expenses)	5,174	23,053	345.5%	17,878	1,171
Transportation and distribution expenses	21,890	24,357	11.3%	2,468	1,237
Administrative expenses	119,939	134,321	12.0%	14,382	6,824
<b>Operating income (loss)</b>	<b>104,725</b>	<b>367,400</b>	<b>250.8%</b>	<b>262,675</b>	<b>18,666</b>
Financial Cost	(117,645)	(120,727)	-2.6%	(3,082)	(6,134)
Financial Income	16,166	31,557	95.2%	15,391	1,603
Income (cost) due to financial derivatives	25,338	(22,259)	187.8%	(47,597)	(1,131)
Foreign exchange profit (loss)	23,184	23,659	2.1%	475	1,202
Profit sharing in non-consolidated subsidiaries and affiliates	360	1,527	323.7%	1,167	78
<b>Income before taxes and duties</b>	<b>52,129</b>	<b>281,158</b>	<b>439.3%</b>	<b>229,029</b>	<b>14,284</b>
<b>Taxes and duties</b>	<b>332,980</b>	<b>461,578</b>	<b>38.6%</b>	<b>128,598</b>	<b>23,451</b>
Profit Sharing Duties	338,044	469,934	39.0%	131,889	23,875
Income tax and other	(5,064)	(8,355)	65.0%	(3,291)	(424)
<b>Net income (loss)</b>	<b>(280,851)</b>	<b>(180,420)</b>	<b>35.8%</b>	<b>100,431</b>	<b>(9,166)</b>
<b>Other comprehensive results</b>	<b>11,506</b>	<b>223,392</b>	<b>1841.5%</b>	<b>211,885</b>	<b>11,350</b>
Investment in equity securities	5,564	0	100.0%	(5,564)	0
Actuarial losses due to employee benefits	12,499	222,546		210,047	11,307
Conversion effect	(6,557)	846	-112.9%	7,403	43
Deferred taxes	-	-		-	-
<b>Comprehensive income (loss)</b>	<b>(269,344)</b>	<b>42,972</b>	<b>116.0%</b>	<b>312,316</b>	<b>2,183</b>



## Consolidated Balance Sheet

	As of December 31,	As of December 31,	Change		
	<u>2017</u>	<u>2018</u>			
	(MXN million)			(USD million)	
<b>Total assets</b>	<b>2,132,003</b>	<b>2,075,197</b>	<b>-2.7%</b>	<b>(56,805)</b>	<b>105,431</b>
<b>Current assets</b>	<b>363,527</b>	<b>393,110</b>	<b>8.1%</b>	<b>29,583</b>	<b>19,972</b>
Cash and cash equivalents	97,852	81,912	-16.3%	(15,939)	4,162
Accounts, notes receivable and other	170,646	205,294	20.3%	34,648	10,430
Inventories	63,859	82,023	28.4%	18,164	4,167
Equity instruments	1,057	1,499	41.8%	442	76
Derivative financial instruments	30,113	22,382	-25.7%	(7,731)	1,137
Permanent investment in shares of associates	16,707	16,842	0.8%	134	856
Property, plant and equipment	1,436,509	1,402,486	-2.4%	(34,023)	71,254
Deferred taxes	146,192	122,785		(23,408)	6,238
Other assets	169,067	139,975		(29,092)	7,112
<b>Total liabilities</b>	<b>3,634,355</b>	<b>3,534,603</b>	<b>-2.7%</b>	<b>(99,752)</b>	<b>179,577</b>
<b>Current liabilities</b>	<b>389,128</b>	<b>447,776</b>	<b>15.1%</b>	<b>58,649</b>	<b>22,750</b>
Short-term financial debt	157,209	191,796	22.0%	34,586	9,744
Suppliers	139,955	149,843	7.1%	9,887	7,613
Accounts and accrued expenses payable	23,212	24,918	7.3%	1,706	1,266
Derivative financial instruments	17,746	15,895	-10.4%	(1,851)	808
Taxes and duties payable	51,005	65,325	28.1%	14,320	3,319
<b>Long-term liabilities</b>	<b>3,245,227</b>	<b>3,086,826</b>	<b>-4.9%</b>	<b>(158,401)</b>	<b>156,828</b>
Long-term financial debt	1,880,666	1,890,490	0.5%	9,825	96,047
Reserve for employee benefits	1,258,436	1,080,542	-14.1%	(177,894)	54,898
Reserve for diverse credits	87,677	101,753	16.1%	14,076	5,170
Other liabilities	14,194	9,528	-32.9%	(4,666)	484
Deferred taxes	4,254	4,512	6.1%	258	229
<b>Total equity</b>	<b>(1,502,352)</b>	<b>(1,459,405)</b>	<b>-2.9%</b>	<b>42,947</b>	<b>(74,146)</b>
<b>Holding</b>	<b>(1,503,317)</b>	<b>(1,459,883)</b>	<b>-2.9%</b>	<b>43,435</b>	<b>(74,170)</b>
Certificates of contribution "A"	356,544	356,544	0.0%	-	18,114
Federal Government Contributions	43,731	43,731	0.0%	-	2,222
Legal Reserve	1,002	1,002	0.0%	-	51
Comprehensive accumulated results	(151,887)	71,947	147.4%	223,834	3,655
Retained earnings (accumulated losses)	(1,752,707)	(1,933,107)	10.3%	(180,399)	(98,212)
From prior years	(1,471,863)	(1,752,732)	-19.1%	(280,870)	(89,048)
For the year	(280,845)	(180,374)	35.8%	100,471	(9,164)
<b>Participation of non-holding entities</b>	<b>965</b>	<b>477</b>	<b>-50.6%</b>	<b>(488)</b>	<b>24</b>
<b>Total liabilities and equity</b>	<b>2,132,003</b>	<b>2,075,197</b>	<b>-2.7%</b>	<b>(56,805)</b>	<b>105,431</b>



## Consolidated Statements of Cash Flows

	As of December 31,		Change	2018	
	2017	2018		(USD million)	
	(MXN million)				
<b>Operating activities</b>					
Net income (loss)	(280,851)	(180,420)	-35.8%	100,431	(9,166)
Net cost for the period	108,073	114,622	6.1%	6,549	5,823
Deferred taxes	(46,549)	14,966	-132.2%	61,514	760
<b>Items related to investing activities</b>	342,028	156,959	-54.1%	(185,069)	7,974
Depreciation and amortization	156,705	153,382	-2.1%	(3,322)	7,793
Amortization of Intangibles	312	2,541	713.8%	2,229	129
Impairment of properties, plant and equipment	151,445	(21,419)	-114.1%	(172,864)	(1,088)
Unsuccessful wells	6,165	15,443	150.5%	9,278	785
Exploration expenses	(1,448)	(2,171)	50.0%	(723)	(110)
Retirement of property, plant and equipment	17,064	16,885	-1.0%	(178)	858
Derecognition of available for sale financial assets	2,808	-		(2,808)	-
Decrease in available for sale financial assets	1,360	-		(1,360)	-
Loss on sale of financial assets	3,524	-		(3,524)	-
Loss on sale of available for sale financial assets	(3,139)	778	-124.8%	3,917	40
Effects of non-consolidated subsidiaries and affiliates	(360)	(1,527)	323.7%	(1,167)	(78)
Dividend revenue	(181)	-		181	-
Effects of net present value of reserve for well abandonment	7,774	(6,953)	-189.4%	(14,727)	(353)
<b>Activities related to financing activities</b>	91,855	69,606	-24.2%	(22,250)	3,536
Interest expense (income)	117,645	120,727	2.6%	3,082	6,134
Accrued interest	(9,104)	(31,359)	244.5%	(22,255)	(1,593)
Unrealized loss (gain) from foreign exchange fluctuations	(16,685)	(19,762)	18.4%	(3,077)	(1,004)
<b>Subtotal</b>	<b>214,557</b>	<b>175,732</b>	<b>-18.1%</b>	<b>(38,825)</b>	<b>8,928</b>
<b>Funds provided by (used in) operating activities</b>	<b>(154,900)</b>	<b>(88,794)</b>	<b>-42.7%</b>	<b>66,106</b>	<b>(4,511)</b>
Taxes and duties on profits	375,259	446,612	19.0%	71,354	22,690
Taxes paid	(372,241)	(443,785)	19.2%	(71,545)	(22,547)
Financial instruments for negotiation	(38,378)	5,880	-115.3%	44,258	299
Accounts and notes receivable	(27,124)	(34,673)	27.8%	(7,549)	(1,762)
Inventories	(17,967)	(18,164)	1.1%	(197)	(923)
Other assets	(1,973)	(531)	-73.1%	1,442	(27)
Accounts payable and accrued expenses	4,545	1,706	-62.5%	(2,839)	87
Suppliers	(11,694)	9,887	-184.5%	21,581	502
Reserve for diverse credits	(7,267)	(5,950)	-18.1%	1,316	(302)
Reserve for employees benefits	(58,008)	(69,970)	20.6%	(11,962)	(3,555)
Other taxes and duties	(53)	20,193		20,246	1,026
<b>Net cash flow from operating activities</b>	<b>59,657</b>	<b>86,938</b>	<b>45.7%</b>	<b>27,281</b>	<b>4,417</b>
<b>Investment activities</b>					
Acquisition of property, plant and equipment	(91,860)	(94,004)	2.3%	(2,144)	(4,776)
Document received by the Federal Government	1,512	2,353	55.6%	841	120
Interest charged for the document received by the Federal Gov	50	198	296.1%	148	10
Other documents receivable	7,656	57,472	650.7%	49,816	2,920
Intangible assets	(5,478)	(14,855)	171.1%	(9,376)	(755)
Resources from divestment of financial assets	8,027	-		(8,027)	-
Resources from divestment of associated companies	3,142	4,078	100.0%	4,078	207
<b>Net cash flow from investing activities</b>	<b>(76,951)</b>	<b>(44,756)</b>	<b>-41.8%</b>	<b>32,194</b>	<b>(2,274)</b>
<b>Cash needs related to financing activities</b>	<b>(17,293)</b>	<b>42,182</b>	<b>-343.9%</b>	<b>59,475</b>	<b>2,143</b>
<b>Financing activities</b>					
Loans obtained from financial institutions	704,715	899,769	27.7%	195,054	45,713
Amortization of loans	(642,060)	(841,033)	31.0%	(198,974)	(42,729)
Interest paid	(108,910)	(115,289)	5.9%	(6,379)	(5,857)
<b>Net cash flow from financing activities</b>	<b>(46,255)</b>	<b>(56,554)</b>	<b>22.3%</b>	<b>(10,299)</b>	<b>(2,873)</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>(63,548)</b>	<b>(14,372)</b>	<b>77.4%</b>	<b>49,176</b>	<b>(730)</b>
Effect of change in cash value	(2,133)	(1,568)	-26.5%	565	(80)
<b>Cash and cash equiv. at the beginning of the period</b>	<b>163,533</b>	<b>97,852</b>	<b>-40.2%</b>	<b>(65,681)</b>	<b>4,971</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>97,852</b>	<b>81,912</b>	<b>-16.3%</b>	<b>(15,939)</b>	<b>4,162</b>





**Alberto Velázquez**  
Chief Financial Officer

**Ulises Hernández**  
Director of Resources, Reserves & Associations  
of Exploration & Production

**Jonathan Cerda**  
Acting Deputy Director of Strategic Analysis at  
Pemex Industrial Transformation

will present the financial and operating results of PEMEX as of December 31, 2018

**Wednesday, February 27, 2019**  
**at 10:00 a.m. (CST) / 11:00 a.m.(EST)**

A question and answer session will follow the presentation.  
Participants will be able to ask questions via telephone and electronically via the webcast interface.

To connect through telephone, dial +1 (847) 585 4405.  
From U.S.A. and Canada, dial +1 (888) 771 4371.  
Conference passcode: 47970865.

To connect through Internet, access [webcast](#).

The teleconference and webcast replay will be available on February 27, 2019 at 1:00 p.m. (EST) and until April 26, 2019 through this [link](#). As of March 8, 2019, the conference call replay will be available at [Unaudited Financial Results 2018](#).

Additionally, the Spanish version of the conference call will take place at 11:00 a.m. (CST) / 12:00 p.m. (EST), please follow this link to find the instructions to connect: [Información Financiera / Calendario financiero / Reporte de Resultados al 31 de diciembre de 2018](#).

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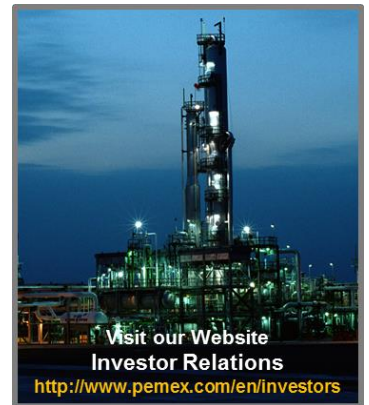


### [Online Institutional Database](#)

Access PEMEX's official operating information database interactively.

### [SEC Filings](#)

Review the latest 20-F, F-4 and 6-K forms filed by PEMEX with the SEC





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#### Variations

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

#### Rounding

Numbers may not total due to rounding.

#### Financial Information

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

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

#### Methodology

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

#### Foreign Exchange Conversions

Convenience translations into U.S. dollars of amounts in Mexican pesos have been made at the exchange rate at close for the corresponding period, unless otherwise noted. Due to market volatility, the difference between the average exchange rate, the exchange rate at close and the spot exchange rate, or any other exchange rate used could be material. Such translations should not be construed as a representation that the Mexican peso amounts have been or could be converted into U.S. dollars at the foregoing or any other rate. It is important to note that we maintain our consolidated financial statements and accounting records in pesos. As of December 31, 2018, the exchange rate of MXN 19.6829 = USD 1.00 is used.

#### Fiscal Regime

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

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

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

#### Hydrocarbon Reserves

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

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

#### Forward-looking Statements

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

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

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

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

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