A Path Towards Improved Profitability

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Bonds, Loans and Derivatives
Mexico City
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1. Lower Oil Prices: How has PEMEX Adapted its Corporate Financing Structure and Strategy?

2. Capex for the Year Ahead: Where will Capital be Raised?

3. Farm-outs and Joint Ventures

4. Final Remarks
PEMEX: The Flagship Company in Mexico

8th Crude oil producer

16th Refining company worldwide

17th Oil products seller

18th largest oil company

152nd largest company

170th most valuable brand

Main producer of oil, gas and refined products in Mexico

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

Key player in hydrocarbons logistics infrastructure

More than 17,000 km of pipelines

MXN 1.4 trillion annual revenues

Largest Tax Contributor in Mexico

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1 Source: Petroleum Intelligence Weekly, Top 50 Rankings of the World's Oil Companies, November 2017
2 Source: Fortune 500 ranking, 2017
4 Last five years average (2012-2016)
Price Evolution of the Mexican Crude Oil Mix

Mexican Crude Oil Mix

Observed Mix Price

Average 2014
87.8 USD/b

Average 2015
44.3 USD/b

Average 2016
35.9 USD/b
Min 18.9 USD/b

Average 2017
46.3 USD/b

Expected 2018
PEF²
48.5 USD/b

1. Source: Bloomberg
2. Federal Expenditure Budget.
2016 Budget Adjustment

Lines of Action

**Generate efficiencies and reduce costs** to increase operational productivity and promote a rational use of resources.

**Defer / reassess investments minimizing the impact on future production** based on profitability and availability of budgetary resources.

**Adjust CAPEX and OPEX from an average of 50 to 25 USD/b** channeling budgetary resources to profitable activities under a low hydrocarbons price scenario.

Guiding principles that pursue the redefinition of the company, taking advantage of the Energy Reform's mechanisms.
Upstream: Business Plan

- With profitability as its ultimate goal, the Business Plan contemplates increased production and investment through different business schemes such as JVs and farm-outs to maintain and gradually increase the production platform.

- 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>Improved (Business Plan)</th>
<th>PEMEX production</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>2.533</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></td>
</tr>
<tr>
<td>2016</td>
<td>2.154</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1.948</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.951</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1.982</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>2.017</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>2.141</td>
<td></td>
</tr>
</tbody>
</table>

1 Includes PEMEX's production based on estimations sent to the Ministry of Finance on September 2017, as considered in the Business Plan published in November 2016.
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2018 Expenditure Program

- CAPEX for 2018 and its allocation is in line with 2017’s figures

CAPEX & OPEX
100% = 361.7 MXN billion

- 57% CAPEX
- 43% OPEX

100% = 204.6 MXN billion

- 82.3% CAPEX
- 17.7% OPEX

- 0.9% Corporate
- 2.6% Ethylene
- 2.2% Fertilizers
- 1.3% Logistics
- 0.2% Drilling
- 10.4% Industrial Transformation

Source: Federal Expenditure Budget 2018
Net Indebtedness Trend

- Net indebtedness for 2017 was used to cover the financial deficit

Any additional transaction throughout the year would be aimed to term-out PEMEX’s maturity profile or substitute bank financing.

The objective for 2018 is to limit net indebtedness to the financial deficit, in line with the Business Plan.

2018 debt ceiling: MXN 144 billion (≈USD 8 billion)

2018 financial deficit: MXN 79 billion (≈USD 4 billion)

Note: All numbers in billion pesos. Foreign exchange rate: 18.4 pesos per dollar
PEMEX Has a Strong Liquidity Position

- PEMEX has executed three liability management transactions\(^1\), **improving its liquidity performance**
- On February 1, 2018, PEMEX placed two bonds with a liability management component. USD 2 billion will be used to repurchase bonds that expire during 2019 and 2020
- PEMEX enjoys **financial flexibility** and a **sound liquidity stance** backed by ≈USD 8.0 billion of available medium-term revolving and committed banking facilities

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**Liability Management**

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Amortization (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2.5</td>
</tr>
<tr>
<td>2018</td>
<td>4.7</td>
</tr>
<tr>
<td>2019</td>
<td>8.2</td>
</tr>
</tbody>
</table>

**Fully Committed Revolving Credit Facilities**

- Revolving Committed Credit Lines: 8.0 billion
- 2018 Financing Needs: 8.7 billion

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1 To decrease principal amortizations in 2018, 2019 and 2020
2018 Funding Sources

- In 2018, PEMEX will consolidate the declining trend of indebtedness, under a scenario of conservative hydrocarbon prices

- The company’s financing needs amount to MXN 159.6 billion, as a result of a financial deficit of MXN 79.4 billion and amortizations of MXN 80.2 billion

Local Market:
- Issue of Certificados Bursátiles (CEBURES), that can be settled through international platforms

International Markets:
- Optimize the structure of the maturity profile and provide liquidity to the main references through liability management transactions

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (A+B)</strong></td>
<td>257.5</td>
<td>159.6</td>
<td>-97.9</td>
</tr>
<tr>
<td>A) Financial Deficit</td>
<td>94.0</td>
<td>79.4</td>
<td>-14.6</td>
</tr>
<tr>
<td>B) Amortization</td>
<td>163.5</td>
<td>80.2</td>
<td>-83.3</td>
</tr>
<tr>
<td><strong>Internal Debt</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEBURES</td>
<td>23.5</td>
<td>1.4</td>
<td>-22.1</td>
</tr>
<tr>
<td>Banking</td>
<td>41.6</td>
<td>7.3</td>
<td>-34.3</td>
</tr>
<tr>
<td><strong>Foreign Debt</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>67.4</td>
<td>45.2</td>
<td>-22.2</td>
</tr>
<tr>
<td>ECAs</td>
<td>20.8</td>
<td>19.8</td>
<td>-1.0</td>
</tr>
<tr>
<td>Others</td>
<td>10.3</td>
<td>6.5</td>
<td>-3.8</td>
</tr>
</tbody>
</table>
Markets respond positively to PEMEX’s strategy

- PEMEX’s efforts and business strategy have yielded tangible results, as shown in the spread between PEMEX’s 10Y benchmark and U.S. Treasuries

**Spread PEMEX vs US Treasury 10Y (basis points)**

Source: Bloomberg
PEMEX Hedged its Cash Flow for 2017

Protects budget sensitivity against price falls (May – December 2017)
Mexican Mix < USD 42 per barrel

• Paid on a monthly basis: Mexican Mix\(^1\) average price (USD 42 – 37 per barrel)
• Mexican Mix < USD 37 per barrel: full protection bought
• Premiums cost: USD 133 million
• PEMEX received USD 188 million (May – August)
• The Board of Directors approved an annual renewal of the program; hence providing certainty to PEMEX’s cash flow

Does not overlap with the Ministry of Finance's program

More stability to Mexico's public finances

\(^1\) Estimated through a proxy of Brent and WTI prices
Diversified Debt Structure

- PEMEX’s portfolio strategy has prioritized the development of new sources of financing to diversify its investor base and currencies.

- To reduce external impacts, the company has chosen a hedging strategy that matches its U.S. dollar-based income structure.

Note: As of September 30, 2017. Sums may not total due to rounding.
Credit Rating Agencies recognize PEMEX’s Strategic Importance for Mexico

2017 PEMEX annual rating revisions highlight:

- Stable finances
- Expectation of improved profitability due to the Energy Reform
- Strong linkage to Mexican Government & fiscal relevance
- Key energy supplier

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Last Revision</th>
<th>Global Scale</th>
<th>Outlook</th>
<th>National Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>August 2017</td>
<td>BBB+</td>
<td>Stable</td>
<td>AAA(mex)</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>August 2017</td>
<td>BBB+</td>
<td>Stable</td>
<td>mxAIA</td>
</tr>
<tr>
<td>Moody’s</td>
<td>April 2017</td>
<td>Baa3</td>
<td>Negative</td>
<td>Aa3.mx</td>
</tr>
<tr>
<td>R&amp;I</td>
<td>April 2017</td>
<td>BBB+</td>
<td>Stable</td>
<td>N.A.</td>
</tr>
<tr>
<td>HR Ratings</td>
<td>September 2017</td>
<td>HR A- (G)</td>
<td>Stable</td>
<td>HR AAA</td>
</tr>
</tbody>
</table>

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Capex for the Year Ahead: Where will Capital be Raised?

Farm-outs and Joint Ventures

Final Remarks
<table>
<thead>
<tr>
<th>Areas</th>
<th>Perdido Area Block 3</th>
<th>Tampico Misantla Block 2</th>
<th>Southeastern Basins Block 8</th>
<th>Perdido Area Block 2</th>
<th>Perdido Area Block 5</th>
<th>Cordilleras Mexicanas Block 18</th>
<th>Cuenca Salina Block 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner(s)</td>
<td>Chevron &amp; Inpex</td>
<td>DEA Deutsche Erdoel AG</td>
<td>Ecopetrol</td>
<td>Shell</td>
<td>-</td>
<td>-</td>
<td>Chevron &amp; Inpex</td>
</tr>
<tr>
<td>Prospective resources (MMboe)</td>
<td>485</td>
<td>681</td>
<td>413</td>
<td>76</td>
<td>252</td>
<td>412</td>
<td>101</td>
</tr>
<tr>
<td>Type of hydrocarbon</td>
<td>Light crude oil</td>
<td>Light crude oil &amp; dry gas</td>
<td>Light crude oil</td>
<td>Light crude oil</td>
<td>Light crude oil</td>
<td>Wet &amp; dry gas</td>
<td>Heavy crude oil</td>
</tr>
<tr>
<td>Type of field</td>
<td>Deep Waters</td>
<td>Shallow Waters</td>
<td>Shallow Waters</td>
<td>Deep Waters</td>
<td>Deep Waters</td>
<td>Deep Waters</td>
<td>Deep Waters</td>
</tr>
</tbody>
</table>

**Upstream: PEMEX’s partnerships at a glance**

- 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.
## Upstream: Farm-outs at a glance

<table>
<thead>
<tr>
<th>Areas</th>
<th>Trion</th>
<th>Cárdenas-Mora</th>
<th>Ogarrio</th>
<th>Nobilis-Maximino</th>
<th>Ayín-Batsil</th>
<th>7 clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of project</td>
<td>Farm-out</td>
<td>Farm-out</td>
<td>Farm-out</td>
<td>Farm-out</td>
<td>Farm-out</td>
<td>Farm-out</td>
</tr>
<tr>
<td>Partner</td>
<td>BHP Billiton (Australia)</td>
<td>Cheiron Holdings Limited (Egypt)</td>
<td>DEA Deutsche Erdoel AG (Germany)</td>
<td></td>
<td>Will be part of a new bidding process</td>
<td></td>
</tr>
<tr>
<td>3P reserves / (Mmboe)</td>
<td>485</td>
<td>93</td>
<td>54</td>
<td>1,428&lt;sup&gt;1&lt;/sup&gt;</td>
<td>466&lt;sup&gt;1&lt;/sup&gt;</td>
<td>392</td>
</tr>
<tr>
<td>Type of hydrocarbon</td>
<td>Light crude oil</td>
<td>Light crude oil</td>
<td>Light crude oil</td>
<td>Light crude oil</td>
<td>Heavy oil</td>
<td>Medium Light oil</td>
</tr>
<tr>
<td>Type of field</td>
<td>Deep waters</td>
<td>Onshore</td>
<td>Onshore</td>
<td>Deep waters</td>
<td>Shallow waters</td>
<td>Onshore</td>
</tr>
<tr>
<td>Bidding date</td>
<td>December 5, 2016</td>
<td>September 4, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Source: CNH. P10 prospective resources.
## Upstream: PEMEX’s Migrations at a Glance

<table>
<thead>
<tr>
<th>Areas</th>
<th>Ek-Balam</th>
<th>Santuario &amp; El Golpe</th>
<th>Misión</th>
<th>San Ramón-Blasillo</th>
<th>Olmos</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of project</strong></td>
<td>Migration without a partner</td>
<td>Production Sharing Contract</td>
<td>Production Sharing Contract</td>
<td>Exploration and Extraction Integral Services Contract</td>
<td>Exploration and Extraction Integral Services Contract</td>
</tr>
<tr>
<td><strong>Partner(s)</strong></td>
<td>N.A.</td>
<td>Petrofac</td>
<td>Servicios Múltiples de Burgos</td>
<td>Bidding process</td>
<td>Lewis Energy</td>
</tr>
<tr>
<td><strong>3P reserves (Mmboe)</strong></td>
<td>500</td>
<td>126</td>
<td>61.8 (MMbpce)</td>
<td>26.7</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Prospective resources (Mmboe)</strong></td>
<td>---</td>
<td>---</td>
<td>70</td>
<td>---</td>
<td>165</td>
</tr>
<tr>
<td><strong>Type of hydrocarbon</strong></td>
<td>Heavy oil</td>
<td>Light oil &amp; gas associated</td>
<td>Non-Associated gas &amp; condensate</td>
<td>Light crude oil &amp; dry gas</td>
<td>Light crude oil &amp; dry gas</td>
</tr>
<tr>
<td><strong>Type of field</strong></td>
<td>Shallow waters</td>
<td>Onshore</td>
<td>Onshore</td>
<td>Onshore</td>
<td>Onshore</td>
</tr>
<tr>
<td><strong>Migration date</strong></td>
<td>May 2, 2017</td>
<td>December 18, 2017</td>
<td></td>
<td></td>
<td>To be Determined</td>
</tr>
</tbody>
</table>
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Final Remarks

PEMEX has **tackled short-term challenges** with determination and today has **stable finances**
- Budget adjustment
- Strengthening of financial balance
- Consistent access to financial markets and active debt management
- Primary surplus in 2017
- Sound financial stance and ensured access to liquidity
- Hedge on crude oil prices to ensure budget stability

PEMEX has **harnessed the Energy Reform’s historic opportunity** with the implementation of its Business Plan:
- The first farm-out in deep waters (Trion)
- First two onshore farm-outs (Ogarrio and Cárdenas-Mora)
- Alliances for non-PEMEX’s fields with major oil & gas companies
- Pemex Industrial Transformation first partnership for hydrogen supply
- Pemex Logistics has successfully completed the first stage of the Open Season

Round 2.4 **outstanding results**:  
- Expected investment of USD 93 billion, which represents 1.5x total investment of previous bidding rounds
- Increased oil production up to 1.5 MMbd