Operator^ Good morning, ladies and gentlemen, and welcome to the conference call hosted by José Antonio Gonzalez Anaya, Chief Executive Officer, to present PEMEX's 2016-2021 Business Plan. The support documentation for this conference is available at PEMEX webpage [www.pemex.com](http://www.pemex.com) in the About PEMEX section within the Business Plan menu.

At this time, all participants have been placed on the listen-only mode. The floor will be open for questions following this presentation. Questions may be asked by phone and e-mail at ri@pemex.com. It is now my pleasure to introduce Ana Benavides from the Investor Relations Office. You may begin.

Ana Benavides^ Thank you and good morning. Before we start, we'd like to remind our listeners that our comments during this conference call may include forward-looking statements. Listeners are cautioned not to place under reliance on any forward-looking statements.

Now, I’d like to introduce José Antonio Gonzalez Anaya, our Chief Executive Officer.

José Antonio Gonzalez Anaya^ Hello, good morning to everyone, thank you very much for joining us on particularly this day. It's an interesting day for the world as a whole, but for Mexico in particular. I will concentrate on PEMEX and PEMEX's business plan recognizing that it's a very important day and it's a structural day.

I will speak for about 10 or 15 minutes so that we can give ample space for questions and answers. The documents are on our webpage. There are three documents, a very short PowerPoint presentation, a somewhat longer PowerPoint presentation that has a little over 60 slides and a document that is about 10 or 15 pages long that is written in prose that explains what we're trying to do.
The first few things I would like to say is that this business plan is particular for a couple of reasons. One, profitability is its guiding force. Profitability has been an issue with PEMEX before, but in many ways, this is the first time that it's the main driving force.

On the other hand, we also have to recognize that PEMEX is-- it's not a private enterprise. It's a class of Oil Company that people have come to call National Oil Company. We're in transition, but we still face regulated prices, supply guarantees, we are the State's largest contributor, largest taxpayer, we consolidate with the public sector, et cetera.

And the other thing that I would also like to highlight is that this plan has already begun its implementation. So there are a few things that we have already done and achieved in this short period of time.

When we had a conference call a few months ago, I said that PEMEX was facing a short-term financial challenge, but a historic opportunity. I think the challenges and the opportunities remain in somewhat, and I would like to elaborate, in these two issues.

In my presentation of the business plan, the first part, we talk about the fact that I think PEMEX today has stable finances, healthy finances, improvable, and things that could certainly be worked on, but they are stable. And we have gotten to this stage through the Adjustment Program, and we had the conference call last time, we announced a budget Adjustment Program that was MXN100 billion. Today, I can say with full confidence that the MXN100 billion cut will be met and we will meet our financial targets for the year as it was originally envisioned.

We took some measures to strengthen PEMEX's balance sheet, some from the Government to pay our suppliers and the other measure to improve our balance around the pension reform. We have improved our access and activities in active debt management so we have been successful in going back to the debt markets.

And finally, this has all gotten us to a point where next year as the Federal Government is doing, we will have a primary surplus. Primary surplus is a public-finance kind of term and it means it’s all income, all expenditures except interest expenditures.

Then the next thing I would like to highlight is some of the-- this means and in our presentation this means that PEMEX can return to profitability in 2019 or 2020. Now, the scenario that we chose is something that I would like to emphasize. They are, in my opinion, particularly conservative which may or may not have-- I think, in my experience before, it hasn't been completely the case.

The oil price scenario that we used were the futures markets, the Mexican Mix trades at a discount from the Brent, but we took the futures markets for the Brent and we discounted the $4 or $5 that we have to discount from the Mexican mix. That is not what other companies have done, but we decided to be conservative on that front.
Additionally, we used-- any additional revenues that we get from any divestitures are not taken into account in the projections, so there will be additional income that we would use to strengthen the cash flow. We don't use inertial productivity or cost reduction scenarios. We take the cost scenario that we have today and for any improvement in productivity, it has to be documented by an action that will take place.

And on top of that, all liberalization from-- in the joint ventures that we have in the case we have a farm-out and somebody comes in and does investment for us, are done to improve PEMEX's cash flow, not to reinvest, even though we're of course in a profitable business.

This has meant that, as I've said, that the financial balance, PEMEX returns to financial equilibrium in 2019 or 2020, our debt stabilizes in those dates, and we're using a production platform that to some people may not look very aggressive. It goes back, we have our lowest point next year with 1.944 million barrels a day and it gradually recovers to 2 million, almost 200,000 barrels a day.

In the PEP scenario, I will talk about PEP and refining only. In the PEP scenario, in the Exploration and Production, the short-term challenge is to replace the production of Cantarell. Everybody talks about this, but I do want to emphasize the numbers. Cantarell in 2004 produced 2 million barrels a day. Today, it produces 200,000 barrels a day, and yet the non-Cantarell production for PEMEX has increased 54% since 2004.

That's equivalent to 700,000 barrels a day. That is equivalent to all of Colombia's production. So, it's not a small achievement what has been done and the scenarios that we use, is -- what we call the business plan scenario -- is not really a base case and it's not really an inertial scenario. It’s we only focus on fields that are profitable for PEMEX.

But our second scenario, we have a very aggressive farm-out program and we develop fields that are not profitable after taxes, but are profitable before taxes. And we assume and we have talked about this, that there will be a fiscal regime on that change for those fields. And then for illustration purposes, we made a scenario to show that there isn't a dilemma between public finances and PEMEX's finances. The improved scenario shows that there is a way for public finances, for the Federal Government tax revenues from PEMEX to increase in real terms and for PEMEX's fiscal regime to be eased a bit so we can share the incremental revenues.

And this is a point that I want to stress. This shows that there are ways with reasonable and conservative scenarios and premises where PEMEX can increase the tax revenues for the Federal Government, while at the same time, we can also increase our cash flow position. We have a program to maintain our reserves in the future.

And for Pemex Refining, the challenge is, of course, to gradually eliminate the losses that we make every year.
And what is interesting about where that comes from is that for historical reasons, PEMEX does the auxiliary services that most refineries don't have to do. Most refineries don't have a hydrogen plant. Most refineries don't have a co-generation plant to get vapor and electricity, however, PEMEX has it. What is interesting is that 75% of the reasons we have unscheduled stops on our refineries are because our auxiliary services are not reliable.

So what we want to do on our refineries is work out joint ventures with our auxiliary services and with our core services in the operation of refineries. Moreover, as the prices, as competition and the prices and the price regime of oil-related products is gradually liberalized, that should also ease some of the costs that we have to incur and that are not - - some of the transport costs that PEMEX has to incur and that are not recognized.

So in short, I think with PEMEX, we have faced the short-term financial challenge head on. We have tackled these issues. We are going to meet our budget Adjustment Program. We have taken the measures to strengthen the balance sheet. We have returned successfully to the financial markets and we are going to have a primary surplus next year. At the same time, we have also begun to accelerate the implementation of the Energy Reform.

You may remember from my conference call in March, I told you that by the end of the year, PEMEX's farm-outs would be on our way. We have moved these issues forward and the first PEMEX farm-out will be finalized December 5th. So that was a good thing and we have also put farm-outs on shallow waters and onshore, also on line. Those should be finalized in March and we are working on joint ventures on some of our refining issues.

So, I think things are moving. It's not easy. We have to work hard and these investments take some time to develop, but I think we're on the right track. And with that I will finish my presentation and open it up for questions. Thank you very much for taking the time today, especially today.

+++ Q & A

Operator^ (Operator Instructions) We have a question from Sarah Leshner, from Barclays.

Sarah Leshner^ We've heard some indications that there will be continued changes to the tax regime and I think that the market views that as very positive and is hoping for some more details around that. So I was wondering if there are any specific bits of information that you might be able to share with us on that front. Thank you.

José Antonio Gonzalez Anaya^ There are a couple of issues around that, and maybe there are a couple of moving parts. As PEMEX does its farm-outs, the tax regime for those fields change, so let me say, automatically, because we move to the tax regime that the private sector is having. In the process of the auctions, those tax regimes are
determined. So, what I can say is that in general terms, it's a more favorable tax regime than what we have today.

We are also working on migrating some of our fields to a new regime. There are some fields, as I've said, that are before taxes, are profitable but after taxes with the current regime, they are not profitable. We are in talks with the Ministry of Finance, so that those fields can -- we can change the tax regime immediately on those fields.

There was also in the course of the year, as part of the measures, of the Government support measures, they changed the cost cap on us, they put up a floor on the cost cap and that also improved our tax regime. The scenario in which there is an improved tax regime is being finalized, and we are going to have the details in the next few months. But as you can tell, there is continuous work in that, so we feel that there are issues and there are things that we can work in that direction.

But the firm things are they changed the cost cap on us this year. The farm-outs have a change in the tax regime “automatically” on quotes and its pretty firm that we're going to change the tax regime for the fields that are profitable before, but not after taxes. Thank you. Thank you very much for the question.

Operator^ We have a question from Magash Chetty from Blue Bay.

Magash Chetty ^ Just a quick question, you mentioned that you're going to be in a primary surplus this year. I was wondering if you could translate that into kind of your free cash flow situation because I know the way you disclose your numbers to the Mexican Government is slightly different from a traditional cash flow statement. So, are you guys going to be free cash flow positive next year? When can we expect you to be free cash flow positive?

And in terms of the tax regime, I know it's changed, but you're still paying between 60% to 65% per barrel to the Mexican Government. Can we expect any material change to that ratio any time soon? Because in reality, I understand the incremental barrel you get from the farm-outs will reduce your tax regime, but that's three to four years down the line. Is anything that we can see sooner than that?

José Antonio Gonzalez Anaya^ Thank you very much for the question. Regarding the definition of primary surplus, the way to think about it is free cash flow without taking into account the interest payments. So it's all income minus all expenditures except interest payments. That is the definition that we're using as primary surplus.

In the Business Plan, we show what we are calling our financial balance, which is probably not the correct name, translation in English, it is our financial cash flow balance which includes everything. And when it includes everything, we still have a deficit, and that's where we say we are going to move to an equilibrium position by 2019 or 2020.
Let me repeat, what we're calling our financial balance, our financial cash flow, we have a deficit for next year of minus MXN94 billion and that should come back to an equilibrium by 2019 or 2020. However, if we took out the interest payments, then we have a surplus that is about MXN8 billion and that's the definition of primary surplus.

Now, with regards to the fiscal issues, there's a reflection for me to say around the farm-outs, some of the farm-outs, like deepwater farm-outs are going to take, as you say, four or five years down the road. Some of the shallow water farm-outs and the onshore farm-outs should take substantially longer. We are expecting the ones that we're putting on rounds 2.1 and 2.2 sometime in 2018, so we should see a change almost immediately.

And to repeat -- and this is what I said before, we saw a change in the fiscal regime this year and we expect a change for the fields that are, let me say, efficient for the Nation in which both the Treasury and I, the Treasury and PEMEX both earn more, almost immediately starting next year and we'll see what we can do as we have an incremental tax base for the public finances to share the increment in the tax base between Hacienda and us. Thank you very much for the question.

Operator^ Nick Ivanov from Prudential Financial.

Nick Ivanov^ The first one is a clarifying one about the primary fiscal surplus. So does the surplus include also all the cash taxes you pay to the Government or it does not, number one.

And number two is this surplus after you spent, after CapEx is my first question?

José Antonio Gonzalez Anaya^ Yes, it includes everything. It includes tax payments, it includes CapEx, it includes everything.

Nick Ivanov^ OpEx.

José Antonio Gonzalez Anaya^ OpEx, CapEx, taxes, literally it includes everything except interest payments, that's the only reason and perhaps that's creating some confusion. Our interest payments are around MXN90 billion, so our entire cash flow is a deficit of MXN90 billion. But that deficit, MXN90 billion of those come from interest payments.

So what it shows is that if we took away, it's just one way of looking at it is it's the first step towards stabilizing the debt, because you are not incurring in a deficit if you are not having to service your debt. So I hope I was clear in those terms that it includes CapEx, OpEx, taxes, everything except interest payments.

Nick Ivanov^ And the decline of the Cantarell field, what is the plan on how you're going to do that?
José Antonio Gonzalez Anaya^ I'm sorry, I'm sorry. Could you repeat the question? I didn't hear the beginning of your question.

Nick Ivanov^ If I understood correctly, in your plan, production plan, you mentioned that you intend to stem the production decline at Cantarell, the Cantarell field, so how exactly are you going to do that is my question.

José Antonio Gonzalez Anaya^ Well, what we try to say in the plan is that the main challenge for PEMEX's Exploration and Production division is to stabilize the production and to eventually recover it despite the fact that Cantarell has declined. And it has already declined. It went from 2 million barrels a day to 250,000 barrels a day today and it's going to stay at around 250,000 barrels a day for the rest. So the challenge for us is to stabilize the production and to increase it without Cantarell.

I said in the presentation in a light-hearted way that nature had been generous with Mexico and PEMEX by giving us Cantarell, but it hasn't been eternal. So, our challenge is to continuously increase the production platform gradually.

How are we doing this? Well, to give you an idea, in 2004, PEMEX invested in Exploration and Production about MXN50 billion. Today, we are investing MXN200 billion, and a year ago, we invested MXN300 billion. So what PEMEX is doing is facing the reality that the geology is not like it was with Cantarell. And what I tried to say is we have been successful at it.

In the last 10 years, we have increased production 700,000 barrels a day. And that's a lot of production. How are we going to do this, taking advantage of the Energy Reform, through farm-outs, through projects like Trion, through projects like farm-outs in shallow water, onshore, trying to get as much investment and as many people as partners with us so that we have more investments and better technologies and we can share the risk.

So I hope I answered the question clearly and thank you very much for the question.

Operator^ Sam Zhang from Goldman Sachs.

Sam Zhang^ I have a follow-up question on the free cash flow situation. You mentioned you are still about MXN90 billion short before the financial balance breakeven. Can you talk about what's the financing strategy for the deficit for the next year? And also on the same line, can you help us better understand the divestment program you mentioned at the beginning of the call in terms of size, timing and how is that going to help the cash flow situation? Thank you.

José Antonio Gonzalez Anaya^ Thank you very much for your question. To try to put this in perspective and I'm sorry we used that definition that is not standard for everyone. I hope the definition has been clear. But to give you an idea, our cash flow for this year was a deficit of MXN150 billion. For last year, it was also MXN150 billion. We are
cutting that deficit to MXN94 billion next year. So, we're gradually improving our deficit.

And we have prefunded, we have pre-financed around half of those requirements for next year, so we're going to need to finance more or less about the other half. And I'm saying more or less because if we use the credit lines that we have, that has to be substantially reduced to a number much smaller than half of that financing need, of half of that deficit.

And to reiterate the question on how fast can we move on the farm-outs where the fiscal regime is improved, well, we're going to do our best to try to get those online as fast as possible. When I was in New York when I took the conference call, many questions were, when is the first PEMEX farm-out and like I said, I said we would start the process at the end of the year.

We began the process in June and we have three farm-outs in the pipeline and I hope we can do more in the next few months. And now that we know how to do these, hopefully we can accelerate the process in the next few months.

Operator\(^\) Javier Zorrilla from JP Morgan.

Javier Zorrilla\(^\) I actually have three questions. One I guess on the fiscal balance, can you confirm if this includes, I don't think this includes amortizations, correct? That's number one.

Number two, I don't know if you can provide a little bit of the CapEx guidance that was included in that fiscal balance going forward on existing fields. And third, I guess if you could provide a little bit of color, I know it's probably a little bit earlier to tell, but what effects do you see, again if, again, the US administration takes repercussions in terms of trade on potential, again, energy auctions that are coming this year and next?

José Antonio González Anaya\(^\) Thank you for your question. The primary surplus does not include interest or amortization so it's debt service in general, what it doesn't include. I didn't understand your second question, so I don't know if you could rephrase it so that I could understand it.

And with regards to the third question, well, I mean, I think it's early to tell. The energy trade between our two nations is huge and it is very profitable for both sides. And I think the Energy Reform presents a tremendous opportunity for PEMEX and for the world to invest in Mexico.

I can summarize the Energy Reform. Before the Energy Reform only PEMEX was allowed to explore, drill, produce, transport, refine, process or sell any hydrocarbon product. After the Energy Reform, any company can do this in Mexico, both foreign and domestic. I think the opportunity is tremendous and the trade will continue to increase in the energy sector without a doubt.
And if you could clarify your second question, I really couldn't understand it.

Javier Zorrilla^ The second question was if you could provide a little bit more details on the CapEx that you are assuming like let's say per year in your business plan on existing fields. Again, leaving aside, I guess, the fields that will go on the Energy Reform.

José Antonio Gonzalez Anaya^ Our CapEx, (spoken in foreign language) the investment level for next year is exactly the same investment level as this year. And moving forward, we're gradually increasing it as our resources, as we have a bit more leeway on our cash flow situation. It gradually increases. Let me get the numbers for you, and in the next question I'll answer it back.

Operator^ Fernando Posadas from Medley Global Advisors.

Fernando Posadas^ Could you provide us some update on the status of the migration of the contracts? I know you put them in the financial plan; I just want to know where are you right now in terms of that. Could you also give us some color on the Ayatsil-Tekel-Utsil farm-out, why it wasn't included in the shallow water tender that you are having in March?

Finally, I'm sorry that I insist in this, you have already provided information on that. For us it's a little bit challenging the financial balance, because you no longer report it on your webpage. Could you, instead of that, tell us your net income for 2017 and maybe '18, if you have it?

José Antonio Gonzalez Anaya^ Regarding the status of the migrations, we are working to try to agree with our partners to try to set on the terms. I have to admit, it has proven more difficult than we initially thought, to try to migrate these issues because there are a couple of things that come into play.

First we have to agree on the eligible amounts of investment. Secondly, and that has proven a difficult issue, secondly, we have to try to agree on what the field is worth, and that introduces an important level of uncertainty. So we are making a lot of progress on some of these fields, let me not say which, so that I think we can migrate a couple of them, one or two of them, relatively soon, and this will open the road to migrate the other ones. So we're trying to make progress on those.

Ayatsil and Tekel, if they were not included, it was an omission. They are going to be included. We have already officially included them in rounds 2.1 and 2.2. And Ayatsil and Tekel are in shallow waters and 2.2 is onshore, and Cárdenas-Ogarrio are the fields that are included on those. So, I am trying to look if they are included here but if you didn't find them it's on omission on our behalf, so we will include them.

And going back to the question on how our investment increases, in the next five years, there's an increase of between 15% and 20% in real terms for investment. So as I said it
was a gradual increase. These scenarios are conservative, so the investments that we have increase gradually, trying to maintain and increase the production gradually as well.

Operator^ We have a question from Thais Aleluia from Alliance Bernstein Global.

Thais Aleluia^ A couple of questions, one, is there any way you can quantify for us the potential impact on cash flow of this migration of fields, any kind of ballpark number that you would give us would be helpful. And is it expected in 2017?

And the second question is given the change in political landscape in the United States, if the Mexico rating, the Mexico sovereign rating is downgraded or is under pressure, what do you think the impact would be on PEMEX, especially from Moody's? Thank you.

José Antonio Gonzalez Anaya^ The question on the migration, and I'm using my memory here, we are expecting it for 2017. And this should improve, it has an impact on our flow, on our cash flow, of around MXN15 billion, MXN15 billion to MXN20 billion.

But I will confirm that number, but that's about the number that we have in the scenarios that we calculated because in the scenarios, we aggregated both the farm-outs and the migration. But if I remember it correctly it's about MXN15 billion. And I will double check and get the number right for you.

Now, trying to talk about the sovereign rating goes beyond my capabilities and my responsibilities, I think. I think it's too early to say. It's only a few hours. And we are in close contact with the Ministry of Finance. We spent a significant part of the night watching the results of the election. So we are in close contact and we will continue and maintain everybody well informed if there are any issues regarding that. But it's not correct and it's not right for me to make any opinions on what the impact of the sovereign rating is. We go after the sovereign. Thank you very much for the question.

Operator^ Nick Menteshashri from Insights Investment.

Nick Menteshashri^ Just a clarification, I think you already answered the question. Just on the field migration. The ones that are profitable before taxes but not afterwards, could you please clarify the amount of production that is currently classified as that that you could migrate like that? And is that migration included in the 15 to 20 billion number you said just for the previous question? Thank you.

José Antonio Gonzalez Anaya^ What was the second part of your question? I missed it. I don't know why the connection is not as good from my side. Can you repeat the last part of your second question?

Nick Menteshashri^ So basically, I was asking about the amount of volumes that are applicable for the migration that are profitable before taxes but not afterwards. And if the effect from this migration to new taxation is included in the MXN15 billion, MXN20 billion numbers you mentioned already? That's my question.
José Antonio González Anaya: Yes. These migrations have an impact of about close to 90,000 barrels a day, these fields. So that's how we have the impact of about MXN20 billion, and that's why those are included. So I think that clarifies. It's a lot of barrels but it's not a major part of the PEMEX production. Thanks so much, I hope we clarified that question.

Operator: Luisa Palacios from Medley Global Advisors.

Luisa Palacios: I want to rephrase a question that was asked earlier and it was not answered entirely, which has to do with the partial assets sales, the dis-investments that you are expecting to have in 2017, because you have said that this represents an upside to your cash flow situation. If you have any numbers in terms of what goals, the level of financing that you expect to raise from those partial dis-investments that will be very useful to see where also where an upside could come.

The second question that I have has to do with the farm-outs. You assigned already very clearly six of them, but then you also mentioned that you have seven more in the pipeline for 2017 which are mainly onshore, so if you could provide a little bit more clarification about the names that are included in these seven asignaciones terrestres, that will be very useful. And lastly do you expect to be an operator in these farm-outs?

José Antonio González Anaya: The partial dis-investments that you are mentioning, we are not including those. We are not including the proceeds of those in our financial projections expressly such that these dis-investments will be used to improve our cash flow.

What kinds of things are we thinking about, and that's why we didn't have a program for also sensitivity issues, some dis-investments in some of our assets. I will give you an example. You may or may not know but in the last couple of weeks, we dis-invested in a pipeline, Gasoductos de Chihuahua. And it was something that it was hard for people to get too excited about. But it was a $1.2 billion dis-investment in one of our pipelines.

So, I think this shows that we are willing to do dis-investments as the assets we come to realize that the assets are non-strategic. And we will try to do them such that they improve our operations.

An example of things that we are interested in, having a partnership or having a partial dis-investment are for example the auxiliary services on the refineries, the things that I mentioned, some of the plants that produce some of the auxiliary services in our refineries.

So, we don't have a figure but what I can tell is that each time we do one of these things it's going to reduce our financial needs. And that is the purpose of it. And we didn't want to put a target and take it into account for these reasons because I think the timing of these things are [sic. is] difficult, but they will happen. Some of these will happen in '17,
and in fact at least one of them already happened in 2016 and it was this pipeline that we sold for MXN1.2 billion.

Now, the seven fields that we are including on the assignments, I'll say the names but they may or may not ring a bell to you, but they are localized, it's campo Bedel, El Treinta, Gasífero, Jacinto, Jujo, Paredon y Tamaulipas-Constituyente.

So, we have localized this. We are getting the data and the process ready so we can move forward with these things. And depending on the interest and the way we can put the information together, we may include some more or we may interchange them, but those are the ones that we've been working on for next year.

Whether we’re going to be an operator on these things or not; well, we will decide as the time comes. We are very clear, for example, that we cannot be operators on deep-water fields. So, on the deep water fields like Trion we are not operators. In some of these fields it will depend on what our capabilities are and whether we can think, if we're not stretched too thin we'll be operators, and if not, we won't. I think the fact that we have a minority stake and we’re not operators for Trion shows that we are not married to always being the operator in our farm-outs.

Thank you very much. I think we have run a few minutes over time. And I don't want to abuse the time for all of you. Thank you very much for taking the time to be with us on this day especially, to talk about PEMEX. And I hope we can continue the dialog.

Please let us know. You have our contact information if there are any further questions that you have, through our Investor Relations. Let me say -- So thank you very much. We'll be happy to answer any and all of your questions regarding all this Business Plan. Have a good morning and thanks a lot, bye-bye.

Operator^ Thank you. Ladies and gentlemen, this concludes today's conference. We thank you for participating. You may now disconnect.