Content

1 A Snapshot of Mexico & PEMEX

- E&P
- Midstream & Downstream
- Financial Outlook of PEMEX
- 2016 Results
Mexico Snapshot

• Today, Mexico’s fundamentals are stronger, allowing to face external shocks in a better position.

GDP per Capita, PPP
USD thousand

Foreign Direct Investment, Net Inflows
USD billion

Unemployment
% of total labor force

Inflation
%
Mexico’s Revenues Diversification

- Since 1989, average oil revenues, as a percentage of total, represented approximately 29%. Today, Mexico has become less dependent on oil revenues, accounting 16% of total revenues in 2016.
- The manufacturing sector has offset oil exports.

1 Source: Mexican Ministry of Finance
2 Source: INEGI
Mexican Crude Oil Basket Price

- Mexico has decreased its reliance on oil revenues, as the public sector is adjusting its cost structure to the new oil price scenario.
PEMEX has taken extraordinary measures to adapt its corporate governance and structure in the shortest time possible.

### Constitution
- According to Art. 27, it is within the Nation’s domain to exploit all national resources:
  - crude oil; and
  - all solid, liquid or gas hydrocarbons

### Regulatory Law
- According to Art. 4, the Nation will conduct through Petróleos Mexicanos and its Subsidiary Entities:
  - the exploration and exploitation of crude oil; and
  - all other activities related to the oil industry that are considered strategic

### 2013 Energy Reform
- Strengthen PEMEX and establish a more efficient development of the hydrocarbon potential in Mexico
- Strengthen execution capacity through:
  - Better corporate governance practices:
    - 5 independent members
    - Executive committees
  - New contracting schemes:
    - Profit and Production Sharing Contracts
    - Licenses
  - Increased financial and operational flexibility through:
    - Risk sharing with third parties
    - Liberalized downstream activities
    - Reduced tax burden
    - Greater managerial and budgetary autonomy
Pemex: The Most Important Company in Mexico

8th Crude oil producer

Main producer of oil, gas and refined products in Mexico

14th Refining company worldwide

Holder of 95% of the country's 1P reserves

Key player in hydrocarbons logistics infrastructure

More than 40,000 km of pipelines

29% Federal Government’s revenues

MXN 1.6 billion annual revenues

8th Drilling company

15th Logistics company in the world by assets

5th Producer of petrochemicals in Mexico

1st Producer of phosphates in LATAM

74 Storage and distribution terminals

Close to 1,500 tank trucks

16 Ships

258 Operating platforms

9,000 Wells

98th largest company

7th Trading company in the world

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1 Last five years average.
2 Source: Fortune 500 ranking.
Content

A Snapshot of Mexico & PEMEX

2 E&P

Midstream & Downstream

Financial Outlook of PEMEX

2016 Results
E&P: Current Status and Challenges

- PEMEX continues to be a main player in the O&G industry
- The challenge has been replacing Cantarell, a giant field that produced by itself 2 MMbd, to stabilize and eventually increase production

Source: PEMEX 2017
E&P: New Production Frontiers

- Underinvestment and reduced access to know-how has limited intensive exploitation of new complex frontiers to stabilize and increase production

Deepwater Infrastructure\(^1\)  

Shale Potential\(^2\)

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1 Source: National Geographic  
2 Source: CNH with information from North Dakota Department of Mineral Resources, Oklahoma Geological Survey, Texas Railroad Commission, Bureau of Ocean Energy Management, Oil &Gas Journal
E&P: Business Plan

- With profitability as its ultimate goal, the Business Plan contemplates increased production and investment through different business schemes such as JV’s, farm-outs and migrations without a partner to maintain and gradually increase the production platform.

**Business Plan Scenario**

- Concentrates on assignments that are profitable after taxes.

**Improved Scenario**

- Aggressive farm-out program.
- Development of fields that are profitable for the country and which, under similar fiscal conditions than privates, are profitable for PEMEX after taxes.
- Incremental income from farm-out production is shared between PEMEX and the Federal Government.

**Crude Oil Production**

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Plan</th>
<th>Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2,601</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>2,577</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2,553</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2,548</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>2,522</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2,429</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2,267</td>
<td>1,95</td>
</tr>
<tr>
<td>2016</td>
<td>2,130</td>
<td>1,811</td>
</tr>
<tr>
<td>2017</td>
<td>1,944</td>
<td>1,780</td>
</tr>
<tr>
<td>2018</td>
<td>1,811</td>
<td>2,57</td>
</tr>
<tr>
<td>2019</td>
<td>1,780</td>
<td>2,67</td>
</tr>
<tr>
<td>2020</td>
<td>1,805</td>
<td>2,67</td>
</tr>
<tr>
<td>2021</td>
<td>1,880</td>
<td>3,16</td>
</tr>
</tbody>
</table>
E&P: Recent Developments (Trión & Block 3)

- **Trión**
  - BHP Billiton will invest up to USD 1.9 billion before PEMEX makes additional contributions
  - Joint operating agreement was signed on March 3, 2017
  - PEMEX expects to invest USD 600 million by the time initial production is achieved

- **Perdido Fold Belt – Block 3**
  - Joint Venture with Chevron and Inpex
  - The contract considers 3,374 work units, equivalent to USD 3.4 million
  - No wells were committed for this contract
  - Contract was signed on February 28, 2017
E&P: Upcoming Developments

- PEMEX will focus on the development of projects through joint ventures and migrations to share risks, obtain technology, know-how and improvements within the upstream division.

Farm-outs (Round 2)
- Ayín-Batsil: Shallow Waters, Jun. 19, 2017
- Ogarrio & Cárdenas-Mora: Onshore, Jul. 12, 2017

Migrations without a partner
- During the first quarter of 2017, PEMEX expects to migrate Ek-Balam.

CSIEE¹
- San Ramón and Blasillo are expected to be signed during the 1H17.

¹ Exploration and Extraction Integrated Service Contracts.
Content

1. A Snapshot of Mexico & PEMEX
2. E&P
3. Midstream & Downstream
4. Financial Outlook of PEMEX
5. 2016 Results
Midstream: Current Status and Challenges

• Further gasoline storage capacity and pipelines are required in Mexico. The U.S. has 27 times more infrastructure to supply fuel and 45 times more storage terminals than Mexico.

### Gasoline Storage Days by Country\(^1\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>99</td>
</tr>
<tr>
<td>USA</td>
<td>90</td>
</tr>
<tr>
<td>China</td>
<td>90</td>
</tr>
<tr>
<td>Japan</td>
<td>70</td>
</tr>
<tr>
<td>South Africa</td>
<td>60</td>
</tr>
<tr>
<td>India</td>
<td>3</td>
</tr>
<tr>
<td>Mexico</td>
<td>2</td>
</tr>
<tr>
<td>Iran</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Source: Strategy\&, PwC 2017

### Pipelines in the United States\(^2\) and in Mexico\(^3\)

1 Source: Strategy\&, PwC 2017
2 Source: http://pipeline101.com/where-are-pipelines-located
3 Source: EIA 2017
Downstream: Current Status and Challenges

• The challenge is to reverse the economic and operational losses of close to MXN 100 billion

Non-Scheduled Shutdowns Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Scheduled Shutdowns Index %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5.7</td>
</tr>
<tr>
<td>2008</td>
<td>4.2</td>
</tr>
<tr>
<td>2009</td>
<td>3.4</td>
</tr>
<tr>
<td>2010</td>
<td>9.2</td>
</tr>
<tr>
<td>2011</td>
<td>12.2</td>
</tr>
<tr>
<td>2012</td>
<td>10.7</td>
</tr>
<tr>
<td>2013</td>
<td>10.1</td>
</tr>
<tr>
<td>2014</td>
<td>11.2</td>
</tr>
<tr>
<td>2015</td>
<td>12.7</td>
</tr>
</tbody>
</table>

International reference (goal)

Equivalent Distillation Capacity Usage

<table>
<thead>
<tr>
<th>Year</th>
<th>Equivalent Distillation Capacity Usage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>77.7</td>
</tr>
<tr>
<td>2006</td>
<td>76.9</td>
</tr>
<tr>
<td>2008</td>
<td>76.9</td>
</tr>
<tr>
<td>2010</td>
<td>71.0</td>
</tr>
<tr>
<td>2012</td>
<td>68.6</td>
</tr>
<tr>
<td>2014</td>
<td>66.1</td>
</tr>
<tr>
<td>2015</td>
<td>61.3</td>
</tr>
</tbody>
</table>

International reference (1Q) | International reference (4Q)

Main Causes for Non-Scheduled Shutdowns 2016¹

- Hidrogen supply: 63%
- Equipment and proceses: 20%
- CFE: 11%
- Repairement delays: 3%
- Service supply (vapor, water, electricity): 3%

¹ From January to August 2016
Midstream & Downstream: Business Plan

• Underinvestment, supply mandates and cost recognition are being and will continue to be addressed in the upcoming years to reverse the accumulated losses in the midstream and downstream divisions.

PEMEX Industrial Transformation
• Partnerships in operation of auxiliary activities and revamps of refineries
• Operational discipline and reliability
• Timely attention to risk factors
• Cost efficiency and gradual acknowledgment of opportunity costs in transportation prices
• Pipeline custody
• Illicit markets

PEMEX Logistics
• Open season
• Concentrates on profitable business lines

Impact of the Strategic Initiatives on the Financial Balance until 2025
(MXN billion in cash flow)

Financial Balance 2025
(Equivalent to -96.3 in 2017)

Partnerships

Safe and reliable operations

Acknowledgment and efficiency in transportation costs

Result

-108.9

41.9

49.2

36.2

11

29.4
• Logistics opened the utilization of its non-used storage and distribution capacity, which will yield additional revenues that capture fair prices for fuels in Mexico.
Content

A Snapshot of Mexico & PEMEX

E&P

Midstream & Downstream

4 Financial Outlook of PEMEX

2016 Results
Financial Outlook: Conservative Assumptions

• 2017 marks an inflection point in recent trends
  ✓ Does not consider additional revenues from divestments
  ✓ Maintain cost reduction discipline implemented in 2016. Increase in productivity is documented individually
  ✓ Additional cash flow from the execution of JVs will be used to improved the company’s cash position

1. Primary surplus: MXN 8.4 billion
2. Reachable production goal: 1,944 Mbd
3. Conservative price projection: 42 USD/b

1. Source: Bloomberg (October) & PEMEX
The improvement of PEMEX’s financials is not a zero-sum game. The initiatives in the Business Plan allow the company to improve its future cash flow, while the Federal Government’s earnings increase.
2017 Expenditure Program

- CAPEX for 2017 and its allocation is in line with 2016’s figures

**CAPEX & OPEX**

100% = 391.9 MXN MMM

- 52% CAPEX
- 48% OPEX

**100% = 204.6 MXN MMM**

- 2.6% Corporate
- 2.2% Ethylene
- 1.3% Fertilizers
- 82.3% Logistics
- 0.9% Perforation
- 0.2% Industrial Transformation
- 10.4% E&P

CAPEX

• CAPEX for 2017 and its allocation is in line with 2016’s figures
Net Indebtedness Reduction in 2017

- Along with the dollar transaction carried out in December and the euro one in February, minimum financing needs for 2017 have been covered, providing flexibility and leeway towards the rest of the year, without any pressure to tap into any other market.

Net Indebtedness
MXN billion

2014 223
2015 195
2016 232
2017e 150

USD 5.5 bn 118.3
EUR 4.25 bn 96.7
Total raised as of Feb. 27, 2017 215.0
Approved net indebtedness 2017 150
Debt ceiling consumed 2017 96.7
Available debt ceiling 2017 53.3

Premises:

- Financial Deficit = 93.8
- Amortizations = 116.1
- 2017 Minimum Needs = 209.9

Note: Exchange rate 21.5 MXN/USD. Indicative figures subject to market conditions. Numbers may not total due to rounding.

e. Net indebtedness approved by Congress.
During 2016 and 2017, PEMEX has focused on restoring its financial stability, taking advantage of the opportunities offered by the Energy Reform, and strengthening relationships with the financial and oil and gas industry.

**Crude Oil Prices @ USD 25/b**
Financial Deficit MXN 149 bn

**First Alliance in Refinery Auxiliary Services for the Supply of Hydrogen**

- 2017
  - Financial deficit reduced to MXN 102 bn
  - Farmout Trión JV Chevron/Inpex
  - Business Plan
  - Gasoductos Chihuahua divestment
  - Working capital improved
  - Overdue obligations to suppliers fully paid
  - Federal Government support measures

- Apr-Aug
  - Strict implementation of the Budget Adjustment Plan

- Dic

- Nov

1. The financial balance considers the result from subtracting total expenses (including financing costs) from total revenues
### 2016 Key Highlights

<table>
<thead>
<tr>
<th>Highlight</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil production goal of 2,130 Mbd was met and exceeded for the first time in five years, reaching 2,154 Mbd</td>
<td></td>
</tr>
<tr>
<td>Gas flaring reduced by year-end</td>
<td></td>
</tr>
<tr>
<td>Frequency and severity indexes decreased by more than 20%</td>
<td></td>
</tr>
<tr>
<td>Operating expenses decreased by 26%</td>
<td></td>
</tr>
<tr>
<td>Reversal of impairment of fixed assets by 52%</td>
<td></td>
</tr>
<tr>
<td>Reversed operating loss</td>
<td></td>
</tr>
<tr>
<td>Net result improved by 58%</td>
<td></td>
</tr>
<tr>
<td>Liquidity improved, cash position increased by 50%</td>
<td></td>
</tr>
<tr>
<td>Improved debt profiled</td>
<td></td>
</tr>
</tbody>
</table>
• During 2016 operating losses were turned into income, net result was improved by 58% and the liquidity position was substantially improved. Debt’s maturity profile was extended to 7.6 years.
Investment Considerations

- The joint efforts have finally begun to bear fruit and to reflect in the results of the year. PEMEX has now stable finances, with positive trends, however, there is still room for improvement.

- As a result of the implementation of a Business Plan focused on profitability, the administration has very clear what will be the next steps taken to achieve financial equilibrium. PEMEX reiterates its commitment to prioritize profitability and sustainability.
First Deep Water Farm-Out

**Trión**

<table>
<thead>
<tr>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base royalty</td>
</tr>
<tr>
<td>Additional royalty</td>
</tr>
<tr>
<td>Minimum investment</td>
</tr>
<tr>
<td>Tie-break criteria</td>
</tr>
<tr>
<td>Signing bonus payable to the Mexican Oil Fund</td>
</tr>
<tr>
<td>Additional carry in favor of PEMEX</td>
</tr>
</tbody>
</table>

\[
570 + \frac{561.6}{0.4} = \text{USD 1,974 million}^2
\]

- BHP Billiton will invest up to USD 1.9 billion before PEMEX makes additional contributions
- Joint operating agreement should be signed during the first week of March of 2017
- PEMEX expects to invest USD 600 million by the time initial production is achieved

1. According to provision 17.4 of the bidding packages.
2. As established in the Joint Operations Agreement.
Farm-Out Ayín-Batsil

Located in the Campeche Sound, 70 km from Cantarell and Ku-Malob-Zaap

Initial production expected by 2020, of up to 80 Mbd.

**Ayín-Batsil**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of discovery</td>
<td>1991 Ayín &amp; 2015 Batsil</td>
</tr>
<tr>
<td>3P Reserves</td>
<td>359 Mmboe</td>
</tr>
<tr>
<td>Water depth</td>
<td>Up to 180 m</td>
</tr>
<tr>
<td>Estimated Investment</td>
<td>USD 4.2 billion</td>
</tr>
<tr>
<td>Type of hydrocarbon</td>
<td>Heavy crude oil</td>
</tr>
</tbody>
</table>

- Located in the Campeche Sound, 70 km from Cantarell and Ku-Malob-Zaap
- Initial production expected by 2020, of up to 80 Mbd.
Farm-Outs of Ogarrio and Cárdenas-Mora

- Onshore mature fields with significant development in development and exploitation
- High-quality oil producers

**Ogarrio (Mature onshore field)**

- Location: Tabasco, 65 km from Coatzacoalcos
- Estimated oil production: 7.9 Mbd
- Estimated gas production: 24.7 MMpcd
- 3P Reserves: 54 MMboe
- Type of hydrocarbon: Light crude oil

**Cárdenas Mora (Mature onshore field)**

- Location: Tabasco, 62 km from Villahermosa
- Estimated oil production: 8.1 Mbd
- Estimated gas production: 30.5 MMpcd
- 3P Reserves: 94.3 MMboe
- Type of hydrocarbon: Extra-light crude oil
• Maintaining low gasoline prices would have implied a cost of MXN 200 bn for the public sector and a barrier for competition

New Gasoline Price Structure

<table>
<thead>
<tr>
<th>VAT</th>
<th>FIXED by the Ministry of Finance / Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IEPS tax</td>
<td>• Allows competitors to open new petrol stations (i.e. BP plans opening around 1,500 retail sites)</td>
</tr>
<tr>
<td>Commercial margin</td>
<td>• Recognises the logistic cost, which will generate the incentives to create new infrastructure</td>
</tr>
<tr>
<td>Transportation</td>
<td>• This price scheme recognises the total expenses incurred in the sale of petroleum products</td>
</tr>
<tr>
<td>Storage</td>
<td>• Opening the market to new competitors, will allow PEMEX to focus on more profitable markets</td>
</tr>
<tr>
<td>Logistics</td>
<td>• It will create the incentives to attract more investments and partners in the refining activities</td>
</tr>
</tbody>
</table>

Rational

International reference price, Houston, TX

Quality adjustment