Mexico’s Energy Reform & PEMEX as a State Productive Enterprise

January 2015

www.pemex.com
Forward-Looking Statement and Cautionary Note

Variations
If no further specification is included, comparisons are made against the same period of the last year.

Rounding
Numbers may not total due to rounding.

Financial Information
Excluding budgetary and volumetric information, the financial information included in this presentation 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. Information from prior periods has been retrospectively adjusted in certain accounts to make it comparable with the unaudited consolidated financial information under IFRS. 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 on Table 33 of the annexes of the Financial Results of PEMEX as of September 30, 2014. Budgetary information is based on standards from Mexican governmental accounting; therefore, it does not include information from the subsidiary companies of Petróleos Mexicanos.

Foreign Exchange Conversions
Convenience translations into U.S. dollars of amounts in Mexican pesos have been made at the established exchange rate, as of September 30, 2014, of MXN 13.4541= USD 1.00. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at the foregoing or any other rate.

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

Under PEMEX’s current fiscal regime, the Special Tax on Production and Services (IEPS) applicable to gasoline and diesel is regulated under the Federal Income Law. PEMEX is an intermediary between the Secretary of Finance and Public Credit (SHCP) and the final consumer; PEMEX retains the amount of IEPS and transfers it to the Federal Government. The IEPS rate is calculated as the difference between the retail or “final price,” and the “producer price.” The final prices of gasoline and diesel are established by the SHCP. PEMEX’s producer price is calculated in reference to that of an efficient refinery operating in the Gulf of Mexico. Since 2006, if the “final price” is lower than the “producer price”, the SHCP credits to PEMEX the difference among them. The IEPS credit amount is accrued, whereas the information generally presented by the SHCP is cash-flow.

Hydrocarbon Reserves
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;
• 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 gain access to additional reserves and to develop the reserves that we obtain rights to exploit;
• 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 Energy Reform Decree (as described in our most recent Form 20-F and Annual Report);
• developments affecting the energy sector; and
• changes in our legal regime or regulatory environment, including tax and environmental regulations.

PEMEX
PEMEX is Mexico’s national oil and gas company and was created in 1938. It is the primary producer of Mexico’s oil and gas resources. The operating subsidiary entities are Pemex - Exploration and Production, Pemex - Refining, Pemex - Gas and Basic Petrochemicals and Pemex – Petrochemicals. The main subsidiary company is Pemex Comercio Internacional, S.A. de C.V., Pemex’s international trading arm.
A PEMEX Transformation is Underway

1. Round Zero leaves our reserve base largely intact
   - 13.4 MMMboe proven reserves
   - Low replacement cost

2. Legislation to create a more robust, independent PEMEX

3. Positioned to capitalize new business opportunities along the value chain

4. Positioned to tap significant opportunity in new frontiers

5. Strengthened Corporate Governance with a new board structure

6. Stronger finance; taxes will drop from 70% today to 65% by 2019

7. Opening of commercialization 3 years away

8. CAPEX funded largely with our cash generation, with some incremental funding in the capital markets

9. Addressing pension liabilities in conjunction with Federal Government

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A Snapshot of PEMEX Today

**Exploration and Production**
- Crude oil production: 2,436 Mbd\(^1\)
- Natural gas production: 5,747 MMcfd\(^1,3\)
- 75% of crude oil output is produced offshore
- 1P reserves-life: 10.1 years
- Production mix: 54% heavy crude; 35% light crude; 11% extra-light crude

**Downstream**
- Refining capacity: 1,690 Mbd
- Strategically positioned infrastructure
- JVs and associations with key operators in the Mexican petrochemical and natural gas transportation industries

**International**
- 8th largest oil producer worldwide\(^2\)
- Crude oil exports: 1,133 Mbd\(^1\)
- 3rd largest oil exporter to the USA
- Long-term relationship with USGC refiners
- JV with Shell in Deer Park, Texas

**Total revenues\(^1\)**
USD billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic sales</th>
<th>Exports</th>
<th>Services Revenues</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>45.7</td>
<td>83.5</td>
<td>0.4</td>
<td>133.2</td>
</tr>
<tr>
<td>2010</td>
<td>55.3</td>
<td>103.8</td>
<td>0.4</td>
<td>164.6</td>
</tr>
<tr>
<td>2011</td>
<td>55.7</td>
<td>111.4</td>
<td>0.4</td>
<td>173.2</td>
</tr>
<tr>
<td>2012</td>
<td>66.6</td>
<td>126.6</td>
<td>0.6</td>
<td>226.2</td>
</tr>
<tr>
<td>2013</td>
<td>69.6</td>
<td>123.0</td>
<td>0.8</td>
<td>226.2</td>
</tr>
<tr>
<td>L12M</td>
<td>70.9</td>
<td>122.2</td>
<td>0.7</td>
<td>225.8</td>
</tr>
</tbody>
</table>

**Proved Reserves\(^4\)**
13.4 MMMboe

2. 2014 PIW Ranking.
3. Does not include nitrogen.
Round Zero maintains our strong reserve base

<table>
<thead>
<tr>
<th>2P Reserves</th>
<th>Total prospective resources</th>
<th>2P Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMMboe 100% = 24.8</td>
<td></td>
<td>MMMboe 100% = 20.6</td>
</tr>
</tbody>
</table>

- **Requested and assigned areas**: 17%
- **Unrequested areas**: 83%

<table>
<thead>
<tr>
<th>Conventional resources</th>
<th>Unconventional resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.0</td>
<td>60.2</td>
</tr>
<tr>
<td>18.2</td>
<td>112.2</td>
</tr>
<tr>
<td>5.2</td>
<td>23.4</td>
</tr>
<tr>
<td>38.8</td>
<td>88.8</td>
</tr>
<tr>
<td>55.0</td>
<td>122.2</td>
</tr>
<tr>
<td>21%</td>
<td>79%</td>
</tr>
</tbody>
</table>

**Resolution**
- PEMEX obtained:
  - 100% of its 2P Reserves request
  - 68% of its Prospective Resources request

**Rationale**
- Sustain current output levels, while holding onto strategic exploratory prospects to facilitate organic growth in the future

**Objective**
- Strengthen PEMEX and maximize its long-term value for Mexico.

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1 Includes: Southern, Burgos and other Northern.
2 Includes: Perdido and Holok-Han.
3 Note: Reserves as of January 1, 2014.
4 Note: This slide is presented based on the announcement and reports made by the Ministry of Energy.
Low Cost Production and Replacement

**Production Costs**
USD @ 2013 / boe

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>6.67</td>
<td>5.27</td>
<td>5.57</td>
<td>6.34</td>
<td>6.94</td>
<td>7.91</td>
</tr>
</tbody>
</table>

*Source: Annual Reports and SEC Reports 2013*

**Finding and Development Costs**
USD @ 2013 / boe

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>11.27</td>
<td>12.48</td>
<td>13.24</td>
<td>16.13</td>
<td>13.77</td>
<td>14.91</td>
</tr>
</tbody>
</table>

*Source: 20-F Form 2013*

**Data in real terms after adjustment for the effect of inflation**

**Estimates based on John S. Herold, Operational Summary, Annual Report and SEC Reports 2013**

**PEMEX Estimates- 3-year average for all companies**

**Includes indirect administration expenses**

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1. Source: Annual Reports and SEC Reports 2013
2. Estimates based on John S. Herold, Operational Summary, Annual Report and SEC Reports 2013
3. All estimates in real terms after considering a specific price deflator for the oil and gas industry according to the Cambridge Energy Research Associates (CERA) 2013
Building on Our Significant Infrastructure

**Production Capacity**

- **Refining**
  - Atmospheric distillation capacity 1,690 Mbd
- **Gas Processing**
  - Sour Nat Gas 4.5 Bcf
  - Cryogenic 5.9 Bcf
  - Condensate Sweetening 144 Mbd
  - Fractioning 568 Mbd
  - Sulfur Recovery 3,256 t/d
- **Petrochemical**
  - 13.55 MMt nominal per year

**Infrastructure**

- **Refining**
  - 6 Refineries
  - Fleet: 21 tankers
  - Storage of 13.5 MMb of Refined Products
  - 14,176 km of pipelines
- **Gas**
  - 70 Plants in 11 Gas Processing Centers
  - 12,678 km of pipelines
- **Petrochemical**
  - 8 Petrochemical Plants

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The Milestones of the Energy Reform

Constitutional Reform (December 20, 2013)

March 21 – August 13, 2014
- Round Zero & Resolution
  - The Ministry of Energy prioritized PEMEX’s request for exploratory blocks and producing fields, and defined their dimensions

August 11, 2014
- Secondary Legislation
  - Approval of 9 new laws and amendment of 12 existing laws
  - Detailed distribution of responsibilities
  - Structure and process for awarding contracts

August 13, 2014
- Potential collaboration agreements (farm-outs, JVs)
  - PEMEX defined areas susceptible to collaboration agreements (JVs, farm-outs, etc.)

August 13, 2014
- Round One
  - The Ministry of Energy and the National Hydrocarbons Commission previewed the blocks that will comprise Round One

October 2014
- On October 7th, the new Board of Directors was formed
- On October 14th, the following committees were established: Audit, Human Resources and Compensation, Strategy and Investments, and lastly, Acquisitions, Leasing, Works and Services

December 31, 2014
- Up to 24 months 12/21/2015

PEMEX as a State Productive Enterprise

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1 SENER
2 CNH
3 PEMEX will be able to work on assignments and contracts during these 24 months
Updating an Outdated Energy Model

Constitutional Reform

A clear distribution of roles: owner, regulator, operating entities and operating companies

Secondary Legislation

The **Ministry of Energy** dictates the energy policy and coordinates the regulatory entities through the **Coordinating Council of the Energy Sector**

The **Ministry of Finance** defines fiscal regime, economic terms of contracts and manages resources from exploration and production through the **Mexican Petroleum Fund for Stabilization and Development**

Regulatory entities

1. **CNH**
2. **CRE**
3. **ANSIPA**

Operating entities

4. **CENACE**
5. **CENAGAS**

Operating companies

- **PEMEX**
- **CFE**

Other participants

1. Comisión Nacional de Hidrocarburos
2. Comisión Reguladora de Energía
3. Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos
5. Centro Nacional de Control de Gas Natural.
Quick Take on the New Energy Sector in Mexico

Assignments

1. Production-sharing
2. Profit-sharing
3. Licenses
4. Services

Migration

Contracts

Exploration and Production

- Possibility of direct assignment to PEMEX
- State participation (≥20%)
- Comply with international treaties

Transboundary Hydrocarbon Reservoirs

PEMEX to continue commercialization for next 3 years and open to private thereafter

Refining

Natural gas

Transportation, storage and distribution

Permits (SENER)

CENAGAS\(^1\)

Permits (CRE\(^2\))

Regulated by the Ministry of Energy and the CNH

Regulated by the Ministry of Energy and the CRE

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1. Centro Nacional de Control del Gas Natural (National Center for Natural Gas Control)
2. Regulation and permits for transportation, storage and distribution not related to pipelines, and for LPG retail will be granted by the Ministry of Energy (SENER) until December 31, 2015
The Fiscal Regime

1. Contractual Fee for the Exploratory Phase
2. Royalties
3. Compensation considering Operating Income or Contractual Value of the Hydrocarbons
4. Hydrocarbons Exploration & Extraction Tax
5. Income Tax

Assignments (Round Zero) → New fiscal regime PEMEX → Licenses → Signing Bonus → Contracts (Round One) → Production-Sharing or Profit-Sharing Contracts → Oil Fund → Income Tax Law → Industrial Transformation

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Corporate Governance and Structure

Strengthen Corporate Governance

- SENER
- SHCP
- State Representatives
- Independent Members

10 members

New Corporate Structure

- Upstream
- Industrial Transformation
- Drilling
- Cogeneration
- Logistics
- Ammonia Fertilizers
- Ethylene Polymers
- Finance
- Human Resources
- Procurement
- Other

Unified Corporate Services

Board Committees

- Audit
- Human Resources and Compensation
- Strategy and Investments
- Acquisitions, Leasing, Works and Services

- Flexible legal framework governed by the principles of private law.
- A special regime for: acquisition and procurement, compensation, budget, debt, subsidiaries and affiliates.

1 Do not have to be active public servants
**Fiscal Regime for Assignments**

**Key Takeaways**

1. **Simple**
2. Resembles typical tax scheme
3. Gradual reduction of fiscal burden
   - Increasing cost recognition
   - Decreasing profit sharing duty

**Duties and Royalties**

<table>
<thead>
<tr>
<th>Duty Type</th>
<th>Description</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon Exploration Duty</td>
<td>Fixed amount per km² (amount increases with time)</td>
<td>70.00%</td>
<td>68.75%</td>
<td>67.50%</td>
<td>66.25%</td>
<td>65.00%</td>
</tr>
<tr>
<td>Hydrocarbon Extraction Duty (Royalty)</td>
<td>% of the value of extracted hydrocarbons (% based on hydrocarbon price levels)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Sharing Duty</td>
<td>Value of extracted Hydrocarbons x Allowable Deductions x Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Taxes**

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
<th>Allowable deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon Exploration and Extraction Activity Tax</td>
<td>Fixed amount for exploration per km² + fixed amount for extraction per km²</td>
<td>100% of investments in: exploration, EOR(^1) and non-capitalizable maintenance.</td>
</tr>
<tr>
<td>Income Tax (ISR)</td>
<td>Allowable deductions:</td>
<td>25% of investments in: extraction and development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% of investments in: storage and transport infrastructure.</td>
</tr>
</tbody>
</table>
### Migration: Onboarding New Partners in E&P

**Increasing execution capacity & Investment**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Block</th>
<th>Reserves (MMboe) $^1$</th>
<th>Investment (USD billion)</th>
<th>Fields</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First stage:</strong> &lt;br&gt;22 existing contracts</td>
<td>First block</td>
<td>569</td>
<td>2.6</td>
<td>Poza Rica-Altamira and Burgos Assets</td>
</tr>
<tr>
<td></td>
<td>Second block</td>
<td>1,639</td>
<td>32.7</td>
<td>ATG and Burgos Assets</td>
</tr>
<tr>
<td></td>
<td>Mature fields</td>
<td>248</td>
<td>1.7</td>
<td>Rodador, Ogarrio, Cárdenas-Mora (Onshore)</td>
</tr>
<tr>
<td></td>
<td>Extra-heavy crude oil</td>
<td>350</td>
<td>6.3</td>
<td>Bolontikú, Sinán &amp; Ek (Offshore)</td>
</tr>
<tr>
<td></td>
<td>Deepwater (natural gas)</td>
<td>747</td>
<td>6.2</td>
<td>Ayatsil-Tekel-Utsil</td>
</tr>
<tr>
<td></td>
<td>Perdido Area</td>
<td>212</td>
<td>6.8</td>
<td>Kunah-Piklis</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>4,304</strong></td>
<td><strong>67.5</strong></td>
<td></td>
</tr>
</tbody>
</table>

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1. MMboe – million barrels of oil equivalent
2. 3P reserves
Mexico’s Next Production Frontiers

Deepwater Infrastructure

- Gulf of Mexico
- United States
- Mexico
- Cuba

Substantial potential in both frontiers

Shale Potential

- United States
- Mexico
- Gulf of Mexico

1. Source: National Geographic.
## Downstream Business Portfolio: Main Projects

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Main Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Refining</strong></td>
<td></td>
</tr>
<tr>
<td>Increase operational efficiency</td>
<td>Investments in supply infrastructure (Project Gulf-Center),</td>
</tr>
<tr>
<td>Infrastructure for better fuels</td>
<td>Refineries reconfiguration,</td>
</tr>
<tr>
<td></td>
<td>Clean fuels projects</td>
</tr>
<tr>
<td><strong>Gas Processing</strong></td>
<td></td>
</tr>
<tr>
<td>Expand gas pipeline network</td>
<td>Finish Los Ramones project</td>
</tr>
<tr>
<td>Capture trading opportunities</td>
<td>Transoceanic Corridor Project for propane, gas and refined products</td>
</tr>
<tr>
<td><strong>Petrochemicals</strong></td>
<td></td>
</tr>
<tr>
<td>Integrate value chains: ethane, methane and aromatics</td>
<td>Fertilizers strategy,</td>
</tr>
<tr>
<td></td>
<td>Ethylene oxide and monoethylene glycol projects</td>
</tr>
<tr>
<td></td>
<td>Modernization of Aromatics Train</td>
</tr>
<tr>
<td><strong>Cogeneration</strong></td>
<td></td>
</tr>
<tr>
<td>Take advantage of PEMEX’s power cogeneration potential</td>
<td>Cogeneration projects</td>
</tr>
</tbody>
</table>

[www.pemex.com](http://www.pemex.com)
Objectives:

- Investment in high conversion plants to increase profitability by producing higher value distillates products.
- Increase process capacity to receive more heavy oil volumes (i.e. Maya Crude).
- Strategic reduction of residual fuel oil to balance the market.

Operations of Tula and Salamanca projects will start in 2018, and Salina Cruz in 2020.
To address changes in specifications for distillate Ultra Low Sulfur (ULS) fuels in accordance with the needs of the Mexican market, a set of projects is developed for the six refineries at the National Refining System, considering the following plants and investment:

- Gasoline (8 new plants), these projects are ongoing and will be completed by 2015,
- Diesel (5 new plants, 17 revamps) to be completed by 2018.

### Refineries

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Gasoline</th>
<th>Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salamanca</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cadereyta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tula</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salina Cruz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madero</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minatitlán</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Gasoline</th>
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</tr>
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<tbody>
<tr>
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<td>Salina Cruz</td>
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<td>Madero</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minatitlán</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Catalytic post-treatment of gasoline
2. HDS: hydro-desulphurization Process Plant
Los Ramones Phase I & II: Success Case

Project Los Ramones phase I

- PEMEX Gas signed a long term transport service contract with the company Gasoductos del Noreste
- The construction of a 115 km pipeline was sped up, from the US border to Los Ramones, NL.
- Operations start: December 2014
- Maximum transportation capacity: 2,100 MMcfd

Project Los Ramones phase II

- 738 km pipeline goes, from Los Ramones, NL. to the central west region of the country
- Operations start: December 2015
- Additional maximum transport capacity: 1,430 MMcfd

Scheme

- Los Ramones I is being constructed by Gasoductos del Noreste, in strategic alliance with Pemex-Gas
- Los Ramones II is developed by Tag Pipelines, a company owned by Mex Gas Supply and Mex Gas Enterprise, two Pemex Gas’ affiliates
- Los Ramones pipeline will be supplied of natural gas by a new pipeline from Agua Dulce, Texas to the Mexican Border; it is constructed in a strategic alliance with NET Midstream

The advantages of the Tag Pipelines Subsidiary:
- More flexibility and agility to analyze and develop infrastructure projects
- Time and cost reduction in project execution
- Ability to venture with third parties for project development and ownership in an efficient manner
Trading Opportunities: PEMEX as a key player in the Pacific market (Transoceanic Corridor Project)

Pemex has identified the opportunity to move product from the US Gulf Coast to the Pacific markets

- Mexico has a privileged geographical position to move hydrocarbons from the Gulf Coast to the Pacific, through the Tehuantepec Isthmus
- 300 km (about 186 miles) between both coasts and PEMEX already has operating infrastructure both coasts
- Expanding current existing infrastructure would allow PEMEX to move product from the USGC to the Pacific reducing shipping cost and time (compared to Panama Canal) and optimizing vessel’s fleet routes
- The products to move to the Pacific are natural gas, crude oil, propane, naphtha, diesel and gasoline
Petrochemicals: Modernization and Expansion of Aromatics Train at Cangrejera P.C.

Scope
- Modernization of the aromatics chain
  - Technology upgrade
  - Broad operational flexibility
  - Lower energy consumption and overall cost of production
  - Minimum feedstock consumption
  - Minimal environmental impact
- Increase the offer of Para-xylene in the domestic market.
  - Increase the capacity of Para-xylene production to 448 Kt/a
  - Reduce imports
  - Take advantage of the available benzene.
- Start of operations in 2020

Source: PEMEX Business Plan 2015-2019
PEMEX’s productive processes consume large amount of energy.

Strategy for taking advantage of cogeneration potential (PEMEX’s Business Plan).

On April 2013 the CPG Nuevo PEMEX cogeneration project (300 MW and 550 t/h steam) began operations.

Five projects which represent 2,970 MW of energy generation.
• Historically, from 2007 to 2012, taxes have accounted for 119% of operating income and 120% of before-tax profits.
• In 2013, taxes amounted to 119% and 125% of operating income and before-tax profits, respectively.
In addition to internal cash flows, PEMEX has resorted to financial markets to finance its investment projects. Pension liability generates costs and distortions in our financial statements. Our negative equity is a result of accumulated losses and the distortions derived from pension liabilities.
PEMEX One of the Most Profitable Companies in 2013

**Percent Gross Margin**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statoil</td>
<td>50.36</td>
</tr>
<tr>
<td>PEMEX</td>
<td>49.38</td>
</tr>
<tr>
<td>Petrobras</td>
<td>23.34</td>
</tr>
<tr>
<td>Chevron</td>
<td>15.87</td>
</tr>
<tr>
<td>Shell</td>
<td>15.44</td>
</tr>
<tr>
<td>Exxon</td>
<td>14.13</td>
</tr>
<tr>
<td>BP</td>
<td>13.93</td>
</tr>
</tbody>
</table>

**EBITDA Margin**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP</td>
<td>7.72</td>
</tr>
<tr>
<td>Shell</td>
<td>10.72</td>
</tr>
<tr>
<td>Exxon</td>
<td>14.73</td>
</tr>
<tr>
<td>Chevron</td>
<td>19.56</td>
</tr>
<tr>
<td>Petrobras</td>
<td>20.25</td>
</tr>
<tr>
<td>Statoil</td>
<td>36.78</td>
</tr>
<tr>
<td>PEMEX</td>
<td>61.74</td>
</tr>
</tbody>
</table>

**Operating Margin**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEMEX</td>
<td>45.27</td>
</tr>
<tr>
<td>Statoil</td>
<td>25.09</td>
</tr>
<tr>
<td>Chevron</td>
<td>12.86</td>
</tr>
<tr>
<td>Petrobras</td>
<td>10.91</td>
</tr>
<tr>
<td>Exxon</td>
<td>10.33</td>
</tr>
<tr>
<td>Shell</td>
<td>5.95</td>
</tr>
<tr>
<td>BP</td>
<td>4.16</td>
</tr>
</tbody>
</table>

**Before Tax Margin**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell</td>
<td>7.44</td>
</tr>
<tr>
<td>BP</td>
<td>7.97</td>
</tr>
<tr>
<td>Petrobras</td>
<td>9.23</td>
</tr>
<tr>
<td>Exxon</td>
<td>14.79</td>
</tr>
<tr>
<td>Chevron</td>
<td>16.96</td>
</tr>
<tr>
<td>Statoil</td>
<td>22.36</td>
</tr>
<tr>
<td>PEMEX</td>
<td>43.27</td>
</tr>
</tbody>
</table>

Source: Bloomberg y PEMEX 2013 Unaudited Financial Statements
Investing To Meet Our Long-term Goals

- Figures are nominal and may not total due to rounding.
- Includes upstream maintenance expenditures.
- “E” means Estimated.
- CAPEX for 2014 equals MXN$359.54 billion, for 2015 a total of MXN$366.35 billion.
- Exchange rate: 2014 @ $13.183; 2015 and onwards @ $13.4
CAPEX Financing

Net Indebtedness (USD billion)

Total debt as of September 2014 is USD 74.0 billion which represents 0.61x sales and 1.08x EBITDA

Net indebtedness
CAPEX

Stabilization of crude production
Mbd

Modernization of infrastructure

Higher investment in exploration

Reserve Replacement Rate 1P
3 Year Average

Source: PEMEX Financial Statements
## Financing Program 2015

<table>
<thead>
<tr>
<th>Source</th>
<th>Programmed USD billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Markets</td>
<td>6.0 – 8.0</td>
</tr>
<tr>
<td>International Markets</td>
<td>5.0 – 7.0</td>
</tr>
<tr>
<td>Loans</td>
<td>2.0 – 3.0</td>
</tr>
<tr>
<td>Export Credit Agencies (ECAs)</td>
<td>1.0 – 2.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.2 – 0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18.5</strong></td>
</tr>
<tr>
<td>Total Debt Payments</td>
<td>3.5</td>
</tr>
<tr>
<td>Net Indebtedness for the year</td>
<td>15.0</td>
</tr>
</tbody>
</table>

100% = USD 18.5 billion

![Pie chart showing Financing Program 2015](chart.png)
Expected Sources and Uses of Funds 2015

Sources

USD billion

Initial Cash: 2.3
Resources from Operations: 15.8
Financing: 18.5
Total: 36.6

Uses

USD billion

Total Investment (CAPEX): 27.3
Debt Payments: 3.5
Final Cash: 5.8

Net Indebtedness: USD 15.0 billion
- Internal: USD 8.5 billion
- External: USD 6.5 billion

Price: 79.0 USD/b
Exchange rate: MXN 13.40/USD
Crude oil production: 2,400 Mbd

1 Preliminary budget.
New Financing Alternatives

Fund Raising in the O&G Industry
USD billion

- Bonds: 50%
- Project finance: 31%
- Bank loans: 9%
- Equity: 10%

PEMEX Financing Program 2015
100% = USD 18.5 billion

- Bonds (domestic, international markets, ECAs): 85%
- Project finance: 13%
- Bank Loans: 2%

1. Additional financial flexibility
2. PEMEX could explore new financing opportunities already available in the industry

Source: ThomsonONE
Financial Strategy Options

International Market Issues
- Diversify sources of financing in efficient and deep markets (Japan, Middle East).
- Recurring emissions ≈ USD 1 billion.
- Debt management in order to keep the interest curve both liquid and efficient.

New Structures
- Structured Products (Development Capital Certificates)

Issues in MXN
- MXN is both more efficient in terms of cost and has less depth than the USD.
- Continue using mechanisms which contribute to increasing the liquidity, terms and volumes of the MXN:
  - Predictable and frequent issuer.
  - Diversified investor base.
  - Issue re-openings.
  - Market Maker programs.

Bank Loans
- Increase the amount and term of revolving credit lines.
- Bank loans used to complete the financial program, if necessary.

Export Credit Agencies (ECAs)
- ECAs do not compete with other sources of financing and offer term and cost benefits.
- Continue with bond issues guaranteed by the US-EXIM.
- Reach agreements with the Export Bank of China and the Export Import Bank of Korea.
- Search ECA financing with other entities that currently do not have a business relationship with PEMEX.
What differentiates PEMEX

**Strengths**
- Human capital
- Execution flexibility
- Selected participation in new projects
- Sustainability mandate through corporate governance, and social & environmental responsibility
- Improved efficiencies through collaboration
- Diverse reserve portfolio (regional and technological)
- Technology deployment opportunities
- Financial autonomy and new fiscal regime

**Challenges**
- Production stabilization
- Additional efficiency requirements in production and processing
- Industrial safety and security
- Increasing financing requirements
- Human resource attrition
- Pension liability
Potential Savings from a New Pension Scheme

The Government offered to capitalize PEMEX for a proportional amount of the Pension Liability reduction that results from the modifications of the collective bargaining agreement.

Favorable modification of the Collective Bargaining Agreement contemplates:
- Transition of the pension scheme from defined benefit to defined contribution
- Gradual adjustment of pension parameters for existing employees
- Adoption of a portable individual account regime for new employees

Accrued obligations¹
MXN billion
December 31st, 2013

Current pensions
445.5

W/O rights
375.2

W/ rights
102

Present generation
477.2

Reform objective

Pension
924.0

Medical service
195.2

Accrued obligations
1,119.2

9,513 employees

¹ According to 2013 Financial Statements
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