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

October 2014
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 heretofore 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 shrew a reconciliation of EBITDA to net income on Table 33 of the annexe 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 disclosures 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 PMI 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
   - 13.4MM BOE proven reserves
   - Low replacement cost

2. Legislation largely on track to create a more robust, independent Pemex

3. Positioned to capitalize on our newly found freedom in upstream

4. Positioned to tap significant opportunity in New Frontiers

5. Strengthened Corporate Governance with a New Board Structure

6. Stronger finance; tax 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 modest incremental funding in the capital markets

9. Addressing pension liabilities in conjunction with Federal Government
A Snapshot of PEMEX Today

**Exploration and Production**
- Crude oil production: 2,452 Mbd\(^1\)
- Natural gas production: 5,757 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\(^1\)
- Strategically positioned infrastructure
- JVs and associations with key operators in the Mexican petrochemical and natural gas transportation industries

**International**
- 7th largest oil producer worldwide\(^2\)
- Crude oil exports: 1,122 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>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>83.5</td>
<td>0.4</td>
<td>45.7</td>
</tr>
<tr>
<td>2010</td>
<td>103.8</td>
<td>0.4</td>
<td>55.3</td>
</tr>
<tr>
<td>2011</td>
<td>111.4</td>
<td>0.4</td>
<td>55.7</td>
</tr>
<tr>
<td>2012</td>
<td>126.6</td>
<td>0.6</td>
<td>66.6</td>
</tr>
<tr>
<td>2013</td>
<td>123.0</td>
<td>0.8</td>
<td>69.6</td>
</tr>
<tr>
<td>L12M</td>
<td>122.2</td>
<td>0.7</td>
<td>70.9</td>
</tr>
</tbody>
</table>

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

- Southeast
- Tampico-Misantla
- Burgos
- Veracruz
- Deepwater
- Sabinas

- 87%
- 8%
- 2%
- 2%
- 1%
- 0%

1. As of September 30, 2014.
2. 2013 PIW Ranking.
3. Does not include nitrogen.
Round Zero maintains our strong reserve base

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.

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

### Production Costs<sup>a,b</sup>

**USD @ 2013 / boe**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.44</td>
</tr>
<tr>
<td>2009</td>
<td>5.09</td>
</tr>
<tr>
<td>2010</td>
<td>5.38</td>
</tr>
<tr>
<td>2011</td>
<td>6.12</td>
</tr>
<tr>
<td>2012</td>
<td>6.84</td>
</tr>
<tr>
<td>2013</td>
<td>7.91</td>
</tr>
</tbody>
</table>

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.
4. Data in real terms after adjustment for the effect of inflation.
5. Source: 20-F Form 2013.
6. PEMEX Estimates - 3-year average for all companies.
7. Includes indirect administration expenses.

### Finding and Development Costs<sup>c,d</sup>

**USD @ 2013 / boe**

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

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

[Map showing pipeline network and locations such as Camargo, Monterrey, Madero, Tula, Pajaritos, Morelos, Minatitlán, Cactus, Salina Cruz, Cd. Pemex, Salamanca, Guadalajara, Cd. México, Camargo, Reynosa, Poza Rica, Cangrejera, Cosoleacaque, N. Pemex, San Martín, La Venta, Matapionche, Arenque, Burgos, Producer Zone, Refinery, Petrochemical Center, Gas Processing Center, Sales Point, Pipeline, Maritime Route.]
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.

**Up to 24 months 12/21/2015**

**PEMEX as a State Productive Enterprise**
Updating an Outdated Energy Model

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

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 manages resources from exploration and production through the Mexican Oil Fund

Regulatory entities

- CNH
- CRE
- ANSIPA

Operating entities

- 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 O&G sector in Mexico

**Assignments**

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

**Migration**

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

**Contracts**

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

**Exploration and Production**

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

**Refining**

- Permits (SENER)

**Natural gas**

- Permits (SENER)

**Transportation, storage and distribution**

- CENAGAS
- Permits (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.
Hydrocarbons Revenue Law

Assignments

Contracts

Licenses

Production-Sharing or Profit-Sharing Contracts

Signing Bonus

Duties

• Contractual Fee for the Exploratory Phase
• Royalties
• Compensation considering Operating Income or Contractual Value of the Hydrocarbons

Fund

Income Tax

SHCP

Exploration and Production

Migration

• Recognition of a greater proportion of exploration and production costs

Industrial Transformation

Hydrocarbons Revenue Law

• Consistent with international standards
• Ensures Mexico obtains oil revenues
• Revenue stream to the State independent of the stage of development and profitability

Income Tax Law

• Mechanisms that promote industrial development
• Elements to increase levels of exploration and production
• Progressive regime (increase in prices or large discoveries)
Becoming an SPE - Generation of value

Strengthen Corporate Governance

- SENER
- SHCP
- State Representatives
- Independent Members

10 members

New Corporate Structure

- Upstream
- Downstream
- Drilling
- Cogeneration
- Logistics

Unified Corporate Services

- Finance
- Human Resources
- Procurement
- Other

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
PEMEX sustainability agenda

- Biodiversity projects
- PEMEX-SSPA
- Human rights
- Indigenous communities
- Community involvement projects
- Local content and industrial development
- PEMEX University
- Remediation efforts
- Climate change adaptation and mitigation projects
- Other waste and emission programs
- Continuous support to population and authorities on illegal tapping activities and investment in SCADA
- Global alliances and initiatives
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

Hydrocarbon Extraction Duty (Royalty) ➔ % of the value of extracted hydrocarbons (% based on hydrocarbon price levels)

Hydrocarbon Exploration Duty ➔ Fixed amount per km² (amount increases with time)

Profit Sharing Duty ➔ Value of extracted Hydrocarbons

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty</td>
<td>70.00%</td>
<td>68.75%</td>
<td>67.50%</td>
<td>66.25%</td>
<td>65.00%</td>
</tr>
</tbody>
</table>

Taxes

Hydrocarbon Exploration and Extraction Activity Tax ➔ Fixed amount for exploration per km² + fixed amount for extraction per km²

Income Tax (ISR) ➔ Allowable deductions:

100% of investments in: exploration, EOR¹ and capitalizable maintenance.
25% of investments in: extraction and development.
10% of investments in: storage and transport infrastructure.

¹ Enhanced Oil Recovery.
### Migration: Onboarding New Partners in E&P

**Increasing execution capacity & Investment**

<table>
<thead>
<tr>
<th>2P Reserves (MMboe)¹</th>
<th>Expected Investment (USD billion)</th>
<th>Fields</th>
</tr>
</thead>
<tbody>
<tr>
<td>First block</td>
<td></td>
<td></td>
</tr>
<tr>
<td>569</td>
<td>2.6</td>
<td>Poza Rica-Altamira and Burgos Assets</td>
</tr>
<tr>
<td>1,639</td>
<td>32.7</td>
<td>ATG and Burgos Assets</td>
</tr>
<tr>
<td>Second block</td>
<td></td>
<td></td>
</tr>
<tr>
<td>248</td>
<td>1.7</td>
<td>Rodador, Ogarrio, Cárdenas-Mora (Onshore)</td>
</tr>
<tr>
<td>350</td>
<td>6.3</td>
<td>Bolontikú, Sinán &amp; Ek (Offshore)</td>
</tr>
<tr>
<td>Mature fields</td>
<td></td>
<td></td>
</tr>
<tr>
<td>747</td>
<td>6.2</td>
<td>Ayatsil-Tekel-Utsil</td>
</tr>
<tr>
<td>Extra-heavy crude oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>212</td>
<td>6.8</td>
<td>Kunah-Piklis</td>
</tr>
<tr>
<td>Deepwater (natural gas)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>539²</td>
<td>11.2</td>
<td>Trión and Exploratus</td>
</tr>
<tr>
<td>Perdido Area</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Timeline**

- **Aug / Dec 14**: CIEP & COPF contract migration (first block)
- **Jan / Jun 15**: CIEP & COPF - Second block
- **Nov 14 / Dec 15**: PEMEX - Farm outs

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

Deepwater Infrastructure\(^1\)

Substantial potential in both frontiers

Shale Potential\(^2\)

Source: National Geographic.
Investment Opportunities

**Exploration & Production**
- Recovery Factor:
  - Secondary Recovery.
  - Enhanced Oil Recovery.
- New Production Frontiers:
  - Extra-heavy crude oil.
  - Deepwater.
  - Non conventional.

**Industrial Transformation**
- Long-term attractiveness in the domestic market for refined products.
- Increase efficiencies.
- Modernize infrastructure.

**Transportation & Logistics**
- Economic incentives aligned to develop additional infrastructure.

PEMEX will continue to be the leading company in Mexico

www.pemex.com
PEMEX One of the Most Profitable Companies in 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent Gross Margin</th>
<th>EBITDA Margin</th>
<th>Operating Margin</th>
<th>Before Tax Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statoil</td>
<td>50.36</td>
<td>7.72</td>
<td>45.27</td>
<td>25.09</td>
</tr>
<tr>
<td>PEMEX</td>
<td>49.38</td>
<td>10.72</td>
<td>25.09</td>
<td>12.86</td>
</tr>
<tr>
<td>Petrobras</td>
<td>23.34</td>
<td>14.73</td>
<td>20.33</td>
<td>10.91</td>
</tr>
<tr>
<td>Chevron</td>
<td>15.87</td>
<td>19.56</td>
<td>14.73</td>
<td>9.23</td>
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<tr>
<td>Shell</td>
<td>15.44</td>
<td>20.25</td>
<td>10.33</td>
<td>10.33</td>
</tr>
<tr>
<td>Exxon</td>
<td>14.13</td>
<td>36.78</td>
<td>5.95</td>
<td>14.79</td>
</tr>
<tr>
<td>BP</td>
<td>13.93</td>
<td>61.74</td>
<td>4.16</td>
<td>16.96</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.

USD billion

19.1 24.0 25.5 27.4 28.2 33.4 34.7 33.8 32.5

CAPEX Distribution 2015-2019
USD billion

- Upstream
- Downstream

78.7% 21.3%

Pemex-Corporate 1.4%
Pemex- Gas & Basic Petrochemicals 2.0%
Pemex- Petrochemicals 4.0%
Pemex-Refining 11%
Pemex- Exploration & Production 82%
The investment budget of PEMEX has gradually increased.

The use of internal resources remains the main source of funding.

PEMEX is seeking new alternatives to optimize the use of capital.

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* Estimated

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><strong>Total Debt Payments</strong></td>
<td><strong>3.5</strong></td>
</tr>
<tr>
<td><strong>Net Indebtedness for the year</strong></td>
<td><strong>15.0</strong></td>
</tr>
</tbody>
</table>

100% = USD 18.5 billion

### Pie Chart
- **International Markets**: 34.7%
- **Domestic Markets**: 42.2%
- **Loans**: 13.0%
- **Export Credit Agencies (ECAs)**: 8.1%
- **Others**: 2.0%

**Net Indebtedness for the year**: 15.0
Expected Sources and Uses of Funds 2015

### Sources
USD billion

<table>
<thead>
<tr>
<th></th>
<th>1.5</th>
<th>16.2</th>
<th>18.5</th>
<th>36.2</th>
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</thead>
<tbody>
<tr>
<td>Initial Cash</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources from Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Uses
USD billion

<table>
<thead>
<tr>
<th></th>
<th>28.2</th>
<th>3.5</th>
<th>4.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Investment (CAPEX)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Cash</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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Price: 82.0 USD/b  
Exchange rate: MXN 13.00/USD  
Crude oil production: 2,400 Mbd

1. Preliminary budget.
Financing in the Oil and Gas Industry

Industry trends

- Substantial appetite for capital although conservative financial structures.
- More creative financing techniques and new sources of finance will help to ensure that sufficient and efficient funding is available to finance projects in the future.
- Tighter lending controls and standards have led companies to access alternative sources of finance.

Principal sources of oil and gas funding

<table>
<thead>
<tr>
<th>Exploration and appraisal</th>
<th>Development and production</th>
<th>Portfolio expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPO</td>
<td>Reserves based lending</td>
<td>Cash flow from operations</td>
</tr>
<tr>
<td>Private equity</td>
<td>Public bonds</td>
<td>Bank loans</td>
</tr>
<tr>
<td>Further issues</td>
<td>Retail bonds</td>
<td>Public bonds</td>
</tr>
<tr>
<td></td>
<td>Project finance</td>
<td>Infrastructure funds</td>
</tr>
<tr>
<td></td>
<td>Private placement</td>
<td>Proceeds from divestments</td>
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<td>Multilateral development banks</td>
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<td>Mezzanine finance</td>
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Oil and gas fund raising (US$ billion)

- Increased predictability of cash flows and business maturity
- Farm-outs, joint ventures

Source: Funding challenges in the oil and gas sector. Ernst & Young Global Limited. Andy Brogan. 2014. EYG no. DW0411; CSG no. 1045-1259179 NY.
Financial Strategy Options

**International Market Issues**
- Diversify sources of financing in efficient and deep markets with arbitrage opportunities (Japan, Middle East, south American currencies).
- Recurring emissions = USD 1 billion.
- Debt management in order to keep the interest curve both liquid and efficient.

**New Structures**
- Green Bonds.
- Islamic Law (Structured Products)
- Development Capital Certificates (Structured Products)

**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 USEXIM.
- 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**
- People
- 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
- Fuel price control release by 2018

**Challenges**
- Production stabilization
- Additional efficiency requirements in production and processing
- Industrial safety and security
- Increasing financing requirements
- Human resource attrition
- Pension liability
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